UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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) 94,941,430 shares outstanding as of October 30, 2014

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NORTHWEST BANCSHARES, INC.

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

		(Unaudited) September 30, 2014	December 31, 2013
Assets			
Cash and due from banks	$	83,994	98,122
Interest-earning deposits in other financial institutions		209,161	293,149
Federal funds sold and other short-term investments		634	634
Marketable securities available-for-sale (amortized cost of $928,644 and $1,022,078)		930,913	1,016,767
Marketable securities held-to-maturity (fair value of $113,322 and $124,061)		110,214	121,366
Total cash and investments		1,334,916	1,530,038
Personal Banking:			
Residential mortgage loans held for sale			221
Residential mortgage loans		2,511,272	2,482,783
Home equity loans		1,071,540	1,083,939
Other consumer loans		238,653	228,348
Total Personal Banking		3,821,465	3,795,291
Business Banking:			
Commercial real estate loans		1,732,234	1,608,399
Commercial loans		403,402	402,601
Total Business Banking		2,135,636	2,011,000
Total loans		5,957,101	5,806,291
Allowance for loan losses		(71,650)	(71,348)
Total loans, net		5,885,451	5,734,943
Federal Home Loan Bank stock, at cost		43,985	43,715
Accrued interest receivable		19,505	19,152
Real estate owned, net		15,007	18,203
Premises and equipment, net		144,759	146,139
Bank owned life insurance		143,306	140,172
Goodwill		176,169	174,644
Other intangible assets		3,364	2,319
Other assets		60,464	70,715
Total assets	$	7,826,926	7,880,040
Liabilities and Shareholders equity			
Liabilities:			
Noninterest-bearing checking deposits	$	884,804	789,135
Interest-bearing checking deposits		895,280	852,809
Money market deposit accounts		1,180,540	1,167,954
Savings deposits		1,214,284	1,191,584
Time deposits		1,532,815	1,667,397
Total deposits		5,707,723	5,668,879

Borrowed funds		878,448	881,645
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		16,267	26,669
Accrued interest payable		880	888
Other liabilities		43,793	43,499
Total liabilities		6,750,205	6,724,674
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, 94,994,819 and 94,243,713 shares issued, respectively		950	943
Paid-in capital		627,748	619,678
Retained earnings		476,484	569,728
Unallocated common stock of employee stock ownership plan		(21,798)	(23,083)
Accumulated other comprehensive loss		(6,663)	(11,900)
Total shareholders equity		1,076,721	1,155,366
Total liabilities and shareholders equity	$	7,826,926	7,880,040

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

	Quarter ended September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Interest income:				
Loans receivable	$ 70,820	71,422	210,868	216,113
Mortgage-backed securities	2,504	3,113	7,963	9,862
Taxable investment securities	1,004	1,030	3,098	2,969
Tax-free investment securities	1,561	1,912	4,814	6,069
Interest-earning deposits	187	253	673	844
Total interest income	76,076	77,730	227,416	235,857
Interest expense:				
Deposits	6,305	7,150	19,216	22,368
Borrowed funds	7,882	8,126	23,389	23,989
Total interest expense	14,187	15,276	42,605	46,357
Net interest income	61,889	62,454	184,811	189,500
Provision for loan losses	3,466	4,992	19,236	17,555
Net interest income after provision for loan losses	58,423	57,462	165,575	171,945
Noninterest income:				
Gain on sale of investments	852	109	4,549	229
Service charges and fees	9,665	9,282	27,115	27,010
Trust and other financial services income	2,976	2,380	9,078	6,847
Insurance commission income	1,778	2,019	6,579	6,504
Loss on real estate owned, net	(240)	(111)	(937)	(2,526)
Income from bank owned life insurance	1,083	1,178	3,134	3,351
Mortgage banking income	239	203	753	1,395
Other operating income	1,836	1,049	4,699	3,090
Total noninterest income	18,189	16,109	54,970	45,900
Noninterest expense:				
Compensation and employee benefits	28,047	27,629	84,562	83,715
Premises and occupancy costs	5,642	5,633	17,939	17,530
Office operations	3,419	3,497	11,044	10,631
Processing expenses	6,723	6,036	19,951	19,279
Marketing expenses	2,211	1,032	6,779	5,025
Federal deposit insurance premiums	1,242	1,377	3,877	4,239
Professional services	1,854	1,331	5,691	4,223
Amortization of other intangible assets	330	291	992	988
Real estate owned expense	636	681	1,734	1,880
Other expenses	3,250	2,770	7,754	7,044
Total noninterest expense	53,354	50,277	160,323	154,554
Income before income taxes	23,258	23,294	60,222	63,291
Federal and state income taxes	5,926	5,727	15,605	17,104

Net income	$	17,332	17,567	44,617	46,187
Basic earnings per share	$	0.19	0.19	0.49	0.51
Diluted earnings per share	$	0.19	0.19	0.48	0.51

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 September 30,		Nine months ended September 30,	
	2014	**2013**	**2014**	**2013**
Net Income	$ 17,332	17,567	44,617	46,187
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of $1,002, $(73), $(4,574) and $6,767, respectively	(1,570)	110	7,149	(10,619)
Reclassification adjustment for gains included in net income, net of tax of $268, $55, $1,616 and $142 respectively	(419)	(87)	(2,527)	(221)
Net unrealized holding gains/ (losses) on marketable securities	(1,989)	23	4,622	(10,840)
Change in fair value of interest rate swaps, net of tax of $(367), $(159), $(555) and $(1,400), respectively	680	294	1,029	2,600
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of $74, $(123), $223 and $(369), respectively	(138)	229	(414)	687
Other comprehensive income/ (loss)	(1,447)	546	5,237	(7,553)
Total comprehensive income	$ 15,885	18,113	49,854	38,634

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 September 30, 2013

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at June 30, 2013	93,877,847	$ 939	613,520	555,692	(19,587)	(23,743)	1,126,821
Comprehensive income:							
Net income				17,567			17,567
Other comprehensive income, net of tax of $(300)					546		546
Total comprehensive income				17,567	546		18,113
Exercise of stock options	274,195	3	2,657				2,660
Stock compensation expense			1,003			438	1,441
Dividends paid ($0.13 per share)				(11,946)			(11,946)
Ending balance at September 30, 2013	94,152,042	$ 942	617,180	561,313	(19,041)	(23,305)	1,137,089

Quarter ended September 30, 2014

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at June 30, 2014	94,949,695	$ 949	626,213	471,219	(5,216)	(22,200)	1,070,965
Comprehensive income:							
Net income				17,332			17,332
Other comprehensive loss, net of tax of $977					(1,447)		(1,447)
Total comprehensive income/ (loss)				17,332	(1,447)		15,885
Exercise of stock options	45,124	1	476				477
Stock-based compensation expense, including tax benefit of $159			1,059			402	1,461
Dividends paid ($0.13 per share)				(12,067)			(12,067)

Ending balance at September 30, 2014	94,994,819	$	950	627,748	476,484	(6,663)	(21,798)	1,076,721

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)

Nine months ended September 30, 2013

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at December 31, 2012	93,652,960	$ 937	613,249	549,040	(11,488)	(24,525)	1,127,213
Comprehensive income:							
Net income				46,187			46,187
Other comprehensive loss, net of tax of $5,140					(7,553)		(7,553)
Total comprehensive income/ (loss)				46,187	(7,553)		38,634
Exercise of stock options	598,562	6	5,555				5,561
Stock-based compensation expense	269,320	3	2,831			1,220	4,054
Share repurchases	(368,800)	(4)	(4,455)				(4,459)
Dividends paid ($0.37 per share)				(33,914)			(33,914)
Ending balance at September 30, 2013	94,152,042	$ 942	617,180	561,313	(19,041)	(23,305)	1,137,089

Nine months ended September 30, 2014

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at December 31, 2013	94,243,713	$ 943	619,678	569,728	(11,900)	(23,083)	1,155,366
Comprehensive income:							
Net income				44,617			44,617
Other comprehensive income, net of tax of $(3,290)					5,237		5,237
Total comprehensive income				44,617	5,237		49,854
Exercise of stock options	478,476	5	4,935				4,940

Stock-based compensation expense, including tax benefit of $159	272,630	2	3,135			1,285	4,422
Dividends paid ($1.49 per share)				(137,861)			(137,861)
Ending balance at September 30, 2014	94,994,819	$ 950	627,748	476,484	(6,663)	(21,798)	1,076,721

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

		Nine months ended September 30, 2014	2013
OPERATING ACTIVITIES:			
Net Income	$	44,617	46,187
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		19,236	17,555
Net gain on sale of assets		(4,681)	(813)
Net depreciation, amortization and accretion		6,975	6,638
Decrease in other assets		6,621	5,802
(Decrease)/ increase in other liabilities		(3,839)	4,131
Net amortization on marketable securities		288	204
Noncash write-down of real estate owned		1,844	3,580
Origination of loans held for sale		(758)	(36,411)
Proceeds from sale of loans held for sale		1,023	52,408
Noncash compensation expense related to stock benefit plans		4,263	4,054
Net cash provided by operating activities		75,589	103,335
INVESTING ACTIVITIES:			
Purchase of marketable securities available-for-sale		(34,996)	(233,606)
Proceeds from maturities and principal reductions of marketable securities available-for-sale		124,856	202,109
Proceeds from maturities and principal reductions of marketable securities held-to-maturity		11,152	29,193
Proceeds from sale of marketable securities available-for-sale		7,834	
Loan originations		(1,469,902)	(1,536,087)
Proceeds from loan maturities and principal reductions		1,296,321	1,469,752
(Purchase)/ redemption of Federal Home Loan Bank stock		(270)	3,118
Proceeds from sale of real estate owned		8,602	14,134
Sale of real estate owned for investment, net		456	485
Purchase of premises and equipment		(7,290)	(12,653)
Acquistions, net of cash received		(2,792)	
Net cash used in investing activities		(66,029)	(63,555)

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

(in thousands)

		Ninemonths ended September 30, 2014	2013
FINANCING ACTIVITIES:			
Increase/ (decrease) in deposits, net	$	38,844	(39,235)
Proceeds from long-term borrowings			30,000
Repayments of long-term borrowings		(40)	(51)
Net decrease in short-term borrowings		(3,157)	(24,900)
Decrease in advances by borrowers for taxes and insurance		(10,402)	(9,173)
Cash dividends paid		(137,861)	(33,914)
Purchase of common stock for retirement			(4,459)
Proceeds from stock options exercised		4,940	5,561
Net cash used in financing activities		(107,676)	(76,171)
Net decrease in cash and cash equivalents	$	(98,116)	(36,391)
Cash and cash equivalents at beginning of period	$	391,905	451,704
Net decrease in cash and cash equivalents		(98,116)	(36,391)
Cash and cash equivalents at end of period	$	293,789	415,313
Cash and cash equivalents:			
Cash and due from banks	$	83,994	93,335
Interest-earning deposits in other financial institutions		209,161	321,344
Federal funds sold and other short-term investments		634	634
Total cash and cash equivalents	$	293,789	415,313
Cash paid during the period for:			
Interest on deposits and borrowings (including interest credited to deposit accounts of $17,276 and $20,126, respectively)	$	42,613	46,384
Income taxes	$	19,343	22,177
Non-cash activities:			
Loans foreclosures and repossessions	$	7,158	11,667
Sale of real estate owned financed by the Company	$	370	888

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 Savings Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At September 30, 2014, Northwest operated 164 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., The Bert Company, and Evans Capital Management, Inc. 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, 2013 updated, as required, for any new pronouncements or changes.

