

# Second quarter ended June 30, 2016

## Selected financial data

(\$000's, except per share amounts)

	6/30/16	12/31/15	% Change
Total Assets	\$8,963,975	\$8,951,899	0.1%
Total Loans (net)	7,234,140	7,159,449	1.0%
Total Deposits	6,636,001	6,612,581	0.4%
Shareholders' Equity	1,155,455	1,163,163	(0.7%)
Book Value Per Share	11.28	11.42	(1.2%)
Stock Closing Price	14.83	13.39	10.8%

Quarter ended	6/30/16	6/30/15	% Change
Net Interest Income	\$76,686	\$62,178	23.3%
Provision for Loan Losses	4,199	1,050	299.9%
Noninterest Income	20,275	16,525	22.7%
Noninterest Expense	103,261	55,135	87.3%
Income/(loss) Before Taxes	(10,499)	22,518	(146.6)%
Income Tax Expenses/(benefit)	(3,491)	7,213	(148.4)%
Net Income/(loss)	(7,008)	15,305	(145.8)%
Diluted Earnings/(loss) Per Share	(0.07)	0.17	(141.2)%
Return on Average Equity	(2.44)%	5.77%	—
Return on Average Assets	(0.32)%	0.78%	—
*Non-GAAP Net Income	19,597	15,621	25.5%
*Non-GAAP Diluted Earnings per share	0.20	0.17	17.6%
*Non-GAAP Return on Average Equity	6.82%	5.89%	—
*Non-GAAP Return on Average Assets	0.89%	0.80%	—

Six months ended	6/30/16	6/30/15	% Change
Net Interest Income	\$148,238	\$125,159	18.4%
Provision for Loan Losses	5,859	1,950	200.5%
Noninterest Income	39,723	31,150	27.5%
Noninterest Expense	166,536	108,846	53.0%
Income Before Taxes	15,566	45,513	(65.8)%
Income Taxes	4,590	14,038	(67.3)%
Net Income	10,976	31,475	(65.1)%
Diluted Earnings Per Share	0.11	0.34	(67.6)%
Return on Average Equity	1.90%	5.97%	—
Return on Average Assets	0.25%	0.81%	—
*Non-GAAP Net Income	37,910	32,027	18.4%
*Non-GAAP Diluted Earnings Per Share	0.38	0.35	8.6%
*Non-GAAP Return on Average Equity	6.58%	6.07%	—
*Non-GAAP Return on Average Assets	0.86%	0.82%	—

\*Excludes restructuring/acquisition expenses, and FHLB prepayment penalty

## "Highest Customer Satisfaction with Retail Banking in the Mid-Atlantic Region."



## Corporate profile

Northwest Bancshares, Inc. (the "Company") is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The Company operates Northwest Bank (the "Bank"), a full-service financial institution headquartered in Warren, Pennsylvania. Through this subsidiary, the Company operates 150 full-service community-banking locations, 7 free standing drive-through facilities and 264 automated teller machines (ATMs) in Pennsylvania, northeastern Ohio, western New York and northern Maryland. The Bank also operates Northwest Consumer Discount Company, with 51 consumer loan offices in Pennsylvania; Northwest Retirement Services, an actuarial and employee benefit consulting operation; Northwest Insurance Services, which offers employee benefits and property and casualty insurance; Northwest Investment Services, a full and discount brokerage service; and Northwest Advisors, Inc., a registered investment advisor.

The Company has operated as a community-oriented financial institution since 1896, and has demonstrated a pattern of sustained expansion resulting from strong internal growth combined with a series of mergers, acquisitions and new office openings.

### The Company's business emphasis is to:

- Solicit personal and business deposits as a primary source of funding.
- Provide high-quality personal and business banking loans in its markets.
- Offer trust, investment management, insurance, employee benefit plans and financial planning services with a personal touch to individuals, businesses and charitable institutions.

## Earnings released and dividend declared

The Company reported a net loss for the quarter ended June 30, 2016, of \$7.0 million, or \$0.07 per diluted share. This represents a decrease of \$22.3 million compared to the same quarter last year when net income was \$15.3 million, or \$0.17 per diluted share.

