Northwest Bancshares, Inc.
Form 10-Q
May 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from to

Commission File Number 001-34582

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

Maryland	27-0950358
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Liberty Street, Warren, Pennsylvania	16365
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

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

Common Stock ($0.01 par value) 101,853,959 shares outstanding as of April 29, 2016

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ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2016	December 31, 2015
Assets		
Cash and due from banks	$86,151	92,263
Interest-earning deposits in other financial institutions	74,850	74,510
Federal funds sold and other short-term investments	2,320	635
Marketable securities available-for-sale (amortized cost of $772,768 and $868,956)	783,940	874,405
Marketable securities held-to-maturity (fair value of $28,611 and $32,552)	27,764	31,689
Total cash and investments	975,025	1,073,502
Personal Banking loans:		
Residential mortgage loans held for sale	8,952	—
Residential mortgage loans	2,761,411	2,750,564
Home equity loans	1,169,821	1,187,106
Consumer loans	525,537	510,617
Total Personal Banking loans	4,465,721	4,448,287
Business Banking loans:		
Commercial real estate loans	2,360,863	2,351,434
Commercial loans	467,418	422,400
Total Business Banking loans	2,828,281	2,773,834
Total loans	7,294,002	7,222,121
Allowance for loan losses	(62,278)	(62,672)
Total loans, net	7,231,724	7,159,449
Federal Home Loan Bank stock, at cost	35,539	40,903
Accrued interest receivable	21,712	21,072
Real estate owned, net	6,834	8,725
Premises and equipment, net	153,000	154,351
Bank owned life insurance	168,511	168,509
Goodwill	261,736	261,736
Other intangible assets	8,398	8,982
Other assets	53,809	54,670
Total assets	$8,916,288	8,951,899
Liabilities and Shareholders' equity		
Liabilities:		
Noninterest-bearing checking deposits	$1,179,950	1,177,256
Interest-bearing checking deposits	1,121,779	1,080,086
Money market deposit accounts	1,295,138	1,274,504
Savings deposits	1,433,788	1,386,017
Time deposits	1,639,406	1,694,718
Total deposits	6,670,061	6,612,581
Borrowed funds	857,754	975,007

Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	111,213	111,213
Advances by borrowers for taxes and insurance	38,719	33,735
Accrued interest payable	1,894	1,993
Other liabilities	66,059	54,207
Total liabilities	7,745,700	7,788,736
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, 101,848,509 and 101,871,737 shares issued, respectively	1,018	1,019
Paid-in capital	718,027	717,603
Retained earnings	492,316	489,292
Unallocated common stock of employee stock ownership plan	(19,815)	(20,216)
Accumulated other comprehensive loss	(20,958)	(24,535)
Total shareholders' equity	1,170,588	1,163,163
Total liabilities and shareholders' equity	$8,916,288	8,951,899

See accompanying notes to unaudited consolidated financial statements

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

	Quarter ended March 31,	
	2016	2015
Interest income:		
Loans receivable	$80,781	70,711
Mortgage-backed securities	2,229	2,234
Taxable investment securities	1,038	1,045
Tax-free investment securities	724	1,348
FHLB dividends	467	1,403
Interest-earning deposits	59	139
Total interest income	85,298	76,880
Interest expense:		
Deposits	6,088	5,766
Borrowed funds	7,658	8,133
Total interest expense	13,746	13,899
Net interest income	71,552	62,981
Provision for loan losses	1,660	900
Net interest income after provision for loan losses	69,892	62,081
Noninterest income:		
Gain on sale of investments	127	95
Service charges and fees	10,065	8,659
Trust and other financial services income	3,261	2,776
Insurance commission income	2,714	2,428
Gain/ (loss) on real estate owned, net	249	(1,046)
Income from bank owned life insurance	1,595	913
Mortgage banking income	218	240
Other operating income	1,219	560
Total noninterest income	19,448	14,625
Noninterest expense:		
Compensation and employee benefits	33,033	27,895
Premises and occupancy costs	6,537	6,267
Office operations	3,460	2,912
Collections expense	676	768
Processing expenses	8,414	7,205
Marketing expenses	1,891	1,976
Federal deposit insurance premiums	1,503	1,347
Professional services	1,833	1,792
Amortization of intangible assets	675	268
Real estate owned expense	311	692
Restructuring/ acquisition expense	635	347
Other expenses	4,307	2,242
Total noninterest expense	63,275	53,711
Income before income taxes	26,065	22,995

Federal and state income taxes	8,081	6,825
Net income	$17,984	16,170
Basic earnings per share	$0.18	0.18
Diluted earnings per share	$0.18	0.18

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

	Quarter ended March 31,	
	2016	2015
Net Income	$17,984	16,170
Other comprehensive income net of tax:		
Net unrealized holding gains/ (losses) on marketable securities:		
Unrealized holding gains net of tax of $(2,220) and $(1,885), respectively	3,464	2,952
Reclassification adjustment for (gains)/ losses included in net income, net of tax of $(11) and $43 respectively	28	(68)
Net unrealized holding gains on marketable securities	3,492	2,884
Change in fair value of interest rate swaps, net of tax of $76 and $(24), respectively	(140)	44
Defined benefit plan:		
Reclassification adjustment for prior period service costs included in net income, net of tax of $(144) and $(140), respectively	225	219
Other comprehensive income	3,577	3,147
Total comprehensive income	$21,561	19,317

See accompanying notes to unaudited consolidated financial statements

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

Quarter ended March 31, 2015

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2014	94,721,453	$ 947	626,134	481,577	(24,370)	(21,641)	1,062,647
Comprehensive income:							
Net income	—	—	—	16,170	—	—	16,170
Other comprehensive income, net of tax of $(2,006)	—	—	—	—	3,147	—	3,147
Total comprehensive income	—	—	—	16,170	3,147	—	19,317
Exercise of stock options	149,897	2	1,433	—	—	—	1,435
Stock-based compensation expense, including tax benefit of $17	—	—	804	—	—	76	880
Share repurchases	(318,000)	(3)	(3,787)	—	—	—	(3,790)
Dividends paid ($0.14 per share)	—	—	—	(12,973)	—	—	(12,973)
Ending balance at March 31, 2015	94,553,350	$ 946	624,584	484,774	(21,223)	(21,565)	1,067,516

Quarter ended March 31, 2016

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2015	101,871,737	$1,019	717,603	489,292	(24,535)	(20,216)	1,163,163
Comprehensive income:							
Net income	—	—	—	17,984	—	—	17,984
Other comprehensive income, net of tax of $(2,299)	—	—	—	—	3,577	—	3,577

Total comprehensive income	—	—	—	17,984	3,577	—	21,561
Exercise of stock options	122,672	1	1,316	—	—	—	1,317
Stock-based compensation expense, including tax benefit of $19	—	—	858	—	—	401	1,259
Share repurchases	(145,900)	(2)	(1,750)	—	—	—	(1,752)
Dividends paid ($0.15 per share)	—	—	—	(14,960)	—	—	(14,960)
Ending Balance at March 31, 2016	101,848,509	$1,018	718,027	492,316	(20,958)	(19,815)	1,170,588

See accompanying notes to unaudited consolidated financial statements

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

	Quarter ended March 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net Income	$17,984	16,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,660	900
Net (gain)/ loss on sale of assets	(960)	274
Net depreciation, amortization and accretion	2,857	1,549
(Increase)/ decrease in other assets	(1,663)	5,685
Decrease in other liabilities	11,907	1,136
Net amortization on marketable securities	544	87
Noncash write-down of real estate owned	764	1,181
Deferred income tax benefit	(650)	—
Origination of loans held for sale	(9,373)	(221)
Proceeds from sale of loans held for sale	432	224
Noncash compensation expense related to stock benefit plans	1,240	863
Net cash provided by operating activities	24,742	27,848
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	—	(29,985)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	3,926	12,914
Proceeds from maturities and principal reductions of marketable securities available-for-sale	95,678	30,329
Proceeds from sale of marketable securities available-for-sale	91	293
Loan originations	(607,818)	(496,009)
Proceeds from loan maturities and principal reductions	542,989	419,198
(Purchase)/ sale of Federal Home Loan Bank stock	5,364	(2,999)
Proceeds from sale of real estate owned	3,228	2,729
Sale of real estate owned for investment, net	152	152
Purchase of premises and equipment	(2,274)	(2,075)
Acquisitions, net of cash received	—	(438)
Net cash provided by/ (used in) investing activities	41,336	(65,891)

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

	Nine months ended September 30,	
	2015	2014
FINANCING ACTIVITIES:		
Increase in deposits, net	$57,480	49,525
Proceeds from long-term borrowings	—	85,000
Repayments of long-term borrowings	(35,013)	(10,013)
Net decrease in short-term borrowings	(82,240)	(19,254)
Increase in advances by borrowers for taxes and insurance	4,984	4,491
Cash dividends paid	(14,960)	(12,973)
Purchase of common stock for retirement	(1,752)	(3,790)
Proceeds from stock options exercised	1,317	1,435
Excess tax benefit from stock-based compensation	19	17
Net cash provided by/ (used in) financing activities	(70,165)	94,438
Net increase/ (decrease) in cash and cash equivalents	$(4,087)	56,395
Cash and cash equivalents at beginning of period	$167,408	240,706
Net increase/ (decrease) in cash and cash equivalents	(4,087)	56,395
Cash and cash equivalents at end of period	$163,321	297,101
Cash and cash equivalents:		
Cash and due from banks	$86,151	83,970
Interest-earning deposits in other financial institutions	74,850	212,496
Federal funds sold and other short-term investments	2,320	635
Total cash and cash equivalents	$163,321	297,101
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of $5,684 and $5,256, respectively)	$13,845	13,499
Income taxes	$733	1,027
Business acquisitions:		
Fair value of assets acquired	$—	438
Cash paid, net	—	(438)
Liabilities assumed	$—	—
Non-cash activities:		
Loans foreclosures and repossessions	$1,531	2,623
Sale of real estate owned financed by the Company	$359	114

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the "Company") or ("NWBI"), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank ("Northwest"). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. Northwest operates 157 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, 2015 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 March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016, or any other period.