During the quarter ended September 30, 2014, the Company revised the comparative December 31, 2013 accrued interest receivable balance from $21,821 to $19,152, the goodwill balance from $174,463 to $174,644, the other assets balance from $69,663 to $70,715 and the retained earnings balance from $571,164 to $569,728 within the consolidated statements of financial condition. Additionally, the Company revised the comparative September 30, 2013 interest income loans receivable balance from $71,480 and $216,440 on a quarter to date and year to date basis, respectively, to $71,422 and $216,113 on a quarter to date and year to date basis, respectively, and revised the comparative September 30, 2013 net income balance from $17,600 and $46,376 on a quarter to date and year to date basis, respectively, to $17,567 and $46,187 on a quarter to date and year to date basis, respectively. The Company has assessed the materiality of these corrections of errors and concluded, based on qualitative and quantitative considerations, that the adjustments are not material to the financial statements as a whole.

The results of operations for the quarter and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014, or any other period.

Stock-Based Compensation

On May 21, 2014, we awarded employees 534,950 stock options and directors 57,600 stock options with an exercise price of $13.15 and grant date fair value of $1.45 per stock option. On May 21, 2014, we also awarded employees 251,030 restricted common shares and directors 21,600 restricted common shares with a grant date fair value of $13.22. 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 $1.3 million and $1.2 million for the quarter ended September 30, 2014 and 2013, respectively, and $4.3 million and $3.8 million for the nine months ended September 30, 2014 and 2013, respectively, was recognized in compensation expense relating to our stock benefit plans. At September 30, 2014 there was compensation expense of $5.2 million to be recognized for awarded but unvested stock options and $16.6 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of September 30, 2014 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at September 30, 2014. 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.

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects.* This guidance permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The proportional amortization method permits the amortization of the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. This guidance is effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2014, 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 January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. This guidance clarifies that an in substance repossession or foreclosure has occurred, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure. Interim and annual disclosure is required of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This guidance is effective using either the modified retrospective transition method or a prospective transition method for fiscal years and interim periods within those years, beginning after December 15, 2014, 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 May 2014 the FASB issued 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

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periods beginning after December 15, 2016, 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 2014-11, *Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. This guidance requires repurchase-to-maturity transactions to be recorded and accounted for as secured borrowings and also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. Additionally, an entity is required to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements, and provide increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The guidance related to repurchase-to-maturity and repurchase financing transactions, and disclosures for certain transactions accounted for as a sale is effective for annual reporting periods beginning after December 15, 2014, including interim periods within those years. The disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. We do not expect that this standard will have a material impact on our results of operations or 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 August 2014, the FASB issued ASU No. 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*, which will require creditors to derecognize certain foreclosed government-guaranteed mortgage loans and to recognize a separate other receivable that is measured at the amount the creditor expects to recover from the guarantor, and to treat the guarantee and the receivable as a single unit of account. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect a prospective or a modified retrospective transition method, but must use the same transition method that it elected under FASB ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. We do not expect that this standard will have a material impact on our results of operations or financial position.

(2) Business Segments

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 50 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

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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:

September 30, 2014 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	71,156	4,682	238	76,076
Intersegment interest income		610		(610)	
Interest expense		13,094	610	483	14,187
Provision for loan losses		2,750	716		3,466
Noninterest income		17,468	264	457	18,189
Noninterest expense		50,048	3,057	249	53,354
Income tax expense (benefit)		5,923	234	(231)	5,926
Net income		17,419	329	(416)	17,332
Total assets	$	7,699,696	106,517	20,713	7,826,926

September 30, 2013 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	72,393	5,077	260	77,730
Intersegment interest income		670		(670)	
Interest expense		13,975	670	631	15,276
Provision for loan losses		4,000	992		4,992
Noninterest income		15,651	445	13	16,109
Noninterest expense		47,102	2,998	177	50,277
Income tax expense (benefit)		5,817	343	(433)	5,727
Net income		17,820	519	(772)	17,567
Total assets	$	7,756,495	110,003	40,436	7,906,934

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

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At or for the nine months ended:

September 30, 2014 ($ in 000 s)		Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$	212,588	14,047	781	227,416
Intersegment interest income		1,807		(1,807)	
Interest expense		39,411	1,807	1,387	42,605
Provision for loan losses		17,100	2,136		19,236
Noninterest income		51,130	1,034	2,806	54,970
Noninterest expense		150,450	8,926	947	160,323
Income tax expense (benefit)		14,925	918	(238)	15,605
Net income		43,639	1,294	(316)	44,617
Total assets	$	7,699,696	106,517	20,713	7,826,926

September 30, 2013 ($ in 000 s)		Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$	219,454	15,496	907	235,857
Intersegment interest income		2,046		(2,046)	
Interest expense		42,531	2,046	1,780	46,357
Provision for loan losses		15,006	2,549		17,555
Noninterest income		44,661	1,178	61	45,900
Noninterest expense		144,661	9,286	607	154,554
Income tax expense (benefit)		17,239	1,144	(1,279)	17,104
Net income		46,724	1,649	(2,186)	46,187
Total assets	$	7,756,495	110,003	40,436	7,906,934

(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 September 30, 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	$	27			27
Debt issued by government sponsored enterprises:					
Due in one year - five years		296,461	246	(3,659)	293,048
Due in five years - ten years		26,364		(27)	26,337
Equity securities		2,591	727	(70)	3,248
Municipal securities:					
Due in one year or less		809	18		827
Due in one year - five years		8,070	176		8,246
Due in five years - ten years		7,991	127		8,118
Due after ten years		56,716	2,461		59,177
Corporate debt issues:					
Due after ten years		20,484	1,312	(339)	21,457
Residential mortgage-backed securities:					
Fixed rate pass-through		76,734	3,122	(447)	79,409
Variable rate pass-through		69,212	3,426	(34)	72,604
Fixed rate non-agency CMOs		3,314	318		3,632
Fixed rate agency CMOs		238,429	920	(6,701)	232,648
Variable rate agency CMOs		121,442	739	(46)	122,135
Total residential mortgage-backed securities		509,131	8,525	(7,228)	510,428
Total marketable securities available-for-sale	$	928,644	13,592	(11,323)	930,913

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2013 (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	$	32			32
Debt issued by government sponsored enterprises:					
Due in one year - five years		227,945	166	(4,041)	224,070
Due in five years - ten years		94,777	72	(2,862)	91,987
Equity securities		5,298	4,622	(70)	9,850
Municipal securities:					
Due in one year or less		710	10		720
Due in one year - five years		8,443	119		8,562
Due in five years - ten years		11,228	275		11,503
Due after ten years		71,068	1,111	(386)	71,793
Corporate debt issues:					
Due after ten years		21,150	475	(449)	21,176
Residential mortgage-backed securities:					
Fixed rate pass-through		85,306	3,041	(1,075)	87,272
Variable rate pass-through		78,890	3,525	(16)	82,399
Fixed rate non-agency CMOs		3,894	107	(3)	3,998
Fixed rate agency CMOs		265,769	1,060	(11,436)	255,393
Variable rate non-agency CMOs		660		(9)	651
Variable rate agency CMOs		146,908	674	(221)	147,361
Total residential mortgage-backed securities		581,427	8,407	(12,760)	577,074
Total marketable securities available-for-sale	$	1,022,078	15,257	(20,568)	1,016,767

The following table shows the portfolio of investment securities held-to-maturity at September 30, 2014 (in thousands):

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:					
Due in five years - ten years	$	10,204	210		10,414
Due after ten years		59,149	1,557		60,706
Residential mortgage-backed securities:					
Fixed rate pass-through		9,171	500		9,671
Variable rate pass-through		4,452	115		4,567
Fixed rate agency CMOs		26,112	710		26,822
Variable rate agency CMOs		1,126	16		1,142
Total residential mortgage-backed securities		40,861	1,341		42,202

Total marketable securities held-to-maturity	$	110,214	3,108	113,322

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2013 (in thousands):

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:					
Due in five years - ten years	$	8,002	172		8,174
Due after ten years		61,314	1,178	(27)	62,465
Residential mortgage-backed securities:					
Fixed rate pass-through		11,101	544		11,645
Variable rate pass-through		5,172	71		5,243
Fixed rate agency CMOs		34,425	780	(33)	35,172
Variable rate agency CMOs		1,352	10		1,362
Total residential mortgage-backed securities		52,050	1,405	(33)	53,422
Total marketable securities held-to-maturity	$	121,366	2,755	(60)	124,061

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.

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at September 30, 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	$	12,161	(65)	261,829	(3,621)	273,990	(3,686)
Corporate issues				2,082	(339)	2,082	(339)
Equity securities				552	(70)	552	(70)
Residential mortgage-backed securities - agency		36,828	(383)	200,282	(6,845)	237,110	(7,228)
Total temporarily impaired securities	$	48,989	(448)	464,745	(10,875)	513,734	(11,323)

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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, 2013 (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	$	213,915	(4,797)	64,635	(2,106)	278,550	(6,903)
Municipal securities		12,666	(413)			12,666	(413)
Corporate debt issues				1,970	(449)	1,970	(449)
Equity securities		552	(70)			552	(70)
Residential mortgage-backed securities - non-agency		1,210	(12)			1,210	(12)
Residential mortgage-backed securities - agency		224,125	(10,398)	109,301	(2,383)	333,426	(12,781)
Total temporarily impaired securities	$	452,468	(15,690)	175,906	(4,938)	628,374	(20,628)

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):

		2014	2013
Beginning balance at July 1, (1)	$	10,164	9,697
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized			
Reduction for losses realized during the quarter		(8)	(43)
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized			
Ending balance at September 30,	$	10,156	9,654

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

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

		2014	2013
Beginning balance at Janaury 1, (1)	$	10,342	9,811
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized			
Reduction for losses realized during the nine month period		(186)	(157)

Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized			
Ending balance at September 30,	$	10,156	9,654

(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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(4) Loans receivable

The following table shows a summary of our loans receivable at September 30, 2014 and December 31, 2013 (in thousands):

		September 30, 2014	December 31, 2013
Personal Banking:			
Loans held for sale	$		221
Residential mortgage loans		2,519,443	2,491,917
Home equity loans		1,071,540	1,083,939
Other consumer loans		238,653	228,348
Total Personal Banking		3,829,636	3,804,425
Business Banking:			
Commercial real estate		1,787,852	1,665,274
Commercial loans		437,378	437,559
Total Business Banking		2,225,230	2,102,833
Total loans receivable, gross		6,054,866	5,907,258
Deferred loan costs		5,181	2,461
Allowance for loan losses		(71,650)	(71,348)
Undisbursed loan proceeds:			
Residential mortgage loans		(13,352)	(11,595)
Commercial real estate		(55,618)	(56,875)
Commercial loans		(33,976)	(34,958)
Total loans receivable, net	$	5,885,451	5,734,943

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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 September 30, 2014 (in thousands):

	Balance September 30, 2014	Current period provision	Charge-offs	Recoveries	Balance June 30, 2014
Personal Banking:					
Residental mortgage loans	$ 7,566	(11)	(352)	162	7,767
Home equity loans	6,054	(159)	(325)	22	6,516
Other consumer loans	5,985	1,483	(1,444)	320	5,626
Total Personal Banking	19,605	1,313	(2,121)	504	19,909
Business Banking:					
Commercial real estate loans	35,105	1,317	(1,981)	688	35,081
Commercial loans	12,543	785	(580)	232	12,106
Total Business Banking	47,648	2,102	(2,561)	920	47,187
Unallocated	4,397	51			4,346
Total	$ 71,650	3,466	(4,682)	1,424	71,442

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2013 (in thousands):

	Balance September 30, 2013	Current period provision	Charge-offs	Recoveries	Balance June 30, 2013
Personal Banking:					
Residental mortgage loans	$ 7,821	471	(546)	37	7,859
Home equity loans	8,065	(116)	(213)	44	8,350
Other consumer loans	4,935	1,553	(1,675)	234	4,823
Total Personal Banking	20,821	1,908	(2,434)	315	21,032
Business Banking:					
Commercial real estate loans	38,552	2,676	(1,048)	1,366	35,558
Commercial loans	11,902	32	(463)	547	11,786
Total Business Banking	50,454	2,708	(1,511)	1,913	47,344
Unallocated	4,590	376			4,214
Total	$ 75,865	4,992	(3,945)	2,228	72,590

