

Northwest Bancshares, Inc.  
Form 10-Q  
May 10, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2011
- or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34582

Northwest Bancshares, Inc.  
(Exact name of registrant as specified in  
its charter)

Maryland  
(State or other jurisdiction of incorporation or organization)

27-0950358  
(I.R.S. Employer Identification No.)

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

16365  
(Zip Code)

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

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

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

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

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

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

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

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

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) 106,093,695 shares outstanding as of April 30, 2011

---

NORTHWEST BANCSHARES, INC.  
INDEX

	PAGE
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>
Item 1.	Financial Statements (unaudited)
	Consolidated Statements of Financial Condition as of March 31, 2011 and December 31, 2010
	1
	Consolidated Statements of Income for the three months ended March 31, 2011 and 2010
	2
	Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2011 and 2010
	3
	Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010
	4
	Notes to Consolidated Financial Statements - Unaudited
	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	37
Item 3.	Quantitative and Qualitative Disclosures about Market Risk
	51
Item 4.	Controls and Procedures
	52
<b>PART II</b>	<b>OTHER INFORMATION</b>
Item 1.	Legal Proceedings
	52
Item 1A.	Risk Factors
	53
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	53
Item 3.	Defaults Upon Senior Securities
	54
Item 4.	[Removed and Reserved]
	54
Item 5.	Other Information
	54
Item 6.	Exhibits
	54
	Signatures
	55
	Certifications



## ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited)	
	March 31, 2011	December 31, 2010
<b>Assets</b>		
Cash and due from banks	\$ 78,446	40,708
Interest-earning deposits in other financial institutions	690,581	677,771
Federal funds sold and other short-term investments	633	632
Marketable securities available-for-sale (amortized cost of \$974,030 and \$945,791)	982,336	950,683
Marketable securities held-to-maturity (fair value of \$313,727 and \$354,126)	314,407	357,922
<b>Total cash and investments</b>	<b>2,066,403</b>	<b>2,027,716</b>
Loans held for sale	3,581	11,376
Residential mortgage loans	2,362,580	2,386,928
Home equity loans	1,073,818	1,092,606
Other consumer loans	249,127	259,123
Commercial real estate loans	1,368,622	1,350,319
Commercial loans	428,840	433,653
<b>Total loans</b>	<b>5,486,568</b>	<b>5,534,005</b>
Allowance for loan losses	(76,450 )	(76,412 )
<b>Total loans, net</b>	<b>5,410,118</b>	<b>5,457,593</b>
Federal Home Loan Bank stock, at cost	57,076	60,080
Accrued interest receivable	26,817	26,216
Real estate owned, net	19,682	20,780
Premises and equipment, net	126,855	128,101
Bank owned life insurance	133,403	132,237
Goodwill	171,882	171,882
Other intangible assets	3,451	3,942
Other assets	106,517	119,608
<b>Total assets</b>	<b>\$ 8,122,204</b>	<b>8,148,155</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Liabilities:</b>		
Noninterest-bearing demand deposits	\$ 610,692	575,281
Interest-bearing demand deposits	792,457	782,257
Savings deposits	2,018,139	1,948,882
Time deposits	2,399,249	2,457,916
<b>Total deposits</b>	<b>5,820,537</b>	<b>5,764,336</b>
Borrowed funds	831,575	891,293
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	26,191	22,868

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Accrued interest payable	1,170	1,716
Other liabilities	52,521	57,398
Total liabilities	6,835,088	6,840,705
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, 107,733,432 and 110,295,117 shares issued, respectively	1,078	1,103
Paid-in capital	793,951	824,164
Retained earnings	529,630	523,089
Unallocated common stock of Employee Stock Ownership Plan	(27,025 )	(27,409 )
Accumulated other comprehensive loss	(10,518 )	(13,497 )
Total shareholders' equity	1,287,116	1,307,450
Total liabilities and shareholders' equity	\$ 8,122,204	8,148,155

See accompanying notes to consolidated financial statements - unaudited

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

	Three months ended March 31,	
	2011	2010
<b>Interest income:</b>		
Loans receivable	\$80,457	80,746
Mortgage-backed securities	6,756	6,145
Taxable investment securities	398	998
Tax-free investment securities	3,074	2,684
Interest-earning deposits	407	565
<b>Total interest income</b>	<b>91,092</b>	<b>91,138</b>
<b>Interest expense:</b>		
Deposits	16,063	21,404
Borrowed funds	7,989	9,700
<b>Total interest expense</b>	<b>24,052</b>	<b>31,104</b>
<b>Net interest income</b>	<b>67,040</b>	<b>60,034</b>
<b>Provision for loan losses</b>	<b>7,244</b>	<b>8,801</b>
<b>Net interest income after provision for loan losses</b>	<b>59,796</b>	<b>51,233</b>
<b>Noninterest income:</b>		
Impairment losses on securities	-	(437 )
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	-	340
<b>Net impairment losses</b>	<b>-</b>	<b>(97 )</b>
Gain on sale of investments, net	4	2,083
Service charges and fees	8,928	8,902
Trust and other financial services income	1,910	1,833
Insurance commission income	1,380	1,142
Loss on real estate owned, net	(27 )	(24 )
Income from bank owned life insurance	1,166	1,166
Mortgage banking income / (loss)	197	(8 )
Other operating income	768	860
<b>Total noninterest income</b>	<b>14,326</b>	<b>15,857</b>
<b>Noninterest expense:</b>		
Compensation and employee benefits	25,499	25,856
Premises and occupancy costs	6,191	6,002
Office operations	3,100	3,237
Processing expenses	5,767	5,696
Marketing expenses	1,959	1,443
Federal deposit insurance premiums	2,427	2,148
Professional services	1,256	728
Amortization of intangible assets	491	782
Real estate owned expense	431	899