Stock-Based Compensation

Stock-based compensation expense of $1.2 million and $880,000 for the quarters ended March 31, 2016 and 2015, respectively, was recognized in compensation expense relating to our stock benefit plans. At March 31, 2016 there was compensation expense of $3.8 million to be recognized for awarded but unvested stock options and $13.3 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At March 31, 2016 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at March 31, 2016. 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, 2015, 2014 and 2013. We are currently under audit by the state of New York for the tax periods ended December 31, 2015,

2014 and 2013.

Impact of New Accounting Standards

In May 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-9, "Revenue from Contracts with Customers (Topic 606)". 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.

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In February 2016 the FASB issued ASU 2016-2, “Leases”. This guidance requires a lessee to recognize in the statement of financial condition a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the term of the lease. Optional periods should only be recognized if the lessee is reasonably certain to exercise the option. For leases with a term of twelve months or less, the lessee is permitted not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the term of the lease. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those years and early adoption is permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In March 2016 the FASB issued ASU 2016-08, “Principal Versus Agent Considerations”. This guidance clarifies the implementation guidance on principal versus agent considerations of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). When (or as) an entity that is a principal satisfies a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. 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 March 2016 the FASB issued ASU 2016-09, “Improvements to Employee Share-based Payment Accounting”. This guidance is part of the FASB's Simplification Initiative and simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those years and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

(2) Business Segments

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 51 offices in Pennsylvania and offers personal installment loans for a variety of consumer and real estate products. This activity is funded primarily through an intercompany borrowing relationship with Allegheny Services, Inc., a subsidiary of Northwest. Net income is the primary measure used by management to measure segment performance. The following tables provide financial information for these reportable segments. The “All Other” column represents the parent company and elimination entries necessary to reconcile to the consolidated amounts presented in the financial statements.

At or for the quarter ended (in thousands):

March 31, 2016	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$80,838	4,243	217	85,298
Intersegment interest income/ expense	642	—	(642)	—

Interest expense	12,681	642	423	13,746
Provision for loan losses	1,213	447	—	1,660
Noninterest income	19,006	380	62	19,448
Noninterest expense	59,972	2,929	374	63,275
Income tax expense (benefit)	8,242	251	(412)	8,081
Net income	$18,378	354	(748)	17,984
Total assets	$8,795,000	106,784	14,504	8,916,288

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March 31, 2015	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$72,331	4,330	219	76,880
Intersegment interest income/ expense	575	—	(575)	—
Interest expense	12,888	575	436	13,899
Provision for loan losses	250	650	—	900
Noninterest income	14,326	270	29	14,625
Noninterest expense	50,440	2,953	318	53,711
Income tax expense (benefit)	7,035	175	(385)	6,825
Net income	$16,619	247	(696)	16,170
Total assets	$7,769,901	102,913	17,545	7,890,359

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

(3) Investment securities and impairment of investment securities

The following table shows the portfolio of investment securities available-for-sale at March 31, 2016 (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	$10	—	—	10
Debt issued by government sponsored enterprises:				
Due in one year or less	15,500	—	(16)	15,484
Due after one year through five years	210,657	747	(159)	211,245
Due after five years through ten years	717	8	—	725
Due after ten years	4,819	175	—	4,994
Equity securities	1,351	511	(6)	1,856
Municipal securities:				
Due in one year or less	1,334	8	—	1,342
Due after one year through five years	13,998	173	(2)	14,169
Due after five years through ten years	11,648	362	—	12,010
Due after ten years	49,575	1,839	—	51,414
Corporate debt issues:				
Due after ten years	14,491	2,361	(511)	16,341
Residential mortgage-backed securities:				
Fixed rate pass-through	110,966	3,231	(58)	114,139
Variable rate pass-through	51,172	2,431	(7)	53,596
Fixed rate non-agency CMOs	2,313	191	—	2,504

Fixed rate agency CMOs	203,585	930	(1,369)	203,146
Variable rate agency CMOs	80,632	400	(67)	80,965
Total residential mortgage-backed securities	448,668	7,183	(1,501)	454,350
Total marketable securities available-for-sale	$ 772,768	13,367	(2,195)	783,940

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 11	—	—	11
Debt issued by government sponsored enterprises:				
Due in one year or less	15,500	3	(48)	15,455
Due after one year through five years	257,463	298	(1,395)	256,366
Due after five years through ten years	12,721	14	(23)	12,712
Due after ten years	9,815	135	(43)	9,907
Equity securities	1,400	500	(6)	1,894
Municipal securities:				
Due in one year or less	1,684	8	—	1,692
Due after one year through five years	14,327	117	(4)	14,440
Due after five years through ten years	12,400	323	—	12,723
Due after ten years	52,286	1,727	—	54,013
Corporate debt issues:				
Due after ten years	14,463	2,417	(405)	16,475
Residential mortgage-backed securities:				
Fixed rate pass-through	118,266	2,480	(420)	120,326
Variable rate pass-through	54,292	2,616	(7)	56,901
Fixed rate non-agency CMOs	2,519	230	—	2,749
Fixed rate agency CMOs	215,719	389	(3,881)	212,227
Variable rate agency CMOs	86,090	476	(52)	86,514
Total residential mortgage-backed securities	476,886	6,191	(4,360)	478,717
Total marketable securities available-for-sale	$ 868,956	11,733	(6,284)	874,405

The following table shows the portfolio of investment securities held-to-maturity at March 31, 2016 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	$ 274	2	—	276
Due after ten years	4,804	192	—	4,996
Residential mortgage-backed securities:				
Fixed rate pass-through	6,099	353	—	6,452
Variable rate pass-through	3,449	54	—	3,503
Fixed rate agency CMOs	12,223	237	—	12,460

Variable rate agency CMOs	915	9	—	924
Total residential mortgage-backed securities	22,686	653	—	23,339
Total marketable securities held-to-maturity	$ 27,764	847	—	28,611

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

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	$ 274	1	—	275
Due after ten years	6,336	239	—	6,575
Residential mortgage-backed securities:				
Fixed rate pass-through	6,458	351	—	6,809
Variable rate pass-through	3,618	41	—	3,659
Fixed rate agency CMOs	14,033	219	—	14,252
Variable rate agency CMOs	970	12	—	982
Total residential mortgage-backed securities	25,079	623	—	25,702
Total marketable securities held-to-maturity	$ 31,689	863	—	32,552

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at March 31, 2016 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government sponsored enterprises	$ 41,858	(168)	30,002	(7)	71,860	(175)
Municipal securities	3,812	(2)	—	—	3,812	(2)
Corporate issues	—	—	1,915	(511)	1,915	(511)
Equity securities	545	(6)	—	—	545	(6)
Residential mortgage-backed securities - agency	17,714	(35)	112,091	(1,466)	129,805	(1,501)
Total temporarily impaired securities	$ 63,929	(211)	144,008	(1,984)	207,937	(2,195)

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, 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 sponsored enterprises	$ 143,751	(723)	92,961	(786)	236,712	(1,509)
Municipal securities	7,505	(4)	—	—	7,505	(4)
Corporate debt issues	—	—	2,021	(405)	2,021	(405)
Equity securities	544	(6)	—	—	544	(6)
Residential mortgage-backed securities - agency	122,109	(598)	149,889	(3,762)	271,998	(4,360)
Total temporarily impaired securities	$ 273,909	(1,331)	244,871	(4,953)	518,780	(6,284)

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.

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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):

	2016	2015
Beginning balance at January 1, (1)	$8,436	8,894
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for losses realized during the quarter	(12)	(29)
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at March 31,	$8,424	$8,865

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

(4) Loans receivable

The following table shows a summary of our loans receivable at March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016			December 31, 2015		
	Originated	Acquired	Total	Originated	Acquired	Total
Personal Banking:						
Residential mortgage loans (1)	2,724,630	44,303	2,768,933	2,695,561	45,716	2,741,277
Home equity loans	1,041,789	128,032	1,169,821	1,055,907	131,199	1,187,106
Consumer loans	340,463	174,993	515,456	307,961	202,656	510,617
Total Personal Banking	4,106,882	347,328	4,454,210	4,059,429	379,571	4,439,000
Business Banking:						
Commercial real estate loans	2,155,242	406,389	2,561,631	2,094,710	429,564	2,524,274
Commercial loans	424,009	62,931	486,940	372,540	65,175	437,715
Total Business Banking	2,579,251	469,320	3,048,571	2,467,250	494,739	2,961,989
Total loans receivable, gross	6,686,133	816,648	7,502,781	6,526,679	874,310	7,400,989
Deferred loan costs	16,305	4,803	21,108	14,806	5,259	20,065
Allowance for loan losses	(59,750)	(2,528)	(62,278)	(60,970)	(1,702)	(62,672)
Undisbursed loan proceeds:						
Residential mortgage loans	(9,597)	—	(9,597)	(10,778)	—	(10,778)
Commercial real estate loans	(193,111)	(7,657)	(200,768)	(159,553)	(13,287)	(172,840)
Commercial loans	(16,409)	(3,113)	(19,522)	(11,132)	(4,183)	(15,315)
Total loans receivable, net	$6,423,571	808,153	7,231,724	6,299,052	860,397	7,159,449

(1) Includes $9.0 million of loans held for sale at March 31, 2016.