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

	Balance September 30, 2014	Current period provision	Charge-offs	Recoveries	Balance December 31, 2013
Personal Banking:					
Residental mortgage loans	$ 7,566	1,166	(1,694)	219	7,875
Home equity loans	6,054	(50)	(1,290)	149	7,245
Other consumer loans	5,985	4,162	(4,610)	946	5,487
Total Personal Banking	19,605	5,278	(7,594)	1,314	20,607
Business Banking:					
Commercial real estate loans	35,105	3,232	(5,491)	2,395	34,969
Commercial loans	12,543	10,991	(10,866)	1,308	11,110
Total Business Banking	47,648	14,223	(16,357)	3,703	46,079
Unallocated	4,397	(265)			4,662
Total	$ 71,650	19,236	(23,951)	5,017	71,348

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2013 (in thousands):

	Balance September 30, 2013	Current period provision	Charge-offs	Recoveries	Balance December 31, 2012
Personal Banking:					
Residental mortgage loans	$ 7,821	1,506	(2,002)	315	8,002
Home equity loans	8,065	1,022	(1,388)	137	8,294
Other consumer loans	4,935	3,312	(4,359)	826	5,156
Total Personal Banking	20,821	5,840	(7,749)	1,278	21,452
Business Banking:					
Commercial real estate loans	38,552	10,033	(7,734)	1,754	34,499
Commercial loans	11,902	1,118	(3,685)	1,227	13,242
Total Business Banking	50,454	11,151	(11,419)	2,981	47,741
Unallocated	4,590	564			4,026
Total	$ 75,865	17,555	(19,168)	4,259	73,219

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at September 30, 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	$	2,511,272	7,566	22,773		5,860	1,079	
Home equity loans		1,071,540	6,054	9,284	29	2,404	251	
Other consumer loans		238,653	5,985	2,407	339			
Total Personal Banking		3,821,465	19,605	34,464	368	8,264	1,330	
Business Banking:								
Commercial real estate loans		1,732,234	35,105	43,940		41,680	6,111	269
Commercial loans		403,402	12,543	11,422	22	11,922	1,847	1,050
Total Business Banking		2,135,636	47,648	55,362	22	53,602	7,958	1,319
Total	$	5,957,101	67,253	89,826	390	61,866	9,288	1,319

(1) Includes $21.9 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, 2013 (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	$	2,483,004	7,875	27,277		4,004	863	
Home equity loans		1,083,939	7,245	9,863	1	2,240	371	
Other consumer loans		228,348	5,487	2,257	666			
Total Personal Banking		3,795,291	20,607	39,397	667	6,244	1,234	
Business Banking:								
Commercial real estate loans		1,608,399	34,969	41,803		48,829	4,503	301
Commercial loans		402,601	11,110	26,021	23	24,093	2,778	454
Total Business Banking		2,011,000	46,079	67,824	23	72,922	7,281	755
Total	$	5,806,291	66,686	107,221	690	79,166	8,515	755

(1) Includes $28.9 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 September 30, 2014 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Recorded investment in loans receivable:						
Personal Banking:						
Residential mortgage loans	$ 2,142,552	160,652	18,300	134,696	55,072	2,511,272
Home equity loans	913,085	116,423	9,216	27,133	5,683	1,071,540
Other consumer loans	220,610	9,903	3,209	1,694	3,237	238,653
Total Personal Banking	3,276,247	286,978	30,725	163,523	63,992	3,821,465
Business Banking:						
Commercial real estate loans	956,607	563,769	27,115	121,231	63,512	1,732,234
Commercial loans	286,515	87,262	11,820	10,404	7,401	403,402
Total Business Banking	1,243,122	651,031	38,935	131,635	70,913	2,135,636
Total	$ 4,519,369	938,009	69,660	295,158	134,905	5,957,101
Percentage of total loans receivable	75.8%	15.7%	1.2%	5.0%	2.3%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent:						
Personal Banking:						
Residential mortgage loans	$ 15,015	1,038	777	1,601	1,887	20,318
Home equity loans	4,772	798	35	1,126	71	6,802
Other consumer loans	2,063	32	4			2,099
Total Personal Banking	21,850	1,868	816	2,727	1,958	29,219
Business Banking:						
Commercial real estate loans	11,491	1,396		48	617	13,552
Commercial loans	2,432	285	16	76	353	3,162
Total Business Banking	13,923	1,681	16	124	970	16,714
Total	$ 35,773	3,549	832	2,851	2,928	45,933
Percentage of total loans 90 or more days delinquent	77.9%	7.7%	1.8%	6.2%	6.4%	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, 2013 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Recorded investment in loans receivable:						
Personal Banking:						
Residential mortgage loans	$ 2,108,018	160,931	19,468	140,087	54,500	2,483,004
Home equity loans	923,365	117,081	10,152	27,400	5,941	1,083,939
Other consumer loans	207,243	9,890	3,007	1,256	6,952	228,348
Total Personal Banking	3,238,626	287,902	32,627	168,743	67,393	3,795,291
Business Banking:						
Commercial real estate loans	876,359	484,071	27,136	123,279	97,554	1,608,399
Commercial loans	276,469	63,689	14,645	27,496	20,302	402,601
Total Business Banking	1,152,828	547,760	41,781	150,775	117,856	2,011,000
Total	$ 4,391,454	835,662	74,408	319,518	185,249	5,806,291
Percentage of total loans receivable	75.6%	14.4%	1.3%	5.5%	3.2%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent:						
Personal Banking:						
Residential mortgage loans	$ 15,995	1,184	229	3,891	3,326	24,625
Home equity loans	5,279	1,783	116	1,095	71	8,344
Other consumer loans	2,006	35	3		13	2,057
Total Personal Banking	23,280	3,002	348	4,986	3,410	35,026
Business Banking:						
Commercial real estate loans	15,581	1,669	962	108	113	18,433
Commercial loans	3,045	645		314	294	4,298
Total Business Banking	18,626	2,314	962	422	407	22,731
Total	$ 41,906	5,316	1,310	5,408	3,817	57,757
Percentage of total loans 90 or more days delinquent	72.5%	9.2%	2.3%	9.4%	6.6%	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 nine months ended September 30, 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	$ 20,319	2,454		5,266	28,039	28,787	627
Home equity loans	6,802	2,482		2,110	11,394	11,886	364
Other consumer loans	2,098	309			2,407	2,273	45
Total Personal Banking	29,219	5,245		7,376	41,840	42,946	1,036
Business Banking:							
Commercial real estate loans	13,552	30,388	40,470	12,539	96,949	91,048	2,734
Commercial loans	3,162	8,260	5,497	2,894	19,813	28,376	731
Total Business Banking	16,714	38,648	45,967	15,433	116,762	119,424	3,465
Total	$ 45,933	43,893	45,967	22,809	158,602	162,370	4,501

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, 2013 (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	$ 24,625	2,652		3,372	30,649	29,994	723
Home equity loans	8,344	1,519		1,810	11,673	10,828	383
Other consumer loans	2,057	200			2,257	1,976	44
Total Personal Banking	35,026	4,371		5,182	44,579	42,798	1,150
Business Banking:							
Commercial real estate loans	18,433	23,370	39,199	13,060	94,062	90,912	3,678
Commercial loans	4,298	21,723	5,219	3,963	35,203	41,303	1,127
Total Business Banking	22,731	45,093	44,418	17,023	129,265	132,215	4,805
Total	$ 57,757	49,464	44,418	22,205	173,844	175,013	5,955

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at September 30, 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	$	2,504,491	6,781	6,781	1,071	
Home equity loans		1,069,256	2,284	2,284	261	
Other consumer loans		238,584	69	69	9	
Total Personal Banking		3,812,331	9,134	9,134	1,341	
Business Banking:						
Commercial real estate loans		1,650,683	81,551	48,830	7,954	32,721
Commercial loans		387,950	15,452	10,382	2,218	5,070
Total Business Banking		2,038,633	97,003	59,212	10,172	37,791
Total	$	5,850,964	106,137	68,346	11,513	37,791

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2013 (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	$	2,477,888	5,116	5,116	1,136	
Home equity loans		1,081,699	2,240	2,240	333	
Other consumer loans		228,227	121	121	1	
Total Personal Banking		3,787,814	7,477	7,477	1,470	
Business Banking:						
Commercial real estate loans		1,532,117	76,282	45,761	6,300	30,521
Commercial loans		371,287	31,314	21,395	4,133	9,919
Total Business Banking		1,903,404	107,596	67,156	10,433	40,440
Total	$	5,691,218	115,073	74,633	11,903	40,440

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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 September 30,				
	2014			2013	
	Number of contracts			Number of contracts		
Beginning TDR balance:	265	$	63,793	260	$	86,517
New TDRs	14		5,302	19		1,977
Net paydowns			(5,411)			(2,878)
Charge-offs:						
Residential mortgage loans				2		(185)
Home equity loans						
Commercial real estate loans	4		(346)			
Commercial loans	1		(38)	3		(233)
Paid-off loans:						
Residential mortgage loans						
Home equity loans	2		(35)	1		(2)
Commercial real estate loans	4		(633)	2		(2,268)
Commercial loans	8		(766)	12		(1,468)
Transferred to real estate owned:						
Commercial loans				1		(2,070)
Ending TDR balance:	260	$	61,866	258	$	79,390
Accruing TDRs		$	39,995		$	41,871
Non-accrual TDRs			21,871			37,519

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

	For the nine months ended September 30,					
	2014			2013		
	Number of contracts			Number of contracts		
Beginning TDR balance:	276	$	79,166	225	$	89,444
New TDRs	30		8,113	84		11,310
Net paydowns			(12,431)			(10,784)
Charge-offs:						
Residential mortgage loans				4		(357)
Home equity loans	1		(130)	4		(99)
Commercial real estate loans	6		(377)	4		(1,063)
Commercial loans	9		(8,289)	5		(250)
Paid-off loans:						
Residential mortgage loans				1		(109)
Home equity loans	3		(74)	3		(9)
Commercial real estate loans	10		(1,471)	7		(3,119)
Commercial loans	17		(2,641)	22		(3,504)
Transferred to real estate owned:						
Commercial loans				1		(2,070)
Ending TDR balance:	260	$	61,866	258	$	79,390
Accruing TDRs		$	39,995		$	41,871
Non-accrual TDRs			21,871			37,519

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

	For the quarter ended September 30, 2014				For the nine months ended September 30, 2014			
	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	1	$ 145	108	37	10	$ 2,067	1,964	221
Home equity loans	1	136	106	30	3	512	451	32
Other consumer loans								
Total Personal Banking	2	281	214	67	13	2,579	2,415	253
Business Banking:								
Commercial real estate loans	5	454	453	30	8	543	533	61
Commercial loans	7	4,567	3,777	1,198	9	4,991	4,209	1,233
Total Business Banking	12	5,021	4,230	1,228	17	5,534	4,742	1,294
Total	14	$ 5,302	4,444	1,295	30	$ 8,113	7,157	1,547
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans		$				$		
Home equity loans	1	4	3		1	4	3	
Other consumer loans								
Total Personal Banking	1	4	3		1	4	3	
Business Banking:								
Commercial real estate loans								
Commercial loans					3	7,572	417	18
Total Business Banking					3	7,572	417	18
Total	1	$ 4	3		4	$ 7,576	420	18