The Company also announced that its Board of Directors declared a quarterly cash dividend of \$0.15 per share payable on August 18, 2016, to shareholders of record as of August 4, 2016. This represents the 87th consecutive quarter in which the Company has paid a cash dividend.

Earnings for the current quarter include a \$37.0 million penalty for the prepayment of \$715.0 million of Federal Home Loan Bank ("FHLB") term borrowings which were replaced with lower-cost, short-term advances. The refinancing of FHLB advances was done in anticipation of the purchase of 18 offices from First Niagara Bank, which is expected to close during the third quarter of 2016 and contribute deposits of approximately \$1.7 billion. Upon closing the First Niagara transaction, the total impact of replacing long-term borrowings with low-cost deposits will create annual interest expense savings of \$24.0 million. Also negatively impacting quarterly earnings were restructuring costs of \$2.9 million related to the consolidation of 24 offices, and acquisition expenses of \$467,000 related to the First Niagara transaction. Excluding the after-tax impact of these expenses, non-GAAP net operating income for the quarter was \$19.6 million, or \$0.20 per diluted share, compared to non-GAAP net operating income of \$15.6 million, or \$0.17 per diluted share in the same quarter last year. The non-GAAP annualized returns on average shareholders' equity and average assets for the quarter ended June 30, 2016, were 6.82% and 0.89% compared to 5.89% and 0.80% in the previous year.

In making the announcement, William J. Wagner, president and CEO, noted, "2016 is proving to be a transformational year for our company. We were able to drive

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## Net income (in millions of dollars)



## Assets (in billions of dollars)



## Key stock statistics

	6/30/16	12/31/15
Shares Outstanding (net)	102,472,947	101,871,737
Tangible Book Value Per Share	\$8.64	\$8.76
Market Capitalization (in billions)	\$1.52	\$1.36

## Stock listing

Northwest Bancshares, Inc. common stock trades on the NASDAQ Global Select Market under the symbol "NWBI." The CUSIP number is 667340103.

## Dividend reinvestment and direct stock purchase and sale plan

The plan provides direct shareholders and interested new investors with a convenient method to purchase shares of NWBI. You can access the plan materials and enroll online at [amstock.com](http://amstock.com). You may also request a copy of the plan prospectus and enrollment application by calling the plan administrator, American Stock Transfer & Trust Company, toll free at (877) 715-0499 or Northwest at (800) 859-1000 or (814) 728-7263.

## Direct deposit of dividends (ACH)

Enroll by accessing your shareholder account online at [amstock.com](http://amstock.com) or to obtain an enrollment card by mail, contact American Stock Transfer & Trust Co. at (877) 777-0800 or Northwest at (800) 859-1000.

## Online shareholder account access

Direct shareholders can access their account online via "Shareholder Account Access" at [amstock.com](http://amstock.com) to retrieve account details, update their shareholder profile, print a duplicate Form 1099 DIV, issue, sell or purchase shares online and more.

## Registrar, transfer and dividend disbursing agent

American Stock Transfer & Trust Company LLC  
6201 15th Avenue, Brooklyn, NY 11219  
Phone: (877) 777-0800 • [amstock.com](http://amstock.com)

## Corporate Headquarters

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Phone: (814) 726-2140 Fax: (814) 728-7716 • [northwest.com](http://northwest.com)

Chairman, President and CEO: William J. Wagner  
Senior Executive Vice President and CFO: W. Harvey Jr.  
AVP, Shareholder Relations: Ian R. Scott

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greater efficiency by consolidating 24 of our offices, which decreased our total office count by 13%. Although this consolidation required \$3.5 million in restructuring charges, annual savings going forward will be approximately \$5.0 million."

"We also announced an agreement to purchase 18 First Niagara Bank offices in the greater Buffalo market with deposits of \$1.7 billion and loans of \$511.0 million. We anticipate closing this transaction before the end of the third quarter, and we look forward to the favorable impact it will have on our operating metrics. Given the large size of these offices, with deposits that average approximately \$95.0 million, our efficiency ratio will improve and our presence in the Buffalo market will be greatly enhanced. We also anticipate that this acquisition will provide a favorable impact to our net interest margin, net income, return on assets and earning per share. Most importantly, we are extremely excited to welcome the 70,000 new customers of these offices and the 185 employees who serve them."

