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

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission File Number 001-34582

NORTHWEST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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

(814) 726-2140

(Registrant s telephone number, including area code)

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

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

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

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

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

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

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

Common Stock ($0.01 par value) 94,613,110 shares outstanding as of July 31, 2015

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NORTHWEST BANCSHARES, INC.

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

(in thousands, except share data)

		June 30, 2015	December 31, 2014
Assets			
Cash and due from banks	$	84,000	87,401
Interest-earning deposits in other financial institutions		208,311	152,671
Federal funds sold and other short-term investments		637	634
Marketable securities available-for-sale (amortized cost of $854,147 and $906,702)		861,157	912,371
Marketable securities held-to-maturity (fair value of $62,957 and $106,292)		61,464	103,695
Total cash and investments		1,215,569	1,256,772
Personal Banking:			
Residential mortgage loans		2,597,170	2,521,456
Home equity loans		1,055,829	1,066,131
Other consumer loans		252,391	242,744
Total Personal Banking		3,905,390	3,830,331
Business Banking:			
Commercial real estate loans		1,859,743	1,801,184
Commercial loans		359,524	358,376
Total Business Banking		2,219,267	2,159,560
Total loans		6,124,657	5,989,891
Allowance for loan losses		(59,057)	(67,518)
Total loans, net		6,065,600	5,922,373
Federal Home Loan Bank stock, at cost		38,066	33,293
Accrued interest receivable		18,682	18,623
Real estate owned, net		13,864	16,759
Premises and equipment, net		142,302	143,909
Bank owned life insurance		146,283	144,362
Goodwill		175,498	175,323
Other intangible assets		2,759	3,033
Other assets		45,887	60,586
Total assets	$	7,864,510	7,775,033
Liabilities and Shareholders equity			
Liabilities:			
Noninterest-bearing checking deposits	$	962,347	891,248
Interest-bearing checking deposits		928,417	874,623
Money market deposit accounts		1,143,199	1,179,070
Savings deposits		1,262,991	1,209,287
Time deposits		1,397,528	1,478,314
Total deposits		5,694,482	5,632,542
Borrowed funds		899,056	888,109

Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities		103,094	103,094
Advances by borrowers for taxes and insurance		41,763	30,507
Accrued interest payable		1,302	936
Other liabilities		56,463	57,198
Total liabilities		6,796,160	6,712,386
Shareholders equity:			
Preferred stock, $0.01 par value: 50,000,000 authorized, no shares issued			
Common stock, $0.01 par value: 500,000,000 shares authorized, 94,740,749 and 94,721,453 shares issued, respectively		947	947
Paid-in capital		624,321	626,134
Retained earnings		487,150	481,577
Unallocated common stock of employee stock ownership plan		(21,485)	(21,641)
Accumulated other comprehensive loss		(22,583)	(24,370)
Total shareholders equity		1,068,350	1,062,647
Total liabilities and shareholders equity	$	7,864,510	7,775,033

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Interest income:				
Loans receivable	$ 70,985	70,726	141,696	140,048
Mortgage-backed securities	2,058	2,666	4,292	5,459
Taxable investment securities	1,604	1,711	4,052	3,067
Tax-free investment securities	1,143	1,598	2,491	3,253
Interest-earning deposits	180	286	319	486
Total interest income	75,970	76,987	152,850	152,313
Interest expense:				
Deposits	5,691	6,421	11,457	12,911
Borrowed funds	8,101	7,793	16,234	15,507
Total interest expense	13,792	14,214	27,691	28,418
Net interest income	62,178	62,773	125,159	123,895
Provision for loan losses	1,050	8,285	1,950	15,770
Net interest income after provision for loan losses	61,128	54,488	123,209	108,125
Noninterest income:				
Gain on sale of investments	566	349	661	3,697
Service charges and fees	9,228	9,042	17,887	17,450
Trust and other financial services income	3,094	3,055	5,870	6,102
Insurance commission income	2,210	2,237	4,638	4,801
Loss on real estate owned, net	(541)	(562)	(1,587)	(697)
Income from bank owned life insurance	1,008	1,050	1,921	2,051
Mortgage banking income	218	265	458	514
Other operating income	742	991	1,302	1,890
Total noninterest income	16,525	16,427	31,150	35,808
Noninterest expense:				
Compensation and employee benefits	28,920	28,543	56,815	56,515
Premises and occupancy costs	5,899	5,740	12,166	12,297
Office operations	3,508	3,868	7,188	7,625
Processing expenses	7,392	6,639	14,597	13,228
Marketing expenses	3,190	2,931	5,166	4,568
Federal deposit insurance premiums	1,286	1,338	2,633	2,635
Professional services	1,652	1,775	3,444	3,837
Amortization of other intangible assets	269	331	537	662
Real estate owned expense	514	459	1,206	1,098
Acquisition expense	467		814	
Other expenses	2,038	2,182	4,280	4,504
Total noninterest expense	55,135	53,806	108,846	106,969
Income before income taxes	22,518	17,109	45,513	36,964
Federal and state income taxes	7,213	4,435	14,038	9,679

Net income	$	15,305	12,674	31,475	27,285
Basic earnings per share	$	0.17	0.14	0.34	0.30
Diluted earnings per share	$	0.17	0.14	0.34	0.30

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 June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Net Income	$ 15,305	12,674	31,475	27,285
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of $1,139, $(1,997), $(746) and $(5,576), respectively	(1,788)	3,123	1,164	8,719
Reclassification adjustment for gains included in net income, net of tax of $179, $130, $222 and $1,348 respectively	(279)	(204)	(347)	(2,108)
Net unrealized holding gains on marketable securities	(2,067)	2,919	817	6,611
Change in fair value of interest rate swaps, net of tax of $(263), $(53), $(287) and $(188), respectively	488	98	532	349
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of $(140), $74, $(280) and $149, respectively	219	(138)	438	(276)
Other comprehensive income/ (loss)	(1,360)	2,879	1,787	6,684
Total comprehensive income	$ 13,945	15,553	33,262	33,969

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 June 30, 2014	**Common Stock Shares**	**Amount**		**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income/ (loss)**	**Unallocated common stock of ESOP**	**Total Shareholders Equity**
Beginning balance at March 31, 2014	94,464,430	$	945	622,758	562,933	(8,095)	(22,632)	1,155,909
Comprehensive income:								
Net income					12,674			12,674
Other comprehensive income, net of tax of $(1,846)						2,879		2,879
Total comprehensive income					12,674	2,879		15,553
Exercise of stock options	212,635		2	2,167				2,169
Stock compensation expense	272,630		2	1,288			432	1,722
Dividends paid ($1.13 per share)					(104,569)			(104,569)
Ending balance at June 30, 2014	94,949,695	$	949	626,213	471,038	(5,216)	(22,200)	1,070,784

[redacted]

Beginning balance at March 31, 2015	94,553,350	$	946	624,584	484,774	(21,223)	(21,565)	1,067,516
[redacted]								
Comprehensive income:								
[redacted]								

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)

[redacted]								
Beginning balance at December 31, 2013	94,243,713	$	943	619,678	569,547	(11,900)	(23,083)	1,155,185
[redacted]								
Comprehensive income:								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								

[redacted]								
Beginning balance at December 31, 2014	94,721,453	$	947	626,134	481,577	(24,370)	(21,641)	1,062,647
[redacted]								
Comprehensive income:								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								
[redacted]								

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

		Six months ended June 30, 2015	2014
OPERATING ACTIVITIES:			
Net Income	$	31,475	27,285
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		1,950	15,770
Net gain on sale of assets		(311)	(3,874)
Net depreciation, amortization and accretion		2,571	4,937
Decrease in other assets		11,233	4,661
Increase/ (decrease) in other liabilities		1,169	(3,531)
Net amortization on marketable securities		173	210
Noncash write-down of real estate owned		1,927	1,381
Origination of loans held for sale		(221)	(758)
Proceeds from sale of loans held for sale		224	1,023
Noncash compensation expense related to stock benefit plans		2,279	2,961
Net cash provided by operating activities		52,469	50,065
INVESTING ACTIVITIES:			
Purchase of marketable securities available-for-sale		(59,980)	(22,805)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity		42,409	7,205
Proceeds from maturities and principal reductions of marketable securities available-for-sale		111,630	70,071
Proceeds from sale of marketable securities available-for-sale		1,214	6,048
Loan originations		(996,253)	(939,594)
Proceeds from loan maturities and principal reductions		850,823	842,751
Purchase of Federal Home Loan Bank stock		(4,773)	(271)
Proceeds from sale of real estate owned		5,704	5,704
Sale of real estate owned for investment, net		304	304
Purchase of premises and equipment		(5,172)	(5,034)
Acquistions, net of cash received		(438)	(2,792)
Net cash used in investing activities		(54,532)	(38,413)

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

(in thousands)

		Six months ended June 30, 2015	2014
FINANCING ACTIVITIES:			
Increase in deposits, net	$	61,940	105,043
Proceeds from long-term borrowings		85,000	
Repayments of long-term borrowings		(50,026)	(27)
Net decrease in short-term borrowings		(24,027)	(12,283)
Increase in advances by borrowers for taxes and insurance		11,256	11,008
Cash dividends paid		(25,902)	(125,793)
Purchase of common stock for retirement		(6,003)	
Proceeds from stock options exercised		2,067	4,463
Net provided by/ (used in) financing activities		54,305	(17,589)
Net increase/ (decrease) in cash and cash equivalents	$	52,242	(5,937)
Cash and cash equivalents at beginning of period	$	240,706	391,905
Net increase/ (decrease) in cash and cash equivalents		52,242	(5,937)
Cash and cash equivalents at end of period	$	292,948	385,968
Cash and cash equivalents:			
Cash and due from banks	$	84,000	97,467
Interest-earning deposits in other financial institutions		208,311	287,867
Federal funds sold and other short-term investments		637	634
Total cash and cash equivalents	$	292,948	385,968
Cash paid during the period for:			
Interest on deposits and borrowings (including interest credited to deposit accounts of $10,508 and $11,608, respectively)	$	27,325	28,490
Income taxes	$	4,823	14,872
Business acquistions:			
Fair value of assets acquired	$	438	2,798
Cash paid		(438)	(2,792)
Liabilities assumed	$		6
Non-cash activities:			
Loans foreclosures and repossessions	$	5,012	3,707
Sale of real estate owned financed by the Company	$	174	330

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the Company) or (NWBI), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The Company was incorporated to be the successor to Northwest Bancorp, Inc. upon the completion of the mutual-to-stock conversion of Northwest Bancorp, MHC in December 2009. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At June 30, 2015, Northwest operated 161 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest s subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, Boetger & Associates, Inc. and The Bert Company. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information or footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company s financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 updated, as required, for any new pronouncements or changes.

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

The results of operations for the quarter and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, or any other period.