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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):

	March 31, 2016	December 31, 2015
Acquired loans evaluated individually for future credit losses:		
Outstanding principal balance	$ 18,474	$ 21,069
Carrying value	14,502	16,867
Acquired loans evaluated collectively for future credit losses:		
Outstanding principal balance	804,018	848,194
Carrying value	796,179	839,973
Total acquired loans:		
Outstanding principal balance	822,492	869,263
Carrying value	810,681	856,840

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	(377)
Net reclassification from nonaccretable yield	724
Balance at December 31, 2015	$2,019
Accretion	(373)
Net reclassification from nonaccretable yield	318
Balance at March 31, 2016	1,964

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the three months ended March 31, 2016 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	$ 1,647	2,462	16	1,814	61
Home equity loans	1,657	3,064	6	1,870	58
Consumer loans	231	443	2	249	9
Total Personal Banking	3,535	5,969	24	3,933	128
Business Banking:					
Commercial real estate loans	10,720	12,239	310	11,504	242
Commercial loans	247	266	—	247	3
Total Business Banking	10,967	12,505	310	11,751	245
Total	$ 14,502	18,474	334	15,684	373

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The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 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	$1,981	2,910	14	2,083	41
Home equity loans	2,084	3,455	6	2,222	51
Consumer loans	267	492	2	305	18
Total Personal Banking	4,332	6,857	22	4,610	110
Business Banking:					
Commercial real estate loans	12,288	13,946	353	12,867	249
Commercial loans	247	266	—	335	18
Total Business Banking	12,535	14,212	353	13,202	267
Total	$16,867	21,069	375	17,812	377

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended March 31, 2016 (in thousands):

	Balance March 31, 2016	Current period provision	Charge-offs	Recoveries	Balance December 31, 2015
Originated loans:					
Personal Banking:					
Residential mortgage loans	$ 4,257	3	(489)	51	4,692
Home equity loans	3,409	(273)	(298)	39	3,941
Consumer loans	7,294	1,639	(2,226)	393	7,488
Total Personal Banking	14,960	1,369	(3,013)	483	16,121
Business Banking:					
Commercial real estate loans	29,867	(4,205)	(184)	1,908	32,348
Commercial loans	14,923	2,440	(112)	94	12,501
Total Business Banking	44,790	(1,765)	(296)	2,002	44,849
Total originated loans	59,750	(396)	(3,309)	2,485	60,970
Acquired loans:					
Personal Banking:					
Residential mortgage loans	8	37	(75)	28	18
Home equity loans	298	738	(686)	145	101
Consumer loans	199	214	(177)	52	110
Total Personal Banking	505	989	(938)	225	229
Business Banking:					
Commercial real estate loans	1,735	813	(713)	196	1,439
Commercial loans	288	254	(5)	5	34

Total Business Banking	2,023	1,067	(718)	201	1,473
Total acquired loans	2,528	2,056	(1,656)	426	1,702
Total	$ 62,278	1,660	(4,965)	2,911	62,672

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

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

At March 31, 2016, 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 March 31, 2016 (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	$2,770,363	4,265	18,300	4	6,842	1,185	—
Home equity loans	1,169,821	3,707	7,663	—	2,048	501	—
Consumer loans	525,537	7,493	2,896	766	—	—	—
Total Personal Banking	4,465,721	15,465	28,859	770	8,890	1,686	—
Business Banking:							
Commercial real estate loans	2,360,863	31,602	35,995	124	27,630	2,180	384
Commercial loans	467,418	15,211	9,298	—	11,728	2,054	81
Total Business Banking	2,828,281	46,813	45,293	124	39,358	4,234	465
Total	$7,294,002	62,278	74,152	894	48,248	5,920	465

(1) Includes $17.7 million of nonaccrual TDRs.

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

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 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	$2,740,892	4,710	19,772	4	6,360	1,189	—
Home equity loans	1,187,106	4,042	7,522	—	2,298	605	—
Consumer loans	520,289	7,598	3,452	976	—	—	—
Total Personal Banking	4,448,287	16,350	30,746	980	8,658	1,794	—
Business Banking:							
Commercial real estate loans	2,351,434	33,787	33,421	206	31,970	2,257	241
Commercial loans	422,400	12,535	7,495	148	10,487	631	79
Total Business Banking	2,773,834	46,322	40,916	354	42,457	2,888	320
Total	$7,222,121	62,672	71,662	1,334	51,115	4,682	320

(1) Includes $21.1 million of nonaccrual TDRs.

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

The following table provides geographical information related to the loan portfolio by portfolio segment and class of financing receivable at March 31, 2016 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans receivable:						
Personal Banking:						
Residential mortgage loans	$2,334,241	177,196	71,832	127,886	59,208	2,770,363
Home equity loans	865,855	123,215	151,288	24,550	4,913	1,169,821
Consumer loans	256,254	11,997	107,090	1,798	148,398	525,537
Total Personal Banking	3,456,350	312,408	330,210	154,234	212,519	4,465,721
Business Banking:						
Commercial real estate loans	962,835	775,578	440,982	120,771	60,697	2,360,863
Commercial loans	321,533	54,186	74,000	6,888	10,811	467,418
Total Business Banking	1,284,368	829,764	514,982	127,659	71,508	2,828,281
Total	$4,740,718	1,142,172	845,192	281,893	284,027	7,294,002
Percentage of total loans receivable	65.0 %	15.6 %	11.6 %	3.9 %	3.9 %	100.0 %

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The following table provides delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at March 31, 2016 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent: (1)						
Personal Banking:						
Residential mortgage loans	$ 9,580	1,501	983	1,578	1,031	14,673
Home equity loans	3,167	738	1,362	933	—	6,200
Consumer loans	2,158	101	17	—	110	2,386
Total Personal Banking	14,905	2,340	2,362	2,511	1,141	23,259
Business Banking:						
Commercial real estate loans	7,900	2,379	4,535	122	506	15,442
Commercial loans	2,154	749	392	161	—	3,456
Total Business Banking	10,054	3,128	4,927	283	506	18,898
Total	$ 24,959	5,468	7,289	2,794	1,647	42,157
Percentage of total loans 90 or more days delinquent	59.2 %	13.0 %	17.3 %	6.6 %	3.9 %	100.0 %

(1) Includes $3.1 million of acquired loans considered accruing.

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

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans receivable:						
Personal Banking:						
Residential mortgage loans	$2,310,860	171,790	70,209	129,129	58,904	2,740,892
Home equity loans	879,447	124,291	154,003	24,458	4,907	1,187,106
Consumer loans	260,170	12,244	102,034	1,870	143,971	520,289
Total Personal Banking	3,450,477	308,325	326,246	155,457	207,782	4,448,287
Business Banking:						
Commercial real estate loans	965,090	749,435	453,180	122,775	60,954	2,351,434
Commercial loans	284,611	53,420	68,327	5,662	10,380	422,400
Total Business Banking	1,249,701	802,855	521,507	128,437	71,334	2,773,834
Total	$4,700,178	1,111,180	847,753	283,894	279,116	7,222,121
Percentage of total loans receivable	65.1 %	15.4 %	11.7 %	3.9 %	3.9 %	100.0 %

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

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent: (1)						
Personal Banking:						
Residential mortgage loans	$ 10,998	1,801	1,308	1,341	902	16,350
Home equity loans	3,204	639	1,294	975	—	6,112
Consumer loans	2,780	90	24	—	32	2,926
Total Personal Banking	16,982	2,530	2,626	2,316	934	25,388
Business Banking:						
Commercial real estate loans	10,439	3,012	4,823	251	506	19,031
Commercial loans	1,582	859	158	—	—	2,599
Total Business Banking	12,021	3,871	4,981	251	506	21,630
Total	$ 29,003	6,401	7,607	2,567	1,440	47,018
Percentage of total loans 90 or more days delinquent	61.6 %	13.6 %	16.2 %	5.5 %	3.1 %	100.0 %

(1) Includes $3.8 million of acquired loans considered accruing.

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 three months ended March 31, 2016 (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	$ 14,301	3,999	—	5,759	24,059	24,770	278
Home equity loans	5,922	1,741	—	1,651	9,314	9,748	122
Consumer loans	2,360	536	—	—	2,896	3,333	38
Total Personal Banking	22,583	6,276	—	7,410	36,269	37,851	438
Business Banking:							
Commercial real estate loans	13,165	22,830	19,487	14,983	70,465	76,887	839
Commercial loans	3,314	5,984	2,421	4,055	15,774	14,891	251
Total Business Banking	16,479	28,814	21,908	19,038	86,239	91,778	1,090
Total	$ 39,062	35,090	21,908	26,448	122,508	129,629	1,528

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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 year ended December 31, 2015 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	$ 15,810	3,962	—	5,086	24,858	24,554	944
Home equity loans	5,650	1,872	—	1,847	9,369	9,644	497
Consumer loans	2,900	552	—	—	3,452	2,977	101
Total Personal Banking	24,360	6,386	—	6,933	37,679	37,175	1,542
Business Banking:							
Commercial real estate loans	16,449	16,972	16,121	16,467	66,009	77,166	3,226
Commercial loans	2,459	5,036	2,014	4,654	14,163	16,187	694
Total Business Banking	18,908	22,008	18,135	21,121	80,172	93,353	3,920
Total	$ 43,268	28,394	18,135	28,054	117,851	130,528	5,462

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at March 31, 2016 (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	$ 2,762,834	7,529	7,529	1,203	—
Home equity loans	1,167,773	2,048	2,048	601	—
Consumer loans	525,441	96	96	22	—
Total Personal Banking	4,456,048	9,673	9,673	1,826	—
Business Banking:					
Commercial real estate loans	2,311,452	49,411	31,968	2,674	17,443
Commercial loans	455,146	12,272	8,922	973	3,350
Total Business Banking	2,766,598	61,683	40,890	3,647	20,793
Total	$ 7,222,646	71,356	50,563	5,473	20,793