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Other expenses	2,257	1,813
Total noninterest expense	49,378	48,604
Income before income taxes	24,744	18,486
Federal and state income taxes	7,491	5,333
Net income	\$17,253	13,153
Basic earnings per share	\$0.16	0.12
Diluted earnings per share	\$0.16	0.12

See accompanying notes to unaudited consolidated financial statements



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

Three months ended March 31, 2010	Accumulated						
	Common Stock		Paid-in Capital	Retained Earnings	Other	Unallocated common stock	Total Shareholders' Equity
	Shares	Amount			Comprehensive Income/ (loss)	of ESOP	
Beginning balance at December 31, 2009	110,641,858	\$ 1,106	828,195	508,842	(9,977 )	(11,651 )	1,316,515
Comprehensive income:							
Net income	-	-	-	13,153	-	-	13,153
Change in fair value of interest rate swaps, net of tax of \$539	-	-	-	-	(842 )	-	(842 )
Change in unrealized loss on securities, net of tax of \$(732)	-	-	-	-	1,146	-	1,146
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$39	-	-	-	-	(58 )	-	(58 )
Total comprehensive income	-	-	-	13,153	246	-	13,399
Exercise of stock options	39,104	1	328	-	-	-	329
Stock compensation expense	-	-	803	-	-	-	803
Additional costs associated with common stock	-	-	(703 )	-	-	-	(703 )

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

offering

Purchase of common stock by ESOP	-	-	-	-	-	(17,200 )	(17,200 )
Dividends paid (\$0.10 per share)	-	-	-	(11,063 )	-	-	(11,063 )
Ending balance at March 31, 2010	110,680,962	\$ 1,107	828,623	510,932	(9,731 )	(28,851 )	1,302,080

Accumulated

Three months ended March 31, 2011

	Common Stock		Paid-in	Retained	Other	Unallocated	Total
	Shares	Amount	Capital	Earnings	Comprehensive	common	Shareholders'
					Income/	stock	Equity
					(loss)	of ESOP	
Beginning balance at December 31, 2010	110,295,117	\$ 1,103	824,164	523,089	(13,497 )	(27,409 )	1,307,450
Comprehensive income:							
Net income	-	-	-	17,253	-	-	17,253
Change in fair value of interest rate swaps, net of tax of \$(481)	-	-	-	-	894	-	894
Change in unrealized loss on securities, net of tax of \$(1,123)	-	-	-	-	2,085	-	2,085
Total comprehensive income	-	-	-	17,253	2,979	-	20,232
Exercise of stock options	56,738	1	352	-	-	-	353
Stock compensation expense	-	-	483	-	-	384	867
Share repurchases	(2,618,423 )	(26 )	(31,048 )	-	-	-	(31,074 )
Dividends paid (\$0.10 per share)	-	-	-	(10,712 )	-	-	(10,712 )

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Ending balance at March 31, 2011	107,733,432	\$ 1,078	793,951	529,630	(10,518 )	(27,025 )	1,287,116
-------------------------------------	-------------	----------	---------	---------	-----------	-----------	-----------

See accompanying notes to unaudited consolidated financial statements

3

---

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

	Three months ended March 31,	
	2011	2010
<b>OPERATING ACTIVITIES:</b>		
Net Income	\$17,253	\$13,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	7,244	8,801
Net loss / (gain) on sale of assets	608	(1,230 )
Net depreciation, amortization and accretion	4,108	3,639
Decrease in other assets	8,774	6,540
Decrease in other liabilities	(4,045 )	(6,216 )
Net amortization of premium/ (discount) on marketable securities	(344 )	(747 )
Noncash impairment losses on investment securities	-	97
Origination of loans held for sale	(15,385 )	(6,944 )
Proceeds from sale of loans held for sale	23,215	2,785
Noncash compensation expense related to stock benefit plans	867	803
Net cash provided by operating activities	42,295	20,681
<b>INVESTING ACTIVITIES:</b>		
Purchase of marketable securities available-for-sale	(91,695 )	-
Purchase of marketable securities held-to-maturity	-	(283,429 )
Proceeds from maturities and principal reductions of marketable securities available-for-sale	63,997	103,611
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	43,320	7,467
Proceeds from sale of marketable securities available-for-sale	-	56,865
Loan originations	(375,303 )	(497,200 )
Proceeds from loan maturities and principal reductions	405,521	368,567
Proceeds from sale of Federal Home Loan Bank stock	3,004	-
Proceeds from sale of real estate owned	2,866	2,360
Sale of real estate owned for investment, net	102	39
Purchase of premises and equipment	(1,931 )	(2,030 )
Net cash provided by /(used in) investing activities	49,881	(243,750 )

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

	Three months ended March 31,	
	2011	2010
<b>FINANCING ACTIVITIES:</b>		
Increase in deposits, net	\$56,201	\$69,024
Repayments of long-term borrowings	(50,017 )	(1,516 )
Net (decrease) /increase in short-term borrowings	(9,701 )	8,101
Increase in advances by borrowers for taxes and insurance	3,323	2,999
Cash dividends paid	(10,712 )	(11,063 )
Purchase of common stock for employee stock ownership plan	-	(17,200 )
Purchase of common stock for retirement	(31,074 )	-
Proceeds from stock options exercised	353	329
Net cash (used in) / provided by financing activities	(41,627 )	50,674
Net increase/ (decrease) in cash and cash equivalents	\$50,549	\$(172,395 )
Cash and cash equivalents at beginning of period	\$719,111	\$1,107,790
Net increase/ (decrease) in cash and cash equivalents	50,549	(172,395 )
Cash and cash equivalents at end of period	\$769,660	\$935,395
Cash and cash equivalents:		
Cash and due from banks	\$78,446	\$66,351
Interest-earning deposits in other financial institutions	690,581	868,361
Federal funds sold and other short-term investments	633	683
Total cash and cash equivalents	\$769,660	\$935,395
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$13,731 and \$18,439, respectively)	\$24,598	\$31,038
Income taxes	\$917	\$532
Non-cash activities:		
Loans transferred to real estate owned	\$1,796	\$4,309
Sale of real estate owned financed by the Company	\$140	\$-