Stock-Based Compensation

On May 20, 2015, we awarded employees 600,570 stock options and directors 64,800 stock options with an exercise price of $12.37 and grant date fair value of $1.14 per stock option. On May 20, 2015, we also awarded employees 282,050 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of $12.31. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of $1.4 million and $1.7 million for the quarters ended June 30, 2015 and 2014, respectively, and $2.3 million and $3.0 million for the six months ended June 30, 2015 and 2014, respectively, was recognized in compensation expense relating to our stock benefit plans. At June 30, 2015 there was compensation expense of $4.8 million to be recognized for awarded but unvested stock options and $16.3 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

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upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At June 30, 2015 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at June 30, 2015. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2013, 2012 and 2011. We are currently under audit by the state of New York for the tax periods ended December 31, 2013, 2012 and 2011.

Recent Accounting Pronouncements

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* . This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of this guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and provides five steps to be analyzed to accomplish the core principle. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2017, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

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

In February 2015 the FASB issued ASU 2015-02, *Consolidation* . This guidance amends existing standards regarding the evaluation of certain legal entities and their consolidation in the financial statements. The amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The amendments also affect the consolidation analysis of reporting entities that are involved with variable interest entities and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This guidance is effective for annual periods beginning after December 15, 2015, including interim periods within those years and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

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(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:

June 30, 2015 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	71,273	4,492	205	75,970
Intersegment interest income		582		(582)	
Interest expense		12,781	582	429	13,792
Provision for loan losses		850	200		1,050
Noninterest income		16,080	411	34	16,525
Noninterest expense		51,682	3,081	372	55,135
Income tax expense (benefit)		7,183	434	(404)	7,213
Net income	$	15,439	606	(740)	15,305
Total assets	$	7,740,273	108,348	15,889	7,864,510

June 30, 2014 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	72,061	4,706	220	76,987
Intersegment interest income		591		(591)	
Interest expense		13,148	591	475	14,214
Provision for loan losses		7,500	785		8,285
Noninterest income		15,932	482	13	16,427
Noninterest expense		50,540	2,948	318	53,806
Income tax expense (benefit)		4,489	358	(412)	4,435
Net income	$	12,907	506	(739)	12,674
Total assets	$	7,772,277	105,909	22,442	7,900,628

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

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At or for the six months ended:

June 30, 2015 ($ in 000 s)		Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$	143,604	8,822	424	152,850
Intersegment interest income		1,157		(1,157)	
Interest expense		25,669	1,157	865	27,691
Provision for loan losses		1,100	850		1,950
Noninterest income		30,406	681	63	31,150
Noninterest expense		102,122	6,034	690	108,846
Income tax expense (benefit)		14,218	609	(789)	14,038
Net income	$	32,058	853	(1,436)	31,475
Total assets	$	7,740,273	108,348	15,889	7,864,510

June 30, 2014 ($ in 000 s)		Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$	142,405	9,365	543	152,313
Intersegment interest income		1,197		(1,197)	
Interest expense		26,317	1,197	904	28,418
Provision for loan losses		14,350	1,420		15,770
Noninterest income		32,689	770	2,349	35,808
Noninterest expense		100,402	5,869	698	106,969
Income tax expense (benefit)		9,002	684	(7)	9,679
Net income	$	26,220	965	100	27,285
Total assets	$	7,772,277	105,909	22,442	7,900,628

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

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(3) Investment securities and impairment of investment securities

The following table shows the portfolio of investment securities available-for-sale at June 30, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 21			21
Debt issued by government sponsored enterprises:				
Due in one year or less	500	8		508
Due after one year through five years	320,553	466	(1,035)	319,984
Due after five years through ten years	24,500		(28)	24,472
Equity securities	1,417	515		1,932
Municipal securities:				
Due in one year or less	1,085	3		1,088
Due after one year through five years	6,733	118		6,851
Due after five years through ten years	4,651	113		4,764
Due after ten years	48,627	1,651	(32)	50,246
Corporate debt issues:				
Due after ten years	17,002	2,324	(396)	18,930
Residential mortgage-backed securities:				
Fixed rate pass-through	65,398	2,693	(321)	67,770
Variable rate pass-through	60,275	3,182	(8)	63,449
Fixed rate non-agency CMOs	2,793	320		3,113
Fixed rate agency CMOs	201,346	579	(3,684)	198,241
Variable rate agency CMOs	99,246	578	(36)	99,788
Total residential mortgage-backed securities	429,058	7,352	(4,049)	432,361
Total marketable securities available-for-sale	$ 854,147	12,550	(5,540)	861,157

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2014 (in thousands):

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

The following table shows the portfolio of investment securities held-to-maturity at June 30, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	$ 4,641	36		4,677
Due after ten years	25,831	544		26,375
Residential mortgage-backed securities:				
Fixed rate pass-through	7,292	408		7,700
Variable rate pass-through	3,927	96		4,023
Fixed rate agency CMOs	18,762	392		19,154
Variable rate agency CMOs	1,011	17		1,028
Total residential mortgage-backed securities	30,992	913		31,905
Total marketable securities held-to-maturity	$ 61,464	1,493		62,957

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

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

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2015 (in thousands):

		Less than 12 months		12 months or more		Total	
		Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	$	101,837	(340)	125,031	(723)	226,868	(1,063)
Municipal securities		750	(32)			750	(32)
Corporate issues				2,028	(396)	2,028	(396)
Residential mortgage-backed securities - agency		18,148	(73)	166,264	(3,976)	184,412	(4,049)
Total temporarily impaired securities	$	120,735	(445)	293,323	(5,095)	414,058	(5,540)

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

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

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which amortized costs have exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent to hold the investments for a period of time sufficient to allow for a recovery in value. Certain investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows indicates that an adverse change has occurred, other-than-temporary impairment is recognized for the amount of the unrealized loss that was deemed credit related.

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

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

	2015	2014
Beginning balance at April 1, (1)	$ 8,865	10,334
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Reduction for losses realized during the quarter	(16)	(170)
Reduction for securities called realized during the quarter	(360)	
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized		
Ending balance at June 30,	$ 8,489	10,164

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

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

		2015	2014
Beginning balance at January 1, (1)	$	8,894	10,342
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized			
Reduction for losses realized during the six months		(45)	(178)
Reduction for securities called realized during the six months		(360)	
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized			
Ending balance at June 30,	$	8,489	10,164

(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 June 30, 2015 and December 31, 2014 (in thousands):

		June 30, 2015	December 31, 2014
Personal Banking:			
Residential mortgage loans	$	2,597,204	2,526,240
Home equity loans		1,055,829	1,066,131
Other consumer loans		252,391	242,744
Total Personal Banking		3,905,424	3,835,115
Business Banking:			
Commercial real estate		1,986,613	1,874,944
Commercial loans		368,417	419,525
Total Business Banking		2,355,030	2,294,469
Total loans receivable, gross		6,260,454	6,129,584
Deferred loan costs		10,251	6,095
Allowance for loan losses		(59,057)	(67,518)
Undisbursed loan proceeds:			
Residential mortgage loans		(10,285)	(10,879)
Commercial real estate		(126,870)	(73,760)
Commercial loans		(8,893)	(61,149)
Total loans receivable, net	$	6,065,600	5,922,373

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

		Balance June 30, 2015	Current period provision	Charge-offs	Recoveries	Balance March 31, 2015
Personal Banking:						
Residental mortgage loans	$	4,892	76	(278)	17	5,077
Home equity loans		3,445	(187)	(542)	131	4,043
Other consumer loans		6,244	1,865	(1,759)	303	5,835
Total Personal Banking		14,581	1,754	(2,579)	451	14,955
Business Banking:						
Commercial real estate loans		30,163	(1,558)	(3,439)	1,908	33,252
Commercial loans		14,313	4,832	(6,356)	724	15,113
Total Business Banking		44,476	3,274	(9,795)	2,632	48,365
Unallocated (1)			(3,978)			3,978
Total	$	59,057	1,050	(12,374)	3,083	67,298

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

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

		Balance June 30, 2014	Current period provision	Charge-offs	Recoveries	Balance March 31, 2014
Personal Banking:						
Residental mortgage loans	$	7,767	1,142	(883)	41	7,467
Home equity loans		6,516	72	(593)	79	6,958
Other consumer loans		5,626	1,495	(1,450)	301	5,280
Total Personal Banking		19,909	2,709	(2,926)	421	19,705
Business Banking:						
Commercial real estate loans		35,081	364	(2,578)	1,086	36,209
Commercial loans		12,106	5,017	(9,516)	436	16,169
Total Business Banking		47,187	5,381	(12,094)	1,522	52,378
Unallocated		4,346	195			4,151
Total	$	71,442	8,285	(15,020)	1,943	76,234

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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 six months ended June 30, 2015 (in thousands):

		Balance June 30, 2015	Current period provision	Charge-offs	Recoveries	Balance December 31, 2014
Personal Banking:						
Residental mortgage loans	$	4,892	(206)	(613)	130	5,581
Home equity loans		3,445	(400)	(884)	179	4,550
Other consumer loans		6,244	3,135	(3,699)	690	6,118
Total Personal Banking		14,581	2,529	(5,196)	999	16,249
Business Banking:						
Commercial real estate loans		30,163	(1,316)	(4,552)	2,642	33,389
Commercial loans		14,313	5,102	(7,080)	2,776	13,515
Total Business Banking		44,476	3,786	(11,632)	5,418	46,904
Unallocated (1)			(4,365)			4,365
Total	$	59,057	1,950	(16,828)	6,417	67,518

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

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

		Balance June 30, 2014	Current period provision	Charge-offs	Recoveries	Balance December 31, 2013
Personal Banking:						
Residental mortgage loans	$	7,767	1,177	(1,342)	57	7,875
Home equity loans		6,516	109	(965)	127	7,245
Other consumer loans		5,626	2,679	(3,166)	626	5,487
Total Personal Banking		19,909	3,965	(5,473)	810	20,607
Business Banking:						
Commercial real estate loans		35,081	1,685	(3,510)	1,707	35,199
Commercial loans		12,106	10,436	(10,286)	1,076	10,880
Total Business Banking		47,187	12,121	(13,796)	2,783	46,079
Unallocated		4,346	(316)			4,662
Total	$	71,442	15,770	(19,269)	3,593	71,348

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

		Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual (1)	Recorded investment in loans past due 90 days or more and still accruing	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:								
Residental mortgage loans	$	2,597,170	4,892	18,977	6	6,340	1,008	
Home equity loans		1,055,829	3,445	6,482		2,588	276	
Other consumer loans		252,391	6,244	2,638	358			
Total Personal Banking		3,905,390	14,581	28,097	364	8,928	1,284	
Business Banking:								
Commercial real estate loans		1,859,743	30,163	22,640		37,028	1,718	141
Commercial loans		359,524	14,313	7,259	21	10,228	787	883
Total Business Banking		2,219,267	44,476	29,899	21	47,256	2,505	1,024
Total	$	6,124,657	59,057	57,996	385	56,184	3,789	1,024

(1) Includes $15.4 million of nonaccrual TDRs.