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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 December 31, 2015 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	$ 2,733,741	7,151	7,151	1,189	—
Home equity loans	1,184,808	2,298	2,298	605	—
Consumer loans	520,159	130	130	50	—
Total Personal Banking	4,438,708	9,579	9,579	1,844	—
Business Banking:					
Commercial real estate loans	2,297,599	53,835	35,937	2,675	17,898
Commercial loans	411,342	11,058	7,673	489	3,385
Total Business Banking	2,708,941	64,893	43,610	3,164	21,283
Total	$ 7,147,649	74,472	53,189	5,008	21,283

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):

	For the quarters ended March 31,			
	2016		2015	
	Number of contracts	Amount	Number of contracts	Amount
Beginning TDR balance:	227	$51,115	248	$61,788
New TDRs	9	3,349	2	112
Re-modified TDRs	1	200	1	85
Net paydowns		(1,483)		(823)
Charge-offs:				
Residential mortgage loans	—	—	—	—
Home equity loans	—	—	2	(31)
Commercial real estate loans	—	—	1	(14)
Commercial loans	1	(43)	2	(387)
Paid-off loans:				
Residential mortgage loans	—	—	—	—
Home equity loans	2	(231)	1	(6)
Commercial real estate loans	4	(4,521)	2	(79)
Commercial loans	2	(138)	—	—
Ending TDR balance:	227	$48,248	242	$60,645
Accruing TDRs		$30,549		$40,802
Non-accrual TDRs		17,699		19,843

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

	For the quarter ended March 31, 2016			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans	3	$ 507	505	46
Home equity loans	1	56	55	13
Consumer loans	—	—	—	—
Total Personal Banking	4	563	560	59
Business Banking:				
Commercial real estate loans	2	1,284	1,284	269
Commercial loans	4	1,702	1,689	538
Total Business Banking	6	2,986	2,973	807

Total	10	$ 3,549	3,533	866

At March 31, 2016, no TDRs modified within the previous twelve months have subsequently defaulted.

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

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

The following table provides information as of March 31, 2016 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended March 31, 2016 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	3	$364	—	93	48	505
Home equity loans	1	55	—	—	—	55
Consumer loans	—	—	—	—	—	—
Total Personal Banking	4	419	—	93	48	560

Business Banking:						
Commercial real estate loans	2	—	—	—	1,284	1,284
Commercial loans	4	—	863	—	826	1,689
Total Business Banking	6	—	863	—	2,110	2,973
Total	10	$419	863	93	2,158	3,533

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The following table provides information as of March 31, 2015 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended March 31, 2015 (dollars in thousands):

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

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended March 31, 2016 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification				
		Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	—	$ —	—	—	—	—
Home equity loans	—	—	—	—	—	—
Consumer loans	—	—	—	—	—	—
Total Personal Banking	—	—	—	—	—	—
Business Banking:						
Commercial real estate loans	1	—	—	—	200	200
Commercial loans	—	—	—	—	—	—
Total Business Banking	1	—	—	—	200	200
Total	1	$ —	—	—	200	200

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

	Number of re-modified TDRs	Type of re-modification				
		Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	—	$ —	—	—	—	—
Home equity loans	1	84	—	—	—	84
Consumer loans	—	—	—	—	—	—
Total Personal Banking	1	84	—	—	—	84

Business Banking:						
Commercial real estate loans	—	—	—	—	—	—
Commercial loans	—	—	—	—	—	—
Total Business Banking	—	—	—	—	—	—
Total	1	$ 84	—	—	—	84

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The following table provides information related to loan payment delinquencies at March 31, 2016 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans:							
Personal Banking:							
Residential mortgage loans	$ 23,633	1,308	14,213	39,154	2,686,906	2,726,060	—
Home equity loans	4,339	1,058	5,111	10,508	1,031,281	1,041,789	—
Consumer loans	4,761	1,652	2,251	8,664	337,077	345,741	—
Total Personal Banking	32,733	4,018	21,575	58,326	4,055,264	4,113,590	—
Business Banking:							
Commercial real estate loans	23,102	1,081	11,597	35,780	1,926,351	1,962,131	—
Commercial loans	3,133	375	3,069	6,577	401,023	407,600	—
Total Business Banking	26,235	1,456	14,666	42,357	2,327,374	2,369,731	—
Total originated loans	58,968	5,474	36,241	100,683	6,382,638	6,483,321	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	861	50	460	1,371	42,932	44,303	372
Home equity loans	1,012	198	1,089	2,299	125,733	128,032	278
Consumer loans	750	151	135	1,036	178,760	179,796	26
Total Personal Banking	2,623	399	1,684	4,706	347,425	352,131	676
Business Banking:							
Commercial real estate loans	4,372	—	3,845	8,217	390,515	398,732	2,277
Commercial loans	—	—	387	387	59,431	59,818	142
Total Business Banking	4,372	—	4,232	8,604	449,946	458,550	2,419
Total acquired loans	6,995	399	5,916	13,310	797,371	810,681	3,095
Total loans	$ 65,963	5,873	42,157	113,993	7,180,009	7,294,002	3,095

(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, 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	$ 25,503	7,541	15,564	48,608	2,646,568	2,695,176	—
Home equity loans	4,870	1,836	5,251	11,957	1,043,950	1,055,907	—
Consumer loans	6,092	2,340	2,857	11,289	301,085	312,374	—
Total Personal Banking	36,465	11,717	23,672	71,854	3,991,603	4,063,457	—
Business Banking:							
Commercial real estate loans	22,212	6,875	14,942	44,029	1,891,128	1,935,157	—
Commercial loans	1,703	598	2,449	4,750	356,658	361,408	—
Total Business Banking	23,915	7,473	17,391	48,779	2,247,786	2,296,565	—
Total originated loan	60,380	19,190	41,063	120,633	6,239,389	6,360,022	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	$ 440	249	786	1,475	44,241	45,716	540
Home equity loans	936	642	861	2,439	128,760	131,199	462
Consumer loans	1,009	181	69	1,259	206,656	207,915	26
Total Personal Banking	2,385	1,072	1,716	5,173	379,657	384,830	1,028
Business Banking:							
Commercial real estate loans	2,665	1,353	4,089	8,107	408,170	416,277	2,582
Commercial loans	1,165	—	150	1,315	59,677	60,992	140
Total Business Banking	3,830	1,353	4,239	9,422	467,847	477,269	2,722
Total acquired loan	6,215	2,425	5,955	14,595	847,504	862,099	3,750
Total	$ 66,595	21,615	47,018	135,228	7,086,893	7,222,121	3,750

(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.

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

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jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

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

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

The following table sets forth information about credit quality indicators updated during the quarter ended March 31, 2016 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	$2,711,482	—	13,261	—	1,317	2,726,060
Home equity loans	1,034,439	—	7,350	—	—	1,041,789
Consumer loans	343,672	—	2,069	—	—	345,741
Total Personal Banking	4,089,593	—	22,680	—	1,317	4,113,590
Business Banking:						
Commercial real estate loans	1,790,699	56,733	114,684	15	—	1,962,131
Commercial loans	351,694	15,716	39,078	1,112	—	407,600
Total Business Banking	2,142,393	72,449	153,762	1,127	—	2,369,731
Total originated loans	6,231,986	72,449	176,442	1,127	1,317	6,483,321
Acquired loans:						
Personal Banking:						
Residential mortgage loans	43,843	—	460	—	—	44,303
Home equity loans	126,943	—	1,089	—	—	128,032
Consumer loans	179,661	—	135	—	—	179,796
Total Personal Banking	350,447	—	1,684	—	—	352,131
Business Banking:						
Commercial real estate loans	376,411	6,962	15,359	—	—	398,732
Commercial loans	58,300	709	809	—	—	59,818
Total Business Banking	434,711	7,671	16,168	—	—	458,550
Total acquired loans	785,158	7,671	17,852	—	—	810,681
Total loans	$7,017,144	80,120	194,294	1,127	1,317	7,294,002

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

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	$2,680,562	—	13,274	—	1,340	2,695,176
Home equity loans	1,048,397	—	7,510	—	—	1,055,907
Consumer loans	309,900	—	2,474	—	—	312,374
Total Personal Banking	4,038,859	—	23,258	—	1,340	4,063,457
Business Banking:						
Commercial real estate loans	1,778,140	46,518	110,384	115	—	1,935,157
Commercial loans	299,455	23,023	37,820	1,110	—	361,408
Total Business Banking	2,077,595	69,541	148,204	1,225	—	2,296,565
Total originated loans	6,116,454	69,541	171,462	1,225	1,340	6,360,022
Acquired loans:						
Personal Banking:						
Residential mortgage loans	44,930	—	786	—	—	45,716
Home equity loans	130,338	—	861	—	—	131,199
Consumer loans	207,846	—	69	—	—	207,915
Total Personal Banking	383,114	—	1,716	—	—	384,830
Business Banking:						
Commercial real estate loans	392,811	6,872	16,594	—	—	416,277
Commercial loans	59,948	707	337	—	—	60,992
Total Business Banking	452,759	7,579	16,931	—	—	477,269
Total acquired loans	835,873	7,579	18,647	—	—	862,099
Total	$6,952,327	77,120	190,109	1,225	1,340	7,222,121