See accompanying notes to unaudited consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the "Company"), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Office of Thrift Supervision ("OTS"). 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. As a result of the conversion, all share information for periods prior to December 31, 2009, has been revised to reflect the 2.25 to one conversion rate. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Savings Bank, a Pennsylvania-chartered savings bank ("Northwest"). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At March 31, 2011, Northwest operated 172 community-banking offices throughout Pennsylvania, western New York, eastern Ohio, Maryland and southern Florida. We previously announced our intention to close our three offices located in southern Florida. This closure is expected to occur on June 30, 2011.

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 Capital Group, Inc., Boetger & Associates, Inc., Allegheny Services, Inc., Great Northwest Corporation and Veracity Benefits Design. The unaudited consolidated financial statements of the Company 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 and 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, 2010 updated, as required, for any new pronouncements or changes. The following sections of our Summary of Significant Accounting Principles have been updated since the filing of our 10-K and are included herein.

(e) Loans Receivable

Our loan portfolio segments consist of Personal Banking and Business Banking. Personal Banking loans are further disaggregated into the following classes: residential mortgage loans, home equity loans and other consumer loans. Business Banking loans are further disaggregated into the following classes: commercial real estate loans and commercial loans. All classes of loans are carried at their unpaid principal balance net of any deferred origination fees or costs and the allowance for estimated loan losses. Interest income on loans is credited to income as earned. Interest earned on loans for which no payments were received during the month is accrued at month end. Accrued interest on loans more than 90 days delinquent is reversed, and such loans are placed on nonaccrual status.

All classes of loans are placed on nonaccrual status when principal or interest is 90 days or more delinquent, or when there is reasonable doubt that interest or principal will not be collected in accordance with the contractual terms. Interest receipts on all classes of nonaccrual and impaired loans are recognized as interest revenue when it has been determined that all principal and interest will be collected or are applied to principal when collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current (and a period of performance has been established in accordance with the contractual terms, typically six months).

A loan (from any class) is considered to be a troubled debt restructured loan (“TDR”) when the terms have been renegotiated to a below market condition to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower. Troubled debt restructurings are determined on the contractual terms as specified by the original loan agreement of the most recent modification.

For all classes of loans, delinquency is measured based on number of days since payment due date. For all classes of loans, past due status is measured using the loans contractual maturity date.

We have identified certain residential mortgage loans, which will be sold prior to maturity, as loans held for sale. These loans are recorded at the lower of amortized cost or fair value less estimated cost to sell and at March 31, 2011 and December 31, 2010 and were \$3.6 million and \$11.4 million, respectively.

Loan fees and certain direct loan origination costs are deferred, and the net deferred fee or cost is then recognized using the level-yield method over the contractual life of the loan as an adjustment to interest income.

(f) Allowance for Loan Losses and Provision for Loan Losses

Provisions for estimated loan losses and the amount of the allowance for loan losses are based on losses inherent in the loan portfolio that are both probable and reasonably estimable at the date of the financial statements. Management believes, to the best of their knowledge, that all known losses as of the statement of condition dates have been recorded.

For all classes of loans, management considers a loan to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. In evaluating whether a loan is impaired, management considers not only the amount that we expect to collect but also the timing of collection. Generally, if a delay in payment is insignificant (e.g., less than 30 days), a loan is not deemed to be impaired.

When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s market price, or fair value of the collateral, less cost to sell, if the loan is collateral dependent. Larger loans are evaluated individually for impairment. Smaller balance, homogeneous loans (e.g., primarily consumer and residential mortgages) are evaluated collectively for impairment. Impairment losses are included in the allowance for loan losses. Impaired loans are charged-off or charged down when management believes that the ultimate collectability of a loan is not likely.

Interest income on impaired loans is recognized using the cash basis method. For impaired loans interest collected is credited to income in the period of recovery or applied to reduce principal if there is sufficient doubt about the collectability of principal.

The allowance for loan losses is shown as a valuation allowance to loans. The accounting policy for the determination of the adequacy of the allowance by portfolio segment requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are inherently uncertain. The allowance for loan losses is maintained to absorb losses inherent in the loan portfolio as of the balance sheet date based on our judgment. The methodology used to determine the allowance for loan losses is designed to provide procedural discipline in assessing the appropriateness of the allowance for loan losses. Losses are charged against the allowance for loan losses and recoveries are added to the allowance for loan losses.

The allowance for loan losses for all classes of Business Banking loans consists of three elements:

- An allowance for impaired loans;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, impaired loans, is based on individual analysis of all nonperforming loans over \$1.0 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral, less cost to sell.

The second element is a rolling three year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

The allowance for loan losses for all classes of Personal Banking loans consists of three elements:

- An allowance for loans 90 days or more delinquent;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, loans 90 days or more delinquent, is based on the loss history of loans that have become 90 days or more delinquent. We apply a historical loss factor for loans that have been 90 days or more delinquent.

The second element is a rolling three year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

We also have an unallocated allowance which is based on our judgment regarding economic conditions, collateral values, specific loans and industry conditions and results of bank regulatory and internal credit exams.