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

	For the quarter ended September 30, 2013				For the nine months ended September 30, 2013			
	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	$ 179	172	16
Home equity loans	1	6	6		5	296	286	134
Other consumer loans								
Total Personal Banking	1	6	6		7	475	458	150
Business Banking:								
Commercial real estate loans	14	1,900	1,780	277	49	8,982	7,353	1,641
Commercial loans	4	71	71	3	28	1,853	1,384	204
Total Business Banking	18	1,971	1,851	280	77	10,835	8,737	1,845
Total	19	$ 1,977	1,857	280	84	$ 11,310	9,195	1,995
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans		$			1	$ 70	70	5
Home equity loans								
Other consumer loans								
Total Personal Banking					1	70	70	5
Business Banking:								
Commercial real estate loans	3	269	268	76	3	269	268	76
Commercial loans	1	23	8	2	1	23	8	2
Total Business Banking	4	292	276	78	4	292	276	78
Total	4	$ 292	276	78	5	$ 362	346	83

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

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

The following table provides information as of September 30, 2013 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended September 30, 2013 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans		$				
Home equity loans	1			6		6
Other consumer loans						
Total Personal Banking	1			6		6
Business Banking:						
Commercial real estate loans	14		646	193	941	1,780
Commercial loans	4				71	71
Total Business Banking	18		646	193	1,012	1,851
Total	19	$	646	199	1,012	1,857

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

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

The following table provides information as of September 30, 2013 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the nine months ended September 30, 2013 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	2	$		172		172
Home equity loans	5			286		286
Other consumer loans						
Total Personal Banking	7			458		458
Business Banking:						
Commercial real estate loans	49	728	1,086	3,892	1,647	7,353
Commercial loans	28	134	212	748	290	1,384
Total Business Banking	77	862	1,298	4,640	1,937	8,737
Total	84	$ 862	1,298	5,098	1,937	9,195

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

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

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended September 30, 2013 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans		$				
Home equity loans						
Other consumer loans						
Total Personal Banking						
Business Banking:						
Commercial real estate loans	4		227	430		657
Commercial loans						
Total Business Banking	4		227	430		657
Total	4	$	227	430		657

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The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the nine months ended September 30, 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	$		76		76
Home equity loans						
Other consumer loans						
Total Personal Banking	1			76		76
Business Banking:						
Commercial real estate loans	4			171	18	189
Commercial loans	3			2,064	5	2,069
Total Business Banking	7			2,235	23	2,258
Total	8	$		2,311	23	2,334

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the nine months ended September 30, 2013 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans		$				
Home equity loans						
Other consumer loans						
Total Personal Banking						
Business Banking:						
Commercial real estate loans	6		227	4,007		4,234
Commercial loans	1					
Total Business Banking	7		227	4,007		4,234
Total	7	$	227	4,007		4,234

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The following table provides information related to loan payment delinquencies at September 30, 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	$	4,241	6,558	20,319	31,118	2,480,154	2,511,272
Home equity loans		5,856	1,727	6,802	14,385	1,057,155	1,071,540
Other consumer loans		5,076	1,958	2,098	9,132	229,521	238,653
Total Personal Banking		15,173	10,243	29,219	54,635	3,766,830	3,821,465
Business Banking:							
Commercial real estate loans		5,888	2,762	13,552	22,202	1,710,032	1,732,234
Commercial loans		1,413	970	3,162	5,545	397,857	403,402
Total Business Banking		7,301	3,732	16,714	27,747	2,107,889	2,135,636
Total	$	22,474	13,975	45,933	82,382	5,874,719	5,957,101

The following table provides information related to loan payment delinquencies at December 31, 2013 (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	$	27,486	7,568	24,625	59,679	2,423,325	2,483,004
Home equity loans		6,946	2,243	8,344	17,533	1,066,406	1,083,939
Other consumer loans		4,515	1,866	2,057	8,438	219,910	228,348
Total Personal Banking		38,947	11,677	35,026	85,650	3,709,641	3,795,291
Business Banking:							
Commercial real estate loans		8,449	3,968	18,433	30,850	1,577,549	1,608,399
Commercial loans		9,243	1,555	4,298	15,096	387,505	402,601
Total Business Banking		17,692	5,523	22,731	45,946	1,965,054	2,011,000
Total	$	56,639	17,200	57,757	131,596	5,674,695	5,806,291

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

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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 possible in the future.

The following table sets forth information about credit quality indicators, which were updated during the quarter ended September 30, 2014 (in thousands):

		Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:							
Residential mortgage loans	$	2,494,746		15,102		1,424	2,511,272
Home equity loans		1,064,738		6,802			1,071,540
Other consumer loans		237,134		1,519			238,653
Total Personal Banking		3,796,618		23,423		1,424	3,821,465
Business Banking:							
Commercial real estate loans		1,545,245	40,655	144,244	2,090		1,732,234
Commercial loans		350,377	14,391	35,343	3,291		403,402
Total Business Banking		1,895,622	55,046	179,587	5,381		2,135,636
Total	$	5,692,240	55,046	203,010	5,381	1,424	5,957,101

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The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2013 (in thousands):

		Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:							
Residential mortgage loans	$	2,464,057		17,626		1,321	2,483,004
Home equity loans		1,075,595		8,344			1,083,939
Other consumer loans		226,922		1,426			228,348
Total Personal Banking		3,766,574		27,396		1,321	3,795,291
Business Banking:							
Commercial real estate loans		1,398,652	46,557	161,906	1,284		1,608,399
Commercial loans		345,612	12,045	43,040	1,904		402,601
Total Business Banking		1,744,264	58,602	204,946	3,188		2,011,000
Total	$	5,510,838	58,602	232,342	3,188	1,321	5,806,291

(5) **Goodwill and Other Intangible Assets**

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

		September 30, 2014	December 31, 2013
Amortizable intangible assets:			
Core deposit intangibles gross	$	30,578	30,578
Acquisitions			
Less: accumulated amortization		(30,556)	(30,491)
Core deposit intangibles net		22	87
Customer and Contract intangible assets gross		6,197	6,197
Acquisitions		2,037	
Less: accumulated amortization		(4,892)	(3,965)
Customer and Contract intangible assets net	$	3,342	2,232

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The following table shows the actual aggregate amortization expense for the quarters and nine months ended September 30, 2014 and 2013, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended September 30, 2014	$	330
For the quarter ended September 30, 2013		291
For the nine months ended September 30, 2014		992
For the nine months ended September 30, 2013		988
For the year ending December 31, 2014		1,323
For the year ending December 31, 2015		1,008
For the year ending December 31, 2016		779
For the year ending December 31, 2017		550
For the year ending December 31, 2018		391
For the year ending December 31, 2019		232

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, 2012	$	173,029	1,613	174,642
Goodwill acquired		2		2
Impairment losses				
Balance at December 31, 2013		173,031	1,613	174,644
Goodwill acquired		1,525		1,525
Impairment losses				
Balance at September 30, 2014	$	174,556	1,613	176,169

We performed our annual goodwill impairment test as of June 30, 2014 and concluded that goodwill was not impaired. At September 30, 2014, there were no changes in our operations or other factors that would cause us to update that test. See the Overview of Critical Accounting Policies Involving Estimates section for a description of our testing procedures.

(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 September 30, 2014, the maximum potential amount of future payments we could be required to make under these standby letters of credit was $23.8 million, of which $22.9 million is fully collateralized. At September 30, 2014, we had a liability, which represents deferred income, of $1.0 million related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

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(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 584,711 shares of common stock with a weighted average exercise price of $13.15 per share were outstanding during the quarter ended September 30, 2014 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares of $12.63. All stock options outstanding during the nine months ended September 30, 2014 were included in the computation of diluted earnings per share because the stock options exercise price was less than the average market price of the common shares of $13.60. All stock options outstanding during the quarter and nine months ended September 30, 2013 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 $13.77 and $12.92, respectively.

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

		Quarter ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Reported net income	$	17,332	17,567	44,617	46,187
Weighted average common shares outstanding		91,745,512	90,760,402	91,465,986	90,530,417
Dilutive potential shares due to effect of stock options		372,642	1,063,982	867,124	679,623
Total weighted average common shares and dilutive potential shares		92,118,154	91,824,384	92,333,110	91,210,040
Basic earnings per share:	$	0.19	0.19	0.49	0.51
Diluted earnings per share:	$	0.19	0.19	0.48	0.51

(8) Pension and Other Post-retirement Benefits

During 2013, the defined benefit pension plan was amended to lock-in all benefits earned through March 31, 2013 based on the plan formula using years of service and average monthly compensation as of March 31, 2013 and provide that, for service commencing January 1, 2013, additional benefits will be earned equal to 1% of career average pay for each year that a participant completes at least 1,000 hours of service. Also, effective April 1, 2013, participants who are eligible to receive required minimum distributions due to attaining age 70 ½ will be required to begin payment of benefits even though they may remain employed by us.

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

Components of net periodic benefit cost

	Quarter ended September 30,			
	Pension benefits		Other post-retirement benefits	
	2014	2013	2014	2013
Service cost	$ 1,035	1,138		
Interest cost	1,457	1,301	16	16
Expected return on plan assets	(2,416)	(2,138)		
Amortization of prior service cost	(581)	(580)		
Amortization of the net loss	357	919	12	13
Net periodic (benefit)/ cost	$ (148)	640	28	29

Components of net periodic benefit cost

	Nine months ended September 30,			
	Pension benefits		Other post-retirement benefits	
	2014	2013	2014	2013
Service cost	$ 3,105	3,414		
Interest cost	4,371	3,903	49	49
Expected return on plan assets	(7,248)	(6,414)		
Amortization of prior service cost	(1,743)	(1,740)		
Amortization of the net loss	1,070	2,757	36	38
Net periodic (benefit)/ cost	$ (445)	1,920	85	87

We made no contribution to our pension or other post-retirement benefit plans during the nine months ended September 30, 2014 and do not anticipate making a contribution to our defined benefit pension plan during the year ending December 31, 2014.

(9) Disclosures About Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Marketable Securities

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

Debt securities available for sale - Generally, debt securities are valued using pricing for similar securities, recently executed transactions and other pricing models utilizing observable inputs. The valuation for most debt securities is classified as Level 2. Securities within Level 2 include corporate bonds, municipal bonds, mortgage-backed securities and US government obligations. Certain corporate debt securities do not have an active market and as such the broker pricing received uses alternative methods. The fair value of these corporate debt securities is determined by using a discounted cash flow model using market assumptions, which generally include cash flow, collateral and other market assumptions. As such, these securities are included herein as Level 3 assets.

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

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

Loans Receivable

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

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FHLB Stock

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

Deposit Liabilities

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

Borrowed Funds

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

Junior Subordinated Debentures

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

Cash flow hedges Interest rate swap agreements (swaps)

The fair value of the swaps is the amount we would expect to pay to terminate the agreements and is based upon the present value of the expected future cash flows using the LIBOR swap curve, the basis for the underlying interest rate.

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At September 30, 2014 and December 31, 2013, there was no significant unrealized appreciation or depreciation on these financial instruments.

