UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

OR

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

For the transition period from to

Commission File No. 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 Number)

100 Liberty Street, Warren, Pennsylvania	**16365**
(Address of Principal Executive Offices)	(Zip Code)

(814) 726-2140

(Registrant s telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 Par Value	**NASDAQ Stock Market, LLC**

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

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 twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 (§ 232.405 of this chapter) 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

As of February 14, 2014, there were 94,395,060 shares outstanding of the Registrant s Common Stock.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2013, as reported by the Nasdaq Global Select Market, was approximately $1.268 billion.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Proxy Statement for the 2014 Annual Meeting of Stockholders of the Registrant (Part III).

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which can be identified by the use of words such as estimate, project, believe, intend, anticipate, plan, seek, expect and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- changes in laws or government regulations or policies affecting financial institutions, including changes in 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 and capitalize on growth opportunities;
- 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 commercial and residential real estate, multi-family, and commercial and industrial 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.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see Item 1A. Risk Factors.

Except as may be required by law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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ITEM 1. **BUSINESS**

Northwest Bancshares, Inc.

Northwest Bancshares, Inc., a Maryland corporation, was incorporated in September 2009 to be the successor corporation to Northwest Bancorp, Inc., the former stock holding company for Northwest Savings Bank, upon completion of the mutual-to-stock conversion of Northwest Bancorp, MHC. The terms Northwest , the Company , we , us and our refer to Northwest Bancshares, Inc.

The conversion was completed December 18, 2009the Company sold 68,878,267 shares of common stock at $10.00 per share in the related offering. Concurrent with the completion of the offering, shares of Northwest Bancorp, Inc. common stock owned by public stockholders were exchanged for 2.25 shares of Northwest Bancshares, Inc. s common stock. We also issued 1,277,565 shares of common stock and contributed $1.0 million in cash from the offering proceeds to Northwest Charitable Foundation, a charitable foundation that we established for the benefit of the communities in which Northwest Savings Bank operates. As of December 31, 2013, the Company had 94,243,713 shares outstanding and a market capitalization of approximately $1.393 billion.

Our executive offices are located at 100 Liberty Street, Warren, Pennsylvania 16365. Our telephone number at this address is (814) 726-2140.

The Company s website (www.northwestsavingsbank.com) contains a direct link to Northwest Bancshares, Inc. s and its predecessor Northwest Bancorp, Inc. s filings with the Securities and Exchange Commission, including copies of annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these filings, if any. Information on our website shall not be considered a part of this report. Copies may also be obtained, without charge, by written request to Shareholder Relations, P.O. Box 128, Warren, Pennsylvania 16365.

Northwest Savings Bank

Northwest Savings Bank is a Pennsylvania-chartered stock savings bank headquartered in Warren, Pennsylvania, which is located in northwestern Pennsylvania. Northwest Savings Bank is a community-oriented financial institution offering personal and business banking solutions, investment management and trust services and insurance products. Through a wholly-owned subsidiary, Northwest Consumer Discount Company, it also offers consumer finance loans. Northwest Savings Bank s mutual savings bank predecessor was founded in 1896.

As of December 31, 2013, Northwest Savings Bank operated 165 community-banking offices throughout its market area in central and western Pennsylvania, western New York, eastern Ohio and Maryland. Northwest Consumer Discount Company, operates 50 consumer finance offices in Pennsylvania. Northwest Savings Bank also offers investment management and trust services and, through wholly-owned subsidiaries, actuarial and benefit plan administration services as well as property and casualty and employer benefit plan insurance. Our principal lending activities are the origination of fixed-rate loans secured by first mortgages on owner-occupied, one-to-four-family residences, shorter term consumer loans and commercial business and commercial real estate loans.

Our principal sources of funds are personal and business deposits, borrowed funds and the principal and interest payments on loans and marketable securities. Our principal source of income is interest received on loans and marketable securities. Our principal expenses are the cost of employee compensation and benefits and the interest paid on deposits and borrowed funds.

Northwest Savings Bank s principal executive office is located at 100 Liberty Street, Warren, Pennsylvania, and its telephone number at that address is (814) 726-2140.

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Market Area and Competition

We are headquartered in Warren, Pennsylvania, which is located in northwestern Pennsylvania, and have our highest concentration of deposits and loans in this area. Since the early 1990s, we have expanded, primarily through acquisitions, into the southwestern and central regions of Pennsylvania, as well as western New York, eastern Ohio and Maryland. As of December 31, 2013, we operated 138 community banking offices and 50 consumer finance offices in Pennsylvania, four community banking offices in Ohio, 19 community banking offices in New York and four community banking offices in Maryland. All of the aforementioned market areas are served by a number of competing financial institutions. As a result, we encounter strong competition both in attracting deposits and in originating personal and business loans. Our most direct competition for deposits comes from commercial banks, brokerage houses, other thrift institutions and credit unions in our market areas. We expect continued competition from these financial institutions in the foreseeable future. With the continued acceptance of internet banking by our customers and consumers generally, competition for deposits has increased from institutions operating outside of our market area as well as from insurance companies.

The following description of our market area is based upon information obtained from SNL Securities, the Bureau of Labor Statistics, The Federal Housing Financial Agency and the Mortgage Bankers Association.

Pennsylvania and Western New York Market Area. Our retail branch network encompasses 29 counties in Pennsylvania and five counties in western New York. In addition, through our consumer finance offices we operate in 11 additional counties in Pennsylvania. Our northwestern and southwestern Pennsylvania and western New York markets have a diverse economy driven by service businesses, technology companies and small manufacturing companies. Our southeastern Pennsylvania market is primarily driven by service businesses and serves as a bedroom community to the cities of Baltimore, Maryland and Philadelphia, Pennsylvania.

Pennsylvania is a stable banking market with a total population of approximately 12.8 million and total households of approximately 5.0 million as of December 31, 2012, the most recent data available. The Pennsylvania markets in which we operate our retail branch and consumer finance offices contain more than half of Pennsylvania s population and a similar percentage of households. Our western New York market area has a total population of approximately 2.1 million and total households of approximately 859,000 as of December 31, 2012. Our Pennsylvania and western New York market areas have experienced modest population growth rates between 2010 and 2012, reversing the recent trend of decreasing populations. As of December 31, 2012, the average median household income has decreased for the counties in which we conduct business in Pennsylvania by 1.2% from 2011 and by 7.2% in our western New York markets. The median household income for the counties in which we conduct business in Pennsylvania was $42,754 and was $44,620 in our western New York market area as of December 31, 2012, the most recent data available, compared to the nationwide median income level of $50,157. However, the household income growth rate in Pennsylvania is projected to increase above the expected national average growth rates during the next five years by approximately 27.6%. Our western New York market area is projected to increase above the expected national average growth rates during the next five years by approximately 15.6%. As of December 31, 2013 the unemployment rate for Pennsylvania was 6.9% and for our western New York market area was 8.2%, both above the national average of 6.7%.

As of September 30, 2013 the change in the House Price Index for the last four quarters in Pennsylvania and our western New York market increased by 4.8% and 2.6%, respectively, compared to an increase in the national average of 8.4%. Foreclosures have receded from their record highs to the lowest levels since 2008. As of September 30, 2013, the foreclosure rates for mortgage loans on one-to-four unit residential properties in Pennsylvania and New York were 3.3% and 6.3% compared to the national average of 3.1%.

Maryland and Ohio Market Areas. In addition to operating in Pennsylvania and western New York, we also operate four community banking offices in Ashtabula and Lake counties in Ohio and four community banking offices in Baltimore and Howard counties in Maryland. Our Maryland regional economy consists of service businesses, government, and heath care industries. The major employment sectors in our Ohio market are similar to our northwestern Pennsylvania market. With the exception of Ashtabula county in Ohio, these markets have an expanding population base as well as median household income levels and projected income growth rates comparable to or exceeding the state and national averages as of December 31, 2012. As of December 31, 2013 the unemployment rate for our Ohio and Maryland market areas was 7.1% and 6.4%, respectively, compared to the national average of 6.7%.

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As of September 30, 2013 the change in the House Price Index for the last four quarters for our Ohio and Maryland markets decreased by 0.9% and 2.2% compared to an increase in the national average of 8.4%. As of September 30, 2013 the foreclosure rates in Ohio and Maryland were 3.5% and 4.0%, respectively, compared to the national average of 3.1%.

Lending Activities

General. Our principal lending activities are the origination of fixed-rate and, to a lesser extent, adjustable-rate mortgage loans collateralized by one-to-four-family residential real estate, shorter term consumer loans and the origination of loans collateralized by multi-family residential and commercial real estate and commercial business loans. Generally, we focus our lending activities in the geographic areas where we maintain offices.

In an effort to manage interest rate risk, we have sought to make our interest-earning assets more interest rate sensitive by originating adjustable-rate loans, such as adjustable-rate residential mortgage loans and home equity lines of credit, and by originating short-term and medium-term fixed-rate consumer loans. In recent years we have emphasized the origination of commercial real estate loans and commercial business loans, which generally have adjustable rates of interest and shorter maturities than one-to-four-family residential real estate loans. We also purchase mortgage-backed securities and other types of investment securities that generally have short average lives and/or adjustable interest rates. Because we originate a substantial amount of long-term fixed-rate mortgage loans collateralized by one-to-four-family residential real estate, when possible, we originate and underwrite loans according to standards that allow us to sell them into the secondary mortgage market for purposes of managing interest-rate risk and liquidity. The sale of mortgage loans supports our strategy to grow the consumer and commercial loan portfolios by more than our portfolio of long-term fixed rate residential mortgage loans. We currently sell low-yielding fixed rate residential mortgage loans with maturities of more than 15 years, and on a more limited basis, those with maturities of 15 years or less, while retaining all adjustable rate residential mortgage loans. Although we sell a portion of the residential mortgage loans that we originate, we continue to be a portfolio lender, and at any one time hold few loans identified as held-for-sale. We currently retain servicing on the mortgage loans we sell which generates monthly service fee income. We generally retain in our portfolio all consumer loans that we originate while we periodically sell participations in the multi-family residential, commercial real estate or commercial business loans that we originate in an effort to reduce the concentration of certain individual credits and the risk associated with certain businesses, industries or geographies.

Residential Mortgage Loans. We offer residential mortgage loans with terms typically ranging from 15 to 30 years, with either fixed or adjustable interest rates. Originations of fixed rate residential mortgage loans versus adjustable rate residential mortgage loans are monitored on an ongoing basis. The percentage of adjustable rate residential mortgage originations to total originations is affected significantly by the level of market interest rates, customer preference, our interest rate sensitivity and liquidity position, as well as loan products offered by our competitors. Therefore, even when our strategy is to increase the origination of adjustable rate residential mortgage loans, market conditions may be such that there is greater demand for fixed rate mortgage loans. Adjustable rate residential mortgage loans totaled $25.7 million, or 0.44%, of our gross loan portfolio at December 31, 2013.

Our fixed rate residential mortgage loan products offer fixed rates for up to 30 years. Whenever possible, our fixed rate residential mortgages are originated and underwritten according to secondary mortgage market guidelines in order to manage credit risk, as well as interest rate risk and liquidity. Our adjustable rate residential mortgage loans offer initial interest rate adjustment periods of one, three, and five years, terms up to 30 years and adjustments based on changes in designated market indices. All of our residential mortgage loans are amortized on a monthly basis with both principal and interest due monthly.

Regulations limit the amount that a savings bank may lend relative to appraised values of real estate securing the loans, as determined by an appraisal at the time of loan origination. Appraisals are performed by in-house appraiser staff or by appraisers deemed qualified by our chief appraiser. Such regulations permit a maximum loan-to-value of 95% for residential properties and 80% for all other real estate secured loans. We generally limit the maximum loan-to-value on both fixed- and adjustable-rate residential mortgage loans without private mortgage insurance, to 80% of the lesser of appraised values or purchase prices of real estate serving as collateral for our mortgage loans. Limited special financing programs allow for insured loans with loan-to-value ratios of up to 97%, and uninsured loans with loan-to-value ratios up to 90%. We require fire and casualty insurance, as well as a title guaranty regarding good title, on all properties securing our residential mortgage loans. We also require flood insurance for loans secured by properties located within special flood hazard areas.

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Included in our $2.492 billion portfolio of residential mortgage loans are construction loans of $22.1 million, or 0.37% of our total loan portfolio. We offer fixed-rate and adjustable-rate residential construction loans primarily for the construction of owner-occupied one-to-four-family residences in our market area to builders or to owners who have a contract for construction. Construction loans are generally structured to become permanent mortgages, and are originated with terms of up to 30 years with an allowance of up to one year for construction. Advances are made as construction is completed. In addition, we originate loans within our market area that are secured by individual unimproved or improved lots. Land loans for the construction of owner-occupied residential real estate properties are currently offered with fixed-rates for terms of up to 10 years. The maximum loan-to-value ratio for these loans is 80% of the as-completed appraised value, and the maximum loan-to-value ratio for construction loans is 95% of the lower of cost to build or as-completed appraised value. Construction lending generally involves a greater degree of credit risk than permanent residential mortgage lending, as repayment of construction loans is often dependent upon the successful completion of construction projects. Construction delays or the inability of borrowers to sell properties once construction is completed may impair borrowers   ability to repay loans. Private mortgage insurance is required for construction loans with loan-to-value ratios in excess of 80%.