The allocation of the allowance for loan losses is inherently judgmental, and the entire allowance for loan losses is available to absorb loan losses regardless of the nature of the loss.

We have not made any changes to our methodology for the calculation of the allowance for loan losses during the current year.



Personal Banking loans are charged-off or charged down when they become 180 days delinquent, unless that borrower has filed for bankruptcy. Business Banking loans are charged-off or charged down when, in our opinion, they are no longer collectible, for commercial loans, or when it has been determined that the collateral value no longer supports the carrying value of the loan, for commercial real estate loans.

Certain items previously reported have been reclassified to conform to the current period's format. The reclassifications had no material effect on the Company's financial condition or results of operations.

The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

#### Stock-Based Compensation

On January 19, 2011, the Company awarded employees 515,293 stock options and directors 60,000 stock options with an exercise price of \$12.12 and a grant date fair value of \$1.93 per stock option. Awarded stock options vest over a seven-year period from the date of issuance. Stock-based compensation expense of \$867,000 and \$803,000 for the three months ended March 31, 2011 and 2010, respectively, was recognized in compensation expense relating to the Company's stock award plans. At March 31, 2011 there was compensation expense of \$2.0 million to be recognized for awarded but unvested stock options.

#### Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of March 31, 2011 we had no liability for unrecognized tax benefits.

The Company recognizes interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. The Company recognizes penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at March 31, 2011. We are subject to audit by the Internal Revenue Service for the tax periods ended December 31, 2009 and 2008 and subject to audit by any state in which we conduct business for the tax periods ended December 31, 2009, 2008 and 2007.

#### Recently Issued Accounting Standards to be Adopted in Future Periods

In April 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-02, "Receivable (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." This guidance is designed to assist creditors with determining whether or not a restructuring constitutes a troubled debt restructuring. Additional guidance has been added to help creditors determine whether a concession has been granted and whether a debtor is experiencing financial difficulty. Both of these conditions are required to be met for a restructuring to constitute a troubled debt restructuring. This guidance is effective for the first interim period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The adoption of the provisions of this standard is not expected to have a material impact on our Consolidated Financial Statements.

## (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 commercial and personal demand, savings and time deposit accounts and commercial 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 52 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.

As of or for the three months ended:

March 31, 2011 (\$ in 000's)	Community Banking	Consumer Finance	All Other *	Consolidated
External interest income	\$ 85,616	5,247	229	91,092
Intersegment interest income	770	-	(770 )	-
Interest expense	22,960	770	322	24,052
Provision for loan losses	6,500	744	-	7,244
Noninterest income	13,860	453	13	14,326
Noninterest expense	46,101	3,037	240	49,378
Income tax expense (benefit)	7,396	477	(382 )	7,491
Net income	17,289	672	(708 )	17,253
Total assets	\$ 7,986,834	112,716	22,654	8,122,204

March 31, 2010 (\$ in 000's)	Community Banking	Consumer Finance	All Other *	Consolidated
External interest income	\$ 85,966	5,167	5	91,138
Intersegment interest income	807	-	(807 )	-
Interest expense	30,445	807	(148 )	31,104
Provision for loan losses	8,000	801	-	8,801
Noninterest income	15,447	397	13	15,857
Noninterest expense	45,466	3,025	113	48,604
Income tax expense (benefit)	5,211	387	(265 )	5,333
Net income	13,098	544	(489 )	13,153
Total assets	\$ 7,950,616	115,574	18,440	8,084,630

\* Eliminations consist of intercompany loans, interest income and interest expense.

(3) Investment securities and impairment of investment securities  
The following table shows the portfolio of investment securities available-for-sale at March 31, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
<b>Debt issued by the U.S. government and agencies:</b>				
Due in one year or less	\$ 65	-	-	65
<b>Debt issued by government sponsored enterprises:</b>				
Due in one year or less	1,992	70	-	2,062
Due in one year - five years	30,000	-	-	30,000
Due in five years - ten years	6,485	467	-	6,952
Due after ten years	9,949	-	(66 )	9,883
Equity securities	1,860	256	(9 )	2,107
<b>Municipal securities:</b>				
Due in one year - five years	3,959	144	-	4,103
Due in five years - ten years	35,902	1,125	-	37,027
Due after ten years	168,424	1,347	(4,490 )	165,281
<b>Corporate debt issues:</b>				
Due in one year - five years	500	-	-	500
Due after ten years	25,389	203	(6,505 )	19,087
<b>Residential mortgage-backed securities:</b>				
Fixed rate pass-through	121,687	6,171	(199 )	127,659
Variable rate pass-through	157,895	6,626	(4 )	164,517
Fixed rate non-agency CMOs	12,440	78	(752 )	11,766
Fixed rate agency CMOs	117,375	1,742	(331 )	118,786
Variable rate non-agency CMOs	2,189	-	(624 )	1,565
Variable rate agency CMOs	277,919	3,433	(376 )	280,976
Total residential mortgage-backed securities	689,505	18,050	(2,286 )	705,269
Total marketable securities available-for-sale	\$ 974,030	21,662	(13,356 )	982,336

