Northwest Bancshares, Inc.
Form 10-Q
August 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from to

Commission File Number 001-34582

NORTHWEST BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

Common Stock ($0.01 par value) 102,518,588 shares outstanding as of July 31, 2016

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NORTHWEST BANCSHARES, INC.
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ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2016	December 31, 2015
Assets		
Cash and due from banks	$87,711	92,263
Interest-earning deposits in other financial institutions	223,084	74,510
Federal funds sold and other short-term investments	636	635
Marketable securities available-for-sale (amortized cost of $692,403 and $868,956)	705,297	874,405
Marketable securities held-to-maturity (fair value of $25,978 and $32,552)	25,144	31,689
Total cash and investments	1,041,872	1,073,502
Personal Banking loans:		
Residential mortgage loans held for sale	39,942	—
Residential mortgage loans	2,717,656	2,750,564
Home equity loans	1,162,174	1,187,106
Consumer loans	546,550	510,617
Total Personal Banking loans	4,466,322	4,448,287
Commercial Banking loans:		
Commercial real estate loans	2,363,376	2,351,434
Commercial loans	465,223	422,400
Total Business Banking loans	2,828,599	2,773,834
Total loans	7,294,921	7,222,121
Allowance for loan losses	(60,781)	(62,672)
Total loans, net	7,234,140	7,159,449
Federal Home Loan Bank stock, at cost	40,321	40,903
Accrued interest receivable	20,713	21,072
Real estate owned, net	4,950	8,725
Premises and equipment, net	151,643	154,351
Bank owned life insurance	169,616	168,509
Goodwill	262,140	261,736
Other intangible assets	8,095	8,982
Other assets	30,485	54,670
Total assets	$8,963,975	8,951,899
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing checking deposits	$1,189,032	1,177,256
Interest-bearing checking deposits	1,110,607	1,080,086
Money market deposit accounts	1,295,127	1,274,504
Savings deposits	1,444,947	1,386,017
Time deposits	1,596,288	1,694,718
Total deposits	6,636,001	6,612,581
Borrowed funds	959,969	975,007

Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	111,213	111,213
Advances by borrowers for taxes and insurance	45,288	33,735
Accrued interest payable	737	1,993
Other liabilities	55,312	54,207
Total liabilities	7,808,520	7,788,736
Shareholders' equity:		
Preferred stock, $0.01 par value: 50,000,000 authorized, no shares issued	—	—
Common stock, $0.01 par value: 500,000,000 shares authorized, 102,472,947 and 101,871,737 shares issued, respectively	1,025	1,019
Paid-in capital	722,980	717,603
Retained earnings	470,337	489,292
Unallocated common stock of employee stock ownership plan	(19,370)	(20,216)
Accumulated other comprehensive loss	(19,517)	(24,535)
Total shareholders' equity	1,155,455	1,163,163
Total liabilities and shareholders' equity	$8,963,975	8,951,899