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

		Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual (1)	Recorded investment in loans past due 90 days or more and still accruing	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:								
Residental mortgage loans	$	2,521,456	5,581	21,194	8	6,574	1,133	
Home equity loans		1,066,131	4,550	9,569		2,412	229	
Other consumer loans		242,744	6,118	2,820	206			
Total Personal Banking		3,830,331	16,249	33,583	214	8,986	1,362	
Business Banking:								
Commercial real estate loans		1,801,184	33,389	38,647		41,917	4,938	449
Commercial loans		358,376	13,515	7,578	21	10,885	1,095	814
Total Business Banking		2,159,560	46,904	46,225	21	52,802	6,033	1,263
Total	$	5,989,891	63,153	79,808	235	61,788	7,395	1,263

(1) Includes $24.5 million of nonaccrual TDRS.

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

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Recorded investment in loans receivable:						
Personal Banking:						
Residential mortgage loans	$ 2,223,206	165,217	18,379	133,981	56,387	2,597,170
Home equity loans	897,285	119,459	8,447	25,732	4,906	1,055,829
Other consumer loans	232,797	11,103	3,740	1,396	3,355	252,391
Total Personal Banking	3,353,288	295,779	30,566	161,109	64,648	3,905,390
Business Banking:						
Commercial real estate loans	973,777	689,043	24,270	115,796	56,857	1,859,743
Commercial loans	273,771	53,881	16,717	6,080	9,075	359,524
Total Business Banking	1,247,548	742,924	40,987	121,876	65,932	2,219,267
Total	$ 4,600,836	1,038,703	71,553	282,985	130,580	6,124,657
Percentage of total loans receivable	75.1%	17.0%	1.2%	4.6%	2.1%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent:						
Personal Banking:						
Residential mortgage loans	$ 11,498	1,553	58	1,820	1,196	16,125
Home equity loans	2,804	766		1,046		4,616
Other consumer loans	2,082	103	14			2,199
Total Personal Banking	16,384	2,422	72	2,866	1,196	22,940
Business Banking:						
Commercial real estate loans	10,758	1,243	49	271	352	12,673
Commercial loans	1,845		13			1,858
Total Business Banking	12,603	1,243	62	271	352	14,531
Total	$ 28,987	3,665	134	3,137	1,548	37,471
Percentage of total loans 90 or more days delinquent	77.3%	9.8%	0.4%	8.4%	4.1%	100.0%

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

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

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

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

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residental mortgage loans	$ 16,125	2,852		5,237	24,214	24,895	433
Home equity loans	4,616	1,866		2,127	8,609	10,097	223
Other consumer loans	2,199	439			2,638	2,645	44
Total Personal Banking	22,940	5,157		7,364	35,461	37,637	700
Business Banking:							
Commercial real estate loans	12,673	9,967	26,960	16,615	66,215	79,416	1,564
Commercial loans	1,858	5,401	1,736	4,806	13,801	18,232	345
Total Business Banking	14,531	15,368	28,696	21,421	80,016	97,648	1,909
Total	$ 37,471	20,525	28,696	28,785	115,477	135,285	2,609

The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2014 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residental mortgage loans	$ 17,696	3,498		5,845	27,039	28,227	817
Home equity loans	6,606	2,963		1,706	11,275	11,753	485
Other consumer loans	2,450	370			2,820	2,383	66
Total Personal Banking	26,752	6,831		7,551	41,134	42,363	1,368
Business Banking:							
Commercial real estate loans	11,099	27,548	26,400	12,128	77,175	90,187	3,589
Commercial loans	3,475	4,103	5,266	6,026	18,870	27,088	914
Total Business Banking	14,574	31,651	31,666	18,154	96,045	117,275	4,503
Total	$ 41,326	38,482	31,666	25,705	137,179	159,638	5,871

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

		Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:						
Residental mortgage loans	$	2,590,038	7,132	7,132	1,221	
Home equity loans		1,053,241	2,588	2,588	276	
Other consumer loans		252,294	97	97	2	
Total Personal Banking		3,895,573	9,817	9,817	1,499	
Business Banking:						
Commercial real estate loans		1,798,992	60,751	30,513	2,117	30,238
Commercial loans		348,670	10,854	7,245	705	3,609
Total Business Banking		2,147,662	71,605	37,758	2,822	33,847
Total	$	6,043,235	81,422	47,575	4,321	33,847

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

		Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:						
Residental mortgage loans	$	2,514,060	7,396	7,396	1,116	
Home equity loans		1,063,741	2,390	2,390	246	
Other consumer loans		242,678	66	66	1	
Total Personal Banking		3,820,479	9,852	9,852	1,363	
Business Banking:						
Commercial real estate loans		1,734,864	66,320	42,869	6,189	23,451
Commercial loans		343,416	14,960	10,938	1,378	4,022
Total Business Banking		2,078,280	81,280	53,807	7,567	27,473
Total	$	5,898,759	91,132	63,659	8,930	27,473

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Our loan portfolios include loans that have been modified in a troubled debt restructuring (TDR), where concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include: extending the note s maturity date, permitting interest only payments, reducing the interest rate to a rate lower than current market rates for new debt with similar risk, reducing the principal payment, principal forbearance or other actions. These concessions are applicable to all loan segments and classes. Certain TDRs are classified as nonperforming at the time of restructuring and may be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period of at least six months.

When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, the loan s observable market price or the current fair value of the collateral, less selling costs, for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment, using ASC 310-10. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, we evaluate the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, partial charge-offs may be taken to further write-down the carrying value of the loan, or the loan may be charged-off completely.

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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 June 30,					
	2015			2014		
	Number of contracts			Number of contracts		
Beginning TDR balance:	242	$	60,645	258	$	74,511
New TDRs	4		386	6		1,343
Re-modified TDRs	1		45			
Net paydowns			(3,617)			(2,526)
Charge-offs:						
Residential mortgage loans						
Home equity loans	1		(68)	1		(130)
Commercial real estate loans	1		(9)			
Commercial loans				7		(8,244)
Paid-off loans:						
Residential mortgage loans	1		(53)			
Home equity loans				1		(39)
Commercial real estate loans	6		(926)	4		(561)
Commercial loans	6		(219)	3		(561)
Ending TDR balance:	231	$	56,184	248	$	63,793
Accruing TDRs		$	40,741		$	39,844
Non-accrual TDRs			15,443			23,949

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

	For the six months ended June 30,					
	2015			2014		
	Number of contracts			Number of contracts		
Beginning TDR balance:	248	$	61,788	262	$	79,166
New TDRs	6		498	13		2,652
Re-modified TDRs	2		130	4		159
Net paydowns			(4,440)			(7,020)
Charge-offs:						
Residential mortgage loans						
Home equity loans	3		(99)	1		(130)
Commercial real estate loans	2		(23)	2		(31)
Commercial loans	2		(387)	8		(8,251)
Paid-off loans:						
Residential mortgage loans	1		(53)			
Home equity loans	1		(6)	1		(39)
Commercial real estate loans	8		(1,005)	6		(838)
Commercial loans	6		(219)	9		(1,875)
Ending TDR balance:	231	$	56,184	248	$	63,793
Accruing TDRs		$	40,741		$	39,844
Non-accrual TDRs			15,443			23,949

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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 June 30, 2015				For the six months ended June 30, 2015			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	2	$ 120	119		4	$ 232	230	1
Home equity loans	1	2	2		2	87	85	17
Other consumer loans								
Total Personal Banking	3	122	121		6	319	315	18
Business Banking:								
Commercial real estate loans	1	12	12	1	1	12	12	1
Commercial loans	1	297	294	29	1	297	294	29
Total Business Banking	2	309	306	30	2	309	306	30
Total	5	$ 431	427	30	8	$ 628	621	48
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans	1	$ 251	250		1	$ 251	250	
Home equity loans	1	23	21		1	23	21	
Other consumer loans								
Total Personal Banking	2	274	271		2	274	271	
Business Banking:								
Commercial real estate loans								
Commercial loans					1	50		
Total Business Banking					1	50		
Total	2	$ 274	271		3	$ 324	271	

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

	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	3	$ 632	575	65	9	$ 1,922	1,860	184
Home equity loans	2	376	346	2	2	376	346	2
Other consumer loans								
Total Personal Banking	5	1,008	921	67	11	2,298	2,206	186
Business Banking:								
Commercial real estate loans					3	89	82	32
Commercial loans	1	335	331	24	3	424	446	35
Total Business Banking	1	335	331	24	6	513	528	67
Total	6	$ 1,343	1,252	91	17	$ 2,811	2,734	253
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans		$				$		
Home equity loans								
Other consumer loans								
Total Personal Banking								
Business Banking:								
Commercial real estate loans	2	128	126	35	2	128	126	35
Commercial loans	1	7,444	378		1	7,444	378	
Total Business Banking	3	7,572	504	35	3	7,572	504	35
Total	3	$ 7,572	504	35	3	$ 7,572	504	35

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The following table provides information as of June 30, 2015 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended June 30, 2015 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	2	$ 74			45	119
Home equity loans	1			2		2
Other consumer loans						
Total Personal Banking	3	74		2	45	121
Business Banking:						
Commercial real estate loans	1			12		12
Commercial loans	1			294		294
Total Business Banking	2			306		306
Total	5	$ 74		308	45	427

The following table provides information as of June 30, 2014 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended June 30, 2014 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	3	$		575		575
Home equity loans	2			346		346
Other consumer loans						
Total Personal Banking	5			921		921
Business Banking:						
Commercial real estate loans						
Commercial loans	1				331	331
Total Business Banking	1				331	331
Total	6	$		921	331	1,252

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The following table provides information as of June 30, 2015 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the six months ended June 30, 2015 (dollars in thousands):

		Type of modification				
	Number of contracts	**Rate**	**Payment**	**Maturity date**	**Other**	**Total**
Personal Banking:						
Residental mortgage loans	4	$ 74		111	45	230
Home equity loans	2	83		2		85
Other consumer loans						
Total Personal Banking	6	157		113	45	315
Business Banking:						
Commercial real estate loans	1			12		12
Commercial loans	1			294		294
Total Business Banking	2			306		306
Total	8	$ 157		419	45	621

The following table provides information as of June 30, 2014 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the six months ended June 30, 2014 (dollars in thousands):

		Type of modification				
	Number of contracts	**Rate**	**Payment**	**Maturity date**	**Other**	**Total**
Personal Banking:						
Residental mortgage loans	9	$		1,860		1,860
Home equity loans	2			346		346
Other consumer loans						
Total Personal Banking	11			2,206		2,206
Business Banking:						
Commercial real estate loans	3			58	24	82
Commercial loans	3		110		336	446
Total Business Banking	6		110	58	360	528
Total	17	$	110	2,264	360	2,734

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The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended June 30, 2015 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification				
		Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	1	$			45	45
Home equity loans						
Other consumer loans						
Total Personal Banking	1				45	45
Business Banking:						
Commercial real estate loans						
Commercial loans						
Total Business Banking						
Total	1	$			45	45

No TDRs were re-modified during the quarter ended June 30, 2014.