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

The following table shows the portfolio of investment securities available-for-sale at December 31, 2010 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
<b>Debt issued by the U.S. government and agencies:</b>				
Due in one year or less	\$ 67	-	-	67
<b>Debt issued by government sponsored enterprises:</b>				
Due in one year - five years	1,989	93	-	2,082
Due in five years - ten years	6,495	347	-	6,842
Due after ten years	9,948	-	(53 )	9,895
<b>Equity securities</b>	<b>861</b>	<b>86</b>	<b>(1 )</b>	<b>946</b>
<b>Municipal securities:</b>				
Due in one year - five years	3,382	125	-	3,507
Due in five years - ten years	37,898	1,023	-	38,921
Due after ten years	173,255	1,158	(8,548 )	165,865
<b>Corporate debt issues:</b>				
Due in one year or less	100	-	-	100
Due in one year - five years	500	-	-	500
Due after ten years	25,417	196	(7,353 )	18,260
<b>Residential mortgage-backed securities:</b>				
Fixed rate pass-through	111,581	7,153	(12 )	118,722
Variable rate pass-through	167,685	7,260	(8 )	174,937
Fixed rate non-agency CMOs	13,825	91	(843 )	13,073
Fixed rate CMOs	112,483	1,067	(759 )	112,791
Variable rate non-agency CMOs	3,274	-	(379 )	2,895
Variable rate CMOs	277,031	4,525	(276 )	281,280
Total residential mortgage-backed securities	685,879	20,096	(2,277 )	703,698
Total marketable securities available-for-sale	\$ 945,791	23,124	(18,232 )	950,683

The following table shows the portfolio of investment securities held-to-maturity at March 31, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
<b>Municipal securities:</b>				
Due after ten years	\$77,840	59	(1,971 )	75,928
<b>Residential mortgage-backed securities:</b>				
Fixed rate pass-through	28,271	389	(40 )	28,620

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Variable rate pass-through	9,705	38	-	9,743
Fixed rate agency CMOs	177,100	1,735	(1,258 )	177,577
Variable rate agency CMOs	21,491	368	-	21,859
Total residential mortgage-backed securities	236,567	2,530	(1,298 )	237,799
Total marketable securities held-to-maturity	\$314,407	2,589	(3,269 )	313,727

12

---

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

The following table shows the portfolio of investment securities held-to-maturity at December 31, 2010 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
<b>Debt issued by government sponsored enterprises:</b>				
Due in one year - five years	26,500	36	-	26,536
<b>Municipal securities:</b>				
Due after ten years	80,020	7	(3,940 )	76,087
<b>Residential mortgage-backed securities:</b>				
Fixed rate pass-through	29,820	410	(4 )	30,226
Variable rate pass-through	9,853	79	-	9,932
Fixed rate agency CMOs	186,948	924	(1,701 )	186,171
Variable rate agency CMOs	24,781	393	-	25,174
Total residential mortgage-backed securities	251,402	1,806	(1,705 )	251,503
Total marketable securities held-to-maturity	\$ 357,922	1,849	(5,645 )	354,126

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 the fair value has been lower than the cost, 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. Other investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows determines that it is expected an adverse change has occurred, other-than-temporary impairment would be recognized for the credit loss.

The following table shows the fair value and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at March 31, 2011 (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	\$ 9,883	(66 )	-	-	9,883	(66 )
Municipal securities	158,022	(5,691 )	6,621	(770 )	164,643	(6,461 )
Corporate issues	-	-	13,500	(6,505 )	13,500	(6,505 )
Equity securities	271	(9 )	-	-	271	(9 )
Residential mortgage-backed securities - non-agency	-	-	9,307	(1,376 )	9,307	(1,376 )
Residential mortgage-backed securities - agency	294,498	(2,178 )	5,317	(30 )	299,815	(2,208 )
	\$ 462,674	(7,944 )	34,745	(8,681 )	497,419	(16,625 )

Total temporarily  
impaired securities

13

---

The following table shows the fair value 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, 2010 (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	\$ 9,896	(53 )	35	(1 )	9,931	(54 )
Municipal securities	188,659	(11,107 )	8,181	(1,381 )	196,840	(12,488 )
Corporate issues	-	-	13,700	(7,353 )	13,700	(7,353 )
Equities	44	(1 )	-	-	44	(1 )
Residential mortgage-backed securities - non-agency	303	(301 )	10,093	(921 )	10,396	(1,222 )
Residential mortgage-backed securities - agency	212,261	(2,632 )	4,949	(127 )	217,210	(2,759 )
Total temporarily impaired securities	\$ 411,163	(14,094 )	36,958	(9,783 )	448,121	(23,877 )

#### Corporate issues

As of March 31, 2011, we had eight investments with a total book value of \$20.0 million and total fair value of \$13.5 million, where the book value exceeded the carrying value for more than 12 months. These investments were two single issuer trust preferred investments and six pooled trust preferred investments. The single issuer trust preferred investments were evaluated for other-than-temporary impairment by determining the strength of the underlying issuer. In each case, the underlying issuer was "well-capitalized" for regulatory purposes. None of the issuers have deferred interest payments or announced the intention to defer interest payments, nor have any been downgraded. We believe the decline in fair value is related to the spread over three month LIBOR, on which the quarterly interest payments are based, as the spread over LIBOR is significantly lower than current market spreads. We concluded the impairment of these two investments was considered temporary. In making that determination, we also considered the duration and the severity of the losses and whether we intend to hold these securities until the value is recovered, the securities are redeemed or maturity. The pooled trust preferred investments were evaluated for other-than-temporary impairment by considering the duration and severity of the losses, actual cash flows, projected cash flows, performing collateral, the class of investment we owned and the amount of additional defaults the structure could withstand prior to the investment experiencing a disruption in cash flows. None of these investments are projecting a cash flow disruption, nor have any of the securities experienced a cash flow disruption. After evaluation, the impairment in all six investments was considered to be temporary.