Our residential mortgage loans customarily include due-on-sale clauses, which are provisions giving us the right to declare loans immediately due and payable in the event, among other things, borrowers sell or otherwise dispose of underlying real properties serving as collateral for loans.

Some financial institutions we have acquired have held loans that are serviced by others and are secured by one-to-four-family residences. At December 31, 2013, our portfolio of residential mortgage loans serviced by others totaled $4.7 million. We currently have no plans to enter into new residential mortgage loan participations.

Home Equity Loans. Generally, our home equity loans are secured by the borrower s principal residence with a maximum loan-to-value ratio, including the principal balances of both the first and second mortgage loans, of 90% or less. Home equity loans are offered on a fixed rate basis with terms of up to 20 years. Home equity lines of credit are offered on an adjustable-rate basis with terms of up to 25 years. All home equity lines of credit are underwritten assuming the borrower is required to immediately begin making principal and interest payments using the current rates on our equivalent fixed rate products. At December 31, 2013, the disbursed portion of home equity lines of credit totaled $313.3 million, or 5.30% of gross loans, with $133.6 million remaining undisbursed, and our fixed-rate home equity loans totaled $770.6 million, or 13.05% of gross loans. We generally underwrite home equity loans and lines of credit in a manner similar to our underwriting of residential mortgage loans.

Other Consumer Loans. The principal types of other consumer loans we offer are automobile loans, sales finance loans, unsecured personal loans, credit card loans, and loans secured by deposit accounts. These loans are typically offered with maturities of ten years or less.

The underwriting standards we employ for consumer loans include a determination of the applicant s credit history and an assessment of ability to meet existing obligations and payments on the proposed loan. The stability of the applicant s monthly income may be determined by verification of gross monthly income from primary employment, and additionally, from any verifiable secondary income. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

Consumer loans entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as automobiles, mobile homes, boats, recreation vehicles, appliances and furniture. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In particular, amounts realizable on the sale of repossessed automobiles may be significantly reduced based upon the condition of the automobiles and the lack of demand for used automobiles. At December 31, 2013, other consumer loans totaled $228.3 million, or 3.87% of gross loans.

Commercial Real Estate Loans. Our multi-family commercial real estate loans are secured by multi-family residences, such as rental properties. Our commercial real estate loans are secured by nonresidential properties such as hotels, commercial offices, manufacturing facilities and retail establishments. At December 31, 2013, a significant portion of our multi-family commercial real estate and commercial real estate loans were secured by properties located within our market area. Our largest multi-family commercial real estate loan relationship at December 31, 2013 had a principal balance of $18.6 million, and was collateralized by student housing. This loan

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was performing in accordance with its terms as of December 31, 2013. Our largest commercial real estate loan relationship at December 31, 2013, had a principal balance of $65.4 million and was secured by eleven different mixed use commercial office buildings and hotels. These loans were performing in accordance with their terms as of December 31, 2013. Multi-family commercial and commercial real estate loans are offered with both adjustable interest rates and fixed interest rates. The terms of each multi-family residential and commercial real estate loan are negotiated on a case-by-case basis. We generally originate multi-family commercial and commercial real estate loans in amounts up to 80% of the appraised value of the property collateralizing the loan.

Loans secured by multi-family commercial and commercial real estate generally involve a greater degree of credit risk than residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family commercial and commercial real estate is typically dependent upon the successful operation of the related real estate property. If the cash flow from the project is reduced, the borrower s ability to repay the loan may be impaired.

***Commercial Loans*.** We offer commercial loans to finance various activities in our market area, some of which are secured in part by additional real estate collateral. At December 31, 2013 our largest commercial loan relationship had a principal balance of $20.0 million, and was secured by all fixed assets of an oil refinery. This loan was performing in accordance with its terms as of December 31, 2013.

Commercial business loans are offered with both fixed and adjustable interest rates. Underwriting standards we employ for commercial business loans include a determination of the applicant s ability to meet existing obligations and payments on the proposed loan from operating cash flows generated by the applicant s business. The financial strength of each applicant also is assessed through a review of financial statements provided by the applicant.

Commercial loans generally have higher interest rates than residential loans, but they also may involve a higher risk of default since their repayment is generally dependent on the successful operation of the borrower s business. We generally obtain personal guarantees from the borrower or a third party as a condition to originating commercial loans.

***Loan Originations, Solicitation, Processing and Commitments*.** Upon receiving a retail loan application, we obtain a credit report and employment verification to verify specific information relating to the applicant s employment, income, and credit standing. In the case of a real estate loan, either an in-house appraiser, or an approved external appraiser, appraises the real estate intended to secure the proposed loan. A loan processor checks the loan document file for accuracy and completeness, and verifies the information provided.

For our personal loans, including residential mortgage loans, home equity loans and lines of credit, automobile loans, credit cards and other unsecured loans, we have implemented a credit approval process based on a laddered individual loan authority system. Real estate secured loans are underwritten by our licensed mortgage loan originators. Non-real estate loans are underwritten by local loan officers who are granted various levels of authority based on their lending experience and expertise. These authority levels are reviewed by the Credit Committee on at least an annual basis. As part of the approval process, we assign independent credit officers to review the creditworthiness of all loans exceeding $500,000. If the credit officer has concerns regarding a loan that has been approved at a specific level, they have the authority to request that the loan be reviewed and approved at the next higher level.

Our commercial loan policy assigns lending limits for our various commercial loan officers and stacked authorities for commercial loan officers with the approval of regional supervisors. These individual and stacked authorities are established by the Credit Committee. The Senior Loan Committee may approve extensions of credit in excess of the stacked loan authorities. The Credit Committee meets quarterly to review the assigned lending limits and to monitor our lending policies, loan activity, economic conditions and concentrations of credit.

Our general policy is to make no loans either individually or in the aggregate to one customer in excess of $20.0 million. Under certain circumstances; for instance well qualified customers or customers with multiple individually qualified projects, this limit may be exceeded subject to the approval of the Senior Loan Committee. Although the Board of Directors does not approve individual loans, the Chief Credit Officer reviews any loans exceeding $20.0 million or unusual loan requests with the Board of Directors prior to the loan being approved. In addition, the Chief Credit Officer has the authority to require that the Board of Directors review any loan that has

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been approved by the Senior Loan Committee with which the Chief Credit Officer has specific concerns. Also, all loans originated during a calendar quarter of $5.0 million or more are reported to the Risk Management Committee of the Board of Directors at the end of each quarter. Fire and casualty insurance is required at the time the loan is made and throughout the term of the loan, and flood insurance is required as determined by regulation. After the loan is approved, a loan commitment letter is promptly issued to the borrower. At December 31, 2013, we had commitments to originate $175.0 million of loans.

If the loan is approved, the commitment letter specifies the terms and conditions of the proposed loan including the amount of the loan, interest rate, amortization period, maturity, a description of the required collateral and required insurance coverage. The borrower must provide proof of fire and casualty insurance on the property (and, as required, flood insurance) serving as collateral, which insurance must be maintained during the full term of the loan. Property searches are requested, as needed, on all loans secured by real property.

Loan Origination Fees. We defer loan origination fees received from borrowers and costs and amortize such amounts as an adjustment of yield over the life of the loan by using the level yield method. Deferred loan fees or costs are recognized as part of interest income immediately upon prepayment or the sale of the related loan. At December 31, 2013, we had $2.5 million of net deferred loan origination costs. Loan origination fees vary with the volume and type of loans and commitments originated and purchased, principal repayments, and competitive conditions in the marketplace.

Income from net loan origination fees was $8.4 million, $11.2 million and $7.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Loans-to-One Borrower. As of December 31, 2013, the largest aggregate amount loaned to one borrower, or related borrowers, totaled $65.4 million and was secured by eleven commercial real estate properties including hotels, office and retail space. Our second largest lending relationship totaled $53.4 million and was secured by six commercial office buildings. Our third largest lending relationship totaled $42.5 million and was secured by a residential development. Our fourth largest lending relationship totaled $23.6 million and was secured by six commercial real estate properties and undeveloped land. Our fifth largest lending relationship totaled $20.0 million and was secured by business assets. All of these loans were performing in accordance with their terms at December 31, 2013.

Investment Activities

Our Board of Directors has primary responsibility for establishing and overseeing our investment policy. The Board of Directors has delegated authority to implement the investment policy to our Chief Financial Officer. The investment policy is reviewed at least annually by the Chief Financial Officer, and any changes to the policy are subject to approval by the Board of Directors. The overall objectives of the Investment Policy are to maintain a portfolio of high quality and diversified investments, to provide liquidity, and to control interest rate risk while providing an acceptable return. The investment portfolio is also used to provide collateral for qualified deposits and borrowings, to provide additional earnings when loan production is low, and to reduce our tax liability. The policy dictates that investment decisions give consideration to the safety of principal, liquidity requirements and potential returns. Either our Chief Financial Officer executes our securities portfolio transactions or another designee executes transactions as directed by the Chief Financial Officer. All purchase and sale transactions are reported to the Board of Directors on a monthly basis.

Our investment policy does not permit the purchase of complex securities and derivatives as defined in federal banking regulations and other high-risk securities, nor does it permit additional investments in non-agency mortgage-backed securities, pooled trust preferred securities, or single issuer trust preferred securities.

At the time of purchase, we designate a security as either held-to-maturity or available-for-sale based upon our ability and intentions. Securities available-for-sale are reported at market value and securities held to maturity are reported at amortized cost. A periodic review and evaluation of the available-for-sale and held-to-maturity securities portfolios is conducted to determine if the fair value of any security has declined below its carrying value and whether such decline is other-than-temporary. If impairment exists, credit related impairment losses are recorded in earnings while noncredit related impairment losses are recorded in accumulated other comprehensive income (for available for sale securities). The fair values of our securities are based on published or securities dealers market values, when available. See note 3 to the Consolidated Financial Statements on page 75 for a detailed analysis and description of our investment portfolio and valuation techniques.

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We purchase debentures and mortgage-backed securities that generally are issued by the Federal Home Loan Bank, Fannie Mae, Freddie Mac or Ginnie Mae. Historically, we invested in mortgage-backed securities to achieve positive interest rate spreads with minimal administrative expense and to lower our credit risk as a result of the guarantees provided by Freddie Mac, Fannie Mae or Ginnie Mae. However, in September 2008, the Federal Housing Finance Agency placed Freddie Mac and Fannie Mae into conservatorship. The U.S. Treasury Department has established financing agreements to ensure that Freddie Mac and Fannie Mae meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed. These actions have not materially affected the markets for mortgage-backed securities issued by Freddie Mac or Fannie Mae.

Sources of Funds

General. Deposits are the major source of our funds for lending and other investment purposes. In addition to deposits, we derive funds from the amortization and prepayment of loans and mortgage-backed securities, the maturity of investment securities, operations and, if needed, borrowings. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by general interest rates and market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of funds from other sources or on a longer term basis for general business purposes, including to manage interest rate risk.

Deposits. Personal and business deposits are generated from our market area by offering a broad selection of deposit instruments including checking accounts, savings accounts, money market deposit accounts, term certificate accounts and individual retirement accounts. While we accept deposits of $250,000 or more, we do not offer premium rates for such deposits. We accept brokered deposits through the CDARS program, but generally do not solicit funds outside our market area. As of December 31, 2013, we had twelve deposits through the CDARS program with an aggregate balance of $985,000. Deposit account terms vary according to the minimum balance required, the period of time during which the funds must remain on deposit, and the interest rate, among other factors. We regularly execute changes in our deposit rates based upon cash flow requirements, general market interest rates, competition, and liquidity requirements.

Borrowings. Deposits are the primary source of funds for our lending and investment activities and general business purposes. We also rely upon borrowings to supplement our supply of lendable funds and to meet deposit withdrawal requirements. Borrowings from the Federal Home Loan Bank of Pittsburgh typically are collateralized by a portion of our real estate loans. In addition to the Federal Home Loan Bank of Pittsburgh, we have borrowing facilities with the Federal Reserve Bank, two correspondent banks and we borrow funds, in the form of corporate repurchase agreements, from municipalities, corporations and school districts.

The Federal Home Loan Bank of Pittsburgh functions as a central bank providing credit for Northwest Savings Bank and other member financial institutions. As a member, Northwest Savings Bank is required to own capital stock in the Federal Home Loan Bank of Pittsburgh and is authorized to apply for borrowings on the security of certain of its real estate loans, provided certain standards related to creditworthiness have been met. Borrowings are made pursuant to several different programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of borrowings are based either on a fixed percentage of a member institution s net worth or on the Federal Home Loan Bank of Pittsburgh s assessment of the institution s creditworthiness. All of our Federal Home Loan Bank of Pittsburgh borrowings currently have fixed interest rates and original maturities of between one day and ten years.

Subsidiary Activities

Northwest Bancshares, Inc. s sole direct consolidated subsidiary is Northwest Savings Bank. Northwest Bancshares, Inc. also owns all of the common stock of 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 (the Trusts). The Trusts have issued a total of $100.0 million of trust preferred securities. The Trusts are not consolidated with Northwest Bancshares, Inc. At December 31, 2013, Northwest Bancshares, Inc. s investment in the Trusts totaled $3.1 million, and the Trusts had assets of $103.6 million.