See accompanying notes to unaudited consolidated financial statements

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

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Interest income:				
Loans receivable	$82,645	70,985	163,426	141,696
Mortgage-backed securities	2,115	2,058	4,344	4,292
Taxable investment securities	756	1,129	1,794	2,174
Tax-free investment securities	707	1,143	1,431	2,491
FHLB dividends	401	475	868	1,878
Interest-earning deposits	70	180	129	319
Total interest income	86,694	75,970	171,992	152,850
Interest expense:				
Deposits	5,865	5,691	11,953	11,457
Borrowed funds	4,143	8,101	11,801	16,234
Total interest expense	10,008	13,792	23,754	27,691
Net interest income	76,686	62,178	148,238	125,159
Provision for loan losses	4,199	1,050	5,859	1,950
Net interest income after provision for loan losses	72,487	61,128	142,379	123,209
Noninterest income:				
Gain on sale/ call of investments	227	566	354	661
Service charges and fees	10,630	9,228	20,695	17,887
Trust and other financial services income	3,277	3,094	6,538	5,870
Insurance commission income	2,768	2,210	5,482	4,638
Gain/ (loss) on real estate owned, net	111	(541)	360	(1,587)
Income from bank owned life insurance	1,105	1,008	2,700	1,921
Mortgage banking income	446	218	664	458
Other operating income	1,711	742	2,930	1,302
Total noninterest income	20,275	16,525	39,723	31,150
Noninterest expense:				
Compensation and employee benefits	34,349	28,920	67,382	56,815
Premises and occupancy costs	6,275	5,899	12,812	12,166
Office operations	3,343	2,905	6,803	5,817
Collections expense	729	603	1,405	1,371
Processing expenses	8,172	7,392	16,586	14,597
Marketing expenses	2,541	3,190	4,432	5,166
Federal deposit insurance premiums	1,442	1,286	2,945	2,633
Professional services	2,129	1,652	3,962	3,444
Amortization of intangible assets	710	269	1,385	537
Real estate owned expense	295	514	606	1,206
Restructuring/ acquisition expense	3,386	467	4,021	814
FHLB prepayment penalty	36,978	—	36,978	—
Other expenses	2,912	2,038	7,219	4,280
Total noninterest expense	103,261	55,135	166,536	108,846

Income/ (loss) before income taxes	(10,499)	22,518	15,566	45,513
Federal and state income taxes expense/ (benefit)	(3,491)	7,213	4,590	14,038
Net income/ (loss)	$(7,008)	15,305	10,976	31,475
Basic earnings/ (loss) per share	$(0.07)	0.17	0.11	0.34
Diluted earnings per share	$(0.07)	0.17	0.11	0.34

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in thousands)

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income/ (loss)	$(7,008)	15,305	10,976	31,475
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of $(659), $1,139, $(2,879) and $(746), respectively	1,027	(1,788)	4,502	1,164
Reclassification adjustment for (gains)/ losses included in net income, net of tax of $(14), $179, $(25) and $222 respectively	22	(279)	39	(347)
Net unrealized holding gains on marketable securities	1,049	(2,067)	4,541	817
Change in fair value of interest rate swaps, net of tax of $(90), $(263), $(14) and $(287), respectively	166	488	26	532
Defined benefit plan:				
Reclassification adjustments for prior period service costs and net losses included in net income, net of tax of $(144), $(140), $(288) and $(280), respectively	226	219	451	438
Other comprehensive income/ (loss)	1,441	(1,360)	5,018	1,787
Total comprehensive income/ (loss)	$(5,567)	13,945	15,994	33,262

See accompanying notes to unaudited consolidated financial statements

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

Quarter ended June 30, 2015

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at March 31, 2015	94,553,350	$ 946	624,584	484,774	(21,223)	(21,565)	1,067,516
Comprehensive income:							
Net income	—	—	—	15,305	—	—	15,305
Other comprehensive loss, net of tax of $915	—	—	—	—	(1,360)	—	(1,360)
Total comprehensive income/ (loss)	—	—	—	15,305	(1,360)	—	13,945
Exercise of stock options	60,849	—	632	—	—	—	632
Stock-based compensation expense, including tax benefit of $6	306,350	3	1,316	—	—	80	1,399
Share repurchases	(179,800)	(2)	(2,211)	—	—	—	(2,213)
Dividends paid ($0.14 per share)	—	—	—	(12,929)	—	—	(12,929)
Ending balance at June 30, 2015	94,740,749	$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350

Quarter ended June 30, 2016

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at March 31, 2016	101,848,509	$ 1,018	718,027	492,316	(20,958)	(19,815)	1,170,588
Comprehensive income:							
Net loss	—	—	—	(7,008)	—	—	(7,008)
	—	—	—	—	1,441	—	1,441

Other comprehensive income, net of tax of $(907)							
Total comprehensive income/ (loss)	—	—	—	(7,008)	1,441	—	(5,567)
Exercise of stock options	300,721	4	3,262	—	—	—	3,266
Stock-based compensation expense, including tax benefit of $187	323,717	3	1,691	—	—	445	2,139
Dividends paid ($0.15 per share)	—	—	—	(14,971)	—	—	(14,971)
Ending Balance at June 30, 2016	102,472,947	$ 1,025	722,980	470,337	(19,517)	(19,370)	1,155,455