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the six months ended June 30, 2015 (dollars in thousands):

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

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

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	1	$		77		77
Home equity loans						
Other consumer loans						
Total Personal Banking	1			77		77
Business Banking:						
Commercial real estate loans	2			58	18	76
Commercial loans	1				5	5
Total Business Banking	3			58	23	81
Total	4	$		135	23	158

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

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	$ 3,250	5,815	16,125	25,190	2,571,980	2,597,170
Home equity loans	3,768	2,090	4,616	10,474	1,045,355	1,055,829
Other consumer loans	5,116	1,767	2,199	9,082	243,309	252,391
Total Personal Banking	12,134	9,672	22,940	44,746	3,860,644	3,905,390
Business Banking:						
Commercial real estate loans	3,788	4,919	12,673	21,380	1,838,363	1,859,743
Commercial loans	1,363	159	1,858	3,380	356,144	359,524
Total Business Banking	5,151	5,078	14,531	24,760	2,194,507	2,219,267
Total	$ 17,285	14,750	37,471	69,506	6,055,151	6,124,657

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

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

Credit quality indicators: We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We analyze loans individually by classifying the loans by credit risk. Credit relationships greater than or equal to $1.0 million classified as special mention or substandard are reviewed quarterly for deterioration or improvement to determine if the loan is appropriately classified. We use the following definitions for risk ratings other than pass:

Special mention Loans designated as special mention have specific, well-defined risk issues, which create a high level of uncertainty regarding the long-term viability of the business. Loans in this class are considered to have high-risk characteristics. A special mention loan exhibits material negative financial trends due to company-specific or systemic conditions. If these potential weaknesses are not mitigated, they threaten the borrower s capacity to meet its debt obligations. Special mention loans still demonstrate sufficient financial flexibility to react to and positively address the root cause of the adverse financial trends without significant deviations from their current business strategy. Their potential weaknesses deserve our close attention and warrant enhanced monitoring.

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

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

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

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

		Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:							
Residential mortgage loans	$	2,584,438		11,362		1,370	2,597,170
Home equity loans		1,051,213		4,616			1,055,829
Other consumer loans		250,648		1,743			252,391
Total Personal Banking		3,886,299		17,721		1,370	3,905,390
Business Banking:							
Commercial real estate loans		1,688,449	37,497	133,797			1,859,743
Commercial loans		301,467	19,793	38,262	2		359,524
Total Business Banking		1,989,916	57,290	172,059	2		2,219,267
Total	$	5,876,215	57,290	189,780	2	1,370	6,124,657

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

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

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(5) Goodwill and Other Intangible Assets

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

		June 30, 2015	December 31, 2014
Amortizable intangible assets:			
Core deposit intangibles gross	$	30,578	30,578
Acquisitions			
Less: accumulated amortization		(30,578)	(30,578)
Core deposit intangibles net			
Customer and Contract intangible assets gross		8,234	6,197
Acquisitions		263	2,037
Less: accumulated amortization		(5,738)	(5,201)
Customer and Contract intangible assets net	$	2,759	3,033

The following table shows the actual aggregate amortization expense for the quarters and six months ended June 30, 2015 and 2014, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended June 30, 2015	$	269
For the quarter ended June 30, 2014		331
For the six months ended June 30, 2015		537
For the six months ended June 30, 2014		662
For the year ending December 31, 2015		1,074
For the year ending December 31, 2016		835
For the year ending December 31, 2017		597
For the year ending December 31, 2018		429
For the year ending December 31, 2019		260
For the year ending December 31, 2020		92

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

		Community Banks	Consumer Finance	Total
Balance at December 31, 2013	$	173,031	1,613	174,644
Goodwill acquired		679		679
Impairment losses				
Balance at December 31, 2014		173,710	1,613	175,323
Goodwill acquired		175		175
Impairment losses				
Balance at June 30, 2015	$	173,885	1,613	175,498

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We are in the process of performing our annual goodwill impairment test as of June 30, 2015 and do not anticipate that goodwill will be impaired. See the Overview of Critical Accounting Policies Involving Estimates section for a description of our testing procedures.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management s credit assessment of the customer. At June 30, 2015, the maximum potential amount of future payments we could be required to make under these standby letters of credit was $25.0 million, of which $24.3 million is fully collateralized. At June 30, 2015, we had a liability, which represents deferred income, of $1.2 million related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

(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 1,711,080 shares of common stock with a weighted average exercise price of $12.64 per share were outstanding during the quarter ended June 30, 2015 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares of $12.32. Stock options to purchase 4,344,225 shares of common stock with a weighted average exercise price of $12.42 per share were outstanding during the six months ended June 30, 2015 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares of $12.11. All stock options outstanding during the quarter and six months ended June 30, 2014 were included in the computation of diluted earnings per share because the stock options exercise price was less than the average market price of the common shares of $13.72 and $14.09, respectively.

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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 June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Reported net income	$	15,305	12,674	31,475	27,285
Weighted average common shares outstanding		91,538,172	91,491,654	91,585,766	91,324,169
Dilutive potential shares due to effect of stock options		459,833	1,039,488	364,450	1,118,462
Total weighted average common shares and dilutive potential shares		91,998,005	92,531,142	91,950,216	92,442,631
Basic earnings per share:	$	0.17	0.14	0.34	0.30
Diluted earnings per share:	$	0.17	0.14	0.34	0.30

(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 June 30,			
		Pension benefits		Other post-retirement benefits	
		2015	2014	2015	2014
Service cost	$	1,430	1,035		
Interest cost		1,531	1,457	15	17
Expected return on plan assets		(2,593)	(2,416)		
Amortization of prior service cost		(581)	(581)		
Amortization of the net loss		925	357	15	12
Net periodic (benefit)/ cost	$	712	(148)	30	29

Components of net periodic benefit cost

		Six months ended June 30,			
		Pension benefits		Other post-retirement benefits	
		2015	2014	2015	2014
Service cost	$	2,860	2,070		
Interest cost		3,062	2,914	30	33
Expected return on plan assets		(5,186)	(4,832)		

Amortization of prior service cost		(1,162)	(1,162)		
Amortization of the net loss		1,850	713	30	24
Net periodic (benefit)/ cost	$	1,424	(297)	60	57

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

(9) Disclosures About Fair Value of Financial Instruments

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

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

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

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

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

- Level 3 Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:

- Quotes from brokers or other external sources that are not considered binding;

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

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

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

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

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,

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municipal bonds, mortgage-backed securities and US government obligations. Certain corporate debt securities do not have an active market and as such the broker pricing received uses alternative methods. The fair value of these corporate debt securities is determined by using a discounted cash flow model using market assumptions, which generally include cash flow, collateral and other market assumptions. As such, these securities are included herein as Level 3 assets.

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

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

Loans Receivable

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

Federal Home Loan Bank of Pittsburgh (FHLB) Stock

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

Deposit Liabilities

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

Borrowed Funds

Fixed rate advances are valued by comparing their contractual cost to the prevailing market cost. The carrying amount of collateralized borrowings approximates the fair value.

Junior Subordinated Debentures

The fair value of junior subordinated debentures is calculated using the discounted cash flows at the prevailing rate of interest.

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.

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

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

		Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$	292,948	292,948	292,948		
Securities available-for-sale		861,157	861,157	1,932	850,002	9,223
Securities held-to-maturity		61,464	62,957		62,957	
Loans receivable, net		6,065,600	6,389,381			6,389,381
Accrued interest receivable		18,682	18,682	18,682		
FHLB Stock		38,066	38,066			
Total financial assets	$	7,337,917	7,663,191	313,562	912,959	6,398,604
Financial liabilities:						
Savings and checking deposits	$	4,296,954	4,296,954	4,296,954		
Time deposits		1,397,528	1,413,605			1,413,605
Borrowed funds		899,056	925,318	138,687		786,631
Junior subordinated debentures		103,094	108,627			108,627
Cash flow hedges - swaps		5,454	5,454		5,454	
Accrued interest payable		1,302	1,302	1,302		
Total financial liabilities	$	6,703,388	6,751,260	4,436,943	5,454	2,308,863

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The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at December 31, 2014 (in thousands):

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

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 June 30, 2015 and December 31, 2014. There were no transfers of financial instruments between Level 1 and Level 2 during the six months ended June 30, 2015.

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

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 1,932			1,932
Debt securities:				
U.S. government and agencies		21		21
Government sponsored enterprises		344,964		344,964
States and political subdivisions		62,949		62,949
Corporate		9,707	9,223	18,930
Total debt securities		417,641	9,223	426,864
Residential mortgage-backed securities:				
GNMA		26,977		26,977
FNMA		66,057		66,057
FHLMC		37,566		37,566
Non-agency		619		619
Collateralized mortgage obligations:				
GNMA		6,832		6,832
FNMA		124,459		124,459
FHLMC		157,772		157,772
SBA		8,966		8,966
Non-agency		3,113		3,113
Total mortgage-backed securities		432,361		432,361
Interest rate swaps		(5,454)		(5,454)
Total assets and liabilities	$ 1,932	844,548	9,223	855,703

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

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

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

		Quarter ended		Six months ended	
		June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Beginning balance	$	10,306	12,391	10,597	12,251
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):					
Included in net income as OTTI					
Included in other comprehensive income		(1,083)	152	(1,374)	292
Purchases					
Sales					
Transfers in to Level 3					
Transfers out of Level 3					
Ending balance	$	9,223	12,543	9,223	12,543

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 June 30, 2015 (in thousands):

		Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$			43,254	43,254
Real estate owned				13,864	13,864
Total assets	$			57,118	57,118

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

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

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

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

The table presents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine fair value at June 30, 2015 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	$ 9,223	Discounted cash flow	Discount margin Default rates Prepayment speeds	0.35% to 2.10% (0.69%) 1.00% 1.00% annually
Loans measured for impairment	43,254	Appraisal value (1) Discounted cash flow	Estimated cost to sell Discount rate	10% 3.75% to 6.50% (5.13%)
Real estate owned	13,864	Appraisal value (1)	Estimated cost to sell	10%

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

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

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

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

Northwest Bancorp Capital Trust III (Trust III) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 5, 2006 (liquidation value of $1,000 per preferred security or $50,000,000) with a stated maturity of December 30, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. Northwest Bancorp Statutory Trust IV (Trust IV) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 15, 2006 (liquidation value of $1,000 per preferred security or $50,000,000) with a stated maturity of December 15, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. The Trusts have invested the proceeds of the offerings in junior subordinated deferrable interest debentures issued by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. Trust III holds $51,547,000 of the Company s junior subordinated debentures and Trust IV holds $51,547,000 of the Company s junior subordinated debentures. These subordinated debentures are the sole assets of the Trusts. Cash distri-butions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts. We have the right to defer payment of interest on the subordinated debentures at any time, or from time-to-time, for periods not exceeding five years. If interest payments on the subordinated debentures are deferred, the distributions on the trust preferred securities are also deferred. Interest on the subordinated debentures and distributions on the trust securities is cumulative. To date, there have been no interest deferrals. Our obligation constitutes a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the trust under the preferred securities.