Northwest Savings Bank has ten wholly-owned subsidiaries   Northwest Settlement Agency, LLC, Great Northwest Corporation, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Consumer Discount Company, Inc., Allegheny Services, Inc., Boetger and Associates, Inc., Veracity Benefits Design, Inc., Northwest Capital Group, Inc. and The Bert Company. For financial reporting purposes all of these companies are included in the consolidated financial statements of Northwest Bancshares, Inc.

Northwest Settlement Agency, LLC provides title insurance to borrowers of Northwest Savings Bank and other lenders. At December 31, 2013, Northwest Savings Bank had an equity investment in Northwest Settlement Agency, LLC of $3.2 million. For the year ended December 31, 2013, Northwest Settlement Agency, LLC had net income of $419,000.

Great Northwest Corporation holds equity investments in government-assisted low-income housing projects in various locations throughout our market area. At December 31, 2013, Northwest Savings Bank had an equity investment in Great Northwest Corporation of $8.7 million. For the year ended December 31, 2013, Great Northwest Corporation had net income of $753,000, generated primarily from federal low-income housing tax credits.

Northwest Financial Services, Inc. provides retail brokerage services. At December 31, 2013, Northwest Savings Bank had an equity investment in Northwest Financial Services, Inc. of $7.6 million, and for the year ended December 31, 2013, Northwest Financial Services, Inc. had net income of $190,000.

Northwest Advisors, Inc., a federally registered investment advisor (RIA   ) provides investment management programs and investment portfolio planning services. At December 31, 2013 Northwest Savings Bank had an equity investment in Northwest Advisors, Inc. of $560,000, and for the year ended December 31, 2013, Northwest Advisors, Inc. had a net income of $271,000.

Northwest Consumer Discount Company operates 50 consumer finance offices throughout Pennsylvania. At December 31, 2013, Northwest Savings Bank had an equity investment in Northwest Consumer Discount Company of $40.9 million and the net income of Northwest Consumer Discount Company for the year ended December 31, 2013 was $2.3 million.

Allegheny Services, Inc. is a Delaware investment company that holds mortgage loans originated through our wholesale lending operation as well as municipal bonds. In addition, Allegheny Services, Inc. funds the operation of the Northwest Consumer Discount Company through an intercompany loan relationship. At December 31, 2013, Northwest Savings Bank had an equity investment in Allegheny Services, Inc. of $726.6 million, and for the year ended December 31, 2013, Allegheny Services, Inc. had net income of $16.7 million.

Boetger and Associates, Inc. is an actuarial and employee benefits consulting firm that specializes in the design, implementation and administration of qualified and non-qualified retirement plan programs. At December 31, 2013, Northwest Savings Bank had an equity investment of $2.4 million in Boetger and Associates, Inc. and for the year ended December 31, 2013, Boetger and Associates, Inc. had net income of $140,000.

Veracity Benefits Design, Inc. is an employee benefits firm specializing in insurance services to employer and employee groups. At December 31, 2013, Northwest Savings Bank had an equity investment of $2.8 million in Veracity Benefits Design, Inc. and for the year ended December 31, 2013, Veracity Benefits Design, Inc. had net income of $693,000.

Northwest Capital Group s principal activity is to own, operate and ultimately divest of properties that were acquired in foreclosure. At December 31, 2013, Northwest Savings Bank had an equity investment of $10.8 million in Northwest Capital Group and reported net loss of $353,000 for the year ended December 31, 2013.

The Bert Company is an employee benefits and property and casualty insurance firm specializing in commercial and personal insurance as well as retirement benefit plans. At December 31, 2013, Northwest Savings Bank had an equity investment of $4.2 million in The Bert Company and for the year ended December 31, 2013 The Bert Company had net income of $47,000.

As of January 1, 2014 Veracity Benefits Design, Inc. has been merged into The Bert Company and together they will be doing business as Northwest Insurance Services, Inc.

As we previously announced, on January 1, 2014 Northwest acquired Evans Capital Management, Inc. an Erie, Pennsylvania financial advisory firm with total managed assets of more than $240.0 million.

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Federal regulations require insured institutions to provide 30 days advance notice to the Federal Deposit Insurance Corporation (FDIC) before establishing or acquiring a subsidiary or conducting a new activity in a subsidiary. The insured institution must also provide the FDIC such information as may be required by applicable regulations and must conduct the activity in accordance with the rules and orders of the FDIC. In addition to other enforcement and supervision powers, the FDIC may determine after notice and opportunity for a hearing that the continuation of a savings bank s ownership of or relation to a subsidiary constitutes a serious risk to the safety, soundness or stability of the savings bank, or is inconsistent with the purposes of federal banking laws. Upon the making of such a determination, the FDIC may order the savings bank to divest the subsidiary or take other actions.

Personnel

As of December 31, 2013, we had 1,855 full-time and 376 part-time employees. None of our employees are represented by a collective bargaining group. We believe we have a good working relationship with our employees.

SUPERVISION AND REGULATION

General

Northwest Savings Bank is a Pennsylvania-chartered savings bank and our deposit accounts are insured up to applicable limits by the FDIC under the Deposit Insurance Fund. Northwest Savings Bank is subject to extensive regulation by the Department of Banking and Securities of the Commonwealth of Pennsylvania (the Department of Banking), as its chartering agency, and by the FDIC, as the insurer of its deposit accounts. Northwest Savings Bank must file reports with the Department of Banking and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions including acquisitions of other financial institutions. Northwest Savings Bank is examined periodically by the Department of Banking and the FDIC to test Northwest Savings Bank s compliance with various laws and regulations. This regulation and supervision, as well as federal and state law, establishes a comprehensive framework of activities in which Northwest Savings Bank may engage and is intended primarily for the protection of the FDIC insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and with their examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes.

Any change in these laws or regulations, whether by the Department of Banking or the FDIC, could have a material adverse impact on the Company, Northwest Savings Bank and their respective operations.

As a savings and loan holding company, we are required to comply with the rules and regulations of the Board of Governors of the Federal Reserve System (the Federal Reserve Board), and is also required to file certain reports with and is subject to examination by the Federal Reserve Board. We are also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below is a brief description of certain regulatory requirements that are applicable to Northwest Savings Bank and Northwest Bancshares, Inc. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on Northwest Savings Bank and Northwest Bancshares, Inc.

Dodd-Frank Wall Street Reform and Consumer Protection Act

In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law. This law has significantly changed the current bank regulatory structure and is affecting the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many years.

Certain provisions of the Dodd-Frank Act have had a near term effect on us. For example, the law provided that the Office of Thrift Supervision, which was the primary federal regulator for Northwest Bancshares, Inc., ceased to exist one year from the date of the new law s enactment. The Federal Reserve Board is now supervising and regulating all savings and loan holding companies that were formerly regulated by the Office of Thrift Supervision, including Northwest Bancshares, Inc.

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The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets will continue to be examined by their applicable bank regulators. The Dodd-Frank Act also weakened the federal preemption rules that have been applicable for national banks and federal savings associations, and gave state attorneys general the ability to enforce federal consumer protection laws.

Also effective July 2011 was a provision of the Dodd-Frank Act that eliminated the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse effect on our interest expense.

The Dodd-Frank Act also broadened the base for Federal Deposit Insurance Corporation insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per deposit category.

The Dodd-Frank Act required publicly traded companies to give stockholders a non-binding vote on executive compensation say-on-pay and so-called golden parachute payments. The legislation directed the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. The legislation also provided for originators of certain securitized loans to retain a percentage of the risk for transferred credits, directed the Federal Reserve Board to regulate pricing of certain debit card interchange fees, and contained a number of reforms related to mortgage origination.

The Dodd-Frank Act contained the so-called Volcker Rule, which generally prohibits banking organizations from engaging in proprietary trading and from investing in, sponsoring or having certain relationships with hedge or private equity funds (covered funds). On December 13, 2013, federal agencies issued a final rule implementing the Volcker Rule which, among other things, requires banking organizations to restructure and limit certain of their investments in and relationships with covered funds. The final rule unexpectedly included within the interests subject to its restrictions collateralized debt obligations backed by trust-preferred securities (TRUPs CDOs). Many banking organizations had purchased such instruments because of their favorable tax, accounting and regulatory treatment and would have been subject to unexpected write-downs. In response to concerns expressed by community banking organizations, the federal agencies subsequently issued an interim final rule which grandfathers TRUPS CDOs issued before May 19, 2010 if (i) acquired by a banking organization on or before December 10, 2013 and (ii) the organization reasonably believed the proceeds from the TRUPS CDOs were invested primarily in any trust preferred security or subordinated debt instrument issued by a depository institution holding company with less than $15 billion in assets or by a mutual holding company.

Many of the provisions of the Dodd-Frank Act have delayed effective dates and the legislation requires various federal agencies to promulgate numerous and extensive regulations over the next several years. Although the substance and scope of these regulations cannot be completely determined at this time, it is expected that at a minimum the legislation and implementing regulations will increase our operating and compliance costs.

Pennsylvania Savings Bank Law

The Pennsylvania Banking Code of 1965, as amended (the Banking Code) contains detailed provisions governing the organization, operations, corporate powers, savings and investment authority, branching rights and responsibilities of directors, officers and employees of Pennsylvania savings banks. A Pennsylvania savings bank may locate or change the location of its principal place of business and establish an office anywhere in, or adjacent to, Pennsylvania, with the prior approval of the Department of Banking. The Banking Code delegates extensive rulemaking power and administrative discretion to the Department of Banking in its supervision and regulation of state-chartered savings banks.

The Department of Banking generally examines each savings bank not less frequently than once every two years. Although the Department of Banking may accept the examinations and reports of the FDIC in lieu of its own examination, the current practice is for the Department of Banking to conduct individual examinations. The

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Department of Banking may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any director, officer, or employee of a savings bank engaged in a violation of law, unsafe or unsound practice or breach of fiduciary duty to show cause at a hearing before the Department of Banking why such person should not be removed. The Department of Banking may also appoint a receiver or conservator for an institution in appropriate cases.

The Banking Law Modernization Package was Pennsylvania legislation effective on December 24, 2012. The legislation was intended to update, simplify and modernize the banking laws of Pennsylvania and reduce regulatory burden where possible. The legislation, among other things, increased the threshold for investments in bank premises without Department of Banking approval from 25% of capital, surplus, undivided profits and capital securities to 100%, eliminated archaic lending requirements and pricing restrictions and changed the procedure for Pennsylvania state chartered institutions closing a branch from an application for approval to a notice. The legislation also clarified the Department of Banking s examination and enforcement authority over subsidiaries of Pennsylvania institutions and authorized the assessment of civil money penalties of up to $25,000 under certain circumstances for violations of laws or orders related to the institution or unsafe or unsound practices or breaches of fiduciary duties.

Federal Deposit Insurance

The FDIC currently maintains the Deposit Insurance Fund (the DIF), which was created in 2006 through the merger of the Bank Insurance Fund and the Savings Association Insurance Fund. The deposit accounts of our subsidiary bank are insured by the DIF to the maximum amount provided by law. This insurance is backed by the full faith and credit of the United States Government.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. It also may prohibit any DIF-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against insured institutions.

The FDIC imposes assessments for deposit insurance on an insured institution quarterly according to its ranking in one of four risk categories based upon supervisory and capital evaluations. The assessment rate for an individual institution is determined according to a formula based on a weighted average of the institution s individual CAMELS component ratings plus various financial ratios. Well-capitalized institutions (generally those with CAMELS composite ratings of 1 or 2) are grouped in Risk Category I and their initial base assessment rate for deposit insurance is set at an annual rate of between 5 and 9 basis points of total assets less tangible equity. The initial base assessment rate for institutions in Risk Categories II, III and IV is set at annual rates of 14, 23 and 35 basis points, respectively. These initial base assessment rates are adjusted to determine an institution s final assessment rate based on its brokered deposits and unsecured debt. The adjustments include higher premiums for institutions that rely significantly on excessive amounts of brokered deposits, including CDARS, while providing a reduction for all institutions for their unsecured debt. Total base assessment rates after adjustments range from 2.5 to 9 basis points for Risk Category I, 9 to 24 basis points for Risk Category II, 18 to 33 basis points for Risk Category III, and 30 to 45 basis points for Risk Category IV. This assessment structure represents a change, required by the Dodd-Frank Act and effective April 1, 2011, from the FDIC s prior system, which based assessments on deposits rather than total assets less tangible equity.

Pursuant to the Dodd-Frank Act, the FDIC has established 2.0% as the designated reserve ratio (DRR) of the DIF to insured deposits. The FDIC has adopted a plan under which it will meet the statutory minimum DRR of 1.35% by September 30, 2020, the deadline imposed by the Dodd-Frank Act. The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15%. The FDIC has not yet announced how it will implement this offset or how larger institutions will be affected by it.

In addition, all institutions with deposits insured by the FDIC are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize a predecessor to the Deposit Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2019.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered

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into with the FDIC. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Capital Requirements

Under the FDIC s regulations, federally insured state-chartered banks that are not members of the Federal Reserve System (state non-member banks), such as Northwest Savings Bank, are required to comply with minimum leverage capital requirements. For an institution determined by the FDIC to not be anticipating or experiencing significant growth and to be, in general, a strong banking organization rated composite 1 under Uniform Financial Institutions Ranking System established by the Federal Financial Institutions Examination Council, the minimum capital leverage requirement is a ratio of Tier 1 capital to total assets of 3.0%. For all other institutions, the minimum leverage capital ratio is not less than 4.0%. Tier 1 capital is the sum of common stockholder s equity, noncumulative perpetual preferred stock (including any related surplus) and minority investments in certain subsidiaries, less intangible assets (except for certain servicing rights and credit card relationships) and certain other specified items.