See accompanying notes to unaudited consolidated financial statements

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

Six months ended June 30, 2015

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2014	94,721,453	$ 947	626,134	481,577	(24,370)	(21,641)	1,062,647
Comprehensive income:							
Net income	—	—	—	31,475	—	—	31,475
Other comprehensive income, net of tax of $(1,091)	—	—	—	—	1,787	—	1,787
Total comprehensive income	—	—	—	31,475	1,787	—	33,262
Exercise of stock options	210,746	2	2,065	—	—	—	2,067
Stock-based compensation expense, including tax benefit of $23	306,350	3	2,120	—	—	156	2,279
Share repurchases	(497,800)	(5)	(5,998)	—	—	—	(6,003)
Dividends paid ($0.28 per share)	—	—	—	(25,902)	—	—	(25,902)
Ending balance at June 30, 2015	94,740,749	$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350

Six months ended June 30, 2016

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
Beginning balance at December 31, 2015	101,871,737	$ 1,019	717,603	489,292	(24,535)	(20,216)	1,163,163
Comprehensive income:							
Net income	—	—	—	10,976	—	—	10,976
Other comprehensive income, net of tax of $(3,206)	—	—	—	—	5,018	—	5,018

Total comprehensive income	—	—	—	10,976	5,018	—	15,994
Exercise of stock options	423,393	5	4,578	—	—	—	4,583
Stock-based compensation expense, including tax benefit of $206	323,717	3	2,549	—	—	846	3,398
Share repurchases	(145,900)	(2)	(1,750)	—	—	—	(1,752)
Dividends paid ($0.30 per share)	—	—	—	(29,931)	—	—	(29,931)
Ending balance at June 30, 2016	102,472,947	$1,025	722,980	470,337	(19,517)	(19,370)	1,155,455

See accompanying notes to unaudited consolidated financial statements

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

	Six months ended June 30, 2016	2015
OPERATING ACTIVITIES:		
Net Income	$ 10,976	31,475
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,859	1,950
Net gain on sale of assets	(2,127)	(311)
Net depreciation, amortization and accretion	5,332	2,571
Decrease in other assets	23,505	11,233
Increase in other liabilities	2,284	1,169
Net amortization on marketable securities	1,035	173
Noncash write-down of real estate owned	927	1,927
FHLB prepayment penalty	24,520	—
Deferred income tax benefit	(650)	—
Origination of loans held for sale	(114,140)	(221)
Proceeds from sale of loans held for sale	74,042	224
Noncash compensation expense related to stock benefit plans	3,192	2,256
Net cash provided by operating activities	34,755	52,446
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(2,000)	(59,980)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	6,544	42,409
Proceeds from maturities and principal reductions of marketable securities available-for-sale	177,781	111,630
Proceeds from sale of marketable securities available-for-sale	91	1,214
Loan originations	(1,221,930)	(996,253)
Proceeds from loan maturities and principal reductions	1,182,305	850,823
Net sale/ (purchase) of Federal Home Loan Bank stock	582	(4,773)
Proceeds from sale of real estate owned	5,989	5,704
Sale of real estate owned for investment, net	304	304
Purchase of premises and equipment	(8,235)	(5,172)
Acquisitions, net of cash received	(684)	(438)
Net cash provided by/ (used in) investing activities	140,747	(54,532)