We are currently a counterparty to three interest rate swap agreements (swaps), designating the swaps as cash flow hedges. The swaps are intended to protect against the variability of cash flows associated with Trust III and Trust IV. The first swap modifies the re-pricing characteristics of Trust III, wherein for a ten year period expiring in September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.61% to the same counterparty calculated on a notional amount of $25.0 million. The other two swaps modify the re-pricing characteristics of Trust IV, wherein (i) for a seven year period expiring in December 2015, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 3.85% to the same counterparty calculated on a notional amount of $25.0 million and (ii) for a ten year period expiring in December 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of $25.0 million. The swap agreements were entered into with a counterparty that met our credit standards and the agreements contain collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contracts is not significant. At June 30, 2015, $6.1 million of cash was pledged as collateral to the counterparty.

At June 30, 2015, the fair value of the swap agreements was $(5.5) 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.

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

		June 30, 2015	December 31, 2014
Fair value	$	5,454	6,273
Notional amount		75,000	75,000
Collateral posted		6,105	6,805

(11) Legal Proceedings

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

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(12) **Changes in Accumulated Other Comprehensive Income**

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

	For the quarter ended June 30, 2015				
		Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of March 31, 2015	$	6,345	(4,034)	(23,534)	(21,223)
Other comprehensive income before reclassification adjustments		(1,788)	488		(1,300)
Amounts reclassified from accumulated other comprehensive income (1), (2)		(279)		219	(60)
Net other comprehensive loss		(2,067)	488	219	(1,360)
Balance as of June 30, 2015	$	4,278	(3,546)	(23,315)	(22,583)

	For the quarter ended June 30, 2014				
		Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of March 31, 2014	$	459	(4,973)	(3,581)	(8,095)
Other comprehensive income before reclassification adjustments		3,123	98		3,221
Amounts reclassified from accumulated other comprehensive income (3), (4)		(204)		(138)	(342)
Net other comprehensive income		2,919	98	(138)	2,879
Balance as of June 30, 2014	$	3,378	(4,875)	(3,719)	(5,216)

(1) Consists of realized gains on securities (gain on sales of investments, net) of $458, net of tax (income tax expense) of $(179).

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

(3) Consists of realized gains on securities (gain on sales of investments, net) of $334, net of tax (income tax expense) of $(130).

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

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

	For the six months ended June 30, 2015				
		Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2014	$	3,461	(4,078)	(23,753)	(24,370)
Other comprehensive income before reclassification adjustments		1,164	532		1,696
Amounts reclassified from accumulated other comprehensive income (1), (2)		(347)		438	91
Net other comprehensive income		817	532	438	1,787
Balance as of June 30, 2015	$	4,278	(3,546)	(23,315)	(22,583)

	For the six months ended June 30, 2014				
		Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2013	$	(3,233)	(5,224)	(3,443)	(11,900)
Other comprehensive income before reclassification adjustments		8,719	349		9,068
Amounts reclassified from accumulated other comprehensive income (3), (4)		(2,108)		(276)	(2,384)
Net other comprehensive income		6,611	349	(276)	6,684
Balance as of June 30, 2014	$	3,378	(4,875)	(3,719)	(5,216)

(1) Consists of realized gains on securities (gain on sales of investments, net) of $569, net of tax (income tax expense) of $(222).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of $1,162 and amortization of net loss (compensation and employee benefits) of $(1,880), net of tax (income tax expense) of $280. See note 8.

(3) Consists of realized gains on securities (gain on sales of investments, net) of $3,456, net of tax (income tax expense) of $(1,348).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of $1,162 and amortization of net loss (compensation and employee benefits) of $(737), net of tax (income tax expense) of $(149). See note 8.

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(13) **Other Items**

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

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

The transaction has been approved by the Boards of Directors of the Company and LNB as well as LNB s shareholders and both the FDIC and the Pennsylvania Department of Banking. Additionally, the Federal Reserve Bank has issued a non-objection to a waiver request from the obligation to file an application. Completion of the transaction is subject to customary closing conditions. We anticipate both the closing and data conversion to be completed on the weekend of August 14, 2015.

As of June 30, 2015, LNB had total assets of $1.238 billion (unaudited) and net income of $2.3 million (unaudited) and $4.1 (unaudited) for the quarter and six months ended June 30, 2015, respectively.

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

Forward-Looking Statements:

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

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

- changes in laws, government regulations or policies affecting financial institutions, including regulatory fees and capital requirements;

- general economic conditions, either nationally or in our market areas, that are different than expected;

- competition among other financial institutions and non-depository entities;

- inflation and changes in the interest rate environment that impact our margins or the fair value of financial instruments;

- changes in the securities markets;

- our ability to enter new markets successfully, capitalize on growth opportunities and our ability to successfully integrate acquired entities, if any;

- changes in consumer spending, borrowing and savings habits;

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

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

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

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

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

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

Overview of Critical Accounting Policies Involving Estimates

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

Executive Summary and Comparison of Financial Condition

Total assets at June 30, 2015 were $7.865 billion, an increase of $89.5 million, or 1.2%, from $7.775 billion at December 31, 2014. This increase in assets was due to increases in net loans receivable of $143.2 million and interest-earning deposits in other financial institutions of $55.6 million, which were partially offset by a decrease in marketable securities of $93.4 million. The net increase in total assets was funded by increases in total deposits and borrowed funds of $61.9 million and $10.9 million, respectively.

Total loans receivable increased by $134.8 million, or 2.2%, to $6.125 billion at June 30, 2015, from $5.990 billion at December 31, 2014. Loans funded during the six months ended June 30, 2015, of $996.5 million exceeded loan maturities, principal repayments and mortgage loan sales of $851.0 million. Our business banking loan portfolio increased by $59.7 million, or 2.8%, to $2.219 billion at June 30, 2015 from $2.160 billion at December 31, 2014, as we continue to emphasize the origination of commercial and commercial real estate loans. Our personal banking loan portfolio increased by $75.1 million, or 2.0%, to $3.905 billion at June 30, 2015 from $3.830 billion at December 31, 2014. This increase is primarily attributable to an increase in residential mortgage loans of $75.7 million as a result of the success of our wholesale lending division and improvements made to the application and underwriting processes which we implemented in the second half of last year.

Total deposits increased by $61.9 million, or 1.1%, to $5.694 billion at June 30, 2015 from $5.633 billion at December 31, 2014. Noninterest-bearing demand deposits increased by $71.1 million, or 8.0%, to $962.3 million at June 30, 2015 from $891.2 million at December 31, 2014. Interest-bearing demand deposits increased by $53.8 million, or 6.2%, to $928.4 million at June 30, 2015 from $874.6 million at December 31, 2014. Savings deposits increased by $53.7 million, or 4.4%, to $1.263 billion at June 30, 2015 from $1.209 billion at December 31, 2014. Partially offsetting these increases was a decrease in time deposits of $80.8 million, or 5.5%, to $1.398 billion at June 30, 2015 from $1.478 billion at December 31, 2014. Additionally, money market deposit accounts decreased by $35.9 million, or 3.0%, to $1.143 billion at June 30, 2015 from $1.179 billion at December 31, 2014. We believe the increase in more liquid deposit accounts is due primarily to customers continued reluctance to lock in time deposits at these historically low rates. In addition, our checking account marketing campaign has been successful in attracting new customers.

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Borrowed funds increased by $11.0 million, or 1.2%, to $899.1 million at June 30, 2015, from $888.1 million at December 31, 2014. During the first quarter of 2015 we borrowed $85.0 million from the FHLB with an average maturity of 8.2 years and an average interest rate of 2.40%. Our intention was to lock in long-term, low-cost borrowings before market interest rates increase in order to fund the FHLB advances that mature in 2015. Partially offsetting this increase was a decrease of $24.0 million in collateralized borrowings and the maturities of $50.0 million of FHLB advances.

Total shareholders equity at June 30, 2015 was $1.068 billion, or $11.28 per share, an increase of $5.7 million, or 0.5%, from $1.063 billion, or $11.22 per share, at December 31, 2014. This increase in equity was the result of net income during the six months ended June 30, 2015 of $31.5 million and a decrease in accumulated other comprehensive loss of $1.8 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 $25.9 million and the repurchase of 497,800 shares of common stock for $6.0 million during the six months ended June 30, 2015.

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

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

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

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

	At June 30, 2015					
	Actual		Minimum capital requirements		Well capitalized requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assts)						
Northwest Bancshares, Inc.	$ 1,082,600	20.28%	427,091	8.00%	533,864	10.00%
Northwest Bank	861,704	16.18%	426,039	8.00%	532,549	10.00%
Tier 1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,023,404	19.17%	320,318	6.00%	427,091	8.00%
Northwest Bank	802,644	15.07%	319,529	6.00%	426,039	8.00%
CET1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	923,404	17.30%	240,239	4.50%	347,011	6.50%
Northwest Bank	802,644	15.07%	239,647	4.50%	346,157	6.50%
Tier 1 capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,023,404	13.16%	310,981	4.00%	388,726	5.00%
Northwest Bank	802,644	10.34%	310,442	4.00%	388,053	5.00%

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

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

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

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

We are required to maintain a sufficient level of liquid assets, as determined by management and reviewed for adequacy by the FDIC and the Pennsylvania Department of Banking during their regular examinations. Northwest monitors its liquidity position primarily using the ratio of unencumbered available-for-sale liquid assets as a percentage of deposits and borrowings (liquidity ratio). Northwest s liquidity ratio at June 30, 2015 was 11.6%. 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 June 30, 2015 Northwest had $1.786 billion of additional borrowing capacity available with the FHLB, including $150.0 million on an overnight line of credit, as well as $210.4 million of borrowing capacity available with the Federal Reserve Bank and $80.0 million with two correspondent banks.