The following table provides class, book value, fair value and ratings information for our portfolio of corporate securities that have an unrealized loss as of March 31, 2011 (in thousands):

Description	Class	Book Value	Total Fair Value	Unrealized Losses	Moody's/ Fitch Ratings
Bank Boston Capital Trust (1)	N/A	\$ 988	762	(226 )	Baa3/ BBB
Huntington Capital Trust	N/A	1,423	1,070	(353 )	Ba1/ BBB-
MM Community Funding I	Mezzanine	105	57	(48 )	Ca/ C
MM Community Funding II	Mezzanine	331	29	(302 )	Baa2/ BB
I-PreTSL I	Mezzanine	1,500	189	(1,311 )	Not rated/ CCC
I-PreTSL II	Mezzanine	1,500	188	(1,312 )	Not rated/ B
PreTSL XIX	Senior A-1	8,729	6,727	(2,002 )	Baa2/ BBB
PreTSL XX	Senior A-1	5,429	4,478	(951 )	Ba2/ BB
		\$ 20,005	13,500	(6,505 )	

(1) – Bank Boston was acquired by Bank of America.

The following table provides collateral information on the entire pool for the trust preferred securities included in the previous table as of March 31, 2011 (in thousands):

Description *	Total Collateral	Current deferrals and defaults	Performing Collateral	Additional Immediate defaults before causing an interest shortfall
I-PreTSL I	\$ 193,500	17,500	176,000	102,500
I-PreTSL II	378,000	-	378,000	153,000
PreTSL XIX	699,906	170,400	529,506	187,500
PreTSL XX	576,238	176,500	399,738	108,500

\* - similar information for the MM Community Funding I and II is not available.

#### Mortgage-backed securities

Mortgage-backed securities include agency (FNMA, FHLMC and GNMA) mortgage-backed securities and non-agency collateralized mortgage obligations (“CMOs”). We review our portfolio of agency mortgage-backed securities quarterly for impairment. As of March 31, 2011, we believe that the impairment within its portfolio of agency mortgage-backed securities is temporary. As of March 31, 2011, we had 10 non-agency CMOs with a total book value of \$14.6 million and a total fair value of \$13.3 million.

The following table shows issuer specific information, book value, fair value, unrealized gain or loss and other-than-temporary impairment recorded in earnings for the Company's portfolio of non-agency CMOs as of March 31, 2011 (in thousands):

Description	Book Value	Fair Value	Unrealized Gain/ (loss)	Impairment recorded in current period earnings	Total impairment recorded in prior period earnings
AMAC 2003-6 2A2	\$ 520	532	12	-	-
AMAC 2003-6 2A8	1,074	1,098	24	-	-
AMAC 2003-7 A3	634	643	9	-	-
BOAMS 2005-11 1A8	3,031	2,953	(78 )	-	(146 )
CWALT 2005-J14 A3	5,462	4,789	(673 )	-	(411 )
CFSB 2003-17 2A2	1,002	1,015	13	-	-
WAMU 2003-S2 A4	717	736	19	-	-
CMLTI 2005-10 1A5B	768	381	(387 )	-	(2,952 )
SARM 2005-21 4A2	380	212	(168 )	-	(3,100 )
WFMB 2003-B A2	1,041	972	(69 )	-	-
	\$ 14,629	13,331	(1,298 )	-	(6,609 )

#### Municipal Securities

As of March 31, 2011, we had 13 investments in municipal securities with a total book value of \$7.4 million and a total fair value of \$6.6 million, where book value exceeded fair value for more than 12 months. We initially evaluate investments in municipal securities for other-than-temporary impairment by comparing the fair value, provided to us by a third party pricing source using quoted prices for similar assets that are actively traded, to the carrying value. When an investment's fair value is below 80% of the carrying value we then look at the stated interest rate and compare the stated interest rate to current market interest rates to determine if the decline in fair value is attributable to interest rates. If the interest rate approximates current interest rates for similar securities, we determine if the investment is rated and if so, if the rating has changed in the current period. If the rating has not changed during the current period, we review publicly available information to determine if there has been any negative change in the underlying municipality. As of March 31, 2011, we have determined that all of the impairment in our municipal securities portfolio is noncredit related and therefore temporary. The 13 investments in municipal securities discussed above represent six Pennsylvania municipalities and one Texas municipality.

The following table provides information for our portfolio of municipal securities that have unrealized losses for greater than 12 months as of March 31, 2011 (in thousands):

Description	State	Book Value	Total Fair Value	Unrealized Losses	Rating
Cambria & Somerset Counties	PA	\$ 612	590	(22 )	BBB
Ohio Township Sewer Revenue	PA	305	285	(20 )	Not rated
Hamburg Sewer Revenue	PA	595	560	(35 )	Not rated
Plum Boro Water Authority	PA	835	774	(61 )	Not rated
Cambridge Area JT Revenue	PA	595	512	(83 )	Not rated
Northwest Harris County Util Dist	TX	482	466	(16 )	BBB+
Ohio Township Sewer Revenue	PA	490	446	(44 )	Not rated
West Reading	PA	424	378	(46 )	BBB
Cambria & Somerset Counties	PA	470	430	(40 )	Not rated
West Reading	PA	492	434	(58 )	BBB
Kutztown	PA	799	676	(123 )	BBB
Ohio Township Sewer Revenue	PA	306	263	(43 )	Not rated
West Reading	PA	986	807	(179 )	BBB
		\$ 7,391	6,621	(770 )	

Credit related other-than-temporary impairment on debt securities is recognized in earnings while noncredit related other-than-temporary impairment on 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 (in thousands):

	March 31,	
	2011	2010
Beginning balance as of January 1 (a)	\$ 15,445	13,998
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	-	-
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	-	97
Ending balance as of March 31	\$ 15,445	14,095

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

## (4) Loans receivable

We have defined our portfolio segments as Personal Banking loans and Business Banking loans. Classes of Personal Banking loans are residential mortgage loans, home equity loans and other consumer loans. Classes of Business Banking loans are commercial real estate loans and commercial loans. The following table shows a summary of our loans receivable at March 31, 2011 and December 31, 2010 (in thousands):