(5) Goodwill and Other Intangible Assets

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

	March 31, 2016	December 31, 2015
Amortizable intangible assets:		
Core deposit intangibles — gross	$37,953	30,578
Acquisitions	—	7,375
Less: accumulated amortization	(31,653)	(31,192)
Core deposit intangibles — net	6,300	6,761
Customer and Contract intangible assets — gross	8,496	8,234
Acquisitions	91	262
Less: accumulated amortization	(6,489)	(6,275)
Customer and Contract intangible assets — net	$2,098	2,221

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The following table shows the actual aggregate amortization expense for the quarters ended March 31, 2016 and 2015, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended March 31, 2016	$675
For the quarter ended March 31, 2015	268
For the year ending December 31, 2016	2,614
For the year ending December 31, 2017	2,109
For the year ending December 31, 2018	1,674
For the year ending December 31, 2019	1,239
For the year ending December 31, 2020	804
For the year ending December 31, 2021	455

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, 2014	$ 173,710	1,613	175,323
Goodwill acquired	86,413	—	86,413
Impairment losses	—	—	—
Balance at December 31, 2015	260,123	1,613	261,736
Goodwill acquired	—	—	—
Impairment losses	—	—	—
Balance at March 31, 2016	$ 260,123	1,613	261,736

We performed our annual goodwill impairment test as of June 30, 2015 and concluded that goodwill was not impaired. At March 31, 2016, there were no changes in our operations or other factors that would cause us to update that test. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2015 Annual Report on Form 10-K for a description of our testing procedures.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management's credit assessment of the customer. At March 31, 2016, the maximum potential amount of future payments we could be required to make under these standby letters of credit was $33.0 million, of which $24.3 million is fully collateralized. At March 31, 2016, we had a liability, which represents deferred income, of $1.3 million related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

(7) Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without considering any dilutive items. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Stock options to purchase 521,786 shares of common stock with a weighted average exercise price

of $13.15 per share were outstanding during the quarter ended March 31, 2016 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 $12.71. Stock options to purchase 3,744,878 shares of common stock with a weighted average exercise price of $12.43 per share were outstanding during the quarter ended March 31, 2015 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares of $11.89.

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

	Quarter ended March 31,	
	2016	2015
Reported net income	$17,984	16,170
Weighted average common shares outstanding	98,889,749	91,634,064
Dilutive potential shares due to effect of stock options	490,265	268,007
Total weighted average common shares and dilutive potential shares	99,380,009	91,902,071
Basic earnings per share:	$0.18	0.18
Diluted earnings per share:	$0.18	0.18

(8) Pension and Other Post-retirement Benefits

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

Components of net periodic benefit cost

	Quarter ended March 31,			
	Pension benefits		Other post-retirement benefits	
	2016	2015	2016	2015
Service cost	$1,374	1,430	—	—
Interest cost	1,696	1,531	17	15
Expected return on plan assets	(2,474)	(2,593)	—	—
Amortization of prior service cost	(581)	(581)	—	—
Amortization of the net loss	927	925	23	15
Net periodic (benefit)/ cost	$942	712	40	30

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, 2016.

(9) Disclosures About Fair Value of Financial Instruments

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

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

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

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

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- 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 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

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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 March 31, 2016 and December 31, 2015, there was no significant unrealized appreciation or depreciation on these financial instruments.

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at March 31, 2016 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$163,321	163,321	163,321	—	—
Securities available-for-sale	783,940	783,940	1,856	773,494	8,590
Securities held-to-maturity	27,764	28,611	—	28,611	—
Loans receivable, net	7,231,724	7,619,094	8,952	—	7,610,142
Accrued interest receivable	21,712	21,712	21,712	—	—
FHLB Stock	35,539	35,539	—	—	—
Total financial assets	$8,264,000	8,652,217	195,841	802,105	7,618,732
Financial liabilities:					
Savings and checking deposits	$5,030,655	5,030,655	5,030,655	—	—
Time deposits	1,639,406	1,655,903	—	—	1,655,903
Borrowed funds	857,754	877,163	142,424	—	734,739

Junior subordinated debentures	111,213	116,211	—	—	116,211
Cash flow hedges - swaps	4,492	4,492	—	4,492	—
Accrued interest payable	1,894	1,894	1,894	—	—
Total financial liabilities	$7,645,414	7,686,318	5,174,973	4,492	2,506,853

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

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$167,408	167,408	167,408	—	—
Securities available-for-sale	874,405	874,405	1,894	863,556	8,955
Securities held-to-maturity	31,689	32,552	—	32,552	—
Loans receivable, net	7,159,449	7,482,431	—	—	7,482,431
Accrued interest receivable	21,072	21,072	21,072	—	—
FHLB Stock	40,903	40,903	—	—	—
Total financial assets	$8,294,926	8,618,771	190,374	896,108	7,491,386
Financial liabilities:					
Savings and checking accounts	$4,917,863	4,917,863	4,917,863	—	—
Time deposits	1,694,718	1,710,388	—	—	1,710,388
Borrowed funds	975,007	998,527	118,664	—	879,863
Junior subordinated debentures	111,213	115,268	—	—	115,268
Cash flow hedges - swaps	4,276	4,276	—	4,276	—
Accrued interest payable	1,993	1,993	1,993	—	—
Total financial liabilities	$7,705,070	7,748,315	5,038,520	4,276	2,705,519

Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both March 31, 2016 and December 31, 2015. There were no transfers of financial instruments between Level 1 and Level 2 during the nine months ended March 31, 2016.

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The following table represents assets and liabilities measured at fair value on a recurring basis at March 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$1,856	—	—	1,856
Debt securities:				
U.S. government and agencies	—	10	—	10
Government sponsored enterprises	—	232,448	—	232,448
States and political subdivisions	—	78,935	—	78,935
Corporate	—	7,751	8,590	16,341
Total debt securities	—	319,144	8,590	327,734
Residential mortgage-backed securities:				
GNMA	—	26,008	—	26,008
FNMA	—	94,117	—	94,117
FHLMC	—	47,010	—	47,010
Non-agency	—	600	—	600
Collateralized mortgage obligations:				
GNMA	—	9,872	—	9,872
FNMA	—	116,929	—	116,929
FHLMC	—	149,619	—	149,619
SBA	—	7,691	—	7,691
Non-agency	—	2,504	—	2,504
Total mortgage-backed securities	—	454,350	—	454,350
Interest rate swaps	—	(4,492)	—	(4,492)
Total assets and liabilities	$1,856	769,002	8,590	779,448

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

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$1,894	—	—	1,894
Debt securities:				
U.S. government and agencies	—	11	—	11
Government sponsored enterprises	—	294,440	—	294,440
States and political subdivisions	—	82,868	—	82,868
Corporate	—	7,520	8,955	16,475
Total debt securities	—	384,839	8,955	393,794
Residential mortgage-backed securities:				
GNMA	—	27,082	—	27,082
FNMA	—	99,170	—	99,170
FHLMC	—	50,369	—	50,369
Non-agency	—	606	—	606
Collateralized mortgage obligations:				
GNMA	—	10,669	—	10,669
FNMA	—	122,528	—	122,528
FHLMC	—	157,378	—	157,378
SBA	—	8,166	—	8,166
Non-agency	—	2,749	—	2,749
Total mortgage-backed securities	—	478,717	—	478,717
Interest rate swaps	—	(4,276)	—	(4,276)
Total assets and liabilities	$1,894	859,280	8,955	870,129

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods indicated (in thousands):

	Quarter ended March 31, 2016	March 31, 2015
Beginning balance	$8,955	10,597
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):		
Included in net income as OTTI	—	—
Included in other comprehensive income	(365)	(291)
Purchases	—	—
Sales	—	—
Transfers in to Level 3	—	—
Transfers out of Level 3	—	—

Ending balance	$8,590	10,306

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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 March 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$ ——		45,090	45,090
Real estate owned	—	—	6,834	6,834
Total assets	$ ——		51,924	51,924

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, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$ ——		48,181	48,181
Real estate owned	—	—	8,725	8,725
Total assets	$ ——		56,906	56,906

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 March 31, 2016 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	$ 8,590	Discounted cash flow	Discount margin	0.35% to 2.10% (0.69%)
			Default rates	1.00%
			Prepayment speeds	1.00 annually
Loans measured for impairment	45,090	Appraisal value (1)	Estimated cost to sell	10%
		Discounted cash flow	Discount rate	3.75% to 20.00% (10.94%)
Real estate owned	6,834	Appraisal value (1)	Estimated cost to sell	10%

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

dependent.

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

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

We have two legacy 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. The outstanding stock issued by LNB Trust I was redeemed on December 15, 2015. At March 31, 2016, 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%. LNB Trust II 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 II holds $8,119,000 of junior subordinated debentures. The 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 two 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 swap modifies the re-pricing characteristics of Trust IV, wherein 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 March 31, 2016, $4.7 million of cash was pledged as collateral to the

counterparty.

At March 31, 2016, the fair value of the swap agreements was $(4.5) 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 March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Fair value	$ 4,492	4,276
Notional amount	50,000	50,000
Collateral posted	4,705	4,705

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(11) Legal Proceedings

We establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. As of March 31, 2016 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.

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

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

	For the quarter ended March 31, 2016			
	Unrealized gains and (losses) on available-for-sale securities	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2015	$3,325	(2,779)	(25,081)	(24,535)
Other comprehensive income before reclassification adjustments	3,464	(140)	—	3,324
Amounts reclassified from accumulated other comprehensive income (1), (2)	28	—	225	253
Net other comprehensive income/ (loss)	3,492	(140)	225	3,577
Balance as of March 31, 2016	$6,817	(2,919)	(24,856)	(20,958)

	For the quarter ended March 31, 2015			
	Unrealized gains and (losses) on available-for-sale securities	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2014	$3,461	(4,078)	(23,753)	(24,370)
Other comprehensive income before reclassification adjustments	2,952	44	—	2,996
Amounts reclassified from accumulated other comprehensive income (3), (4)	(68)	—	219	151
Net other comprehensive income	2,884	44	219	3,147
Balance as of March 31, 2015	$6,345	(4,034)	(23,534)	(21,223)

(1) Consists of realized gains on securities (loss on sales of investments, net) of $(39), net of tax (income tax expense) of $11.