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The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at September 30, 2014:

		Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$	293,789	293,789	293,789		
Securities available-for-sale		930,913	930,913	3,248	916,799	10,866
Securities held-to-maturity		110,214	113,322		113,322	
Loans receivable, net		5,885,451	6,225,823			6,225,823
Accrued interest receivable		19,505	19,505	19,505		
FHLB Stock		43,985	43,985			
Total financial assets	$	7,283,857	7,627,337	316,542	1,030,121	6,236,689
Financial liabilities:						
Savings and checking deposits	$	4,174,908	4,174,908	4,174,908		
Time deposits		1,532,815	1,555,888			1,555,888
Borrowed funds		878,448	905,011	153,040		751,971
Junior subordinated debentures		103,094	109,609			109,609
Cash flow hedges - swaps		6,453	6,453		6,453	
Accrued interest payable		880	880	880		
Total financial liabilities	$	6,696,598	6,752,749	4,328,828	6,453	2,417,468

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, 2013:

		Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$	391,905	391,905	391,905		
Securities available-for-sale		1,016,767	1,016,767	9,850	994,666	12,251
Securities held-to-maturity		121,366	124,061		124,061	
Loans receivable, net		5,734,943	6,026,711	221		6,026,490
Accrued interest receivable		19,152	19,152	19,152		
FHLB Stock		43,715	43,715			
Total financial assets	$	7,327,848	7,622,311	421,128	1,118,727	6,038,741
Financial liabilities:						
Savings and checking accounts	$	4,001,482	4,001,482	4,001,482		
Time deposits		1,667,397	1,699,937			1,699,937
Borrowed funds		881,645	896,408	156,198		740,210
Junior subordinated debentures		103,094	111,220			111,220
Cash flow hedges - swaps		8,037	8,037		8,037	
Accrued interest payable		888	888	888		
Total financial liabilities	$	6,662,543	6,717,972	4,158,568	8,037	2,551,367

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Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both September 30, 2014 and December 31, 2013. There were no transfers of financial instruments between Level 1 and Level 2 during the nine months ended September 30, 2014.

The following table represents assets and liabilities measured at fair value on a recurring basis at September 30, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 3,248			3,248
Debt securities:				
U.S. government and agencies		27		27
Government sponsored enterprises		319,385		319,385
States and political subdivisions		76,368		76,368
Corporate		10,591	10,866	21,457
Total debt securities		406,371	10,866	417,237
Residential mortgage-backed securities:				
GNMA		30,137		30,137
FNMA		76,529		76,529
FHLMC		44,700		44,700
Non-agency		648		648
Collateralized mortgage obligations:				
GNMA		9,113		9,113
FNMA		146,260		146,260
FHLMC		188,605		188,605
SBA		10,804		10,804
Non-agency		3,632		3,632
Total mortgage-backed securities		510,428		510,428
Interest rate swaps		(6,453)		(6,453)
Total assets and liabilities	$ 3,248	910,346	10,866	924,460

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The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 9,850			9,850
Debt securities:				
U.S. government and agencies		32		32
Government sponsored enterprises		316,057		316,057
States and political subdivisions		92,578		92,578
Corporate		8,925	12,251	21,176
Total debt securities		417,592	12,251	429,843
Residential mortgage-backed securities:				
GNMA		32,263		32,263
FNMA		85,665		85,665
FHLMC		51,076		51,076
Non-agency		667		667
Collateralized mortgage obligations:				
GNMA		11,494		11,494
FNMA		168,661		168,661
FHLMC		210,029		210,029
SBA		12,569		12,569
Non-agency		4,650		4,650
Total mortgage-backed securities		577,074		577,074
Interest rate swaps		(8,037)		(8,037)
Total assets and liabilities	$ 9,850	986,629	12,251	1,008,730

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

		Quarter ended		Nine months ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	$	12,543	11,345	12,251	11,119
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):					
Included in net income as OTTI					
Included in other comprehensive income		(1,677)	363	(1,385)	589
Purchases					
Sales					
Transfers in to Level 3					
Transfers out of Level 3					
Ending balance	$	10,866	11,708	10,866	11,708

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at September 30, 2014 (in thousands):

		Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$			56,833	56,833
Real estate owned				15,007	15,007
Total assets	$			71,840	71,840

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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, 2013 (in thousands):

		Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$			62,730	62,730
Real estate owned				18,203	18,203
Total assets	$			80,933	80,933

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 September 30, 2014 (dollar amounts in thousands):

		Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	$	10,866	Discounted cash flow	Discount margin Default rates Prepayment speeds	0.35% to 2.1% (0.69)% 1.00% 1.00% annually
Loans measured for impairment		56,833	Appraisal value (1)	Estimated cost to sell	10%
Real estate owned		15,007	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 September 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 September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of $25.0 million. The swap agreements were entered into with a counterparty that met our credit standards and the agreements contain collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contracts is not significant. At September 30, 2014, $6.9 million of cash was pledged as collateral to the counterparty.

At September 30, 2014, the fair value of the swap agreements was $(6.5) 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 September 30, 2014 and December 31, 2013 (in thousands):

		September 30, 2014	December 31, 2013
Fair value	$	6,453	8,037
Notional amount		75,000	75,000
Collateral posted		6,905	8,405

(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 September 30, 2014 we have accrued $2.4 million. This amount is based on our analysis of currently available information and 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.

Toth v. Northwest Savings Bank

On May 7, 2012, Ashley Toth (Plaintiff) filed a putative class action complaint in the Court of Common Pleas of Allegheny County, Pennsylvania against Northwest Savings Bank (Northwest). Plaintiff s complaint alleged state law claims related to Northwest s order of posting ATM and debit card transactions and the assessment of overdraft fees on deposit customer accounts. Northwest filed preliminary objections to the putative class action complaint on June 29, 2012. On September 6, 2012, Plaintiff filed an amended putative class action complaint containing substantially the same allegations as the initial putative class action complaint. On November 5, 2012, Northwest filed preliminary objections to the amended putative class action complaint. Plaintiff filed her opposition to Northwest s preliminary objections on December 6, 2012, and Northwest filed its reply in support of the preliminary objections on January 3, 2013. On June 25, 2013, the court entered an order, granting in part and overruling in part, Northwest s preliminary objections.

On November 18, 2013, the parties participated in a mediation and reached an agreement in principle, subject to the preparation and execution of a mutually acceptable settlement agreement and release, to fully, finally and completely settle, resolve, discharge and release all claims that have been or could have been asserted in the action on a class-wide basis. The proposed settlement contemplates that, in return for a full and complete release of claims by Plaintiff and the settlement class members, Northwest will create a settlement fund for distribution to the settlement class members after certain court-approved reductions, including for attorney s fees and expenses. The proposed settlement is subject to preliminary and final court approval.

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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 September 30, 2014			
	Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of June 30, 2014	$ 3,378	(4,875)	(3,719)	(5,216)
Other comprehensive income before reclassification adjustments	(1,570)	680		(890)
Amounts reclassified from accumulated other comprehensive income (1), (2)	(419)		(138)	(557)
Net other comprehensive income	(1,989)	680	(138)	(1,447)
Balance as of September 30, 2014	$ 1,389	(4,195)	(3,857)	(6,663)

	For the quarter ended September 30, 2013			
	Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of June 30, 2013	$ 4,990	(6,099)	(18,478)	(19,587)
Other comprehensive income before reclassification adjustments	110	294		404
Amounts reclassified from accumulated other comprehensive income (3), (4)	(87)		229	142
Net other comprehensive income	23	294	229	546
Balance as of September 30, 2013	$ 5,013	(5,805)	(18,249)	(19,041)

(1) Consists of realized gains on securities (gain on sales of investments, net) of $687, net of tax (income tax expense) of $(268).

(2) 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.

(3) Consists of realized gains on securities (gain on sales of investments, net) of $142, net of tax (income tax expense) of $(55).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of $580 and amortization of net loss (compensation and employee benefits) of $(932), net of tax (income tax expense) of $123. See note 8.

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

	For the nine months ended September 30, 2014				
		Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2013	$	(3,233)	(5,224)	(3,443)	(11,900)
Other comprehensive income before reclassification adjustments		7,149	1,029		8,178
Amounts reclassified from accumulated other comprehensive income (1), (2)		(2,527)		(414)	(2,941)
Net other comprehensive income		4,622	1,029	(414)	5,237
Balance as of September 30, 2014	$	1,389	(4,195)	(3,857)	(6,663)

	For the nine months ended September 30, 2013				
		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, 2012	$	15,853	(8,405)	(18,936)	(11,488)
Other comprehensive income before reclassification adjustments		(10,619)	2,600		(8,019)
Amounts reclassified from accumulated other comprehensive income (3), (4)		(221)		687	466
Net other comprehensive income		(10,840)	2,600	687	(7,553)
Balance as of September 30, 2013	$	5,013	(5,805)	(18,249)	(19,041)

(1) Consists of realized gains on securities (gain on sales of investments, net) of $4,143, net of tax (income tax expense) of $(1,616).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of $1,743 and amortization of net loss (compensation and employee benefits) of $(1,106), net of tax (income tax expense) of $(223). See note 8.

(3) Consists of realized gains on securities (gain on sales of investments, net) of $363, net of tax (income tax expense) of $(142).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of $1,740 and amortization of net loss (compensation and employee benefits) of $(2,796), net of tax (income tax expense) of $369. See note 8.

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

Forward-Looking Statements:

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

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

- changes in laws, government regulations or policies affecting financial institutions, including regulatory fees and capital requirements;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse 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;
- 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

Refer to Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2013 Annual Report on Form 10-K.

Executive Summary and Comparison of Financial Condition

Total assets at September 30, 2014 were $7.827 billion, a decrease of $53.1 million, or 0.7%, from $7.880 billion at December 31, 2013. This decrease in assets was due to decreases in investment securities of $97.0 million and interest-earning deposits in other financial institutions of $84.0 million, which was partially offset by an increase in net loans receivable of $150.5 million. The net decrease in total assets was the result of utilizing excess cash to pay dividends of $1.49 per share during 2014, which includes a special dividend of $0.10 per share paid in the first quarter and a special $1.00 per share dividend declared and paid in the second quarter of this year.

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Total loans receivable increased by $150.8 million, or 2.6%, to $5.957 billion at September 30, 2014, from $5.806 billion at December 31, 2013. Loans funded during the nine months ended September 30, 2014, of $1.470 billion exceeded loan maturities and principal repayments of $1.296 billion and mortgage loan sales of $1.0 million. Our business banking loan portfolio increased by $124.6 million, or 6.2%, to $2.136 billion at September 30, 2014 from $2.011 billion at December 31, 2013, as we continue to emphasize the origination and retention of commercial and commercial real estate loans. Our personal banking loan portfolio increased by $26.2 million, or 0.7%, to $3.821 billion at September 30, 2014 from $3.795 billion at December 31, 2013. This increase is primarily attributable to our wholesale lending group which resulted in a $28.3 million increase in the residential mortgage loan portfolio.

Total deposits increased by $38.8 million, or 0.7%, to $5.708 billion at September 30, 2014 from $5.669 billion at December 31, 2013. All deposit account types, with the exception of time deposits, increased during the nine months ended September 30, 2014. Noninterest-bearing demand deposits increased by $95.7 million, or 12.1%, to $884.8 million at September 30, 2014 from $789.1 million at December 31, 2013. Interest-bearing demand deposits increased by $42.5 million, or 5.0%, to $895.3 million at September 30, 2014 from $852.8 million at December 31, 2013. Money market deposit accounts increased by $12.6 million, or 1.1%, to $1.181 billion at September 30, 2014 from $1.168 billion at December 31, 2013. Savings deposits increased by $22.7 million, or 1.9%, to $1.214 billion at September 30, 2014 from $1.192 billion at December 31, 2013. Partially offsetting these increases was a decrease in time deposits of $134.6 million, or 8.1%, to $1.533 billion at September 30, 2014 from $1.667 billion at December 31, 2013. We believe the increase in more liquid deposit accounts is due primarily to customers reluctance to lock in time deposits at these historically low rates. In addition, the marketing campaign which was initiated in March 2014 has been successful in attracting demand deposit customers.

Borrowed funds decreased by $3.2 million, or 0.4%, to $878.4 million at September 30, 2014, from $881.6 million at December 31, 2013. This decrease is the result of a $3.2 million decrease in collateralized borrowings. None of our FHLB advances matured during the quarter and the next scheduled maturity is in February 2015.

Total shareholders equity at September 30, 2014 was $1.077 billion, or $11.33 per share, a decrease of $78.6 million, or 6.8%, from $1.155 billion, or $12.26 per share, at December 31, 2013. This decrease in equity was the result of cash dividend payments during the nine months ended September 30, 2014 of $137.9 million. Partially offsetting this decrease was year-to-date net income of $44.6 million, an increase in paid-in-capital of $8.1 million related to employee incentive stock option exercises and a decrease in accumulated other comprehensive loss of $5.2 million due to an improvement in the unrealized gain position of the investment securities portfolio.