In addition, FDIC regulations require state non-member banks to maintain certain ratios of regulatory capital to regulatory risk-weighted assets, or risk-based capital ratios. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet items to four risk-weighted categories ranging from 0.0% to 100.0% (or 200% for certain residual interests in transferred assets). State non-member banks must maintain a minimum ratio of total capital to risk-weighted assets of at least 8.0%, of which at least one-half must be Tier 1 capital. Total capital consists of Tier 1 capital plus Tier 2 or supplementary capital items, which include allowances for loan losses in an amount of up to 1.25% of risk-weighted assets, cumulative preferred stock and certain other capital instruments, and a portion of the net unrealized gain on equity securities. The includable amount of Tier 2 capital cannot exceed the amount of the institution s Tier 1 capital. In assessing an institution s capital adequacy, the FDIC takes into consideration, not only these numeric factors, but also qualitative factors, and has authority to establish higher individual capital requirements for state non-member banks where deemed necessary.

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 to executive officers 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. The final rule also implements the Dodd-Frank Act s directive to apply to savings and loan holding companies consolidated capital requirements that are not less stringent than those applicable to their subsidiary institutions. The final rule is effective January 1, 2015. The capital conservation buffer will be phased in from January 1, 2016 to January 1, 2019, when the full capital conservation buffer will be effective.

Any institution that fails any of the FDIC capital requirements is subject to enforcement action by the FDIC. Such action may include a capital directive, a cease and desist order, civil money penalties, restrictions on an institution s operations, termination of federal deposit insurance, and the appointment of a conservator or receiver. The FDIC s capital regulation provides that such action, through enforcement proceedings or otherwise, may require a variety of corrective measures.

Northwest Savings Bank is also subject to capital guidelines of the Department of Banking. Although not adopted in regulation form, the Department of Banking requires 6% leverage capital and 10% risk-based capital. The components of leverage and risk-based capital are substantially the same as those defined by the FDIC.

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:

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		Basel III Regulatory Capital Requirements				
	Current	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
Tier 1 common equity 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%

Prompt Corrective Action

Under the federal prompt corrective regulations, a bank is considered to be (i) well capitalized if it has total risk-based capital of 10.0% or more, Tier 1 risk-based capital of 6.0% or more, Tier I leverage capital of 5.0% or more, and is not subject to any written capital order or directive; (ii) adequately capitalized if it has total risk-based capital of 8.0% or more, Tier I risk-based capital of 4.0% or more and Tier I leverage capital of 4.0% or more (3.0% under certain circumstances), and does not meet the definition of well capitalized ; (iii) undercapitalized if it has total risk-based capital of less than 8.0%, Tier I risk-based capital of less than 4.0% or Tier I leverage capital of less than 4.0% (3.0% under certain circumstances); (iv) significantly undercapitalized if it has total risk-based capital of less than 6.0%, Tier I risk-based capital less than 3.0%, or Tier I leverage capital of less than 3.0%; and (v) critically undercapitalized if its ratio of tangible equity to total assets is equal to or less than 2.0%. Institutions that fall into an undercapitalized category are subject to a variety of mandatory and discretionary supervisory actions, including a restriction on capital distributions and the requirement to file a capital restoration plan with the regulators. Performance under the capital restoration plan must be guaranteed by the parent holding company up to the lesser of the amount of the capital deficiency when deemed undercapitalized or 5% of the institution s total assets. Federal regulations also specify circumstances under which a federal banking agency may reclassify a well capitalized institution as adequately capitalized, and may require an adequately capitalized institution to comply with supervisory actions as if it were in the next lower category (except that the Federal Deposit Insurance Corporation may not reclassify a significantly undercapitalized institution as critically undercapitalized). As of December 31, 2013, Northwest Savings Bank was well-capitalized for this purpose.

The recently proposed rules that would increase regulatory capital requirements would adjust the prompt corrective action categories accordingly.

Loans-to-One Borrower Limitation

In accordance with the Banking Code, a Pennsylvania chartered savings bank, with certain limited exceptions, may lend to a single or related group of borrowers on an unsecured basis an amount equal to 15% of its capital accounts, the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses. We have established an internal lending limit, either individually or in the aggregate to one customer, of $20.0 million. Under certain circumstances; for instance well qualified customers or customers with multiple individually qualified projects, this limit may be exceeded subject to the approval of the Senior Loan Committee. We currently have five credit relationships that equal or exceed our $20.0 million internal limit.

Activities and Investments of Insured State-Chartered Banks

Federal law generally limits the activities and equity investments of state-chartered banks insured by the FDIC to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not, directly or indirectly, acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things: (i) acquiring or retaining a majority interest in a subsidiary; (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation, or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank s total assets; (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures liability insurance for directors, trustees or officers, or blanket bond group insurance coverage for insured depository institutions; and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. Activities of state banks and their subsidiaries are generally limited to those permissible for national banks. Exceptions include where the bank meets applicable regulatory capital requirements and the FDIC determines that the proposed activity does not pose a significant risk to the deposit insurance fund.

The USA PATRIOT Act

The USA Patriot Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. The USA Patriot Act also requires the federal banking agencies to take into consideration the effectiveness of controls designed to combat money-laundering activities in determining whether to approve a merger or other acquisition application of a member institution. Accordingly, if we engage in a merger or other acquisition, our controls designed to combat money laundering would be considered as part of the application process. We have established policies, procedures and systems designed to comply with these regulations.

Holding Company Regulation

General. Federal law allows a state savings bank, such as Northwest Savings Bank, that qualifies as a Qualified Thrift Lender, as discussed below, to elect to be treated as a savings association for purposes of the savings and loan company provisions of the Home Owners Loan Act of 1933, as amended. Such election results in its holding company being regulated as a savings and loan holding company by the Federal Reserve Board rather than as a bank holding company. Northwest Bancshares, Inc. has made such an election. Therefore, Northwest Bancshares, Inc. is a savings and loan holding company within the meaning of the Home Owners Loan Act of 1933, as amended. As such, we are registered as a savings and loan holding company with the Federal Reserve Board and is subject to Federal Reserve Board regulations, examinations, supervision and reporting requirements. In addition, the Federal Reserve Board has enforcement authority over the Company and any non-savings institution subsidiaries of the Company. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. The business activities of Northwest Bancshares, Inc. are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to financial activities. The Dodd-Frank Act specifies that a savings and loan holding company may only engage in financial holding company activities if it meets the qualitative criteria necessary for a bank holding company to engage in such activities. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the Federal Reserve Board, and certain additional activities authorized by Federal Reserve Board regulations.

Federal law prohibits a savings and loan holding company, including Northwest Bancshares, Inc., directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or holding company thereof, without prior written approval of the Federal Reserve Board. It also prohibits, with certain exceptions, the acquisition or retention of more than 5% of a non-subsidiary company engaged in activities that are not closely related to banking or financial in nature, or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Board is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

(i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and

(ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Qualified Thrift Lender Test. To be regulated as a savings and loan holding company (rather than as a bank holding company), Northwest Savings Bank must qualify as a Qualified Thrift Lender. To qualify as a Qualified Thrift Lender, Northwest Savings Bank must be a domestic building and loan association, as defined in the Internal Revenue Code, or comply with the Qualified Thrift Lender test. Under the Qualified Thrift Lender test, a savings institution is required to maintain at least 65% of its portfolio assets (total assets less: (1) specified liquid

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assets up to 20% of total assets; (2) intangibles, including goodwill; and (3) the value of property used to conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including certain mortgage-backed and related securities) in at least nine months out of each 12-month period. As of December 31, 2013, Northwest Savings Bank met the Qualified Thrift Lender test.

Capital Requirements. Savings and loan holding companies have not historically been subjected to consolidated regulatory capital requirements. However, the Dodd-Frank Act requires the Federal Reserve Board to set, for all depository institution holding companies, minimum consolidated capital levels that are as stringent as those required for the insured depository subsidiaries. The previously discussed final rule regarding regulatory capital requirements implements the Dodd-Frank Act as to savings and loan holding companies. Consolidated regulatory capital requirements identical to those applicable to the subsidiary depository institutions will apply to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital conservation buffer will be phased in between 2016 and 2019.

Source of Strength/Capital Distributions. The Dodd-Frank Act extended to savings and loan holding companies the Federal Reserve Board s source of strength doctrine, which has long applied to bank holding companies. The Federal Reserve Board has promulgated regulations implementing the source of strength policy, which requires holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

The Federal Reserve Board has issued a policy statement regarding capital distributions by bank holding companies that it has suggested is applicable to savings and loan holding companies as well. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company s overall rate of earnings retention is inconsistent with the company s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary depository institution becomes undercapitalized. These regulatory policies could affect our ability to pay dividends or otherwise engage in capital distributions.

As a subsidiary of a savings and loan holding company, Northwest Savings Bank must notify the Federal Reserve Board thirty days before declaring any dividend to the Company. The dividend notice may be objected to under certain circumstances, such as where the dividend raises safety or soundness concerns, the dividend would cause the savings bank to be undercapitalized or the dividend would violate a law, regulation, regulatory condition or enforcement order.

Federal Securities Laws

Our common stock is registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). We are also subject to the proxy rules, tender offer rules, insider trading restrictions, annual and periodic reporting, and other requirements of the Exchange Act.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 was enacted to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Sarbanes-Oxley Act generally applies to all companies that file or are required to file periodic reports with the Securities and Exchange Commission, under the Securities Exchange Act of 1934.

As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the board of directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

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FEDERAL AND STATE TAXATION

Federal Taxation. For federal income tax purposes, Northwest Bancshares, Inc. files a consolidated federal income tax return with its wholly-owned subsidiaries on a calendar year basis. The applicable federal income tax expense or benefit is properly allocated to each subsidiary based upon taxable income or loss calculated on a separate company basis.

We account for income taxes using the asset and liability method which accounts for deferred income taxes by applying the enacted statutory rates in effect at the balance sheet date to differences between the book basis and the tax basis of assets and liabilities. The resulting deferred tax liabilities and assets are adjusted to reflect changes in tax laws.

State Taxation. As a Maryland business corporation, Northwest Bancshares, Inc. is required to file annual tax returns with the State of Maryland. In addition, Northwest Bancshares, Inc. is subject to Pennsylvania s corporate net income tax and capital stock tax. Dividends received from Northwest Savings Bank qualify for a 100% dividends received deduction and are not subject to corporate net income tax.

Northwest Savings Bank is subject to Pennsylvania s mutual thrift institutions tax based on Northwest Savings Bank s net income determined in accordance with generally accepted accounting principles, with certain adjustments. The tax rate under the mutual thrift institutions tax is 11.5%. Interest on Pennsylvania and federal obligations is excluded from net income. An allocable portion of interest expense incurred to carry the obligations is disallowed as a deduction. Northwest Savings Bank is also subject to taxes in the other states in which it conducts business. These taxes are apportioned based upon the volume of business conducted in those states as a percentage of the whole. Because a majority of Northwest Savings Bank s affairs are conducted in Pennsylvania, taxes paid to other states are not material.

The subsidiaries of Northwest Savings Bank are subject to a Pennsylvania corporate net income tax and a capital stock tax, and are also subject to other applicable taxes in the states where they conduct business.

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ITEM 1A. RISK FACTORS

In addition to factors discussed in the description of our business and elsewhere in this report, the following are factors that could adversely affect our future results of operations and financial condition.

Difficult market conditions have already affected us and our industry and may continue to do so.

Our performance is significantly impacted by the general economic conditions in our primary markets in Pennsylvania, New York, Ohio and Maryland. Our markets have been adversely impacted by the severe national economic recession of 2008 and 2009, and the weak economic recovery has resulted in continued uncertainty in the financial markets and the expectation of weak general economic conditions continuing. These difficult market conditions are likely to result in continued high levels of unemployment, which will further weaken an already distressed economy and could result in additional defaults of mortgage loans.

At December 31, 2013, 75.6% of our loan portfolio was secured by properties located in Pennsylvania, with a large portion of the rest of our loans secured by real estate located in New York, Ohio and Maryland. Negative economic conditions, such as high unemployment, in the markets where collateral for our mortgage loans is located could adversely affect the value of the collateral securing such loans. Declines in the U.S. housing market manifested by falling home prices and increasing foreclosures, as well as unemployment and under-employment, have all negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions. Our business, financial condition and results of operations could be adversely affected by recessionary or impaired recovery conditions that are longer or deeper than expected.

Due to concerns about the stability of the financial markets generally, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including other financial institutions. This tightening of credit and market instability has led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets may adversely affect our business, financial condition and results of operations.

It cannot be known if conditions in the financial markets will improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial industry.

Negative developments in the financial industry and the domestic and international credit markets may adversely affect our operations and results.