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

	Six months ended June 30, 2016	2015
FINANCING ACTIVITIES:		
Increase in deposits, net	$23,420	61,940
Proceeds from long-term borrowings	—	85,000
Repayments of long-term borrowings, including prepayment penalty	(774,546)	(50,026)
Net increase/ (decrease) in short-term borrowings	734,988	(24,027)
Increase in advances by borrowers for taxes and insurance	11,553	11,256
Cash dividends paid	(29,931)	(25,902)
Purchase of common stock for retirement	(1,752)	(6,003)
Proceeds from stock options exercised	4,583	2,067
Excess tax benefit from stock-based compensation	206	23
Net cash provided by/ (used in) financing activities	(31,479)	54,328
Net increase in cash and cash equivalents	$144,023	52,242
Cash and cash equivalents at beginning of period	$167,408	240,706
Net increase in cash and cash equivalents	144,023	52,242
Cash and cash equivalents at end of period	$311,431	292,948
Cash and cash equivalents:		
Cash and due from banks	$87,711	84,000
Interest-earning deposits in other financial institutions	223,084	208,311
Federal funds sold and other short-term investments	636	637
Total cash and cash equivalents	$311,431	292,948
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of $11,335 and $10,508, respectively)	$25,010	27,325
Income taxes	$1,502	4,823
Business acquisitions:		
Fair value of assets acquired	$810	438
Cash paid, net	(684)	(438)
Liabilities assumed	$126	—
Non-cash activities:		
Loans foreclosures and repossessions	$1,854	5,012
Sale of real estate owned financed by the Company	$1,260	174

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the “Company”) or (“NWBI”), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (“Northwest”). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. Northwest operates 157 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest’s subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, Boetger & Associates, Inc. and The Bert Company. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information or footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company’s financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 updated, as required, for any new pronouncements or changes.

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

During the quarter ended June 30, 2016, we identified and corrected an error that arose in prior periods related to the amortization of certain deferred loan fees related to letters of credit, which had the impact of understating our interest income. We have assessed the materiality of these corrections of errors and concluded, based on qualitative and quantitative considerations, that the adjustments are not material to the financial statements as a whole. As a result, $1.1 million of deferred loan fees were recognized in loan interest income for the quarter and six months ended June 30, 2016. For the quarter and six months ended June 30, 2015 loan interest income would have increased by $53,000 and $98,000, respectively, income tax expense would have increased by $21,000 and $38,000, respectively, and net income would have increased by $32,000 and $60,000, respectively.

The results of operations for the quarter and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016, or any other period.

Stock-Based Compensation

On May 18, 2016, we awarded employees 660,600 stock options and directors 64,800 stock options with an exercise price of $14.15 and grant date fair value of $1.52 per stock option. On May 18, 2016, we also awarded employees 310,160 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of $14.51. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of $1.9 million and $1.4 million for the quarters ended June 30, 2016 and 2015, and $3.2 million and $2.3 million for the six months ended June 30, 2016 and 2015, respectively, was recognized in compensation expense relating to our stock benefit plans. At June 30, 2016 there was compensation expense of $4.6 million to be recognized for awarded but unvested stock options and $17.0 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At June 30, 2016 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in other expenses and (2) refund claims in other operating income. We recognize penalties (if any) in other expenses. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2015, 2014, 2013 and 2012. We are currently under

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audit by the state of New York for the tax periods ended December 31, 2014, 2013, 2012 and 2011. At June 30, 2016 we have accrued $219,000 for the payment of interest and penalties related to this audit.

Impact of New Accounting Standards

In May 2014 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-9, "Revenue from Contracts with Customers (Topic 606)". This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of this guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and provides five steps to be analyzed to accomplish the core principle. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2017, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In January 2016 the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10)". This guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Additionally, this guidance requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In February 2016 the FASB issued ASU 2016-2, "Leases". This guidance requires a lessee to recognize in the statement of financial condition a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the term of the lease. Optional periods should only be recognized if the lessee is reasonably certain to exercise the option. For leases with a term of twelve months or less, the lessee is permitted not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the term of the lease. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those years and early adoption is permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In March 2016 the FASB issued ASU 2016-08, "Principal Versus Agent Considerations". This guidance clarifies the implementation guidance on principal versus agent considerations of ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". When another party is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). When (or as) an entity that is a principal satisfies a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the other party. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2017, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In March 2016 the FASB issued ASU 2016-09, “Improvements to Employee Share-based Payment Accounting”. This guidance is part of the FASB's Simplification Initiative and simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those years and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments, which eliminates the probable initial recognition threshold for credit losses requiring, instead, that all financial assets (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected inclusive of the entity’s current estimate of all lifetime expected credit losses. This guidance also applies to certain off-balance-sheet credit exposures such as unfunded commitments and non-derivative financial guarantees. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) in order to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The income statement under this guidance will reflect the initial