We paid $12.9 million and $104.6 million in cash dividends during the quarters ended June 30, 2015 and 2014, respectively, and $25.9 million and $125.8 million for the six months ended June 30, 2015 and 2014, respectively. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 82.4% and 807.1% for the quarters ended June 30, 2015 and 2014, respectively, on regular dividends of $0.14 per share for the quarter ended June 30, 2015 and on regular dividends of $0.13 per share and a special dividend of $1.00 per share for the quarter ended June 30, 2014. The common stock dividend payout ratio was 82.4% and 453.3% for the six months ended June 30, 2015 and 2014, respectively, on regular dividends of $0.28 per share for the six months ended June 30, 2015 and on regular dividends of $0.26 per share and special dividends of $1.10 per share for the six months ended June 30, 2014. On July 15, 2015, the Board of Directors declared a dividend of $0.14 per share payable on August 13, 2015 to shareholders of record as of July 30, 2015. This represents the 83rd 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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		June 30, 2015		December 31, 2014
		(Dollars in thousands)		
Loans 90 days or more delinquent:				
Residential mortgage loans	$	16,125	$	17,696
Home equity loans		4,616		6,606
Other consumer loans		2,199		2,450
Commercial real estate loans		12,673		10,215
Commercial loans		1,858		4,359
Total loans 90 days or more delinquent	$	37,471	$	41,326
Total real estate owned (REO)		13,864		16,759
Total loans 90 days or more delinquent and REO		51,335		58,085
Total loans 90 days or more delinquent to net loans receivable		0.62%		0.70%
Total loans 90 days or more delinquent and REO to total assets		0.65%		0.75%
Nonperforming assets:				
Nonaccrual loans - loans 90 days or more delinquent	$	37,471		41,326
Nonaccrual loans - loans less than 90 days delinquent		20,525		38,482
Loans 90 days or more past maturity and still accruing		385		235
Total nonperforming loans		58,381		80,043
Total nonperforming assets	$	72,245		96,802
Nonaccrual troubled debt restructured loans *	$	15,443		24,459
Accruing troubled debt restructured loans		40,741		37,329
Total troubled debt restructured loans	$	56,184		61,788

* Included in nonaccurual loans above.

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement including both contractual principal and interest payments. The amount of impairment is required to be measured using one of three methods: (1) the present value of expected future cash flows discounted at the loan s effective interest rate; (2) the loan s observable market price; or (3) the fair value of collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, a specific allowance is allocated for the impairment. Impaired loans at June 30, 2015 and December 31, 2014 were $115.5 million and $137.2 million, respectively.

Allowance for Loan Losses

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

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

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

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

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

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

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

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

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

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

We utilize a consistent methodology each period when analyzing the adequacy of the allowance for loan losses and the related provision for loan losses. As part of the analysis as of June 30, 2015, we considered the economic conditions in our markets, such as unemployment and bankruptcy levels as well as changes in estimates of real estate collateral values. In addition, we considered the overall trends in asset quality, specific reserves already established for criticized loans, historical loss rates and collateral valuations. As a result of this analysis, the allowance for loan losses decreased by $8.4 million, or 12.5%, to $59.1 million, or 0.96% of total loans, at June 30, 2015 from $67.5 million, or 1.13% of total loans, at December 31, 2014. This decrease is primarily attributable to the continued improvement in overall asset quality as classified loans and non-accrual loans delinquent 90 days or more decreased by $25.9 million and $3.9 million, respectively, compared to December 31, 2014. Additionally, we have enhanced the procedures for determining environmental reserves and the loss emergence period eliminating the unallocated portion of the allowance for loan losses. This resulted in the allocation of previously unallocated reserves.

We also consider how the levels of non-accrual loans and historical charge-offs have influenced the required amount of allowance for loan losses. Nonaccrual loans of $58.0 million or 0.95% of total loans receivable, at June 30, 2015 decreased by $21.8 million, or 27.3%, from $79.8 million, or 1.33% of total loans receivable, at December 31, 2014. As a percentage of average loans, annualized net charge-offs decreased to 0.34% for the six months ended June 30, 2015 compared to 0.41% for the year ended December 31, 2014 despite charge-offs in the current year of $6.1 million on a loan to a seed wholesaler and $2.0 million on a loan to a hotel operator.

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

Net income for the quarter ended June 30, 2015 was $15.3 million, or $0.17 per diluted share, an increase of $2.6 million, or 20.8%, from $12.7 million, or $0.14 per diluted share, for the quarter ended June 30, 2014. The increase in net income resulted from a decrease in the provision for loan losses of $7.2 million, or 87.3%, and an increase in noninterest income of $98,000, or 0.6%. Partially offsetting these improvements were increases in income tax expense of $2.8 million, or 62.6%, and noninterest expense of $1.3 million, or 2.5% and a decrease in net interest income of $595,000, or 0.9%. Annualized, net income for the quarter ended June 30, 2015 represents a 5.77% and 0.78% return on average equity and return on average assets, respectively, compared to 4.77% and 0.64% for the same quarter last year. A discussion of significant changes follows.

Interest Income

Total interest income decreased by $1.0 million, or 1.3%, to $76.0 million for the quarter ended June 30, 2015 from $77.0 million for the quarter ended June 30, 2014. This decrease is the result of decreases in both the average balance and average yield on interest earning assets. The average balance of interest earning assets decreased by $67.6 million, or 0.9%, to $7.343 billion for the quarter ended June 30, 2015 from $7.410 billion for the quarter ended June 30, 2014 while the average yield earned on interest earning assets decreased to 4.15% for the quarter ended

June 30, 2015 from 4.17% for the quarter ended June 30, 2014.

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Interest income on loans receivable increased by $259,000, or 0.4%, to $71.0 million for the quarter ended June 30, 2015 from $70.7 million for the quarter ended June 30, 2014. This increase in interest income on loans receivable can be attributed to an increase in the average balance of loans receivable which increased by $240.4 million, or 4.1%, to $6.074 billion for the quarter ended June 30, 2015 from $5.834 billion for the quarter ended June 30, 2014. This increase is due to continued success in growing business banking relationships and the retention of the residential mortgage loans originated by our wholesale lending function. Partially offsetting this increase was a decline in the average yield which decreased to 4.69% for the quarter ended June 30, 2015 from 4.86% for the quarter ended June 30, 2014. The continued decline in average yield is due primarily to the historically low level of market interest rates.

Interest income on mortgage-backed securities decreased by $608,000, or 22.8%, to $2.1 million for the quarter ended June 30, 2015 from $2.7 million for the quarter ended June 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by $123.3 million, or 20.5%, to $477.8 million for the quarter ended June 30, 2015 from $601.1 million for the quarter ended June 30, 2014 due primarily to redirecting cash flows from these securities to fund loan growth, repurchase our common stock and to pay dividends over the past year. The average yield on mortgage-backed securities decreased to 1.72% for the quarter ended June 30, 2015 from 1.77% for the quarter ended June 30, 2014 due primarily to the pay-down of higher rate securities.

Interest income on investment securities decreased by $340,000, or 13.0%, to $2.3 million for the quarter ended June 30, 2015 from $2.6 million for the quarter ended June 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average yield of investment securities decreased to 1.88% for the quarter ended June 30, 2015 from 2.06% for the quarter ended June 30, 2014. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called and when replaced, being replaced by lower yielding, shorter duration government agency securities. The average balance of investment securities decreased by $24.6 million, or 4.9%, to $482.7 million for the quarter ended June 30, 2015 from $507.3 million for the quarter ended June 30, 2014. This decrease is due primarily to the maturity or call of municipal and government agency securities and the use of these proceeds to primarily fund loan growth.

Regular dividends on FHLB stock decreased by $222,000, or 31.9%, to $475,000 for the quarter ended June 30, 2015 from $697,000 for the quarter ended June 30, 2014. This decrease is due primarily to the timing of when the FHLB resumed the payment of regular dividends in 2014. As a result, the average yield decreased to 5.35% for the quarter ended June 30, 2015 from 6.34% for the quarter ended June 30, 2014. Additionally, the average balance decreased by $8.3 million, or 19.0%, to $35.6 million for the quarter ended June 30, 2015 from $43.9 million for the quarter ended June 30, 2014. FHLB dividends are included in the taxable investment securities line of the interest income section of our Consolidated Statements of Income.

Interest income on interest-earning deposits decreased by $106,000, or 37.1%, to $180,000 for the quarter ended June 30, 2015 from $286,000 for the quarter ended June 30, 2014. This decrease is due to a decrease in the average balance of $151.7 million, or 35.8%, to $272.7 million for the quarter ended June 30, 2015 from $424.4 million for the quarter ended June 30, 2014, due to the utilization of cash to fund loan growth, repurchase our common stock and pay dividends over the past year. The average yield on interest-earning deposits decreased slightly to 0.26% for the quarter ended June 30, 2015 from 0.27% for the quarter ended June 30, 2014.

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Interest Expense

Interest expense decreased by $422,000, or 3.0%, to $13.8 million for the quarter ended June 30, 2015 from $14.2 million for the quarter ended June 30, 2014. This decrease in interest expense was due primarily to a decrease in the average balance of interest-bearing liabilities, which decreased by $118.9 million, or 2.0%, to $5.773 billion for the quarter ended June 30, 2015 from $5.892 billion for the quarter ended June 30, 2014. The decrease in average interest-bearing liabilities resulted primarily from a reduction in average time deposits of $188.8 million, or 11.8%, compared to last year, as consumers continue to shift investment priorities to demand deposit products as well as to withdraw funds for living expenses. The decrease in time deposits was partially offset by an increase in the average balance of borrowed funds of $57.1 million, or 6.5%, from the prior year due to $85.0 million of FHLB advances borrowed during the first quarter of 2015 in order to lock-in low rate, long-term funding to replace advances maturing this year. The average cost of interest-bearing liabilities decreased slightly to 0.96% for the quarter ended June 30, 2015 from 0.97% for the quarter ended June 30, 2014 as a result of the change in deposit mix and lower interest rates on new FHLB advances.

Net Interest Income

Net interest income decreased by $595,000, or 0.9%, to $62.2 million for the quarter ended June 30, 2015 from $62.8 million for the quarter ended June 30, 2014. This decrease is attributable to the factors discussed above. Redirecting existing funds and cash flow from investment securities to fund loan growth helped mitigate overall lower market interest rates as we maintained our net interest spread and margin. Our net interest rate spread decreased by one basis point to 3.19% for the quarter ended June 30, 2015 from 3.20% for the quarter ended June 30, 2014 and our net interest margin remained unchanged at 3.39% for the quarters ended June 30, 2015 and 2014.

Provision for Loan Losses

The provision for loan losses decreased by $7.2 million, or 87.3%, to $1.1 million for the quarter ended June 30, 2015 from $8.3 million for the quarter ended June 30, 2014. This decrease is due primarily to continued improvements in overall asset quality as classified loans decreased by $19.5 million, or 9.3%, to $191.2 million at June 30, 2015 from $210.7 million at June 30, 2014. In addition, total nonaccrual loans decreased by $38.8 million, or 40.1%, to $58.0 million at June 30, 2015 from $96.8 million at June 30, 2014 and loans 90 days or more delinquent decreased by $13.8 million, or 26.9%, to $37.5 million at June 30, 2015 from $51.3 million at June 30, 2014. Additionally, during the prior years quarter two business banking loans required combined provisions of $3.2 million.