	March 31, 2011	December 31, 2010
<b>Personal Banking:</b>		
Residential mortgage loans	\$ 2,390,762	2,432,421
Home equity loans	1,073,818	1,095,953
Other consumer loans	249,127	255,776
<b>Total Personal banking</b>	<b>3,713,707</b>	<b>3,784,150</b>
<b>Business Banking:</b>		
Commercial real estate	1,439,259	1,423,021
Commercial loans	463,758	463,006
<b>Total Business Banking</b>	<b>1,903,017</b>	<b>1,886,027</b>
<b>Total loans receivable, gross</b>	<b>5,616,724</b>	<b>5,670,177</b>
Deferred loan fees	(7,605 )	(7,165 )
Allowance for loan losses	(76,450 )	(76,412 )
Undisbursed loan proceeds (real estate loans)	(122,551 )	(129,007 )
<b>Total loans receivable, net</b>	<b>\$ 5,410,118</b>	<b>5,457,593</b>

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable as of March 31, 2011 (in thousands):

	Balance December 31, 2010	Current period provision	Charge-offs	Recoveries	Balance March 31, 2011
<b>Personal Banking:</b>					
Residential mortgage loans	\$ 6,854	2,286	(1,205 )	71	8,006
Home equity loans	7,675	1,403	(2,255 )	17	6,840
Other consumer loans	5,810	581	(1,232 )	397	5,556
<b>Total Personal Banking</b>	<b>20,339</b>	<b>4,270</b>	<b>(4,692 )</b>	<b>485</b>	<b>20,402</b>
<b>Business Banking:</b>					
Commercial real estate loans	35,832	278	(2,276 )	206	34,040
Commercial loans	15,770	2,869	(1,041 )	112	17,710
<b>Total Business Banking</b>	<b>51,602</b>	<b>3,147</b>	<b>(3,317 )</b>	<b>318</b>	<b>51,750</b>
Unallocated	4,471	(173 )	-	-	4,298
<b>Total</b>	<b>\$ 76,412</b>	<b>7,244</b>	<b>(8,009 )</b>	<b>803</b>	<b>76,450</b>

The following table provides information related to the allowance for loan losses as of March 31, 2010 (in thousands):

March 31,  
2010

Balance at beginning of period	\$ 70,403
Provision for loan losses	8,801
Charge-offs - mortgage	(625 )
Charge-offs - consumer	(1,911 )
Charge-offs - commercial	(2,334 )
Recoveries	502
<b>Balance at end of period</b>	<b>\$ 74,836</b>

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable as of March 31, 2011 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
<b>Personal Banking:</b>					
Residential mortgage loans	\$ 2,366,161	8,006	28,722	-	362
Home equity loans	1,073,818	6,840	9,165	-	-
Other consumer loans	249,127	5,556	2,914	-	-
<b>Total Personal Banking</b>	<b>3,689,106</b>	<b>20,402</b>	<b>40,801</b>	<b>-</b>	<b>362</b>
<b>Business Banking:</b>					
Commercial real estate loans	1,368,622	34,040	73,827	-	20,674
Commercial loans	428,840	17,710	41,530	1,383	37,614
<b>Total Business Banking</b>	<b>1,797,462</b>	<b>51,750</b>	<b>115,357</b>	<b>1,383</b>	<b>58,288</b>
<b>Total</b>	<b>\$ 5,486,568</b>	<b>72,152</b>	<b>156,158</b>	<b>1,383</b>	<b>58,650</b>

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable as of December 31, 2010 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
<b>Personal Banking:</b>					
Residential mortgage loans	\$ 2,398,304	6,854	29,751	-	-
Home equity loans	1,095,953	7,675	10,263	-	-
Other consumer loans	255,776	5,810	2,565	-	-
<b>Total Personal Banking</b>	<b>3,750,033</b>	<b>20,339</b>	<b>42,579</b>	<b>-</b>	<b>-</b>
<b>Business Banking:</b>					
Commercial real estate loans	1,350,319	35,832	67,306	1,067	24,966
Commercial loans	433,653	15,770	38,506	-	27,639
<b>Total Business Banking</b>	<b>1,783,972</b>	<b>51,602</b>	<b>105,812</b>	<b>1,067</b>	<b>52,605</b>
<b>Total</b>	<b>\$ 5,534,005</b>	<b>71,941</b>	<b>148,391</b>	<b>1,067</b>	<b>52,605</b>

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

The following table provides information related to impaired loans by portfolio segment and by class of financing receivable as of and for the quarter ended March 31, 2011 (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	Average recorded investment in impaired loans	Interest income recognized on impaired loans
<b>Personal Banking:</b>							
Residential							
mortgage loans	\$ 2,366,161	-	-	-	-	29,236	-
Home equity loans	1,073,818	-	-	-	-	8,164	-
Other consumer loans	249,127	-	-	-	-	4,290	-
<b>Total Personal Banking</b>	<b>3,689,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,690</b>	<b>-</b>
<b>Business Banking:</b>							
Commercial real estate loans							
	1,263,639	104,983	76,964	11,493	28,019	70,566	23
Commercial loans	379,600	49,240	39,836	11,807	9,404	40,018	164
<b>Total Business Banking</b>	<b>1,643,239</b>	<b>154,223</b>	<b>116,800</b>	<b>23,300</b>	<b>37,423</b>	<b>110,584</b>	<b>187</b>
<b>Total</b>	<b>\$ 5,332,345</b>	<b>154,223</b>	<b>116,800</b>	<b>23,300</b>	<b>37,423</b>	<b>152,274</b>	<b>187</b>