Since the latter half of 2007, negative developments in the global credit and securitization markets have resulted in uncertainty in the financial markets and a general economic downturn which has through 2013. The economic downturn has been accompanied by deteriorated loan portfolio quality at many financial institutions. In addition, the value of real estate collateral supporting many home mortgages has declined and may continue to decline. Bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets. These negative developments along with the turmoil and uncertainties that have accompanied them have heavily influenced the formulation and enactment of the Dodd-Frank Act, along with its implications as described elsewhere in this Risk Factors section. In addition to the many future rules and regulations of the Dodd-Frank Act, the potential exists for other new federal or state laws and regulations regarding lending and funding practices and liquidity standards to be enacted. Bank regulatory agencies are expected to continue to be active in responding to concerns and trends identified in examinations. Negative developments in the financial industry and the domestic and international credit markets, and the impact of new legislation in response to those developments, may negatively impact our operations by increasing our costs, restricting our business operations, including our ability to originate or sell loans, and adversely impact our financial performance. In addition, these risks could affect the value of our loan portfolio as well as the value of our investment portfolio, which would also negatively affect our financial performance.

The Dodd-Frank Act, among other things, eliminated the Office of Thrift Supervision, tightened capital standards, created a new Consumer Financial Protection Bureau and will continue to result in new rules and regulations that are expected to increase our costs of operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act , or the Act) is significantly changing the current bank regulatory structure and affecting the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act eliminated our

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former primary federal regulator, the Office of Thrift Supervision, and required savings and loan holding companies, such as the Company, to be regulated and supervised by the Board of Governors of the Federal Reserve Board. The Act also requires the Federal Reserve Board to set minimum capital levels for depository institution holding companies that are at least as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital will be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. The new capital rules will be effective January 1, 2015.

The Dodd-Frank Act also broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. In addition, the Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Northwest, including the authority to prohibit unfair, deceptive or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets are examined by their applicable bank regulators. For additional changes under the Dodd-Frank Act, see Supervision and Regulation Dodd-Frank Wall Street Reform and Consumer Protection Act.

It is difficult to predict at this time the full impact that the Dodd Frank Act and implementing its regulations will have on community banks, including the lending and credit practices of such banks. Moreover, some of the provisions of the Dodd-Frank Act are not yet in effect, and the legislation requires various federal agencies to promulgate numerous and extensive regulations, some of which are still in process. Although the substance and scope of these regulations cannot be determined at this time, it is expected that the legislation and regulations, particularly those provisions relating to the new Consumer Financial Protection Bureau, may materially increase our operating and compliance costs and could limit our ability to pay dividends.

Changes in laws and regulations and the cost of compliance with new laws and regulations may adversely affect our operations and our income.

The Company and Northwest are subject to extensive regulation, supervision and examination by the Federal Reserve Board, the Department of Banking and the FDIC. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on Northwest s operations, reclassify assets, determine the adequacy of Northwest s allowance for loan losses and determine the level of deposit insurance premiums assessed. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change and interpretations. Any change in these regulations and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material impact on our operations.

In response to the financial crisis, Congress has taken actions that are intended to strengthen confidence and encourage liquidity in financial institutions, and the Federal Deposit Insurance Corporation has taken actions to increase insurance coverage on deposit accounts. In addition, there have been proposals made by members of Congress and others that would reduce the amount delinquent borrowers are otherwise contractually obligated to pay under their mortgage loans and limit an institution s ability to foreclose on mortgage collateral. A number of the largest mortgage lenders in the United States previously voluntarily suspended all foreclosures due to document verification deficiencies.

The potential exists for additional federal or state laws and regulations, or changes in policy, affecting lending and funding practices and liquidity standards. Moreover, bank regulatory agencies have been active in responding to concerns and trends identified in examinations, and have issued many formal enforcement orders requiring capital ratios in excess of regulatory requirements. Bank regulatory agencies, such as the Federal Reserve Board, the Department of Banking, the Consumer Financial Protection Bureau and the FDIC, govern the activities in which we may engage, primarily for the protection of depositors, and not for the protection or benefit of potential investors. In addition, new laws and regulations may increase our costs of regulatory compliance and of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the fees we can charge and our ongoing operations, costs and profitability.

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We will become subject to more stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from paying dividends or repurchasing shares.

In July 2013, the FDIC and the Federal Reserve Board approved a new rule that will substantially amend the regulatory risk-based capital rules applicable to Northwest. The final rule implements the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

The final rule includes new minimum risk-based capital and leverage ratios, which will be effective for Northwest on January 1, 2015, and refines the definition of what constitutes capital for purposes of calculating these ratios. The new minimum capital requirements will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also establishes a capital conservation buffer of 2.5%, and will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 to risk-based assets capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

The application of more stringent capital requirements for Northwest could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions constraining us from paying dividends or repurchasing shares if we were to be unable to comply with such requirements.

The corporate governance provisions in our articles of incorporation and bylaws, and the corporate governance provisions under Maryland law, may prevent or impede the holders of our common stock from obtaining representation on our Board of Directors and may impede takeovers of the company that our board might conclude are not in the best interest of us or our stockholders.

Provisions in our articles of incorporation and bylaws may prevent or impede holders of our common stock from obtaining representation on our Board of Directors and may make takeovers of Northwest Bancshares, Inc. more difficult. For example, our Board of Directors is divided into three staggered classes. A classified board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. Our articles of incorporation include a provision that no person will be entitled to vote any shares of our common stock in excess of 10% of our outstanding shares of common stock. This limitation does not apply to the purchase of shares by a tax-qualified employee stock benefit plan established by us. In addition, our articles of incorporation and bylaws restrict who may call special meetings of stockholders and how directors may be removed from office. Additionally, in certain instances, the Maryland General Corporation Law requires a supermajority vote of our stockholders to approve a merger or other business combination with a large stockholder, if the proposed transaction is not approved by a majority of our directors.

Changes in interest rates could adversely affect our results of operations and financial condition.

While we strive to control the impact of changes in interest rates on our net income, our results of operations and financial condition could be significantly affected by changes in interest rates. Our results of operations depend substantially on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as loans and investment securities, and the interest expense we pay on our interest-bearing liabilities, such as deposits, borrowings and trust preferred securities. Because it is difficult to perfectly match the maturities and cash flows from our financial assets and liabilities our net income could be adversely impacted by changes in the level of interest rates or the slope of the Treasury yield curve.

Changes in interest rates may also affect the average life of loans and mortgage-related securities. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and investment securities. Additionally, increases in interest rates may decrease loan demand and make it more difficult for borrowers to repay adjustable rate loans. Also, increases in interest rates may extend the life of fixed rate assets, which would restrict our ability to reinvest in higher yielding alternatives, and may result in customers withdrawing certificates of deposit early so long as the early withdrawal penalty is less than the interest they could receive as a result of the higher interest rates.

Changes in interest rates also affect the current fair value of our interest-earning investment securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At December 31, 2013, the fair value of our investment and mortgage-backed securities portfolio totaled $1.141 billion. Net unrealized losses on these securities totaled $2.6 million at December 31, 2013.

At December 31, 2013, our interest rate risk analysis indicated that the market value of our equity would decrease by 13.4% if there was an instant non-parallel 200 basis point increase in market interest rates. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Management of Market Risk.

Historically low interest rates may adversely affect our net interest income and profitability.

During the past three years it has been the policy of the Federal Reserve Board to maintain interest rates at historically low levels through its targeted federal funds rate and the purchase of mortgage-backed and Treasury securities. As a result, market rates on the loans we have originated and the yields on securities we have purchased have been at lower levels than available prior to 2008. As a general matter, our interest-bearing liabilities re-price or mature more quickly than our interest-earning assets, which has been one factor contributing to the increase in our interest rate spread as interest rates decreased. However, our ability to lower our interest expense will be limited at these interest rate levels while the average yield on our interest-earning assets may continue to decrease. The Federal Reserve Board has previously indicated its intention to maintain low interest rates until the unemployment rate is 6.5% or lower. Accordingly, our net interest income may be adversely affected and may even decrease, which may have an adverse effect on our profitability.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our current market and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and operating results may be adversely affected.

If the allowance for credit losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our customers may not repay their loans according to the original terms, and the collateral, if any, securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which may have a material adverse effect on operating results. We make various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. If our assumptions prove to be incorrect, the allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance. Material additions to the allowance would materially decrease net income.

Our emphasis on originating commercial real estate and commercial loans is one of the more significant factors in evaluating the allowance for loan losses. As we continue to increase the amount of such loans, increased provisions for loan losses may be necessary which would decrease our earnings.

Bank regulators periodically review our allowance for loan losses and may require an increase to the provision for loan losses or further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on our results of operations or financial condition.

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We could record future losses on our investment securities portfolio.

During the year ended December 31, 2013, we recognized $713,000 of impairment losses on investment securities. These impairment losses were on pooled trust preferred investments and were the result of the Volcker Rule discussed on page 11.

A number of factors or combinations of factors could require us to conclude in one or more future reporting periods that an unrealized loss that exists with respect to these and other securities constitutes an impairment that is other-than-temporary, which could result in material losses to us. These factors include, but are not limited to, failure by the issuer to make scheduled interest payments, an increase in the severity of the unrealized loss on a particular security, an increase in the continuous duration of the unrealized loss without an improvement in value or changes in market conditions and/or industry or issuer specific factors that would render us unable to forecast a full recovery in value. In addition, the fair values of securities could decline if the overall economy and the financial condition of some of the issuers continues to deteriorate and there remains limited liquidity for these securities.

See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Balance Sheet Analysis Securities for a discussion of our securities portfolio and the unrealized losses related to the portfolio, as well as the Marketable Securities and Disclosures about Fair Value of Financial Instruments footnotes to the audited financial statements.

A decrease in the Federal Reserve Board s bond purchasing program may adversely affect our mortgage banking revenues.

The Federal Reserve Board has undertaken an unprecedented bond purchase program, known as quantitative easing. This program is designed to keep market interest rates low and encourage growth. A decrease in the Federal Reserve Board s bond repurchase program would likely cause an increase in market interest rates, which may reduce our loan originations by our mortgage banking subsidiary.

Proposed and final regulations could restrict our ability to originate and sell loans.

The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid legal liability under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower s ability to repay a mortgage. Loans that meet this qualified mortgage definition will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau s rule, a qualified mortgage loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less bona fide discount points for prime loans);
- interest-only payments;
- negative-amortization; and

- terms longer than 30 years.

Also, to meet the definition of a qualified mortgage, a borrower s total monthly debt-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. The Consumer Financial Protection Bureau s rule on qualified mortgages could limit our ability or desire to make certain types of loans or loans to certain borrowers, or could make it more expensive/and or time consuming to make these loans, which could limit our growth or profitability.

In addition, the Dodd-Frank Act requires the regulatory agencies to issue regulations that require securitizers of loans to retain not less than 5% of the credit risk for any asset that is not a qualified residential mortgage. The regulatory agencies have issued a proposed rule to implement this requirement. The Dodd-Frank Act provides that the definition of qualified residential mortgage can be no broader than the definition of qualified mortgage issued by the Consumer Financial Protection Bureau for purposes of its regulations (as described above). Although the final rule with respect to the retention of credit risk has not yet been issued, the final rule could have a significant effect on the secondary market for loans and the types of loans we originate, and restrict our ability to make loans.

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We hold certain intangible assets that could be classified as impaired in the future. If these assets are considered to be either partially or fully impaired in the future, the book values of these assets would have to be written-down and the amount of the write-down would decrease earnings.

We are required to test our goodwill and other identifiable intangible assets for impairment on an annual basis and more regularly if indicators of impairment exist. The impairment testing process considers a variety of factors, including the current market price of our common shares, the estimated net present value of our assets and liabilities and information concerning the terminal valuation of similar insured depository institutions. Future impairment testing may result in a partial or full impairment of the value of our goodwill or other identifiable intangible assets, or both. If an impairment determination is made in a future reporting period, our earnings and the book value of these intangible assets will be reduced by the amount of the impairment. However, the recording of such an impairment loss would have no impact on the tangible book value of our shares of common stock or our regulatory capital levels.

Strong competition may limit growth and profitability.

Competition in the banking and financial services industry is intense. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors (whether regional or national institutions) have substantially greater resources and lending limits than we have and may offer certain services that we do not or cannot provide. In addition, some have competitive advantages such as the credit union exemption from paying Federal income tax. Our profitability depends upon our ability to successfully compete in our market areas.

Future legislative or regulatory actions responding to perceived financial and market problems could impair our ability to foreclose on collateral.

There have been proposals made by members of Congress and others that would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans and limit an institution s ability to foreclose on mortgage collateral. Were proposals such as these, or other proposals limiting our rights as a creditor, to be implemented, we could experience increased credit losses or increased expense in pursuing our remedies as a creditor.

Our exposure to municipalities may lead to operating losses.

Our municipal bond portfolio may be impacted by the effects of economic stress on state and local governments. At December 31, 2013, we had $161.9 million invested in debt obligations of states, municipalities and political subdivisions (collectively referred to as our municipal bond portfolio). We also had $138.2 million of loans outstanding to municipalities and political subdivisions. Widespread concern currently exists regarding the stress on state and local governments emanating from: (i) declining revenues; (ii) large unfunded liabilities to government workers; and (iii) entrenched cost structures. Debt-to-gross domestic product ratios for the majority of states have been deteriorating due to, among other factors: (i) declines in federal monetary assistance provided as the United States is currently experiencing the largest deficit in its history; and (ii) lower levels of sales and property tax revenue as unemployment remains elevated and the housing market continues to remain unstable. This concern has led to speculation about the potential for a significant deterioration in the municipal bond market, which could materially affect our results of operations, financial condition and liquidity. We may not be able to mitigate the exposure in our municipal portfolio if state and local governments are unable to fulfill their obligations. The risk of widespread issuer defaults may also increase if there are changes in legislation that permit states, or additional municipalities and political subdivisions, to file for bankruptcy protection or if there are judicial interpretations that, in a bankruptcy or other proceeding, lessen the value of any structural protections.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and

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authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to risk, including strategic, market, liquidity, credit, interest rate, compliance and operational risks. While we use a broad and diversified set of risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased our level of risk. Accordingly, we could suffer losses as a result of our failure to properly anticipate and manage these risks.