In determining the amount of the current period provision, we considered current economic conditions, including unemployment levels and bankruptcy filings, and changes in real estate values and the impact of these factors on the quality of our loan portfolio and historical loss 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 $98,000, or 0.6%, to $16.5 million for the quarter ended June 30, 2015 from $16.4 million for the quarter ended June 30, 2014. The increase is primarily attributable to increases in gain on sale of investments and service charges and fees. Gain on sale of investments increased by $217,000, or 62.2%, to $566,000 for the quarter ended June 30, 2015 from $349,000 for the quarter ended June 30, 2014. This increase is due primarily to a $360,000 recovery on a called security for which we had previously recorded other-than-temporary-impairment. Service charges and fees increased by $186,000, or 2.1%, to $9.2 million for the quarter ended June 30, 2015 from $9.0 million for the quarter ended June 30, 2014 due primarily to an increase in the number of loan and transaction deposit customers

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as well as adjustments to deposit account fees made in late 2014. Partially offsetting these increases was a decrease in other operating income of $249,000, or 25.1% to $742,000 for the quarter ended June 30, 2015 from $991,000 for the quarter ended June 30, 2014 due primarily to an insurance settlement received in 2014.

Noninterest Expense

Noninterest expense increased by $1.3 million, or 2.5%, to $55.1 million for the quarter ended June 30, 2015 from $53.8 million for the quarter ended June 30, 2014. This increase is primarily the result of increases in processing expenses, compensation and employee benefits and acquisition costs. Processing expense increased by $753,000, or 11.3%, to $7.4 million for the quarter ended June 30, 2015 from $6.6 million for the quarter ended June 30, 2014, due primarily to technology upgrades including the implementation of software that provides our customers with enhanced security for online financial transactions. Compensation and employee benefits increased by $377,000, or 1.3%, to $28.9 million for the quarter ended June 30, 2015 from $28.5 million for the quarter ended June 30, 2014. This increase is primarily the result of increased retirement benefit costs during the current year. Additionally, expenses totaling $467,000 were incurred during the quarter ended June 30, 2015 related to the impending acquisition of LNB Bancorp, Inc. Partially offsetting these increases was a decrease in office operations of $360,000, or 9.3%, to $3.5 million for the quarter ended June 30, 2015 from $3.9 million for the quarter ended June 30, 2014 due primarily to reduced collection costs. Professional services also declined from the prior year by $123,000, or 6.9%, to $1.7 million for the quarter ended June 30, 2015 from $1.8 million for the quarter ended June 30, 2014 as a result of the completion of a third party review of our compliance management system.

Income Taxes

The provision for income taxes increased by $2.8 million, or 62.6%, to $7.2 million for the quarter ended June 30, 2015 from $4.4 million for the quarter ended June 30, 2014. This increase in income tax expense is primarily the result of an increase in pretax income of $5.4 million, or 31.6%, and a reduction in tax-free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2015. Our effective tax rate for the quarter ended June 30, 2015 was 32.0% compared to 25.9% for the quarter ended June 30, 2014. Additionally, the prior year benefited from the tax deductibility of the special common stock dividend paid on shares held by our benefit plans. We anticipate our effective tax rate to be between 31.0% and 33.0% during 2015.

Comparison of Operating Results for the Six Months Ended June 30, 2015 and 2014

Net income for the six months ended June 30, 2015 was $31.5 million, or $0.34 per diluted share, an increase of $4.2 million, or 15.4%, from $27.3 million, or $0.30 per diluted share, for the six months ended June 30, 2014. The increase in net income resulted from a decrease in the provision for loan losses of $13.8 million, or 87.6%, and an increase in net interest income of $1.3 million, or 1.0%. Partially offsetting these improvements were increases in income tax expense of $4.3 million, or 45.0%, and noninterest expense of $1.8 million, or 1.8%, and a decrease in noninterest income of $4.6 million, or 13.0%. Annualized, net income for the six months ended June 30, 2015 represents a 5.97% and 0.81% return on average equity and return on average assets, respectively, compared to 4.97% and 0.69% for the same six month period last year. A discussion of significant changes follows.

Interest Income

Total interest income increased by $537,000, or 0.4%, to $152.9 million for the six months ended June 30, 2015 from $152.3 million for the six months ended June 30, 2014. This increase is the result of an increase in the average yield earned on interest earning assets to 4.19% for the six months ended June 30, 2015 from 4.17% for the six months ended June 30, 2014 and a special dividend of $1.0 million from the FHLB received in the first quarter of 2015. Partially offsetting these factors was a decrease in the average

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balance on interest earning assets of $49.6 million, or 0.7%, to $7.311 billion for the six months ended June 30, 2015 from $7.361 billion for the six ended June 30, 2014.

Interest income on loans receivable increased by $1.7 million, or 1.2%, to $141.7 million for the six months ended June 30, 2015 from $140.0 million for the six months ended June 30, 2014. This increase in interest income on loans receivable can be attributed to an increase in the average balance of loans receivable of $218.2 million, or 3.7%, to $6.047 billion for the six months ended June 30, 2015 from $5.829 billion for the six months ended June 30, 2014. This increase is due to continued success in growing business banking relationships and the retention of the residential mortgage loans originated by our wholesale lending function. Partially offsetting this increase was a decline in the average yield which decreased to 4.73% for the six months ended June 30, 2015 from 4.85% for the six months ended June 30, 2014. The continued decline in average yield is due primarily to the historically low level of market interest rates.

Interest income on mortgage-backed securities decreased by $1.2 million, or 21.4%, to $4.3 million for the six months ended June 30, 2015 from $5.5 million for the six months ended June 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by $118.9 million, or 19.4%, to $492.2 million for the six months ended June 30, 2015 from $611.1 million for the six months ended June 30, 2014 due primarily to redirecting cash flows from these securities to fund loan growth, repurchase our common stock and pay dividends over the past year. The average yield on mortgage-backed securities decreased to 1.74% for the six months ended June 30, 2015 from 1.79% for the six months ended June 30, 2014 due primarily to the pay-down of higher rate securities.

Interest income on investment securities decreased by $682,000, or 12.8%, to $4.7 million for the six months ended June 30, 2015 from $5.3 million for the six months ended June 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average yield on investment securities decreased to 1.93% for the six months ended June 30, 2015 from 2.11% for the six months ended June 30, 2014. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called and if replaced, being replaced by lower yielding, shorter duration government agency securities. The average balance of investment securities decreased by $22.9 million, or 4.5%, to $484.4 million for the six months ended June 30, 2015 from $507.3 million for the six months ended June 30, 2014. This decrease is due primarily to the maturity or call of municipal and government agency securities and the use of these proceeds to fund loan growth.

Dividends on FHLB stock increased by $905,000, or 93.0%, to $1.9 million for the six months ended June 30, 2015 from $973,000 for the six months ended June 30, 2014. This increase is due a $1.0 million special dividend paid in the first quarter of 2015. Additionally, the average yield, exclusive of the special dividend, increased to 4.71% for the six months ended June 30, 2015 from 4.44% for the six months ended June 30, 2014. Partially offsetting these factors was a decrease in the average balance of $7.9 million, or 18.2%, to $35.9 million for the six months ended June 30, 2015 from $43.8 million for the six months ended June 30, 2014. FHLB dividends are included in the taxable investment securities line of the interest income section of our Consolidated Statements of Income.

Interest income on interest-earning deposits decreased by $167,000, or 34.4%, to $319,000 for the six months ended June 30, 2015 from $486,000 for the six months ended June 30, 2014. This decrease is due to a decrease in the average balance of $118.1 million, or 31.9%, to $252.2 million for the six months ended June 30, 2015 from $370.3 million for the six months ended June 30, 2014, due to the utilization of cash to fund loan growth, repurchase our common stock and pay dividends over the past year. The average

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yield on interest-earning deposits decreased slightly to 0.25% for the six months ended June 30, 2015 from 0.26% for the six months ended June 30, 2014.

Interest Expense

Interest expense decreased by $727,000, or 2.6%, to $27.7 million for the six months ended June 30, 2015 from $28.4 million for the six months ended June 30, 2014. This decrease in interest expense was due to a decrease in the average balance of interest-bearing liabilities, which decreased by $95.5 million, or 1.6%, to $5.782 billion for the six months ended June 30, 2015 from $5.878 billion for the six months ended June 30, 2014. The decrease in average interest-bearing liabilities resulted primarily from a reduction in average time deposits of $190.8 million, or 11.8%, compared to last year, as consumers continue to shift investment priorities to demand deposit products as well as to utilize funds for living expenses. The decrease in time deposits was partially offset by an increase in the average balance of borrowed funds of $68.3 million, or 7.8%, from the prior year due primarily to $85.0 million of FHLB advances borrowed during the first quarter of 2015 and an increase of $27.0 million, or 0.8%, in non-maturity deposit accounts. The average cost of interest-bearing liabilities remained unchanged at 0.97% for the six months ended June 30, 2015 and 2014.

Net Interest Income

Net interest income increased by $1.3 million, or 1.0%, to $125.2 million for the six months ended June 30, 2015 from $123.9 million for the six months ended June 30, 2014. This increase is attributable to the factors discussed above. Solid loan growth enabled us to redirect cash flows from lower yielding cash and investments which helped offset overall lower market interest rates and increase our net interest spread and margin. Our net interest rate spread increased to 3.22% for the six months ended June 30, 2015 from 3.20% for the six months ended June 30, 2014 and our net interest margin increased to 3.40% for the six months ended June 30, 2015 from 3.37% for the six months ended June 30, 2014.

Provision for Loan Losses

The provision for loan losses decreased by $13.8 million, or 87.6%, to $2.0 million for the six months ended June 30, 2015 from $15.8 million for the six months ended June 30, 2014. This decrease is due primarily to continued improvements in overall asset quality as classified loans decreased by $19.5 million, or 9.3%, to $191.2 million at June 30, 2015 from $210.7 million at June 30, 2014 and total delinquent loans decreased by $15.2 million, or 18.0%, to $69.5 million at June 30, 2015 from $84.7 million at June 30, 2014. In addition, total nonaccrual loans decreased by $38.8 million, or 40.1%, to $58.0 million at June 30, 2015 from $96.8 million at June 30, 2014 and loans 90 days or more delinquent decreased by $13.8 million, or 26.9%, to $37.5 million at June 30, 2015 from $51.3 million at June 30, 2014. Additionally, during the first half of the prior year two business banking loans required combined reserves of $8.2 million.

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

Noninterest Income

Noninterest income decreased by $4.6 million, or 13.0%, to $31.2 million for the six months ended June 30, 2015 from $35.8 million for the six months ended June 30, 2014. The decrease is primarily attributable to a decrease in the gain on sale of investments and an increase in loss on real estate owned. Gain on sale of investments decreased by $3.0 million, or 82.1%, to $661,000 for the six months ended June

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30, 2015 from $3.7 million for the six months ended June 30, 2014 as a result of the sale of equity securities during the first half of 2014. Loss on real estate owned increased by $890,000, or 127.7%, to $1.6 million for the six months ended June 30, 2015 from $697,000 for the six months ended June 30, 2014. This increase is due primarily to the write-down of one commercial property in the first quarter of 2015. Partially offsetting these factors was an increase in services charges and fees of $437,000, or 2.5%, to $17.9 million for the six months ended June 30, 2015 from $17.5 million for the six months ended June 30, 2014. This increase is due primarily to an increase in the number of loan and transaction deposit customers as well as adjustments to deposit account fees made in late 2014.