(2)

(3) Consists of amortization of prior service cost (compensation and employee benefits) of $581 and amortization of net loss (compensation and employee benefits) of $(950), net of tax (income tax expense) of $144. See note 8.

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

(4) 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.

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(13) Subsequent events

On April 26, 2016 we completed the optimization of our office network. In recent years, we have invested heavily in alternative delivery channels such as online and mobile banking, depository ATMs, and automated telephone banking which enables customers to transact business outside of the branch and beyond normal business hours. As a result, the number of transactions conducted in offices has significantly decreased over the past several years and has created an opportunity to improve operating efficiency. Based on these changes in customer preferences, we consolidated 24 of our offices into nearby locations and converted two full-service offices into drive-up only facilities. Expenses associated with these changes are expected to be approximately $5.0 million, which will be incurred during the first half of 2016.

As was previously announced on April 28, 2016, Northwest has signed a definitive agreement to acquire 18 Western New York bank branches with deposits of approximately $1.700 billion, subject to the closing of the KeyCorp/First Niagara Financial Group, Inc. merger, from First Niagara Bank N.A., which will be a wholly owned subsidiary of KeyCorp at the time of closing. The premium to be paid on the deposits to be transferred is 4.5%. In addition to receiving approximately $1.000 billion in cash from the transaction, Northwest will acquire approximately $511.0 million of performing business and personal loans.

The First Niagara branches are being sold in connection with its pending acquisition by KeyCorp. The divestitures have been approved by the United States Department of Justice and the Federal Reserve Board following a customary anti-trust review. The transaction has received approvals from each party’s board of directors and remains subject to regulatory approval and other customary closing conditions. Pending such completion, the transaction is expected to close in the third quarter of 2016.

On May 10, 2016 we disclosed our intention to replace $715.0 million of long-term FHLB advances with lower cost deposits as part of the proposed acquisition of 18 branch offices of First Niagara Bank. On May 6, 2016 we completed the replacement of $675.0 million of these long-term advances, with a weighted-average cost of 3.56%, with overnight borrowings at a weighted-average cost of 0.54%. This transaction included a penalty of $37.0 million, which will be expensed during the quarter ending June 30, 2016.

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;

- adverse 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;
- managing our internal growth and our ability to successfully integrate acquired entities;
- changes in consumer spending, borrowing and savings habits;
- 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;

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- our ability to receive regulatory approvals for proposed transactions or new lines of business:
- the impact of the current governmental effort to restructure the U.S. financial and regulatory system;
- changes in the financial performance and/or condition of our borrowers; and
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.

Overview of Critical Accounting Policies Involving Estimates

Please refer to Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2015 Annual Report on Form 10-K.

Executive Summary and Comparison of Financial Condition

Total assets at March 31, 2016 were $8.916 billion, a decrease of $35.6 million, or 0.4%, from $8.952 billion at December 31, 2015. This decrease in assets was due primarily to a $94.4 million, or 10.4%, decrease in marketable securities. Partially offsetting this decrease was an increases in net loans receivable of $73.7 million, or 1.0%.

Total loans receivable increased by $71.9 million, or 1.0%, to $7.294 billion at March 31, 2016, from $7.222 billion at December 31, 2015. Loans funded during the quarter ended March 31, 2016, of $617.2 million exceeded loan maturities, principal repayments and mortgage loan sales of $543.4 million. Our business banking loan portfolio increased by $54.4 million, or 2.0%, to $2.828 billion at March 31, 2016 from $2.774 billion at December 31, 2015, as we continue to emphasize the origination of commercial and commercial real estate loans. Additionally, our personal banking loan portfolio increased by $17.4 million, or 0.4%, to $4.466 billion at March 31, 2016 from $4.448 billion at December 31, 2015. This increase is primarily attributable to an increase in residential mortgage loans of $29.5 million as a result of the success of our wholesale lending division and improvements made to the retail application and underwriting processes.

Total deposits increased by $57.5 million, or 0.9%, to $6.670 billion at March 31, 2016 from $6.613 billion at December 31, 2015. All deposit types increased with the exception of time deposits. Noninterest-bearing demand deposits increased by $2.7 million, or 0.2%, to $1.180 billion at March 31, 2016 from $1.177 billion at December 31, 2015. Interest-bearing demand deposits increased by $41.7 million, or 3.9%, to $1.122 billion at March 31, 2016 from $1.080 billion at December 31, 2015. Savings deposits increased by $47.8 million, or 3.4%, to $1.434 billion at March 31, 2016 from $1.386 billion at December 31, 2015. Money market demand accounts increased by $20.6 million, or 1.6%, to $1.295 billion at March 31, 2016 from $1.275 billion at December 31, 2015. Partially offsetting these increases was a decrease in time deposits of $55.3 million, or 3.3%, to $1.639 billion at March 31, 2016 from $1.695 billion at December 31, 2015. 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 and our emphasis on attracting low-cost fee based deposits.

Borrowed funds decreased by $117.2 million, or 12.0%, to $857.8 million at March 31, 2016, from $975.0 million at December 31, 2015. This decrease is due primarily to the repayment and maturity of $106.0 million and $35.0 million of FHLB overnight borrowings and term advances, respectively. Partially offsetting this decrease was an increase of $23.7 million in collateralized borrowings.

Total shareholders' equity at March 31, 2016 was $1.171 billion, or $11.49 per share, an increase of $7.4 million, or 0.6%, from $1.163 billion, or $11.42 per share, at December 31, 2015. This increase in equity was primarily the result of net income during the quarter ended March 31, 2016 of $18.0 million and a decrease in accumulated other comprehensive loss of $3.6 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 $15.0 million and the repurchase of 145,900 shares of common stock for $1.8 million during the quarter ended March 31, 2016.

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

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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 is being phased in beginning on January 1, 2016 and ending on January 1, 2019, when the full capital conservation buffer requirement will be effective.

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.

	At March 31, 2016					
	Actual		Minimum capital requirements (1)		Well capitalized requirements (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Northwest Bancshares, Inc.	$1,104,502	16.5499%	575,612	8.6250%	709,087	10.6250%
Northwest Bank	1,024,001	15.3670%	574,737	8.6250%	708,010	10.6250%
Tier 1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,041,997	15.6133%	442,137	6.6250%	575,612	8.6250 %
Northwest Bank	961,720	14.4324%	441,465	6.6250%	574,737	8.6250 %
CET1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	934,122	13.9969%	342,030	5.1250%	475,506	7.1250 %
Northwest Bank	961,720	14.4324%	341,511	5.1250%	474,783	7.1250 %
Tier 1 capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,041,997	11.9879%	347,683	4.0000%	434,604	5.0000 %
Northwest Bank	961,720	11.0806%	347,173	4.0000%	433,966	5.0000 %

(1) Amounts and ratios include the current capital conservation buffer of 0.6250%, with the exception of Tier 1 capital to average assets.

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	At December 31, 2015					
	Actual		Minimum capital requirements		Well capitalized requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assets)						
Northwest Bancshares, Inc.	$1,102,468	16.63%	530,257	8.00%	662,821	10.00%
Northwest Bank	1,006,230	15.20%	529,498	8.00%	661,872	10.00%
Tier I capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,039,574	15.68%	397,693	6.00%	530,257	8.00%
Northwest Bank	943,554	14.26%	397,123	6.00%	529,498	8.00%
CET1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	931,699	14.06%	298,269	4.50%	430,834	6.50%
Northwest Bank	943,554	14.26%	297,843	4.50%	430,217	6.50%
Tier I capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,039,574	11.96%	347,582	4.00%	434,477	5.00%
Northwest Bank	943,554	10.87%	347,063	4.00%	433,829	5.00%

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 March 31, 2016 was 8.5%. We adjust liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes and insurance on mortgage loan escrow accounts, repayment of borrowings and loan commitments. At March 31, 2016 Northwest had $2.337 billion of additional borrowing capacity available with the FHLB, including $150.0 million on an overnight line of credit, as well as $134.6 million of borrowing capacity available with the Federal Reserve Bank and $80.0 million with two correspondent banks.

Dividends

We paid $15.0 million and $13.0 million in cash dividends during the quarters ended March 31, 2016 and 2015, respectively. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 83.3% and 77.8% for the quarters ended March 31, 2016 and 2015, respectively, on regular dividends of $0.15 per share for the quarter ended March 31, 2016 and on regular dividends of $0.14 per share for the quarter ended March 31, 2015. On April 20, 2016, the Board of Directors declared a dividend of $0.15 per share payable on May 16, 2016 to shareholders of record as of May 2, 2016. This represents the 86th consecutive quarter we have paid a cash dividend.

Nonperforming Assets

The following table sets forth information with respect to nonperforming assets. Nonaccrual loans are those loans on which the accrual of interest has ceased. Generally, when a loan is 90 days past due, we fully reverse all accrued interest thereon and cease to accrue interest thereafter. Exceptions are made for loans that have contractually matured, are in the process of being modified to extend the maturity date and are otherwise current as to principal and interest, and well secured loans that are in process of collection. Loans may also be placed on nonaccrual before they reach 90

days past due if conditions exist that call into question our ability to collect all contractual interest. Other nonperforming assets represent property acquired through foreclosure or repossession. Foreclosed property is carried at the lower of its fair value less estimated costs to sell, or the principal balance of the related loan.