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recognition of current expected credit losses for newly recognized assets, as well as any increases or decreases of expected credit losses that have occurred during the period. This guidance retains many currently-existing disclosures related to the credit quality of an entity's assets and the related allowance for credit losses amended to reflect the change to an expected credit loss methodology, as well as enhanced disclosures to provide information to users at a more disaggregated level. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition is provided in order to maintain the same amortized cost prior to and subsequent to the effective date of the ASU. This guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those annual periods. We are currently evaluating the impact this standard will have on our results of operations and financial position.

(2) Business Segments

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 51 offices in Pennsylvania and offers personal installment loans for a variety of consumer and real estate products. This activity is funded primarily through an intercompany borrowing relationship with Allegheny Services, Inc., a subsidiary of Northwest. Net income is the primary measure used by management to measure segment performance. The following tables provide financial information for these reportable segments. The "All Other" column represents the parent company and elimination entries necessary to reconcile to the consolidated amounts presented in the financial statements.

At or for the quarter ended (in thousands):

June 30, 2016	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$82,137	4,324	233	86,694
Intersegment interest income/ expense	631	—	(631)	—
Interest expense	8,924	631	453	10,008
Provision for loan losses	3,365	834	—	4,199
Noninterest income	19,848	400	27	20,275
Noninterest expense	100,079	2,878	304	103,261
Income tax expense (benefit)	(3,245)	158	(404)	(3,491)
Net income	$(6,507)	223	(724)	(7,008)
Total assets	$8,839,334	108,282	16,359	8,963,975

June 30, 2015	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$71,273	4,492	205	75,970
Intersegment interest income/ expense	582	—	(582)	—
Interest expense	12,781	582	429	13,792
Provision for loan losses	850	200	—	1,050
Noninterest income	16,080	411	34	16,525

Noninterest expense	51,682	3,081	372	55,135
Income tax expense (benefit)	7,183	434	(404)	7,213
Net income	$ 15,439	606	(740)	15,305
Total assets	$ 7,740,273	108,348	15,889	7,864,510

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

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At or for the six months ended (in thousands):

June 30, 2016	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	$162,975	8,567	450	171,992
Intersegment interest income	1,273	—	(1,273)	—
Interest expense	21,605	1,273	876	23,754
Provision for loan losses	4,578	1,281	—	5,859
Noninterest income	38,854	780	89	39,723
Noninterest expense	160,051	5,807	678	166,536
Income tax expense (benefit)	4,997	409	(816)	4,590
Net income	$11,871	577	(1,472)	10,976
Total assets	$8,839,334	108,282	16,359	8,963,975

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

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

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(3) Investment securities and impairment of investment securities

The following table shows the portfolio of investment securities available-for-sale at June 30, 2016 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 9	—	—	9
Debt issued by government sponsored enterprises:				
Due in one year or less	15,000	—	(1)	14,999
Due after one year through five years	163,440	830	(51)	164,219
Due after five years through ten years	670	5	—	675
Due after ten years	—	—	—	—
Equity securities	3,351	459	(87)	3,723
Municipal securities:				
Due in one year or less	1,035	3	—	1,038
Due after one year through five years	13,666	167	(1)	13,832
Due after five years through ten years	12,067	432	—	12,499
Due after ten years	47,985	1,989	—	49,974
Corporate debt issues:				
Due after ten years	14,432	2,890	(469)	16,853
Residential mortgage-backed securities:				
Fixed rate pass-through	104,094	3,587	(26)	107,655
Variable rate pass-through	48,949	2,336	(5)	51,280
Fixed rate non-agency CMOs	2,022	181	—	2,203
Fixed rate agency CMOs	190,336	1,226	(777)	190,785
Variable rate agency CMOs	75,347	341	(135)	75,553
Total residential mortgage-backed securities	420,748	7,671	(943)	427,476
Total marketable securities available-for-sale	$ 692,403	14,446	(1,552)	705,297