Financial institutions and their holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. 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.

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 and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to total

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

	At September 30, 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.	$ 1,058,562	20.29%				
Northwest Savings Bank	925,044	17.78%	416,275	8.00%	520,344	10.00%
Tier I capital (to risk weighted assets)						
Northwest Bancshares, Inc.	992,963	19.03%				
Northwest Savings Bank	859,904	16.53%	208,138	4.00%	312,206	6.00%
Tier I capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	992,963	12.79%				
Northwest Savings Bank	859,904	11.21%	306,828	4.00%	383,535	5.00%

	At December 31, 2013					
	Actual		Minimum capital requirements (1)		Well capitalized requirements (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assts)						
Northwest Bancshares, Inc.	$ 1,145,591	22.44%				
Northwest Savings Bank	945,095	18.58%	406,947	8.00%	508,684	10.00%
Tier I capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,079,624	21.15%				
Northwest Savings Bank	880,798	17.32%	203,474	4.00%	305,210	6.00%
Tier I capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,079,624	13.85%				
Northwest Savings Bank	880,798	11.40%	309,069	4.00%	386,337	5.00%

(1) The Federal Reserve does not yet have formal capital requirements established for savings and loan holding companies.

In July 2013, the FDIC and the other federal bank regulatory agencies issued a final rule that will revise 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 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain available-for-sale securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization s capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

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The final rule becomes 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.

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				
	Current	**January 1, 2015**	**January 1, 2016**	**January 1, 2017**	**January 1, 2018**	**January 1, 2019**
New common equity tier 1 ratio plus capital conservation buffer		4.50%	5.125%	5.75%	6.375%	7.00%
Tier 1 risk-based capital ratio	4.00%					
Tier 1 risk-based capital ratio plus capital conservation buffer		6.00%	6.625%	7.25%	7.875%	8.50%
Total risk-based capital ratio	8.00%					
Total risk-based capital ratio plus capital conservation buffer		8.00%	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 September 30, 2014 was 9.1%. We adjust liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes and insurance on mortgage loan escrow accounts, repayment of borrowings and loan commitments. At September 30, 2014 Northwest had $2.078 billion of additional borrowing capacity available with the FHLB, including $150.0 million on an overnight line of credit, as well as $192.6 million of borrowing capacity available with the Federal Reserve Bank and $80.0 million with two correspondent banks.

We paid $12.1 million and $11.9 million in cash dividends during the quarters ended September 30, 2014 and 2013, respectively, and $137.9 million and $33.9 million for the nine months ended September 30, 2014 and 2013, respectively. As was previously announced, we paid a special dividend of $1.00 per share in the second quarter of 2014. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 68.4% for both quarters ended September 30, 2014 and 2013, on dividends of $0.13 per share for both quarters. The common stock dividend payout ratio for the nine month periods ended September 30, 2014 and 2013 was 310.4% and 72.5%, respectively, on dividends of $1.49 and $0.37 per share, respectively. On October 14, 2014, the Board of Directors declared a dividend of $0.13 per share payable on November 10, 2014 to shareholders of record as of October 27, 2014. This represents the 80th 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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	September 30, 2014		December 31, 2013	
	(Dollars in thousands)			
Loans 90 days or more delinquent:				
Residential mortgage loans	$	20,319	$	24,625
Home equity loans		6,802		8,344
Other consumer loans		2,098		2,057
Commercial real estate loans		13,552		18,433
Commercial loans		3,162		4,298
Total loans 90 days or delinquent	$	45,933	$	57,757
Total real estate owned (REO)		15,007		18,203
Total loans 90 days or more delinquent and REO		60,940		75,960
Total loans 90 days or more delinquent to net loans receivable		0.78%		1.01%
Total loans 90 days or more delinquent and REO to total assets		0.78%		0.96%
Nonperforming assets:				
Nonaccrual loans - loans 90 days or more delinquent	$	45,933		57,757
Nonaccrual loans - loans less than 90 days delinquent		43,893		49,464
Loans 90 days or more past maturity and still accruing		390		690
Total nonperforming loans		90,216		107,911
Total nonperforming assets	$	105,223		126,114
Nonaccrual troubled debt restructured loans *	$	21,871		28,889
Accruing troubled debt restructured loans		39,995		50,277
Total troubled debt restructured loans	$	61,866		79,166

* 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 September 30, 2014 and December 31, 2013 were $158.6 million and $173.8 million, respectively.

Allowance for Loan Losses

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

On an ongoing basis, the Credit Administration department, as well as loan officers, branch managers and department heads, review and monitor the loan portfolio for problem loans. This portfolio monitoring includes a review of the monthly delinquency reports as well as historical comparisons and trend analysis. In addition, a meeting is held every quarter with each region to monitor the performance and status of loans on an internal watch list. On an on-going basis the loan officer in conjunction with a portfolio manager grades or classifies problem loans or potential problem loans based upon their knowledge of the lending relationship and other information previously accumulated. This rating is also reviewed independently by our Loan Review department on a periodic basis. Our loan grading system for problem loans is consistent with industry regulatory guidelines which classify loans as substandard , doubtful or loss. Loans that do not expose us to risk sufficient to warrant classification in one of the previous categories, but which possess some weaknesses, are designated as special mention . A substandard loan is any loan that is 90 days or more contractually delinquent or is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions or values, highly questionable and improbable. Loans classified as loss are considered uncollectible so that their continuance as assets without the establishment of a specific loss allowance is not warranted.

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

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

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

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

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

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

We utilize a 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 September 30, 2014, we considered the economic conditions in our markets, such as unemployment and bankruptcy levels as well as changes in 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 increased by $302,000, or 0.4%, to $71.7 million, or 1.20% of total loans, at September 30, 2014 from $71.3 million, or 1.23% of total loans, at December 31, 2013. This increase is primarily attributable to several business banking loans requiring additional reserves. Partially offsetting these factors was the continued improvement in overall asset quality as classified loans, TDRs and non-accrual loans delinquent 90 days or more decreased by $27.0 million, $17.3 million and $11.8 million, respectively, compared to December 31, 2013.

We also consider how the level of non-accrual loans and historical charge-offs have influenced the required amount of allowance for loan losses. Nonaccrual loans of $89.8 million or 1.51% of total loans receivable, at September 30, 2014 decreased by $17.4 million, or 16.2%, from $107.2 million, or 1.85% of total loans receivable, at December 31, 2013. As a percentage of average loans, annualized net charge-offs increased to 0.43% for the nine months ended September 30, 2014 compared to 0.36% for the year ended December 31, 2013, as the result of the charge-off of three commercial loans totaling $8.6 million.

Comparison of Operating Results for the Quarters Ended September 30, 2014 and 2013

Net income for the quarter ended September 30, 2014 was $17.3 million, or $0.19 per diluted share, a decrease of $235,000, or 1.3%, from $17.6 million, or $0.19 per diluted share, for the quarter ended September 30, 2013. The decrease in net income resulted from a decrease in net interest income of $565,000, or 0.9%, and an increase in noninterest expense of $3.1 million, or 6.1%. Partially offsetting these factors was an increase in noninterest income of $2.1 million, or 12.9%, and a decrease in the provision for loan losses of $1.5 million, or 30.6%. Annualized, net income for the quarter ended September 30, 2014 represents a 6.43% and 0.87% return on average equity and return on average assets, respectively, compared to 6.18% and 0.88% for the same quarter last year. A discussion of significant changes follows.

Interest Income

Total interest income decreased by $1.6 million, or 2.1%, to $76.1 million for the quarter ended September 30, 2014 due primarily to a decrease in the average yield earned on interest earning assets to 4.17% for the quarter ended September 30, 2014 from 4.22% for the quarter ended September 30, 2013. The average yield on all categories of interest earning assets decreased when compared to the prior year period, with the exception of Federal Home Loan Bank of Pittsburgh stock (FHLB). Additionally, the average balance of interest earning assets decreased by $35.7 million, or 0.5%, to $7.339 billion for the quarter ended September 30, 2014 from $7.374 billion for the quarter ended September 30, 2013.

Interest income on loans receivable decreased by $602,000, or 0.8%, to $70.8 million for the quarter ended September 30, 2014 from to $71.4 million for the quarter ended September 30, 2013. This decrease in interest income on loans receivable can be attributed to a decline in the average yield which decreased to 4.75% for the quarter ended September 30, 2014 from 4.97% for the quarter ended September 30, 2013. The continued decline in average yield is due primarily to the historically low level of market interest rates in general and continued competitive pricing pressure for new, as well as existing, credit relationships. Partially offsetting this decrease was an increase in the average balance of loans receivable which increased by $209.4 million, or 3.7%, to $5.913 billion for the quarter ended September 30, 2014 from $5.704 billion for the quarter ended September 30, 2013. 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 rather than selling a portion of these originations in the secondary market.

Interest income on mortgage-backed securities decreased by $609,000, or 19.6%, to $2.5 million for the quarter ended September 30, 2014 from $3.1 million for the quarter ended September 30, 2013. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by $132.0 million, or 18.8%, to $569.5 million for the quarter ended September 30, 2014 from $701.5 for the quarter ended September 30, 2013 due primarily to redirecting cash flows from these securities to fund loan growth and time deposit runoff. The average yield on mortgage-backed securities decreased slightly to 1.76% for the quarter ended September 30, 2014 from 1.78% for the quarter ended September 30, 2013 due primarily to the pay-down of higher rate securities.

Interest income on investment securities decreased by $377,000, or 12.8%, to $2.6 million for the quarter ended September 30, 2014 from $2.9 million for the quarter ended September 30, 2013. This decrease is the result of decreases in both the average balance and average yield. The average balance of investment securities decreased by $56.1 million, or 10.3%, to $488.9 million for the quarter ended September 30, 2014 from $545.0 million for the quarter ended September 30, 2013. This decrease is due primarily to the maturity or call of municipal and government bonds and the use of these proceeds to fund loan growth. The average yield of investment securities decreased to 2.10% for the quarter ended September 30, 2014 from 2.16% for the quarter ended September 30, 2013. 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.

For the quarter ended September 30, 2014 we received dividends on FHLB stock of $452,000 on an average balance of $44.0 million, resulting in a yield of 4.11%, compared to dividends of $120,000 on an average balance of $47.7 million, resulting in a yield of 1.01% for the quarter ended September 30, 2013. As a result of the improved financial condition of the FHLB of Pittsburgh, they have been able to increase their dividends to member financial institutions. These dividends are reported as other operating income on our Consolidated Statements of Income.

Interest income on interest-earning deposits decreased by $66,000, or 26.1%, to $187,000 for the quarter ended September 30, 2014 from $253,000 for the quarter ended September 30, 2013. This decrease is due to a decrease in the average balance which decreased by $53.3 million, or 14.1%, to $323.4 million for the quarter ended September 30, 2014 from $376.7 million for the quarter ended September 30, 2013, due to the utilization of cash to fund loan growth and the payment of dividends over the past year.

Interest Expense

Interest expense decreased by $1.1 million, or 7.1%, to $14.2 million for the quarter ended September 30, 2014 from $15.3 million for the quarter ended September 30, 2013. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities, which decreased to 0.96% for the quarter ended September 30, 2014 from 1.03% for the quarter ended September 30, 2013, as well as a decrease in the average balance of interest-bearing liabilities, which decreased by $64.8 million, or 1.1%, to $5.847 billion for the quarter ended September 30, 2014 from $5.912 billion for the quarter

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ended September 30, 2013. The decrease in the cost of funds resulted primarily from the current level of market interest rates which enabled us to reduce the rate of interest paid on time deposit products. Also contributing to the decrease was the maturity of an interest rate swap used to hedge the interest rate on our junior subordinated debentures. The decrease in average interest-bearing liabilities resulted from a reduction in average time deposits of $182.0 million, or 10.5%, compared to last year, as consumers continue to shift investment priorities to shorter duration or demand products as well as to utilize funds for living expenses. The decrease in time deposits was partially offset by a combined increase in the average balance of interest-bearing demand deposits, savings deposits and money market deposit accounts of $105.5 million, or 3.3%, compared to the average balance for the quarter ended September 30, 2013.