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	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Nonaccrual loans 90 days or more delinquent:		
Residential mortgage loans	$14,301	$15,810
Home equity loans	5,922	5,650
Consumer loans	2,360	2,900
Commercial real estate loans	13,165	16,449
Commercial loans	3,314	2,459
Total loans 90 days or more delinquent	$39,062	$43,268
Total real estate owned (REO)	6,834	8,725
Total nonaccrual loans 90 days or more delinquent and REO	45,896	51,993
Total nonaccrual loans 90 days or more delinquent to net loans receivable	0.54 %	0.60 %
Total nonaccrual loans 90 days or more delinquent and REO to total assets	0.51 %	0.58 %
Nonperforming assets:		
Nonaccrual loans - loans 90 days or more delinquent	$39,062	43,268
Nonaccrual loans - loans less than 90 days delinquent	35,090	28,394
Loans 90 days or more past maturity and still accruing	894	1,334
Total nonperforming loans	75,046	72,996
Total nonperforming assets	$81,880	81,721
Nonaccrual troubled debt restructured loans (1)	$17,699	21,118
Accruing troubled debt restructured loans	30,549	29,997
Total troubled debt restructured loans	$48,248	51,115

(1) Included in nonaccurual loans above.

At March 31, 2016, 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 in the loan, a specific allowance is allocated for the impairment. Impaired loans at March 31, 2016 and December 31, 2015 were $122.5 million and $117.9 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

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basis of currently existing facts, conditions or values, highly questionable and improbable. Loans classified as "loss" are considered uncollectible so that their continuance as assets without the establishment of a specific loss allowance is not warranted.

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

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

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

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

In addition to the reviews by management's Credit Committee and the Board of Directors' Risk Management Committee, regulators from either the FDIC or the Pennsylvania Department of Banking perform an extensive review on an annual basis for the adequacy of the ALL and its conformity with regulatory guidelines and pronouncements. Any recommendations or enhancements from these 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 March 31, 2016, 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 $394,000, or 0.6%, to $62.3 million, or 0.85% of total loans at March 31, 2016 from $62.7 million, or 0.87% of total loans, at December 31, 2015. 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 $4.1 million and $4.2 million, respectively, compared to December 31, 2015. Additionally, total loan delinquency decreased by $21.2 million, or 15.7%, to $114.0 million at March 31, 2016 from $135.2 million at December 31, 2015.

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 $74.2 million or 1.03% of total loans receivable at March 31, 2016 increased by $2.5 million, or 3.5%, from $71.7 million, or 1.01% of total loans receivable, at December 31, 2015. As a percentage of average loans, annualized net charge-offs decreased to 0.11% for the quarter ended March 31, 2016 compared to 0.23% for the year ended December 31, 2015.

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Comparison of Operating Results for the Quarters Ended March 31, 2016 and 2015

Net income for the quarter ended March 31, 2016 was $18.0 million, or $0.18 per diluted share, an increase of $1.8 million, or 11.2%, from $16.2 million, or $0.18 per diluted share, for the quarter ended March 31, 2015. The increase in net income resulted from an increase in net interest income of $8.6 million, or 13.6% and an increase in noninterest income of $4.8 million or 33.0%. Partially offsetting these improvements were increases in noninterest expense of $9.6 million, or 17.8%, income tax expense of $1.3 million, or 18.4%, and the provision for loan losses of $760,000, or 84.4%. Annualized, net income for the quarter ended March 31, 2016 represents returns on average equity and average assets of 6.21% and 0.81%, respectively, compared to 6.17% and 0.83% for the same quarter last year. A discussion of significant changes follows.

Interest Income

Total interest income increased by $8.4 million, or 10.9%, to $85.3 million for the quarter ended March 31, 2016 from $76.9 million for the quarter ended March 31, 2015. This increase is the result of an increase in the average balance of interest earning assets of $880.9 million, or 12.1%, to $8.175 billion for the quarter ended March 31, 2016 from $7.295 billion for the quarter ended March 31, 2015. Partially offsetting this increase was a decrease in the average yield earned on interest earning assets to 4.20% for the quarter ended March 31, 2016 from 4.21% for the quarter ended March 31, 2015.

Interest income on loans receivable increased by $10.1 million, or 14.2%, to $80.8 million for the quarter ended March 31, 2016 from $70.7 million for the quarter ended March 31, 2015. This increase in interest income on loans receivable can be attributed to an increase in the average balance of loans receivable of by $1.200 billion, or 19.9%, to $7.219 billion for the quarter ended March 31, 2016 from $6.019 billion for the quarter ended March 31, 2015. This increase is due primarily to the addition of $928.1 million of loan balances, at fair value, from the LNB acquisition. Also contributing to this increase was internal loan growth of $301.0 million during the past year due to continued success in growing business banking relationships and the retention of of residential mortgage loan originations. Partially offsetting this increase was a decline in the average yield which decreased to 4.50% for the quarter ended March 31, 2016 from 4.76% for the quarter ended March 31, 2015. 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 $5,000, or 0.2%, to $2.2 million for the quarters ended March 31, 2016 and 2015. The average balance of mortgage-backed securities decreased by $18.5 million, or 3.6%, to $488.3 million for the quarter ended March 31, 2016 from $506.8 million for the quarter ended March 31, 2015 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 loan growth. Partially offsetting this decrease was an increase in the average yield on mortgage-backed securities to 1.83% for the quarter ended March 31, 2016 from 1.76% for the quarter ended March 31, 2015 due to the LNB portfolio having higher yields than our existing portfolio.

Interest income on investment securities decreased by $631,000, or 26.4%, to $1.8 million for the quarter ended March 31, 2016 from $2.4 million for the quarter ended March 31, 2015. This decrease is the result of decreases in both the average balance and average yield. The average balance of investment securities decreased by $98.6 million, or 20.3%, to $387.5 million for the quarter ended March 31, 2016 from $486.1 million for the quarter ended March 31, 2015. This decrease is due primarily to the maturity or call of municipal and government agency securities. The cash flows from our existing portfolio were redirected to fund loan growth and payoff FHLB advances. Partially offsetting this decrease was the addition of $74.7 million, at fair value, of municipal and government agency security balances from the LNB acquisition. The average yield of investment securities decreased to 1.82% for the quarter ended March 31, 2016 from 1.97% for the quarter ended March 31, 2015. This decrease is primarily the result of

higher rate, tax-free, municipal securities maturing or being called over the past twelve months.

Dividends on FHLB stock decreased by $936,000, or 66.7%, to $467,000 for the quarter ended March 31, 2016 from $1.4 million for the quarter ended March 31, 2015. This decrease is attributable to the special $1.0 million dividend paid in February, 2015. Partially offsetting this decrease was an increase in the average balance of FHLB stock of $959,000, or 2.7%, to $37.1 million at March 31, 2016 from $36.1 million at March 31, 2015 and an increase in the average yield (excluding the special dividend) to 5.06% for the quarter ended March 31, 2016 from 4.07% for the quarter ended March 31, 2015.

Interest income on interest-earning deposits decreased by $80,000, or 57.6%, to $59,000 for the quarter ended March 31, 2016 from $139,000 for the quarter ended March 31, 2015. This decrease is due to a decrease in the average balance of $202.7 million, or 82.3%, to $43.6 million for the quarter ended March 31, 2016 from $246.3 million for the quarter ended March 31, 2015, due to the utilization of cash to payoff FHLB advances, fund loan growth, and fund the purchase of LNB. Partially offsetting this decrease was an increase in the average yield on interest-earning deposits to 0.54% for the quarter ended March 31, 2016

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from 0.23% for the quarter ended March 31, 2015, as a result of the 25 basis point increase in the Federal Funds in December 2015.

Interest Expense

Interest expense decreased by $153,000, or 1.1%, to $13.7 million for the quarter ended March 31, 2016 from $13.9 million for the quarter ended March 31, 2015. This decrease in interest expense was due primarily to a decrease in the average cost of interest-bearing liabilities, which decreased to 0.86% for the quarter ended March 31, 2016 from 0.97% for the quarter ended March 31, 2015. The average cost of each funding source declined from the prior year in this low interest rate environment, excluding interest-bearing demand deposits and money market demand accounts, which remained flat at 0.06% and 0.27%, respectively. Partially offsetting the decrease in cost was an increase in the average balance of $671.6 million, or 11.6%, to $6.463 billion for the quarter ended March 31, 2016 from $5.792 billion for the quarter ended March 31, 2015. This increase was due primarily to the addition of $1.017 billion, at fair value, of deposit balances from the LNB acquisition. Partially offsetting this increase was the maturity of $130.0 million of term FHLB advances during the past year.

Net Interest Income

Net interest income increased by $8.6 million, or 13.6%, to $71.6 million for the quarter ended March 31, 2016 from $63.0 million for the quarter ended March 31, 2015. 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 3.34% for the quarter ended March 31, 2016 from 3.24% for the quarter ended March 31, 2015 and our net interest margin increased to 3.55% for the quarter ended March 31, 2016 from 3.44% for the quarter ended March 31, 2015.

Provision for Loan Losses

The provision for loan losses increased by $760,000, or 84.4%, to $1.7 million for the quarter ended March 31, 2016 from $900,000 for the quarter ended March 31, 2015. The loan loss provision remained at low levels as improvements in overall asset quality continue. Classified loans decreased by $4.6 million, or 2.3%, to $196.7 million at March 31, 2016 from $201.3 million at March 31, 2015. In addition, the percentage of nonperforming loans to to total loans decreased to 1.03% at March 31, 2016 from 1.21% million at March 31, 2015. Annualized net charge-offs remained low for the quarter ended March 31, 2016 at 0.11% of total loans compared to 0.07% for the quarter ended March 31, 2015.