If we are required to repurchase mortgage loans that we have previously sold, it would negatively affect our earnings.

One of our sources of non-interest income is our mortgage banking, which involves originating residential mortgage loans for sale in the secondary market under agreements that contain representations and warranties related to, among other things, the origination and characteristics of the mortgage loans. We may be required to repurchase mortgage loans that we have sold in cases of borrower default or breaches of these representations and warranties. If we are required to repurchase mortgage loans or provide indemnification or other recourse, this could increase our costs and thereby affect our future earnings. During 2013 we have experienced more frequent disputes and repurchase demands from these buyers.

Acquisitions may disrupt our business and dilute stockholder value.

We regularly evaluate merger and acquisition opportunities with other financial institutions and financial services companies. As a result, negotiations may take place and future mergers or acquisitions involving cash, debt, or equity securities may occur at any time. We would seek acquisition partners that offer us either significant market presence or the potential to expand our market footprint and improve profitability through economies of scale or expanded services.

Acquiring other banks, businesses, or branches may have an adverse effect on our financial results and may involve various other risks commonly associated with acquisitions, including, among other things:

- difficulty in estimating the value of the target company;
- payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term;
- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality problems of the target company;
- potential volatility in reported income associated with goodwill impairment losses;
- difficulty and expense of integrating the operations and personnel of the target company;
- inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits;
- potential disruption to our business;
- potential diversion of our management s time and attention;
- the possible loss of key employees and customers of the target company; and

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- potential changes in banking or tax laws or regulations that may affect the target company.

ITEM 1B. **UNRESOLVED STAFF COMMENTS**

Not applicable.

ITEM 2. **PROPERTIES**

As of December 31, 2013, we conducted our business through our main office located in Warren, Pennsylvania, 130 other full-service offices and seven free-standing drive-up locations throughout our market area in central and western Pennsylvania, 19 offices in western New York, four offices in eastern Ohio and four offices in Maryland. Northwest Bancshares, Inc. and its wholly-owned subsidiaries also operated 50 consumer finance offices located throughout Pennsylvania. At December 31, 2013, our premises and equipment had an aggregate net book value of approximately $146.1 million.

ITEM 3. **LEGAL PROCEEDINGS**

Northwest Bancshares, Inc. and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on our results of operations. See note 18 in the notes to the Consolidated Financial Statements on page 118.

ITEM 4. **MINE SAFETY DISCLOSURES**

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the Nasdaq Global Select Market under the symbol NWBI. As of February 14, 2014, we had 23 registered market makers, 13,941 stockholders of record (excluding the number of persons or entities holding stock in street name through various brokerage firms), and 94,395,060 shares outstanding. The following table sets forth market price and dividend information for our common stock.

Year Ended December 31, 2013	**High**	**Low**	**Cash Dividends Declared**
First Quarter	$ 12.95	$ 12.04	$ 0.00
Second Quarter	$ 13.58	$ 11.98	$ 0.24
Third Quarter	$ 14.57	$ 12.88	$ 0.13
Fourth Quarter	$ 15.05	$ 13.15	$ 0.13

Year Ended December 31, 2012	**High**	**Low**	**Cash Dividends Declared**
First Quarter	$ 13.08	$ 12.14	$ 0.12
Second Quarter	$ 13.00	$ 11.03	$ 0.12
Third Quarter	$ 12.70	$ 11.22	$ 0.12
Fourth Quarter	$ 12.50	$ 11.11	$ 0.24

Payment of dividends on our shares of common stock is subject to determination and declaration by the Board of Directors and will depend upon a number of factors, including capital requirements, regulatory limitations on the payment of dividends, our results of operations and financial condition, tax considerations and general economic conditions. No assurance can be given that dividends will continue to be declared or, if declared, what the amount of dividends will be. See Supervision and Regulation Holding Company Regulation Source of Strength/Capital Distributions for additional information regarding our ability to pay dividends.

There were no sales of unregistered securities during the quarter ended December 31, 2013.

The following tables disclose information regarding repurchases of shares of common stock during the quarter ended December 31, 2013, and includes the repurchase programs announced on September 26, 2011 and December 13, 2012. The repurchase programs are for approximately 4,750,000 and 5,000,000 shares, respectively, and do not have expiration dates.

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)**
October		$		1,049,189

November				1,049,189
December				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)
October		$		5,000,000
November				5,000,000
December				5,000,000
		$		

(1) Reflects program for 4,750,000 shares announced September 26, 2011.

(2) Reflects program for 5,000,000 shares announced December 13, 2012.

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Stock Performance Graph

Set forth hereunder is a stock performance graph comparing (a) the cumulative total return on our Common Stock between December 31, 2008 and December 31, 2013, adjusted to reflect the 2.25-for-one stock split in connection with the mutual-to-stock conversion of Northwest Bancorp, MHC on December 18, 2009, (b) the cumulative total return on stocks included in the Total Return Index for the Nasdaq Stock Market (US) over such period, and (c) the cumulative total return on stocks included in the Nasdaq Bank Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of $100.

There can be no assurance that our stock performance will continue in the future with the same or similar trend depicted in the graph. We will not make or endorse any predictions as to future stock performance.

	12/31/08	12/18/09	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Northwest Bancshares, Inc.	**100.00**	**124.89**	**124.01**	**134.08**	**146.71**	**150.49**	**190.26**
NASDAQ Composite	**100.00**	**137.50**	**144.88**	**170.58**	**171.30**	**199.99**	**283.39**
NASDAQ Bank	**100.00**	**82.21**	**84.86**	**97.62**	**87.11**	**102.06**	**144.32**

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ITEM 6. SELECTED FINANCIAL DATA

Selected Financial and Other Data

The summary financial information presented below is derived in part from the Company s consolidated financial statements. The following is only a summary and you should read it in conjunction with the consolidated financial statements and notes included elsewhere in this document. The information at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 is derived in part from the audited consolidated financial statements that appear in this document. The information at December 31, 2011, 2010 and 2009, and for the years ended December 31, 2010 and 2009, is derived in part from audited consolidated financial statements that do not appear in this document.

			At December 31,		
	2013	2012	2011	2010	2009
			(In thousands)		
Selected Consolidated Financial Data:					
Total assets	$ 7,881,476	7,942,600	7,957,705	8,148,155	8,025,298
Investment securities held-to-maturity	69,316	69,275	74,692	106,520	
Investment securities available-for-sale	439,693	414,569	279,125	246,765	333,522
Mortgage-backed securities held-to-maturity	52,050	85,806	156,697	251,402	
Mortgage-backed securities available-for-sale	577,074	664,505	629,224	703,698	733,567
Loans receivable net:					
Residential mortgage loans	2,475,129	2,407,647	2,388,884	2,391,450	2,326,354
Home equity	1,076,694	1,075,360	1,085,514	1,100,398	1,079,112
Other consumer loans	222,861	223,194	230,949	237,846	261,917
Commerial real estate loans	1,573,430	1,551,334	1,403,619	1,314,487	1,214,274
Commercial loans	391,491	375,752	375,831	417,883	351,597
Total loans receivable, net (1)	5,734,943	5,629,261	5,480,381	5,457,593	5,229,062
Deposits	5,668,879	5,764,600	5,780,325	5,764,336	5,624,424
Advances from Federal Home Loan Bank and other borrowed funds	881,645	860,047	827,925	891,293	897,326
Shareholders equity	1,156,802	1,128,469	1,154,904	1,307,450	1,316,515

(1) Total includes unallocated allowance for loan losses of $4.7 million, $4.0 million, $4.4 million, $4.5 million and $4.2 million for December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

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	For the Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands except per share data)				
Selected Consolidated Operating Data:					
Total interest income	$ 313,038	338,038	359,228	369,357	363,253
Total interest expense	61,162	75,199	92,801	112,927	135,806
Net interest income	251,876	262,839	266,427	256,430	227,447
Provision for loan losses	18,519	26,338	34,170	40,486	41,847
Net interest income after provision for loan losses	233,357	236,501	232,257	215,944	185,600
Noninterest income	66,847	58,904	58,978	61,609	54,547
Noninterest expense	207,134	205,477	200,227	196,508	200,494
Income before income tax expense	93,070	89,928	91,008	81,045	39,653
Income tax expense	26,331	26,368	26,857	23,522	7,000
Net income	$ 66,739	63,560	64,151	57,523	32,653
Earnings per share:					
Basic	$ 0.74	0.68	0.64	0.53	0.30
Diluted	$ 0.73	0.68	0.64	0.53	0.30

	At or For the Year Ended December 31,				
	2013	2012	2011	2010	2009
Selected Financial Ratios and Other Data:					
Return on average assets (1)	0.84%	0.79%	0.80%	0.71%	0.46%
Return on average equity (2)	5.88%	5.48%	5.24%	4.40%	4.71%
Average capital to average assets	14.32%	14.47%	15.18%	16.09%	9.67%
Capital to total assets	14.68%	14.21%	14.51%	16.05%	16.40%
Tangible common equity to tangible assets	12.72%	12.24%	12.60%	14.19%	14.53%
Net interest rate spread (3)	3.32%	3.40%	3.38%	3.17%	3.29%
Net interest margin (4)	3.52%	3.63%	3.66%	3.50%	3.54%
Noninterest expense to average assets	2.61%	2.56%	2.48%	2.42%	2.80%
Efficiency ratio	64.99%	63.86%	61.53%	61.79%	71.10%
Noninterest income to average assets	0.84%	0.74%	0.73%	0.76%	0.76%
Net interest income to noninterest expense	1.22x	1.28x	1.35x	1.31x	1.14x
Dividend payout ratio	68.49%	88.24%	67.19%	75.47%	130.37%
Nonperforming loans to net loans receivable	1.88%	2.16%	2.40%	2.74%	2.10%
Nonperforming assets to total assets	1.60%	1.86%	1.99%	2.09%	1.62%
Allowance for loan losses to nonperforming loans	66.12%	60.06%	54.05%	51.13%	64.13%
Allowance for loan losses to net loans receivable	1.24%	1.30%	1.30%	1.40%	1.35%
Average interest-earning assets to average interest- bearing liabilities	1.24x	1.23x	1.22x	1.22x	1.12x
Number of full-service offices	165	165	168	171	171
Number of consumer finance offices	50	52	52	52	51

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(1) Represents net income divided by average assets.

(2) Represents net income divided by average equity.

(3) Represents average yield on interest-earning assets less average cost of interest-bearing liabilities (shown on an FTE basis).

(4) Represents net interest income as a percentage of average interest-earning assets (shown on a FTE basis).

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our principal business consists of attracting deposits and making loans secured by various types of collateral, including real estate and other assets in the markets in which we operate. Attracting and maintaining deposits is affected by a number of factors, including interest rates paid on competing investments offered by other financial and non-financial institutions, account maturities, fee structures, and levels of personal income and savings. Lending activities are affected by the demand for funds and thus are influenced by interest rates, the number and quality of lenders and regional economic conditions. Sources of funds for lending activities include deposits, borrowings, repayments on loans, cash flows from investment and mortgage-backed securities and income provided from operations.

Our earnings depend primarily on our level of net interest income, which is the difference between interest earned on our interest-earning assets, consisting primarily of loans and investment securities, and the interest paid on interest-bearing liabilities, consisting primarily of deposits, borrowed funds, and trust-preferred securities. Net interest income is a function of our interest rate spread, which is the difference between the average yield earned on our interest-earning assets and the average rate paid on our interest-bearing liabilities, as well as a function of the average balance of interest-earning assets compared to the average balance of interest-bearing liabilities. Also contributing to our earnings is noninterest income, which consists primarily of service charges and fees on loan and deposit products and services, fees related to insurance and investment management and trust services, and net gains and losses on the sale of assets. Net interest income and noninterest income are offset by provisions for loan losses, general administrative and other expenses, including employee compensation and benefits and occupancy and equipment costs, as well as by state and federal income tax expense.

Our net income was $66.7 million, or $0.73 per diluted share, for the year ended December 31, 2013 compared to $63.6 million, or $0.68 per diluted share, for the year ended December 31, 2012 and $64.2 million, or $0.64 per diluted share, for the year ended December 31, 2011. The loan loss provision was $18.5 million for the year ended December 31, 2013 compared to $26.3 million for the year ended December 31, 2012 and $34.2 million for the year ended December 31, 2011. We recorded other-than-temporary impairment losses on securities, which were reflected as a reduction of noninterest income, of $713,000, $331,000 and $937,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Other than our loans for the construction of one-to-four-family residential mortgage loans, we do not solicit interest only mortgage loans on one-to-four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as Option ARM loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not directly solicit subprime loans (loans that generally target borrowers with FICO scores of less than 660) or Alt-A loans (traditionally defined as loans having less than full documentation). However, a portion of the loans originated by one of our subsidiaries, Northwest Consumer Discount Company (NCDC), consists of loans to persons with credit scores that would cause such loans to be considered subprime. NCDC has been in operation for over 25 years and has 50 offices throughout Pennsylvania. NCDC offers a variety of consumer loans for automobiles, appliances and furniture as well as residential mortgage loans. At December 31, 2013, NCDC s total loan portfolio was approximately $106.5 million with an average loan size of $4,139, an average FICO score of 621 and an average yield of approximately 18.0%. NCDC s total delinquency is approximately 4.9% of outstanding loans, with loans delinquent for 90 days or more at 1.7% of loans outstanding. Annual net charge-offs average approximately $3.3 million, or 3.1% of outstanding loans, and it maintains an allowance for loan losses of $5.5 million, or 5.1% of loans. Although loans originated through NCDC have higher average rates of delinquency and charge-offs than similar loans originated directly by Northwest Savings Bank, management believes that the higher yields on loans originated through NCDC compensate for the incremental credit risk exposure.