Net Interest Income

Net interest income decreased by $565,000, or 0.9%, to $61.9 million for the quarter ended September 30, 2014 from $62.5 million for the quarter ended September 30, 2013. This decrease is attributable to the factors discussed above. Loan growth enabled us to redirect cash flows from lower yielding assets which helped offset overall lower market interest rates and maintain our net interest spread and margin. Our net interest rate spread increased to 3.21% for the quarter ended September 30, 2014 from 3.19% for the quarter ended September 30, 2013 and our net interest margin increased one basis point to 3.40% for the quarter ended September 30, 2014 from 3.39% for the quarter ended September 30, 2013.

Provision for Loan Losses

The provision for loan losses decreased by $1.5 million, or 30.6%, to $3.5 million for the quarter ended September 30, 2014 from $5.0 million for the quarter ended September 30, 2013. This decrease is due primarily to improvements in overall asset quality as classified loans decreased by $35.6 million, or 14.5%, to $209.8 million at September 30, 2014 from $245.4 million at September 30, 2013. In addition, TDRs decreased by $17.5 million, or 22.1%, to $61.9 million at September 30, 2014 from $79.4 million at September 30, 2013 and loans 90 days or more delinquent decreased by $12.6 million, or 21.5%, to $45.9 million at September 30, 2014 from $58.5 million at September 30, 2013.

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 $2.1 million, or 12.9%, to $18.2 million for the quarter ended September 30, 2014 from $16.1 million for the quarter ended September 30, 2013. The increase is primarily attributable to increases in the gain on sale of investments, trust and other financial services income and service charges and fees. Gain on sale of investments increased by $743,000 to $852,000 for the quarter ended September 30, 2014 from $109,000 for the quarter ended September 30, 2013 as a result of the sale of equity securities. Trust and other financial services income increased by $596,000, or 25.0%, to $3.0 million for the quarter ended September 30, 2014 from $2.4 million for the quarter ended September 30, 2013. This increase is due to our acquisition of Evans Capital Management, Inc. as of January 1, 2014 as well as increases in the amount of assets under management. Service charges and fees increased by $383,000, or 4.1%, to $9.7 million for the quarter ended September 30, 2014 from $9.3 million for the quarter ended September 30, 2013. In addition to growth in the number of transaction deposit customers, we adjusted deposit account fees to better match market competition.

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Noninterest Expense

Noninterest expense increased by $3.1 million, or 6.1%, to $53.4 million for the quarter ended September 30, 2014 from $50.3 million for the quarter ended September 30, 2013. This increase is primarily the result of increases in marketing expenses, processing expenses and professional services. Marketing expenses increased by $1.2 million, or 114.2%, to $2.2 million for the quarter ended September 30, 2014 from $1.0 million for the quarter ended September 30, 2013. This increase is primarily the result of the timing of ongoing loan and deposit account marketing campaigns. Processing expense increased by $687,000, or 11.4%, to $6.7 million for the quarter ended September 30, 2014 from $6.0 million for the quarter ended September 30, 2013 due primarily to software and software amortization expense related to upgrades to programs used to address regulatory compliance requirements. Additionally, professional services increased by $523,000, or 39.3%, to $1.9 million for the quarter ended September 30, 2014 from $1.3 million for the quarter ended September 30, 2013. This increase is due primarily to compliance related consulting engagements as we continue to strengthen and test our compliance management system.

Income Taxes

The provision for income taxes increased by $199,000, or 3.5%, to $5.9 million for the quarter ended September 30, 2014 from $5.7 million for the quarter ended September 30, 2013. This increase in income tax expense is primarily the result of a decrease in tax free income on municipal loans and bonds. Our effective tax rate for the quarter ended September 30, 2014 was 25.5% compared to 24.6% for the quarter ended September 30, 2013. We anticipate our effective tax rate to be between 25.0% and 27.0% for the year.

Comparison of operating results for the nine months ended September 30, 2014 and 2013

Net income for the nine months ended September 30, 2014 was $44.6 million, or $0.48 per diluted share, a decrease of $1.6 million, or 3.4%, from $46.2 million, or $0.51 per diluted share, for the same period last year. The decrease in net income resulted primarily from a decrease in net interest income of $4.7 million as well as an increase in the provision for loan losses of $1.6 million and an increase in noninterest expense of $5.7 million. These changes were partially offset by an increase in noninterest income of $9.1 million and a decrease in income tax expense of $1.5 million. Annualized, net income for the nine months ended September 30, 2014 represents a 5.44% and 0.75% return on average equity and return on average assets, respectively, compared to 5.46% and 0.78% for the same period last year. A discussion of significant changes follows.

Interest Income

Total interest income decreased by $8.5 million, or 3.6%, to $227.4 million for the nine months ended September 30, 2014 from $235.9 million for the nine months ended September 30, 2013, due to both a decrease in the average yield earned on interest earning assets and a decrease in the average balance of interest earning assets. The average yield on interest earning assets decreased to 4.15% for the nine months ended September 30, 2014 from 4.27% for the nine months ended September 30, 2013. The average yield on all categories of interest earning assets decreased compared to the same period last year with the exception of dividends on FHLB stock. Average interest earning assets decreased by $13.6 million to $7.351 billion for the nine months ended September 30, 2014 from $7.365 billion for the nine months ended September 30, 2013. A discussion of significant changes follows.

Interest income on loans receivable decreased by $5.2 million, or 2.4%, to $210.9 million for the nine months ended September 30, 2014 from $216.1 million for the nine months ended September 30, 2013. The average yield on loans receivable decreased to 4.81% for the nine months ended September 30, 2014 from 5.11% for the nine months ended September 30, 2013. The decrease in average yield is primarily attributable to the origination of new loans and rate reductions for existing variable rate loans in this historically low interest rate and highly competitive environment. This decrease was partially offset by an

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increase in the average balance of loans receivable of $201.4 million, or 3.6%, to $5.857 billion at September 30, 2014 from $5.656 billion at September 30, 2013. This increase is primarily attributable to our continued emphasis on building business banking loan relationships.

Interest income on mortgage-backed securities decreased by $1.9 million, or 19.3%, to $8.0 million for the nine months ended September 30, 2014 from $9.9 million for the nine months ended September 30, 2013. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by $120.7 million, or 16.8%, to $597.0 million for the nine months ended September 30, 2014 from $717.8 for the nine months ended September 30, 2013 due primarily to redirecting cash flows to fund loan growth and time deposit runoff, as well as the payment of cash dividends. The average yield on mortgage-backed securities decreased five basis points to 1.78% for the nine months ended September 30, 2014 from 1.83% for the nine months ended September 30, 2013.

Interest income on investment securities decreased by $1.1 million, or 12.5%, to $7.9 million for the nine months ended September 30, 2014 from $9.0 million for the nine months ended September 30, 2013. This decrease was the result of a decrease in the average yield on investment securities to 2.11% for the nine months ended September 30, 2014 from 2.34% for the nine months ended September 30, 2013, as a result of higher rate municipal bonds maturing or being called and replaced with lower yielding shorter duration government agency bonds. Additionally, the average balance of investment securities decreased by $14.7 million, or 2.8%, to $501.1 million for the nine months ended September 30, 2014 from $515.8 million for the nine months ended September 30, 2013, due to deploying excess cash flow to fund loan growth.

For the nine months ended September 30, 2014 we received dividends on FHLB stock of $1.4 million on an average balance of $43.9 million, resulting in a yield of 4.33%, compared to dividends of $191,000 on an average balance of $47.5 million, resulting in a yield of 0.54% for the nine months ended September 30, 2013. These dividends are reported as other operating income on our Consolidated Statements of Income.

Interest income on interest-earning deposits decreased by $171,000, or 20.3%, to $673,000 for the nine months ended September 30, 2014 from $844,000 for the nine months ended September 30, 2013. This decrease is due to the average balance decreasing by $76.0 million, or 17.7%, to $352.4 million for the nine months ended September 30, 2014 from $428.4 million for the nine months ended September 30, 2013. The average balance decreased due to common stock dividend payments, loan growth and time deposit runoff. The average yield on interest-earning deposits decreased one basis point to 0.25% for the nine months ended September 30, 2014 from 0.26% for the nine months ended September 30, 2013.

Interest Expense

Interest expense decreased by $3.8 million, or 8.1%, to $42.6 million for the nine months ended September 30, 2014 from $46.4 million for the nine months ended September 30, 2013. This decrease in interest expense was due primarily to a decrease in the average cost of interest-bearing liabilities by seven basis points to 0.97% for the nine months ended September 30, 2014 from 1.04% for the nine months ended September 30, 2013. The decrease in the cost of funds was due primarily to a reduction in the rates paid on time deposit products and the maturity of an interest rate swap on our junior subordinated debentures. In addition, the average balance of interest-bearing liabilities decreased by $69.8 million, or 1.2%, to $5.868 billion for the nine months ended September 30, 2014 from $5.937 billion for the nine months ended September 30, 2013. The decrease in interest-bearing liabilities is the result of a decrease in the average balance of time deposits of $192.9 million, or 10.8%, as we believe consumers continue to prefer more liquid deposit accounts as protection against possible higher interest rates in the future.

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Partially offsetting this decrease was an increase of $108.0 million, or 3.4%, in all other interest-bearing deposit products.

Net Interest Income

Net interest income decreased by $4.7 million, or 2.5%, to $184.8 million for the nine months ended September 30, 2014 from $189.5 million for the nine months ended September 30, 2013. This decrease in net interest income was attributable to the factors discussed above. Our net interest rate spread decreased to 3.18% for the nine months ended September 30, 2014 from 3.23% for the nine months ended September 30, 2013, and our net interest margin decreased to 3.38% for the nine months ended September 30, 2014 from 3.43% for the nine months ended September 30, 2013.

Provision for Loan Losses

The provision for loan losses increased by $1.6 million, or 9.6%, to $19.2 million for the nine months ended September 30, 2014 from $17.6 million for the nine months ended September 30, 2013. This increase is due to five business banking loans requiring combined provisions of $10.1 million during the 2014 period. Improvements in overall asset quality partially offset these increases. Classified loans decreased by $35.6 million, or 14.5%, to $209.8 million at September 30, 2014 from $245.4 million at September 30, 2013. In addition, total nonaccrual loans decreased by $33.1 million, or 26.9%, to $89.8 million at September 30, 2014 from $122.9 million at September 30, 2013 and loans 90 days or more delinquent decreased by $12.6 million, or 21.5%, to $45.9 million at September 30, 2014 from $58.5 million at September 30, 2013.

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. Net charge-offs for the nine months ended September 30, 2014 were $18.9 million compared to $14.9 million for the nine months ended September 30, 2013. Annualized net charge-offs to average loans increased to 0.43% for the nine months ended September 30, 2014 from 0.35% for the nine months ended September 30, 2013. 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 $9.1 million, or 19.8%, to $55.0 million for the nine months ended September 30, 2014 from $45.9 million for the nine months ended September 30, 2013. The increase is primarily attributable to increases in the gain on sale of investments and trust and other financial services income as well as a decrease in loss on real estate owned. Gain on sale of investments increased by $4.3 million to $4.5 million for the nine months ended September 30, 2014 from $229,000 for the nine months ended September 30, 2013, due to the sale of equity securities during the current year. Trust and other financial services income increased by $2.3 million, or 32.6% to $9.1 million for the nine months ended September 30, 2014 from $6.8 million for the nine months ended September 30, 2013. This increase is due to our acquisition of Evans Capital Management, Inc. as of January 1, 2014 as well as increases in the amount of assets under management. Loss on real estate owned decreased by $1.6 million, or 62.9%, to $937,000 for the nine months ended September 30, 2014 from $2.5 million for the nine months ended September 30, 2013, as a result of a write-down of our largest REO property during 2013. Partially offsetting these favorable variances was a decrease in mortgage banking income of $642,000, or 46.0%, to $753,000 for the nine months ended September 30, 2014 from $1.4

million for the nine months ended September 30, 2013. This decrease resulted primarily from fewer sales of residential mortgage loans into the secondary market during the current year compared to the same period last year.