In determining the amount of the current period provision, we considered current economic conditions, including but not limited to unemployment levels and bankruptcy filings, and changes in real estate values and the impact of these factors on the quality of our loan portfolio and historical loss factors. We analyze the allowance for loan losses as described in the section entitled “Allowance for Loan Losses.” The provision that is recorded is sufficient, in our judgment, to bring this reserve to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience.

Noninterest Income

Noninterest income increased by $4.8 million, or 33.0%, to $19.4 million for the quarter ended March 31, 2016 from $14.6 million for the quarter ended March 31, 2015. The increase is primarily attributable to increases in service charges and fees, gain on sale of real estate owned, and income from bank owned life insurance. Service charges and fees increased by $1.4 million, or 16.2%, to $10.1 million for the quarter ended March 31, 2016 from $8.7 million for

the quarter ended March 31, 2015 due primarily to the growth in checking accounts from both the LNB acquisition and the successful execution of internal growth initiatives. Also contributing to the increase in noninterest income was an increase in gain on sale of real estate owned of $1.3 million, as we recognized a net gain of $249,000 for the quarter ended March 31, 2016 compared to a net loss of $1.0 million for the same quarter last year. Income from bank owned life insurance increased by $682,000, or 74.7%, to $1.6 million for the quarter ended March 31, 2016 from $913,000 for the quarter ended March 31, 2015 due primarily to death benefits received in January 2016. Additionally, trust and other financial services income and insurance commission income increased by $485,000 and $286,000, respectively, for the quarter ended March 31, 2016 compared to the same quarter last year.

Noninterest Expense

Noninterest expense increased by $9.6 million, or 17.8%, to $63.3 million for the quarter ended March 31, 2016 from $53.7 million for the quarter ended March 31, 2015. This increase is primarily the result of increases in compensation and employee benefits, other expense, and processing expenses. Compensation and employee benefits increased by $5.1 million, or 18.4%, to $33.0 million for the quarter ended March 31, 2016 from $27.9 million for the quarter ended March 31, 2015. This increase is

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due primarily to the addition of lending and credit staff and the employees retained from the LNB acquisition. Other expenses increased by $2.1 million, or 92.1%, to $4.3 million for the quarter ended March 31, 2016 from $2.2 million for the quarter ended March 31, 2015 due primarily to an increase in charitable contributions made to utilize Pennsylvania Education Improvement Tax Credits (EITC). The offsetting tax credit for these contributions will be recognized as part of the annual effective tax rate. Processing expenses increased by $1.2 million, or 16.8%, to $8.4 million for the quarter ended March 31, 2016 from $7.2 million for the quarter ended March 31, 2015, due primarily to the acquisition of LNB, as well as upgrades to technology and the replacement of debit cards in an effort to enhance customer security. Also contributing to the increase in noninterest expense was an increase in office operations of $548,000, or 18.8%, and occupancy costs of $270,000, or 4.3%, for the quarter ended March 31, 2016, due primarily to the acquisition of LNB.

Income Taxes

The provision for income taxes increased by $1.3 million, or 18.4%, to $8.1 million for the quarter ended March 31, 2016 from $6.8 million for the quarter ended March 31, 2015. This increase in income tax expense is primarily the result of an increase in pretax income of $3.1 million, or 13.4%, and a reduction in tax-free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2016. Our effective tax rate for the quarter ended March 31, 2016 increased to 31.0% compared to 29.7% for the quarter ended March 31, 2015. We anticipate our effective tax rate to be between 30.0% and 32.0% for all of 2016.

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Average Balance Sheet
(Dollars in thousands)

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

	Quarter ended March 31,					
	2016			2015		
	Average balance	Interest	Avg. yield/ cost (h)	Average balance	Interest	Avg. yield/ cost (h)
Assets:						
Interest-earning assets:						
Residential mortgage loans	$2,739,787	29,786	4.35%	2,512,202	28,255	4.50 %
Home equity loans	1,177,406	12,642	4.32%	1,059,128	11,473	4.39 %
Consumer loans	510,091	8,219	6.48%	239,927	6,290	10.63%
Commercial real estate loans	2,349,748	25,993	4.38%	1,799,324	20,927	4.65 %
Commercial loans	441,977	4,723	4.23%	408,669	4,237	4.15 %
Loans receivable (a) (b) (includes FTE adjustments of $582 and $471, respectively)	7,219,009	81,363	4.53%	6,019,250	71,182	4.80 %
Mortgage-backed securities (c)	488,294	2,229	1.83%	506,778	2,234	1.76 %
Investment securities (c) (includes FTE adjustments of $389 and $726, respectively)	387,460	2,151	2.22%	486,078	3,119	2.57 %
FHLB stock (f)	37,098	467	5.06%	36,139	363	4.07 %
Other interest-earning deposits	43,578	59	0.54%	246,296	139	0.23 %
Total interest-earning assets (includes FTE adjustments of $971 and $1,197, respectively)	8,175,439	86,269	4.24%	7,294,541	77,037	4.28 %
Noninterest earning assets (d)	735,562			595,425		
Total assets	$8,911,001			7,889,966		
Liabilities and shareholders' equity:						
Interest-bearing liabilities:						
Savings deposits	$1,405,800	865	0.25%	1,231,745	813	0.27 %
Interest-bearing checking deposits	1,093,839	156	0.06%	878,230	131	0.06 %
Money market deposit accounts	1,288,535	865	0.27%	1,165,159	765	0.27 %
Time deposits	1,664,322	4,202	1.02%	1,452,476	4,057	1.13 %
Borrowed funds (e)	899,439	6,539	2.92%	960,812	6,975	2.94 %
Junior subordinated debentures	111,213	1,119	3.98%	103,094	1,158	4.49 %
Total interest-bearing liabilities	6,463,148	13,746	0.86%	5,791,516	13,899	0.97 %
Noninterest-bearing checking deposits (g)	1,161,151			914,025		
Noninterest-bearing liabilities	122,667			121,121		

Total liabilities	7,746,966			6,826,662		
Shareholders' equity	1,164,035			1,063,304		
Total liabilities and shareholders' equity	$8,911,001			7,889,966		
Net interest income/ Interest rate spread		72,523	3.38%		63,138	3.31 %
Net interest-earning assets/ Net interest margin	$1,712,291		3.57%	1,503,025		3.51 %
Ratio of interest-earning assets to interest-bearing liabilities	1.26 X			1.26 X		

(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) Excludes the $1.0 million special dividend paid in February 2015.
(g) Average cost of deposits were 0.37% and 0.41%, respectively.
(h) 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 — 4.50% and 4.76%, respectively; Investment securities — 1.82% and 1.97%, respectively; interest-earning assets — 4.20% and 4.21%, respectively. GAAP basis net interest rate spreads were 3.34% and 3.24%, respectively; and GAAP basis net interest margins were 3.55% and 3.44%, respectively.

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Rate/ Volume Analysis
(Dollars in Thousands)

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

Quarters ended March 31, 2016 and 2015

	Rate	Volume	Net Change
Interest earning assets:			
Loans receivable	$(4,204)	14,385	10,181
Mortgage-backed securities	79	(84)	(5)
Investment securities	(380)	(588)	(968)
FHLB stock	93	11	104
Other interest-earning deposits	191	(271)	(80)
Total interest-earning assets	(4,221)	13,453	9,232
Interest-bearing liabilities:			
Savings deposits	(69)	121	52
Interest-bearing checking deposits	(19)	44	25
Money market deposit accounts	—	100	100
Time deposits	(582)	727	145
Borrowed funds	(124)	(312)	(436)
Junior subordinated debentures	(133)	94	(39)
Total interest-bearing liabilities	(927)	774	(153)
Net change in net interest income	$(3,294)	12,679	9,385

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

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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 March 31, 2016 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from March 31, 2016 levels.

	Increase			Decrease
Non-parallel shift in interest rates over the next 12 months	100 bps	200 bps	300 bps	100 bps
Projected percentage increase/ (decrease) in net interest income	0.1 %	0.4 %	(0.1)%	(3.9)%
Projected percentage increase/ (decrease) in net income	1.8 %	3.7 %	3.5 %	(11.6)%
Projected increase/ (decrease) in return on average equity	1.7 %	3.5 %	3.3 %	(11.4)%
Projected increase/ (decrease) in earnings per share	$0.02	$0.03	$0.03	$(0.08)
Projected percentage increase/ (decrease) in market value of equity	(3.8)%	(7.4)%	(12.1)%	(0.2)%

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to a number of asserted and unasserted claims encountered in the normal course of business. We believe that any additional liability, other than that which has already been accrued, that may result from such

potential litigation will not have a material adverse effect on the financial statements. However, we cannot presently determine whether or not any claims against us will have a material adverse effect on our results of operations in any future reporting period. See note 11.

Item 1A. Risk Factors

There are no material changes to the risk factors as previously discussed in Item 1A, to Part I of our December 31, 2015 Annual Report on Form 10-K.

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

a.) Not applicable.

b.) Not applicable.

c.) The following table discloses information regarding the repurchase of shares of common stock during the quarter ending March 31, 2016:

Month	Number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced repurchase plan (1)	Maximum number of shares yet to be purchased under the plan (1)
January	145,900	$ 12.00	145,900	4,834,089
February	—	—	—	4,834,089
March	—	—	—	4,834,089
	145,900	$ 12.00		

(1) 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

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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Signature

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

NORTHWEST BANCSHARES, INC.
(Registrant)

Date: May 10, 2016 By: /s/ William J. Wagner
William J. Wagner
President and Chief Executive Officer
(Duly Authorized Officer)

Date: May 10, 2016 By: /s/ Gerald J. Ritzert
Gerald J. Ritzert
Controller
(Principal Accounting Officer)