Critical Accounting Policies

Certain accounting policies are important to the understanding of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances, including, but without limitation, changes in interest rates, performance of the economy, financial condition of borrowers and laws and regulations. The following are the accounting policies we believe are critical.

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Allowance for Loan Losses. We recognize that losses will be experienced on loans and that the risk of loss varies with the type of loan, the creditworthiness of the borrower, general economic conditions and the quality of the collateral for the loan. We maintain an allowance for losses inherent in the loan portfolio. The allowance for loan losses represents management s estimate of probable losses based on all available information. The allowance for loan losses is based on management s evaluation of the collectability of the loan portfolio, including past loan loss experience, known and inherent losses, information about specific borrower situations, estimated collateral values, and current economic conditions. The loan portfolio is reviewed regularly by management in its determination of the allowance for loan losses. The methodology for assessing the appropriateness of the allowance includes a review of historical losses, peer group comparisons, industry data and economic conditions. As an integral part of their examination process, regulatory agencies periodically review our allowance for loan losses and may require us to make additional provisions for estimated losses based upon judgments different from those of management. In establishing the allowance for loan losses, loss factors are applied to various pools of outstanding loans. Loss factors are derived using our historical loss experience and may be adjusted for factors that affect the collectability of the portfolio as of the evaluation date. Commercial loans over $1.0 million that are criticized are evaluated individually to determine the required allowance for loan losses and to evaluate the potential impairment. Although management believes that it uses the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of loans deteriorate as a result of the factors discussed previously. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations. The allowance is based on information known at the time of the review. Changes in factors underlying the assessment could have a material impact on the amount of the allowance that is necessary and the amount of provision to be charged against earnings. Such changes could impact future results. For further information related to our allowance for loan losses, see note 1(f) of the notes to the Consolidated Financial Statements on page 69.

Valuation of Investment Securities. Our investment securities are classified as either held-to-maturity or available-for-sale. Held-to-maturity securities are carried at amortized cost, while available-for-sale securities are carried at fair value. Unrealized gains or losses on available-for-sale securities, net of deferred taxes, are reported in other comprehensive income. Fair values are determined as described in note 15 of the notes to the Consolidated Financial Statements on page 110. Semi-annually (at May 31 and November 30), we validate the prices received from these third parties by comparing them to prices provided by a different independent pricing service. We have reviewed the detailed valuation methodologies provided to us by our pricing services. Additional information related to our investment securities can be found in note 1(d) of the notes to the Consolidated Financial Statements on page 68.

We conduct a quarterly review and evaluation of all investment securities to determine if any declines in fair value are other than temporary. In making this determination, we consider the period of time the securities have been in an unrealized loss position, the percentage decline in comparison to the securities amortized cost, the financial condition of the issuer, if applicable, and the delinquency or default rates of underlying collateral. We consider our intent to sell the investment securities evaluated and the likelihood that we will not have to sell the investment securities before recovery of their cost basis. If impairment exists, credit related impairment losses are recorded in earnings while noncredit related impairment losses are recorded in accumulated other comprehensive income, net of income taxes. Any future deterioration in the fair value of an investment security, or the determination that the existing unrealized loss of an investment security is other-than-temporary, may have a material adverse affect on future earnings.

Goodwill. Goodwill is not subject to amortization but must be tested for impairment at least annually, and possibly more frequently if certain events or changes in circumstances arise. Impairment testing requires that the fair value of each reporting unit be compared to its carrying amount, including goodwill. Reporting units are identified based upon analyzing each of our individual operating segments. A reporting unit is defined as any distinct, separately identifiable component of an operating segment for which complete, discrete financial information is available that management regularly reviews. Goodwill is allocated to the carrying value of each reporting unit based on its relative fair value at the time it is acquired. Determining the fair value of a reporting unit requires a high degree of subjective management judgment. With the assistance of an independent third party, we evaluate goodwill for possible impairment using four valuation methodologies including a public market peers

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approach, a comparable transactions approach, a control premium approach and a discounted cash flow approach. Future changes in the economic environment or the operations of the reporting units could cause changes to these variables, which could give rise to declines in the estimated fair value of the reporting unit. Declines in fair value could result in impairment being identified. We have established June 30 of each year as the date for conducting our annual goodwill impairment assessment. Quarterly, we evaluate if there are any triggering events that would require an update to our previous assessment. The variables are selected as of June 30th and the valuation model is run to determine the fair value of each reporting unit. We did not identify any individual reporting unit where the fair value was less than the carrying value.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on an ongoing basis as regulatory and business factors change. A reduction in estimated future taxable income could require us to record a valuation allowance. Changes in levels of valuation allowances could result in increased income tax expense, and could negatively affect earnings.

Pension Benefits. Pension expense and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, anticipated salary increases, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are amortized over average future service and, therefore, generally affect recognized expense. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our pension obligations and future expense.

In determining the projected benefit obligations for pension benefits at December 31, 2013 and 2012, we used a discount rate of 4.86% and 4.06%, respectively. We use the Citigroup Pension Liability Index rates matching the duration of our benefit payments as of the measurement date to determine the discount rate. Our measurement date is December 31.

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Balance Sheet Analysis

Assets. Total assets at December 31, 2013 were $7.881 billion, a decrease of $61.1 million, or 0.8%, from $7.943 billion at December 31, 2012. This decrease in assets was primarily caused by a decrease in our marketable securities portfolio of $96.0 million, or 7.8%, to $1.138 billion at December 31, 2013 from $1.234 billion at December 31, 2012.

Cash. Total cash decreased by $59.8 million, or 13.2%, to $391.9 million at December 31, 2013, from $451.7 million at December 31, 2012. This decrease was a result of using cash to fund an increase in net loans receivable of $105.7 million and a net deposit decrease of $95.7 million.

Investment securities. Investment securities decreased by $96.0 million, or 7.8%, to $1.138 billion at December 31, 2013 from $1.234 billion at December 31, 2012. This decrease was a result of using the cash flow generated from these portfolios to fund loan growth and deposit outflow instead of reinvesting in investment securities. During the year ended December 31, 2013, we recognized other-than-temporary credit related impairment charges of $713,000 on two pooled trust preferred securities.

The following table sets forth certain information regarding the amortized cost and fair value of our available-for-sale investment securities portfolio and mortgage-backed securities portfolio at the dates indicated.

		At December 31,					
		2013		2012		2011	
		Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
		(In thousands)					
Residential mortgage-backed securities available for sale:							
Fixed-rate pass through certificates	$	85,306	87,272	85,134	91,400	110,364	118,564
Variable-rate pass through certificates		78,890	82,399	104,591	109,899	135,103	141,778
Fixed-rate non-agency CMOs		3,894	3,998	5,700	5,620	9,521	8,974
Fixed-rate agency CMOs		265,769	255,393	227,608	230,326	112,670	116,136
Variable-rate non-agency CMOs		660	651	873	853	1,104	950
Variable-rate agency CMOs		146,908	147,361	225,383	226,407	240,963	242,822
Total residential mortgage-backed securities available for sale	$	581,427	577,074	649,289	664,505	609,725	629,224
Investment securities available for sale:							
U.S. Government, agency and GSEs	$	322,754	316,089	237,993	238,354	75,576	76,238
Municipal securities		91,449	92,578	127,628	134,208	162,491	169,288
Corporate debt issues		21,150	21,176	24,911	22,703	25,536	21,134
Equity securities and mutual funds		5,298	9,850	13,301	19,304	12,080	12,465
	$	440,651	439,693	403,833	414,569	275,683	279,125

Total investment securities available for sale	

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The following table sets forth certain information regarding the amortized cost and fair value of our held-to-maturity investment securities portfolio and mortgage-backed securities portfolio at the dates indicated.

	At December 31,						
	2013		2012		2011		
		Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
	(In thousands)						
Residential mortgage-backed securities held to maturity:							
Fixed-rate pass through certificates	$	11,101	11,645	16,369	17,281	24,160	25,259
Variable-rate pass through certificates		5,172	5,243	6,548	6,534	9,066	9,160
Fixed-rate agency CMOs		34,425	35,172	56,713	58,719	108,881	111,642
Variable-rate agency CMOs		1,352	1,362	6,176	6,257	14,590	14,870
Total residential mortgage-backed securities held to maturity	$	52,050	53,422	85,806	88,791	156,697	160,931
Investment securities held to maturity:							
Municipal securities	$	69,316	70,639	69,275	73,178	74,692	78,481
Total investment securities held to maturity	$	69,316	70,639	69,275	73,178	74,692	78,481

The following table sets forth information regarding the issuers and the carrying value of our mortgage-backed securities at the dates indicated.

		At December 31,		
		2013	2012	2011
		(In thousands)		
Residential mortgage-backed securities:				
FNMA	$	279,684	341,778	333,188
GNMA		66,802	97,648	142,774
FHLMC		264,752	287,942	280,686
SBA		12,569	15,775	18,624
Other (non-agency)		5,317	7,168	10,649
Total mortgage-backed securities	$	629,124	750,311	785,921

Further information and analysis of our investment portfolio, including tables with information related to gross unrealized gains and losses on available-for sale and held-to-maturity investment securities and tables showing the fair value and gross unrealized losses on investment securities aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position are located in note 3 of the notes to the Consolidated Financial Statements on page 75.

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Investment Portfolio Maturities and Yields. The following table sets forth the scheduled maturities, carrying values, amortized cost, market values and weighted average yields for our investment securities and mortgage-backed securities portfolios at December 31, 2013. Adjustable-rate mortgage-backed securities are included in the period in which interest rates are next scheduled to adjust.

	At December 31, 2013										
	One year or less		More than one year to five years		More than five years to ten years		More than ten years		Total		
	Amortized cost	Annualized weighted average yield	Amortized cost	Annualized weighted average yield	Amortized cost	Annualized weighted average yield	Amortized cost	Annualized weighted average yield	Amortized cost	Fair value	Annualized weighted average yield
	(Dollars in thousands)										
Investment securities available for sale:											
Government sponsored entities	$		227,945	0.91%	94,777	1.27%			322,722	316,057	1.02%
U.S. Government and agency obligations	32	1.23%							32	32	1.23%
Municipal securities	710	3.57%	8,443	4.05%	11,228	4.18%	71,068	4.27%	91,449	92,578	4.23%
Corporate debt issues							21,150	2.62%	21,150	21,176	2.62%
Equity securities and mutual funds							5,298	2.47%	5,298	9,850	2.47%
Total investment securities available for sale	742	3.47%	236,388	1.03%	106,005	1.58%	97,516	3.81%	440,651	439,693	1.78%
Residential mortgage-backed securities available for sale:											
Pass through certificates	78,894	2.38%	1,422	4.70%	44,971	1.92%	38,909	4.79%	164,196	169,671	2.84%
CMOs	147,568	0.66%	8,877	3.50%	74,397	1.48%	186,389	1.55%	417,231	407,403	1.27%
Total residential mortgage-backed securities available for sale	226,462	1.26%	10,299	3.67%	119,368	1.71%	225,298	2.11%	581,427	577,074	1.71%
Investment securities held-to-maturity:											
Municipal securities					8,002	3.78%	61,314	4.15%	69,316	70,639	4.11%
Total investment securities held-to-maturity					8,002	3.78%	61,314	4.15%	69,316	70,639	4.11%
Residential mortgage-backed securities held-to-maturity:											
Pass through certificates	5,172	1.65%					11,101	3.84%	16,273	16,888	3.15%

CMOs	1,352	1.11%			8,743	2.24%	25,682	3.04%	35,777	36,534	2.77%
Total residential mortgage-backed securities held-to-maturity	6,524	1.53%			8,743	2.24%	36,783	3.28%	52,050	53,422	2.89%
Total investment securities and mortgage-backed	$ 233,728	1.27%	246,687	1.14%	242,118	1.71%	420,911	2.90%	1,143,444	1,140,828	1.94%

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Loans receivable. Net loans receivable increased by $105.7 million, or 1.9%, to $5.735 billion at December 31, 2013, from $5.629 billion at December 31, 2012. During 2013 personal banking loans increased by $67.6 million, or 1.8%, compared to last year. This increase occurred primarily in our residential mortgage loan portfolio, which increased by $67.4 million, or 2.8%, as a result of retaining most of the loan originations by our wholesale lending operations in the current year which had been previously sold into the secondary markets in prior years. Our efforts to expand beyond traditional residential mortgage lending continued to produce results as our commercial banking loan portfolio increased by $36.2 million, or 1.8%, to $2.011 billion at December 31, 2013 from $1.975 billion at December 31, 2012. Commercial real estate loans increased by $22.6 million, or 1.4%, and commercial loans increased by $13.6 million, or 3.5%, compared to the prior year.