Noninterest Expense

Noninterest expense increased by $1.8 million, or 1.8%, to $108.8 million for the six months ended June 30, 2015 from $107.0 million for the six months ended June 30, 2014. This increase is primarily the result of increases in processing expenses, marketing expenses and acquisition costs. Processing expense increased by $1.4 million, or 10.3%, to $14.6 million for the six months ended June 30, 2015 from $13.2 million for the six months ended June 30, 2014, due primarily to software and software amortization expense related to upgrades made during the past two years and the implementation of software that provides our customers with enhanced security for online financial transactions. Marketing expenses increased by $598,000, or 13.1%, to $5.2 million for the six months ended June 30, 2015 from $4.6 million for the six months ended June 30, 2014. This increase is primarily the result of the timing of loan and checking account campaigns. Additionally, expenses totaling $814,000 were incurred during the six months ended June 30, 2015 related to the impending acquisition of LNB. Partially offsetting these increases was a decrease in office operations of $437,000, or 5.7%, to $7.2 million for the six months ended June 30, 2015 from $7.6 million for the six months ended June 30, 2014 due primarily to reduced collection costs. Professional services also declined from the prior year by $393,000, or 10.2%, to $3.4 million for the six months ended June 30, 2015 from $3.8 million for the six months ended June 30, 2014 as a result of the completion of a third party review of our compliance management system during 2014.

Income Taxes

The provision for income taxes increased by $4.3 million, or 45.0%, to $14.0 million for the six months ended June 30, 2015 from $9.7 million for the six months ended June 30, 2014. This increase in income tax expense is primarily the result of an increase in pretax income of $8.5 million, or 23.1%, and a reduction in tax free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2015. Our effective tax rate for the six months ended June 30, 2015 was 30.8% compared to 26.2% for the six months ended June 30, 2014. Additionally, the prior year benefited from the tax deductibility of the special common stock dividends paid on shares held by our benefit plans. We anticipate our effective tax rate to be between 31.0% and 33.0% during 2015.

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Average Balance Sheet

(Dollars in thousands)

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

	Quarter ended June 30,					
	2015			2014		
	Average balance	Interest	Avg. yield/ cost (f)	Average balance	Interest	Avg. yield/ cost (f)
Assets:						
Interest-earning assets:						
Loans receivable (a) (b) (includes FTE adjustments of $460 and $540, respectively)	$ 6,073,911	71,445	4.72%	5,833,540	71,266	4.90%
Mortgage-backed securities (c)	477,800	2,058	1.72%	601,066	2,666	1.77%
Investment securities (c) (includes FTE adjustments of $615 and $860, respectively)	482,670	2,887	2.39%	507,315	3,472	2.74%
FHLB stock	35,608	475	5.35%	43,944	697	6.34%
Other interest-earning deposits	272,691	180	0.26%	424,434	286	0.27%
Total interest-earning assets (includes FTE adjustments of $1,075 and $1,400, respectively)	7,342,680	77,045	4.21%	7,410,299	78,387	4.23%
Noninterest earning assets (d)	529,528			528,914		
Total assets	$ 7,872,208			7,939,213		
Liabilities and shareholders equity:						
Interest-bearing liabilities:						
Savings deposits	$ 1,263,785	838	0.27%	1,239,563	821	0.27%
Interest-bearing checking deposits	920,071	131	0.06%	896,014	149	0.07%
Money market deposit accounts	1,147,017	759	0.27%	1,182,542	792	0.27%
Time deposits	1,409,740	3,963	1.13%	1,598,523	4,659	1.17%
Borrowed funds (e)	929,744	6,929	2.99%	872,653	6,623	3.04%
Junior subordinated debentures	103,094	1,172	4.50%	103,094	1,170	4.49%
Total interest-bearing liabilities	5,773,451	13,792	0.96%	5,892,389	14,214	0.97%
Noninterest-bearing checking deposits	957,912			852,253		
Noninterest-bearing liabilities	77,075			128,072		
Total liabilities	6,808,438			6,872,714		
Shareholders equity	1,063,770			1,066,499		

Total liabilities and shareholders equity	$ 7,872,208			7,939,213		
Net interest income/ Interest rate spread		63,253	3.25%		64,173	3.26%
Net interest-earning assets/ Net interest margin	$ 1,569,229		3.45%	1,517,910		3.46%
Ratio of interest-earning assets to interest-bearing liabilities	1.27X			1.26X		

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

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

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

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

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

(f) Annualized. Shown on a fully tax-equivalent basis (FTE). The FTE basis adjusts for the tax benefit of income on certain tax exempt loans and investments using the federal statutory rate of 35% for each period presented. We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans 4.69% and 4.86%, respectively; Investment securities 1.88% and 2.06%, respectively; interest-earning assets 4.15% and 4.17%, respectively. GAAP basis net interest rate spreads were 3.19% and 3.20%, respectively; and GAAP basis net interest margins were 3.39% and 3.39%, 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 June 30, 2015 and 2014

		Rate	Volume	Net Change
Interest earning assets:				
Loans receivable	$	(2,766)	2,945	179
Mortgage-backed securities		(77)	(531)	(608)
Investment securities		(416)	(169)	(585)
FHLB stock		(100)	(122)	(222)
Other interest-earning deposits		(4)	(102)	(106)
Total interest-earning assets		(3,363)	2,021	(1,342)
Interest-bearing liabilities:				
Savings deposits		1	16	17
Interest-bearing checking deposits		(21)	3	(18)
Money market deposit accounts		(9)	(24)	(33)
Time deposits		(146)	(550)	(696)
Borrowed funds		(119)	425	306
Junior subordinated debentures		2		2
Total interest-bearing liabilities		(292)	(130)	(422)
Net change in net interest income	$	(3,071)	2,151	(920)

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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.

	Six months ended June 30,					
	2015			2014		
	Average balance	Interest	Avg. yield/ cost (f)	Average balance	Interest	Avg. yield/ cost (f)
Assets:						
Interest-earning assets:						
Loans receivable (a) (b) (includes FTE adjustments of $931 and $1,084, respectively)	$ 6,046,741	142,627	4.76%	5,828,500	141,132	4.88%
Mortgage-backed securities (c)	492,209	4,292	1.74%	611,050	5,459	1.79%
Investment securities (c) (includes FTE adjustments of $1,341 and $1,752, respectively)	484,366	6,006	2.48%	507,334	7,099	2.80%
FHLB stock (g)	35,872	1,878	4.71%	43,830	973	4.44%
Other interest-earning deposits	252,210	319	0.25%	370,292	486	0.26%
Total interest-earning assets (includes FTE adjustments of $2,272 and $2,836, respectively)	7,311,398	155,122	4.25%	7,361,006	155,149	4.25%
Noninterest earning assets (d)	569,689			573,837		
Total assets	$ 7,881,087			7,934,843		
Liabilities and shareholders equity:						
Interest-bearing liabilities:						
Savings deposits	$ 1,247,854	1,651	0.27%	1,224,042	1,624	0.27%
Interest-bearing checking deposits	899,260	262	0.06%	873,972	288	0.07%
Money market deposit accounts	1,156,079	1,524	0.27%	1,178,202	1,574	0.27%
Time deposits	1,430,989	8,020	1.13%	1,621,745	9,425	1.17%
Borrowed funds (e)	945,192	13,904	2.97%	876,897	13,180	3.03%
Junior subordinated debentures	103,094	2,330	4.50%	103,094	2,327	4.49%
Total interest-bearing liabilities	5,782,468	27,691	0.97%	5,877,952	28,418	0.97%
Noninterest-bearing checking deposits	936,090			833,750		
Noninterest-bearing liabilities	98,992			114,994		
Total liabilities	6,817,550			6,826,696		
Shareholders equity	1,063,537			1,108,147		

Total liabilities and shareholders equity	$ 7,881,087			7,934,843		
Net interest income/ Interest rate spread		127,431	3.28%		126,731	3.28%
Net interest-earning assets/ Net interest margin	$ 1,528,930		3.46%	1,483,054		3.44%
Ratio of interest-earning assets to interest-bearing liabilities	1.26X			1.25X		

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

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

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

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

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

(f) Annualized. Shown on a fully tax-equivalent basis (FTE). The FTE basis adjusts for the tax benefit of income on certain tax exempt loans and investments using the federal statutory rate of 35% for each period presented. We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans 4.73% and 4.85%, respectively; Investment securities 1.93% and 2.11%, respectively; interest-earning assets 4.19% and 4.17%, respectively. GAAP basis net interest rate spreads were 3.22% and 3.20%, respectively; and GAAP basis net interest margins were 3.40% and 3.37%, respectively.

(g) Excludes the $1.0 million special dividend paid in February 2015 from the average yield calculation.

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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.

Six months ended June 30, 2015 and 2014

		Rate	Volume	Net Change
Interest earning assets:				
Loans receivable	$	(3,833)	5,328	1,495
Mortgage-backed securities		(105)	(1,062)	(1,167)
Investment securities		(808)	(285)	(1,093)
FHLB stock		1,099	(194)	905
Other interest-earning deposits		(12)	(155)	(167)
Total interest-earning assets		(3,659)	3,632	(27)
Interest-bearing liabilities:				
Savings deposits		(5)	32	27
Interest-bearing checking deposits		(33)	7	(26)
Money market deposit accounts		(20)	(30)	(50)
Time deposits		(336)	(1,069)	(1,405)
Borrowed funds		(281)	1,005	724
Junior subordinated debentures		3		3
Total interest-bearing liabilities		(672)	(55)	(727)
Net change in net interest income	$	(2,987)	3,687	700

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

Net 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 June 30, 2015 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from June 30, 2015 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	(1.4)%	(2.0)%	(3.2)%	(4.2)%
Projected percentage increase/ (decrease) in net income	(2.9)%	(3.3)%	(5.2)%	(13.6)%
Projected increase/ (decrease) in return on average equity	(2.8)%	(3.1)%	(5.0)%	(13.3)%
Projected increase/ (decrease) in earnings per share	$ (0.02)	$ (0.03)	$ (0.04)	$ (0.09)
Projected percentage increase/ (decrease) in market value of equity	(3.7)%	(8.7)%	(14.4)%	(2.4)%

The figures included in the table above represent projections that were computed based upon certain assumptions including prepayment rates and decay rates. These assumptions are inherently uncertain and, as a result, cannot precisely predict the impact of changes in interest rates.

Actual results may differ significantly due to timing, magnitude and frequency of interest rate changes and changes in market conditions.

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ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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 June 30, 2015:

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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)
April	111,300	$	12.18	111,300	195,989
May	5,300		12.40	5,300	190,689
June	63,200		12.51	63,200	127,489
	179,800	$	12.30		

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

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

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

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

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

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

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:	August 10, 2015	By:	/s/ William J. Wagner William J. Wagner President and Chief Executive Officer *(Duly Authorized Officer)*
Date:	August 10, 2015	By:	/s/ Gerald J. Ritzert Gerald J. Ritzert Controller *(Principal Accounting Officer)*