The following table provides information related to impaired loans by portfolio segment and by class of financing receivable as of and for the year ended December 31, 2010 (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	Average recorded investment in impaired loans	Interest income recognized on impaired loans
<b>Personal Banking:</b>							
Residential							
mortgage loans	\$ 2,398,304	-	-	-	-	27,544	-
Home equity loans	1,095,953	-	-	-	-	8,333	-
	255,776	-	-	-	-	4,543	-

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Other consumer  
loans

Total Personal Banking	3,750,033	-	-	-	-	40,420	-
---------------------------	-----------	---	---	---	---	--------	---

**Business Banking:**

Commercial real estate loans	1,244,884	105,435	78,849	13,291	26,586	60,923	171
Commercial loans	389,614	44,039	37,758	9,103	6,281	35,452	629
Total Business Banking	1,634,498	149,474	116,607	22,394	32,867	96,375	800
Total	\$ 5,384,531	149,474	116,607	22,394	32,867	136,795	800

21

---



Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

The following table provides information related to loan delinquencies as of March 31, 2011 (in thousands):

	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or Greater Delinquent	Total Delinquency	Current	Total Loans	Recorded investment > 90 days past due and still accruing
<b>Personal Banking:</b>							
Residential mortgage loans	\$ 30,408	4,231	28,722	63,361	2,302,800	2,366,161	-
Home equity loans	5,569	2,278	9,165	17,012	1,056,806	1,073,818	-
Other consumer loans	2,891	1,036	2,914	6,841	242,286	249,127	-
<b>Total Personal Banking</b>	<b>38,868</b>	<b>7,545</b>	<b>40,801</b>	<b>87,214</b>	<b>3,601,892</b>	<b>3,689,106</b>	<b>-</b>
<b>Business Banking:</b>							
Commercial real estate loans	12,669	3,322	61,561	77,552	1,291,070	1,368,622	-
Commercial loans	12,519	973	22,475	35,967	392,873	428,840	1,383
<b>Total Business Banking</b>	<b>25,188</b>	<b>4,295</b>	<b>84,036</b>	<b>113,519</b>	<b>1,683,943</b>	<b>1,797,462</b>	<b>1,383</b>
<b>Total</b>	<b>\$ 64,056</b>	<b>11,840</b>	<b>124,837</b>	<b>200,733</b>	<b>5,285,835</b>	<b>5,486,568</b>	<b>1,383</b>

The following table provides information related to loan delinquencies as of December 31, 2010 (in thousands):

	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or Greater Delinquent	Total Delinquency	Current	Total Loans	Recorded investment > 90 days past due and still accruing
<b>Personal Banking:</b>							
Residential mortgage loans	\$ 35,329	9,848	29,751	74,928	2,323,376	2,398,304	-
Home equity loans	7,317	3,249	10,263	20,829	1,075,124	1,095,953	-
Other consumer loans	5,318	1,331	2,565	9,214	246,562	255,776	-
<b>Total Personal Banking</b>	<b>47,964</b>	<b>14,428</b>	<b>42,579</b>	<b>104,971</b>	<b>3,645,062</b>	<b>3,750,033</b>	<b>-</b>
<b>Business Banking:</b>							
Commercial real estate loans	16,287	14,365	44,965	75,617	1,274,702	1,350,319	1,067
Commercial loans	6,590	1,678	12,877	21,145	412,508	433,653	-
<b>Total Business Banking</b>	<b>22,877</b>	<b>16,043</b>	<b>57,842</b>	<b>96,762</b>	<b>1,687,210</b>	<b>1,783,972</b>	<b>1,067</b>

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Total	\$ 70,841	30,471	100,421	201,733	5,332,272	5,534,005	1,067
-------	-----------	--------	---------	---------	-----------	-----------	-------

22

---

Credit quality indicators: We categorize Business Banking 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 Business Banking loans individually by classifying the loans by credit risk. Loans designated as special mention or classified substandard are reviewed quarterly for further deterioration or improvement to determine if the loan is appropriately classified. We use the following definitions for risk ratings other than pass:

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

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

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

Loss – Loans classified as loss are considered uncollectible and of such value that the continuance as a loan is not warranted. A loss classification does not mean that the loan has no recovery or 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 affected in the future.

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

The following table sets forth information about credit quality indicators, which were updated during the quarter ended March 31, 2011 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
<b>Personal Banking:</b>						
Residential mortgage loans	\$2,342,190	-	23,066	10	895	2,366,161
Home equity loans	1,063,341	-	10,477	-	-	1,073,818
Other consumer loans	248,101	-	1,026	-	-	249,127
<b>Total Personal Banking</b>	<b>3,653,632</b>	<b>-</b>	<b>34,569</b>	<b>10</b>	<b>895</b>	<b>3,689,106</b>
<b>Business Banking:</b>						
Commercial real estate loans	1,135,611	77,323	151,914	3,774	-	1,368,622
Commercial loans	349,669	15,327	62,732	1,112	-	428,840
<b>Total Business Banking</b>	<b>1,485,280</b>	<b>92,650</b>	<b>214,646</b>	<b>4,886</b>	<b>-</b>	<b>1,797,462</b>
<b>Total</b>	<b>\$5,138,912</b>	<b>92,650</b>	<b>249,215</b>	<b>4,896</b>	<b>895</b>	<b>5,486,568</b>

The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2010 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
<b>Personal Banking:</b>						
Residential mortgage loans	\$2,368,776	-	28,763	56	709	2,398,304
Home equity loans	1,084,605	-	11,348	-	-	1,095,953
Other consumer loans	254,072	-	1,704	-	-	