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Noninterest Expense

Noninterest expense increased by $5.7 million, or 3.7%, to $160.3 million for the nine months ended September 30, 2014 from $154.6 million for the nine months ended September 30, 2013. Almost all categories experienced increases over the prior year as explained below. Marketing expenses increased by $1.8 million, or 34.9%, to $6.8 million for the nine months ended September 30, 2014 from $5.0 million for the nine months ended September 30, 2013. This increase is primarily the result of loan and demand deposit marketing campaigns which started during March 2014. Professional services increased by $1.5 million, or 34.8%, to $5.7 million for the nine months ended September 30, 2014 from $4.2 million for the nine months ended September 30, 2013, due primarily to consulting engagements to test and refine our compliance management system. Compensation and employee benefits increased by $847,000, or 1.0%, to $84.6 million for the nine months ended September 30, 2014 from $83.7 million for the nine months ended September 30, 2013. This increase is primarily the result of our acquisition of Evans Capital Management, Inc. Other operating expense increased by $710,000, or 10.1%, to $7.8 million for the nine months ended September 30, 2014 from $7.0 million for the nine months ended September 30, 2013, due primarily to the timing of contributions made to organizations that qualify for Pennsylvania s Educational Improvement Tax Credit program for which we receive state income tax credits. Processing expenses increased by $672,000, or 3.5%, to $20.0 million for the nine months ended September 30, 2014 from $19.3 million for the nine months ended September 30, 2013, due primarily to additional software purchases and the related amortization expense of our Compliance Management Program. Premises and occupancy costs increased by $409,000, or 2.3%, to $17.9 million for the nine months ended September 30, 2014 from $17.5 million for the nine months ended September 30, 2013. This increase is due primarily to elevated snow removal costs in the first quarter of 2014. These increases were partially offset by a decrease in federal deposit insurance premiums of $362,000, or 8.5%, to $3.9 million for the nine months ended September 30, 2014 from $4.2 million for the nine months ended September 30, 2013.

Income Taxes

The provision for income taxes decreased by $1.5 million, or 8.8%, to $15.6 million for the nine months ended September 30, 2014 from $17.1 million for the nine months ended September 30, 2013. This decrease in income tax expense is primarily a result of the decrease in income before income taxes of $3.1 million, or 4.8% and additional Pennsylvania tax credits relating to certain charitable contributions. Our effective tax rate for the nine months ended September 30, 2014 was 25.9% compared to 27.0% for the nine months ended September 30, 2013. We anticipate our effective tax rate to be between 25.0% and 27.0% for the year.

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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 September 30,						
	2014				2013		
		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 $486 and $571, respectively)	$	5,912,890	71,306	4.78%	5,703,527	71,993	5.01%
Mortgage-backed securities (c)		569,482	2,504	1.76%	701,510	3,113	1.78%
Investment securities (c) (includes FTE adjustments of $840 and $1,030, respectively)		488,893	3,405	2.79%	545,005	3,972	2.92%
FHLB stock		43,986	452	4.11%	47,650	120	1.01%
Other interest-earning deposits		323,447	187	0.23%	376,699	253	0.26%
Total interest-earning assets (includes FTE adjustments of $1,326 and $1,601, respectively)		7,338,698	77,854	4.24%	7,374,391	79,451	4.31%
Noninterest earning assets (d)		537,065			551,760		
Total assets	$	7,875,763			7,926,151		
Liabilities and shareholders equity:							
Interest-bearing liabilities:							
Savings deposits	$	1,228,105	834	0.27%	1,209,726	882	0.29%
Interest-bearing checking deposits		899,231	152	0.07%	854,600	144	0.07%
Money market deposit accounts		1,187,024	802	0.27%	1,144,522	768	0.27%
Time deposits		1,553,867	4,517	1.15%	1,735,898	5,356	1.22%
Borrowed funds (e)		876,034	6,700	3.03%	864,315	6,690	3.07%
Junior subordinated debentures		103,094	1,182	4.49%	103,094	1,436	5.45%
Total interest-bearing liabilities		5,847,355	14,187	0.96%	5,912,155	15,276	1.03%
Noninterest-bearing checking deposits		891,842			794,411		
Noninterest-bearing liabilities		66,432			91,385		
Total liabilities		6,805,629			6,797,951		
Shareholders equity		1,070,134			1,128,200		

Total liabilities and shareholders equity	$ 7,875,763			7,926,151		
Net interest income/ Interest rate spread		63,667	3.28%		64,175	3.28%
Net interest-earning assets/ Net interest margin	$ 1,491,343		3.47%	1,462,236		3.48%
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 4.75% and 4.97%, respectively; Investment securities 2.10% and 2.16%, respectively; interest-earning assets 4.17% and 4.22%, respectively. GAAP basis net interest rate spreads were 3.21% and 3.19%, respectively; and GAAP basis net interest margins were 3.40% 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 September 30, 2014 and 2013

		Rate	Volume	Net Change
Interest earning assets:				
Loans receivable	$	(3,308)	2,621	(687)
Mortgage-backed securities		(28)	(581)	(609)
Investment securities		(158)	(409)	(567)
FHLB stock		369	(37)	332
Other interest-earning deposits		(35)	(31)	(66)
Total interest-earning assets		(3,160)	1,563	(1,597)
Interest-bearing liabilities:				
Savings deposits		(61)	13	(48)
Interest-bearing checking deposits			8	8
Money market deposit accounts		5	29	34
Time deposits		(310)	(529)	(839)
Borrowed funds		(81)	91	10
Junior subordinated debentures		(254)		(254)
Total interest-bearing liabilities		(701)	(388)	(1,089)
Net change in net interest income	$	(2,459)	1,951	(508)

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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.

	Nine months ended September 30,					
	2014			2013		
	Average balance	Interest	Avg. yield/ cost (f)	Average balance	Interest	Avg. yield/ cost (f)
Assets:						
Interest-earning assets:						
Loans receivable (a) (b) (includes FTE adjustments of $1,569 and $1,686, respectively)	$ 5,856,940	212,437	4.85%	$ 5,655,512	217,799	5.15%
Mortgage-backed securities (c)	597,042	7,963	1.78%	717,785	9,862	1.83%
Investment securities (c) (includes FTE adjustments of $2,592 and $3,269, respectively)	501,120	10,504	2.79%	515,751	12,307	3.18%
FHLB stock	43,882	1,425	4.33%	47,545	191	0.54%
Other interest-earning deposits	352,370	673	0.25%	428,395	844	0.26%
Total interest-earning assets (includes FTE adjustments of $4,161 and $4,955, respectively)	7,351,354	233,002	4.23%	7,364,988	241,003	4.36%
Noninterest earning assets (d)	563,902			574,423		
Total assets	$ 7,915,256			7,939,411		
Liabilities and shareholders equity:						
Interest-bearing liabilities:						
Savings deposits	$ 1,225,411	2,459	0.27%	$ 1,200,106	2,676	0.30%
Interest-bearing checking deposits	882,465	440	0.07%	856,269	433	0.07%
Money market deposit accounts	1,181,056	2,376	0.27%	1,124,572	2,258	0.27%
Time deposits	1,598,870	13,941	1.17%	1,791,819	17,001	1.27%
Borrowed funds (e)	876,606	19,880	3.03%	861,465	19,728	3.06%
Junior subordinated debentures	103,094	3,509	4.49%	103,094	4,261	5.45%
Total interest-bearing liabilities	5,867,502	42,605	0.97%	5,937,325	46,357	1.04%
Noninterest-bearing checking deposits	853,294			776,087		
Noninterest-bearing liabilities	98,877			94,651		
Total liabilities	6,819,673			6,808,063		
Shareholders equity	1,095,583			1,131,348		

Total liabilities and shareholders equity	$ 7,915,256			7,939,411		
Net interest income/ Interest rate spread		190,397	3.26%		194,646	3.32%
Net interest-earning assets/ Net interest margin	$ 1,483,852		3.45%	1,427,663		3.52%
Ratio of interest-earning assets to interest-bearing liabilities	1.25X			1.24X		

(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 4.81% and 5.11%, respectively; Investment securities 2.11% and 2.34%, respectively; interest-earning assets 4.15% and 4.27%, respectively. GAAP basis net interest rate spreads were 3.18% and 3.23%, respectively; and GAAP basis net interest margins were 3.38% and 3.43%, 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.

Nine months ended September 30, 2014 and 2013

	Rate	Volume	Net Change
Interest earning assets:			
Loans receivable	$ (13,140)	7,778	(5,362)
Mortgage-backed securities	(240)	(1,659)	(1,899)
Investment securities	(1,454)	(349)	(1,803)
FHLB stock	1,353	(119)	1,234
Other interest-earning deposits	(21)	(150)	(171)
Total interest-earning assets	(13,502)	5,501	(8,001)
Interest-bearing liabilities:			
Savings deposits	(268)	51	(217)
Interest-bearing checking deposits	(6)	13	7
Money market deposit accounts	4	114	118
Time deposits	(1,377)	(1,683)	(3,060)
Borrowed funds	(194)	346	152
Junior subordinated debentures	(752)		(752)
Total interest-bearing liabilities	(2,593)	(1,159)	(3,752)
Net change in net interest income	$ (10,909)	6,660	(4,249)

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 several members of management which meets monthly to review market interest rates, economic conditions, the pricing of interest-earning assets and

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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 income simulation. Given a non-parallel shift of 100 basis points (bps), 200 bps and 300 bps in interest rates, the estimated net income may not decrease by more than 10%, 20% and 30%, respectively, within a one-year period.

Market value of equity simulation. The market value of equity is the present value of assets and liabilities. Given a non-parallel shift of 100 bps, 200 bps and 300 bps in interest rates, the market value of equity may not decrease by more than 15%, 30% and 35%, respectively, from the computed economic value at current interest rate levels.

The following table illustrates the simulated impact of a 100 bps, 200 bps or 300 bps upward or a 100 bps downward movement in interest rates on net income, return on average equity, earnings per share and market value of equity. This analysis was prepared assuming that interest-earning asset and interest-bearing liability levels at September 30, 2014 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from September 30, 2014 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 income	(3.0)%	(3.3)%	(4.5)%	(13.9)%
Projected increase/ (decrease) in return on average equity	(2.9)%	(3.3)%	(4.4)%	(13.6)%
Projected increase/ (decrease) in earnings per share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.08)
Projected percentage increase/ (decrease) in market value of equity	(3.3)%	(11.2)%	(17.6)%	(0.6)%

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

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of management, including the Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the

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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 2013 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 September 30, 2014:

Month	Number of shares purchased		Average price paid per share	Total number of shares purchased as part of a publicly announced repurchase plan (1)	Maximum number of shares yet to be purchased under the plan (1)
July		$			1,049,189
August					1,049,189
September					1,049,189
		$			

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

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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:	November 7, 2014	By:	/s/ William J. Wagner William J. Wagner President and Chief Executive Officer *(Duly Authorized Officer)*
Date:	November 7, 2014	By:	/s/ Gerald J. Ritzert Gerald J. Ritzert Controller *(Principal Accounting Officer)*