Loans 30 days or more delinquent decreased by 141 loans and $25.8 million, or 16.4%, to 3,501 loans totaling $131.6 million at December 31, 2013 from 3,642 loans totaling $157.4 million at December 31, 2012. Delinquencies for all classes of loans with the exception of home equity loans decreased during the year ended December 31, 2013. Delinquencies on residential mortgage loans decreased by $6.9 million, or 10.4%, delinquencies on other consumer loans decreased by $784,000, or 8.5%, delinquencies on commercial real estate loans decreased by $11.3 million, or 26.8%, and delinquencies on commercial loans decreased by $7.4 million, or 32.9%, while delinquencies on home equity loans increased by $543,000, or 3.2%. Loans 90 days or more delinquent decreased by $10.5 million, or 15.5%, to $57.8 million at December 31, 2013 from $68.3 million at December 31, 2012. This represents the lowest level of loans 90 or more days delinquent since the economic downturn began in 2008.

The following table sets forth the recorded investment in loans receivable by state (based on borrowers domicile) at December 31, 2013.

(Dollars in thousands)	Residential mortgage	(1)	Home equity	(2)	Other consumer	(3)	Commercial real estate loans	(4)	Commercial loans	(5)	Total	(6)
Pennsylvania	$ 2,108,018	84.9%	923,365	85.3%	207,243	90.8%	876,359	54.4%	276,469	68.8%	4,391,454	75.6%
New York	160,931	6.5%	117,081	10.8%	9,890	4.3%	484,071	30.1%	63,689	15.8%	835,662	14.4%
Ohio	19,468	0.8%	10,152	0.9%	3,007	1.3%	27,136	1.7%	14,645	3.6%	74,408	1.3%
Maryland	140,087	5.6%	27,400	2.5%	1,256	0.6%	123,279	7.7%	27,496	6.8%	319,518	5.5%
All other	54,500	2.2%	5,941	0.5%	6,952	3.0%	97,554	6.1%	20,302	5.0%	185,249	3.2%
Total	$ 2,483,004	100.0%	$ 1,083,939	100.0%	$ 228,348	100.0%	$ 1,608,399	100.0%	$ 402,601	100.0%	$ 5,806,291	100.0%

(1) Percentage of total mortgage loans

(2) Percentage of total home equity loans

(3) Percentage of total other consumer loans

(4) Percentage of total commercial real estate loans

(5) Percentage of total commercial loans

(6) Percentage of total loans

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Set forth below are selected data related to the composition of our loan portfolio by type of loan as of the dates indicated.

	At December 31,									
	2013		2012		2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Personal Banking:										
Residential mortgage loans	$ 2,492,138	42.2%	2,431,860	42.0%	2,414,992	42.9%	2,432,421	42.9%	2,371,996	43.8%
Home equity loans	1,083,939	18.3%	1,083,654	18.7%	1,094,201	19.4%	1,108,073	19.5%	1,085,405	20.0%
Other consumer loans:										
Automobile	82,194	1.4%	78,577	1.3%	80,839	1.4%	88,486	1.6%	101,046	1.9%
Education loans	12,394	0.2%	14,606	0.3%	18,840	0.3%	21,957	0.4%	32,860	0.6%
Loans on savings accounts	9,040	0.2%	9,759	0.2%	11,764	0.2%	11,850	0.2%	12,209	0.2%
Other (1)	124,720	2.1%	125,408	2.2%	124,831	2.3%	121,363	2.1%	122,356	2.3%
Total other consumer loans	228,348	3.9%	228,350	4.0%	236,274	4.2%	243,656	4.3%	268,471	5.0%
Total Personal Banking	3,804,425	64.4%	3,743,864	64.7%	3,745,467	66.5%	3,784,150	66.7%	3,725,872	68.8%
Business Banking:										
Commercial real estate	1,665,274	28.2%	1,615,701	27.9%	1,481,127	26.3%	1,423,021	25.1%	1,292,145	23.8%
Commercial loans	437,559	7.4%	432,944	7.4%	408,462	7.2%	463,006	8.2%	403,589	7.4%
Total Business Banking	2,102,833	35.6%	2,048,645	35.3%	1,889,589	33.5%	1,886,027	33.3%	1,695,734	31.2%
Total loans receivable, gross	5,907,258	100.0%	5,792,509	100.0%	5,635,056	100.0%	5,670,177	100.0%	5,421,606	100.0%
Deferred loan costs/ (fees)	2,461		(1,624)		(4,752)		(7,165)		(7,030)	
Undisbursed loan proceeds	(103,428)		(88,405)		(78,785)		(129,007)		(115,111)	
Allowance for loan losses:										
Personal Banking:										
Residential mortgage loans	(7,875)		(8,002)		(8,482)		(6,854)		(9,349)	
Home equity loans	(7,245)		(8,294)		(8,687)		(7,675)		(6,293)	
Other consumer loans:	(5,487)		(5,156)		(5,325)		(5,810)		(6,554)	
Total Personal Banking	(20,607)		(21,452)		(22,494)		(20,339)		(22,196)	
Business Banking:										
	(34,969)		(34,499)		(32,148)		(35,832)		(23,942)	

Commercial real estate					
Commercial loans	(11,110)	(13,242)	(12,080)	(15,770)	(20,073)
Total Business Banking	(46,079)	(47,741)	(44,228)	(51,602)	(44,015)
Unallocated	(4,662)	(4,026)	(4,416)	(4,471)	(4,192)
Total allowance for loan losses	(71,348)	(73,219)	(71,138)	(76,412)	(70,403)
Total loans receivable, net	$ 5,734,943	5,629,261	5,480,381	5,457,593	5,229,062

(1) Consists primarily of secured and unsecured personal loans.

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The following table sets forth the maturity or period of re-pricing of our loan portfolio at December 31, 2013. Demand loans and loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less. Adjustable and floating-rate loans are included in the period in which interest rates are next scheduled to adjust rather than in which they contractually mature, and fixed-rate loans are included in the period in which the final contractual repayment is due.

At December 31, 2013 (In thousands)		Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through five years	Due after five years	Total
Personal Banking:							
Residental mortgage loans	$	134,824	117,454	117,583	233,238	1,889,039	2,492,138
Home equity loans		379,956	76,690	75,606	134,757	416,930	1,083,939
Other consumer loans		92,584	38,988	35,090	59,905	1,781	228,348
Total Personal Banking		607,364	233,132	228,279	427,900	2,307,750	3,804,425
Business Banking:							
Commercial real estate loans		576,997	239,815	266,682	452,369	129,411	1,665,274
Commercial loans		238,033	50,265	42,202	49,706	57,353	437,559
Total Business Banking		815,030	290,080	308,884	502,075	186,764	2,102,833
Total	$	1,422,394	523,212	537,163	929,975	2,494,514	5,907,258

The following table sets forth at December 31, 2013, the dollar amount of all fixed-rate and adjustable-rate loans due one year or more after the date indicated. Adjustable and floating-rate loans are included in the table based on the contractual due date of the loan.

At December 31, 2013 (In thousands)		Fixed	Adjustable	Total
Personal Banking:				
Residental mortgage loans	$	2,402,307	24,861	2,427,168
Home equity loans		766,799	271,896	1,038,695
Other consumer loans		146,275	27,046	173,321
Total Personal Banking		3,315,381	323,803	3,639,184
Business Banking:				
Commercial real estate loans		412,072	909,051	1,321,123
Commercial loans		92,070	139,404	231,474
Total Business Banking		504,142	1,048,455	1,552,597
Total	$	3,819,523	1,372,258	5,191,781

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Deposits. Total deposits decreased by $95.7 million, or 1.7%, to $5.669 billion at December 31, 2013 from $5.765 billion at December 31, 2012. Certificates of deposit decreased by $218.7 million, or 11.6%, to $1.667 billion at December 31, 2013 from $1.886 billion at December 31, 2012 as customers continue to favor more liquid accounts and to utilize savings to fund living expenses. Checking accounts increased by $34.7 million, or 2.2%, to $1.642 billion at December 31, 2013 from $1.607 billion at December 31, 2012. Savings and money market accounts increased by $88.2 million, 3.9%, to $2.360 billion at December 31, 2013 from $2.271 billion at December 31, 2012. The increase in checking, savings and money market accounts are a result of customers allowing maturing certificates of deposit to flow into these accounts.

The following table sets forth the dollar amount of deposits in each state indicated as of December 31, 2013.

State		**Balance (Dollars in thousands)**	**Percent**
Pennsylvania	$	4,713,624	83.2%
New York		623,887	11.0%
Ohio		57,507	1.0%
Maryland		272,881	4.8%
Other		980	
Total	$	5,668,879	100.0%

The following table indicates the amount of our certificates of deposit of $100,000 or more by time remaining until maturity at December 31, 2013.

Maturity period		**Certificates of deposit (In thousands)**
Three months or less	$	42,977
Over three months through six months		34,891
Over six months through twelve months		76,219
Over twelve months		258,990
Total	$	413,077

The following table sets forth the dollar amount of deposits in the various types of accounts we offered at the dates indicated.

		At December 31,								
		2013			**2012**			**2011**		
		Balance	**Percent (1)**	**Rate (2)**	**Balance**	**Percent (1)**	**Rate (2)**	**Balance**	**Percent (1)**	**Rate (2)**
					(Dollars in thousands)					
Savings accounts	$	1,191,584	21.0%	0.28%	1,158,795	20.1%	0.41%	1,072,278	18.5%	0.60%
Checking accounts		1,641,944	29.0	0.03%	1,607,200	27.9	0.06%	1,459,236	25.2	0.07%
Money market accounts		1,167,954	20.6	0.28%	1,112,516	19.3	0.40%	963,994	16.7	0.52%
Certificates of deposit:										
Maturing within 1 year		665,779	11.7	0.60%	871,580	15.1	1.95%	1,356,963	23.5	1.62%

Maturing 1 to 3 years	622,934	11.0	1.64%	438,970	7.6	1.82%	488,647	8.5	2.88%
Maturing more than 3 years	378,684	6.7	1.50%	575,539	10.0	2.41%	439,207	7.6	2.82%
Total certificates	1,667,397	29.4	1.19%	1,886,089	32.7	2.01%	2,284,817	39.6	2.25%
Total deposits	$ 5,668,879	100.0%	0.46%	5,764,600	100.0%	0.96%	5,780,325	100.0%	1.13%

(1) Represents percentage of total deposits.

(2) Represents weighted average nominal rate at year end.

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Borrowings. Borrowings increased by $21.6 million, or 2.5%, to $881.6 million at December 31, 2013 from $860.0 million at December 31, 2012. This increase resulted primarily from funds totaling $30.0 million with a weighted effective interest rate of 2.03% and maturities between seven and ten years being borrowed from the FHLB of Pittsburgh. Partially offsetting this increase was a decrease in reverse repurchase agreements of $8.3 million during 2013. During 2010, we restructured $695.0 million of FHLB borrowings reducing the annual interest cost by 0.22%, while extending the average maturities of these borrowings by approximately 3.5 years. We incurred a penalty of $52.2 million in conjunction with this restructuring, which is being amortized as part of interest expense over the life of the borrowings. At December 31, 2013 the remaining amount to be amortized was $28.7 million. Our next scheduled maturity of FHLB borrowings is in 2015.

The following table sets forth information concerning our borrowings at the dates and for the periods indicated.

	During the years ended December 31,		
	2013	2012	2011
	(Dollars in thousands)		
Federal Home Loan Bank of Pittsburgh borrowings:			
Average balance outstanding	$ 718,559	695,551	700,928
Maximum outstanding at end of any month during year	725,493	695,579	705,645
Balance outstanding at end of year	725,447	695,516	695,585
Weighted average interest rate during year	3.61%	3.67%	3.67%
Weighted average interest rate at end of year	3.60%	3.67%	3.67%
Reverse repurchase agreements:			
Average balance outstanding	$ 150,079	154,620	140,820
Maximum outstanding at end of any month during year	171,815	176,516	151,831
Balance outstanding at end of year	156,198	164,531	132,340
Weighted average interest rate during year	0.31%	0.34%	0.58%
Weighted average interest rate at end of year	0.31%	0.32%	0.35%
Total borrowings:			
Average balance outstanding	$ 868,638	850,171	841,748
Maximum outstanding at end of any month during year	897,268	872,040	847,449
Balance outstanding at end of year	881,645	860,047	827,925
Weighted average interest rate during year	3.04%	3.07%	3.13%
Weighted average interest rate at end of year	3.02%	3.03%	3.13%

Shareholders equity. Total shareholders equity at December 31, 2013 was $1.157 billion, an increase of $28.3 million, or 2.5%, from $1.128 billion at December 31, 2012. This increase was primarily the result of net income of $66.7 million. Partially offsetting this increase was the payment of cash dividends of $45.9 million and the repurchase of 368,800 shares of common stock for $4.5 million.

Average Balance Sheets

The following tables set forth average balance sheets, average yields and costs, and certain other information at and for the periods indicated. All average balances are daily average balances. Non-accrual loans are included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income or expense. The average yield for loans receivable and investment securities are calculated on a fully-taxable equivalent basis.

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