Net interest income increased by \$14.5 million, or 23.3%, to \$76.7 million for the quarter ended June 30, 2016, from \$62.2 million for the quarter ended June 30, 2015. This increase is due primarily to an \$11.7 million, or 16.4%, increase in interest income on loans as a result of a \$1.170 billion increase in the Company's loan portfolio from June 30 of last year. Contributing significantly to this increase was the acquisition of Lorain National Bank ("LNB") on August 14, 2015, which added loans of \$928.0 million. Also contributing to the increase in net interest income was a \$4.0 million decrease in interest expense on borrowed funds due primarily to the previously mentioned FHLB advance restructuring. Partially offsetting these improvements was a \$752,000 decrease in interest income on investment securities as the cash flow from these securities was used to fund loan growth. The interest paid on deposits increased by \$174,000 for the quarter as deposit balances were \$941.5 million, or 16.5%, higher than they were in the previous year, primarily due to the LNB acquisition. As a result of these changes, the Company's interest rate spread increased to 3.71% for the quarter ended June 30, 2016, from 3.25% for the comparable period last year while the net interest margin increased to 3.82% for the quarter ended June 30, 2016, from 3.45% for the same quarter last year.

The provision for loan losses increased by \$3.1 million, or 299.9%, to \$4.2 million for the quarter ended June 30, 2016, from \$1.1 million for the quarter ended June 30, 2015. This increase is due primarily to the downgrade of three commercial banking relationships requiring an additional \$1.7 million of combined reserves. However, overall credit quality continued to improve as classified loans to total loans decreased to 2.73% at June 30, 2016, from 3.12% at June 30, 2015, and annualized net charge-offs to average loans decreased to 0.31% for the quarter ended June 30, 2016, from 0.61% for the quarter ended June 30, 2015.

Noninterest income increased by \$3.8 million, or 22.7%, to \$20.3 million for the quarter ended June 30, 2016, from \$16.5 million for the quarter ended June 30, 2015. Contributing to this increase was an increase in service charges and fees of \$1.4 million, or 15.2%, which is attributable to the growth in checking accounts from both the LNB acquisition and internal growth initiatives. Gain on sale of real estate owned increased by \$652,000, as the Company recognized a net gain of \$111,000 for the quarter ended June 30, 2016, compared to a net loss of \$541,000 for the same quarter last year.

Noninterest expense increased by \$48.2 million, or 87.3%, to \$103.3 million for the quarter ended June 30, 2016, from \$55.1 million for the quarter ended June 30, 2015. This increase resulted primarily from the FHLB prepayment penalty of \$37.0 million and an increase in acquisition and restructuring charges of \$2.8 million as previously discussed. The other increases for the current quarter compared to the prior year are primarily attributable to incremental expenses from the LNB acquisition.

Net income for the six month period ended June 30, 2016, was \$11.0 million, or \$0.11 per diluted share. This represents a decrease of \$20.5 million, or 65.1%, compared to the six month period ended June 30, 2015, when net income was \$31.5 million, or \$0.34 per diluted share. This decrease is due primarily to the FHLB prepayment penalty of \$37.0 million, acquisition and restructuring expense of \$4.0 million and the additional loan loss provision previously discussed, as well as other increases in noninterest expense related to the inclusion of the LNB franchise on August 14, 2015. Offsetting these items which negatively impacted income was an increase in interest income on loans of \$21.7 million, or 15.3%, and an increase in noninterest income of \$8.6 million, or 27.5%. Non-GAAP net operating income for the six month period ended June 30, 2016, which excludes the after-tax impact of the aforementioned FHLB prepayment penalty and restructuring and acquisition expenses totaling \$26.6 million, was \$37.9 million, or \$0.38 per diluted share. This represents an increase of \$5.9 million, or 18.4%, compared to the six month period ended June 30, 2015, non-GAAP net operating income of \$32.0 million, or \$0.35 per diluted share. The non-GAAP annualized returns on average shareholders' equity and average assets for the six month period ended June 30, 2016, were 6.58% and 0.86% compared to 6.07% and 0.82% for the same period last year.