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	$ 11	—	—	11
Debt issued by government sponsored enterprises:				
Due in one year or less	15,500	3	(48)	15,455
Due after one year through five years	257,463	298	(1,395)	256,366
Due after five years through ten years	12,721	14	(23)	12,712
Due after ten years	9,815	135	(43)	9,907
Equity securities	1,400	500	(6)	1,894
Municipal securities:				
Due in one year or less	1,684	8	—	1,692
Due after one year through five years	14,327	117	(4)	14,440
Due after five years through ten years	12,400	323	—	12,723
Due after ten years	52,286	1,727	—	54,013
Corporate debt issues:				
Due after ten years	14,463	2,417	(405)	16,475
Residential mortgage-backed securities:				
Fixed rate pass-through	118,266	2,480	(420)	120,326
Variable rate pass-through	54,292	2,616	(7)	56,901
Fixed rate non-agency CMOs	2,519	230	—	2,749
Fixed rate agency CMOs	215,719	389	(3,881)	212,227
Variable rate agency CMOs	86,090	476	(52)	86,514
Total residential mortgage-backed securities	476,886	6,191	(4,360)	478,717
Total marketable securities available-for-sale	$ 868,956	11,733	(6,284)	874,405

The following table shows the portfolio of investment securities held-to-maturity at June 30, 2016 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	$ 274	1	—	275
Due after ten years	4,805	159	—	4,964
Residential mortgage-backed securities:				
Fixed rate pass-through	5,785	368	—	6,153
Variable rate pass-through	3,213	76	—	3,289
Fixed rate agency CMOs	10,182	217	—	10,399
Variable rate agency CMOs	885	13	—	898

Total residential mortgage-backed securities	20,065	674	—	20,739
Total marketable securities held-to-maturity	$ 25,144	834	—	25,978

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	$ 274	1	—	275
Due after ten years	6,336	239	—	6,575
Residential mortgage-backed securities:				
Fixed rate pass-through	6,458	351	—	6,809
Variable rate pass-through	3,618	41	—	3,659
Fixed rate agency CMOs	14,033	219	—	14,252
Variable rate agency CMOs	970	12	—	982
Total residential mortgage-backed securities	25,079	623	—	25,702
Total marketable securities held-to-maturity	$ 31,689	863	—	32,552

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2016 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government sponsored enterprises	$ 14,999	(1)	11,570	(51)	26,569	(52)
Municipal securities	2,188	(1)	—	—	2,188	(1)
Corporate issues	—	—	1,958	(469)	1,958	(469)
Equity securities	2,463	(87)	—	—	2,463	(87)
Residential mortgage-backed securities - agency	27,425	(70)	88,558	(873)	115,983	(943)
Total temporarily impaired securities	$ 47,075	(159)	102,086	(1,393)	149,161	(1,552)

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2015 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government sponsored enterprises	$ 143,751	(723)	92,961	(786)	236,712	(1,509)
Municipal securities	7,505	(4)	—	—	7,505	(4)
Corporate debt issues	—	—	2,021	(405)	2,021	(405)
Equity securities	544	(6)	—	—	544	(6)
Residential mortgage-backed securities - agency	122,109	(598)	149,889	(3,762)	271,998	(4,360)
Total temporarily impaired securities	$ 273,909	(1,331)	244,871	(4,953)	518,780	(6,284)

We review our investment portfolio for indications of impairment. This review includes analyzing the length of time and the extent to which amortized costs have exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent to hold the investments for a period of time sufficient to allow for a recovery in value. Certain investments are evaluated using our best estimate of future cash flows.

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If the estimate of cash flows indicates that an adverse change has occurred, other-than-temporary impairment is recognized for the amount of the unrealized loss that was deemed credit related.

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

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

	2016	2015
Beginning balance at April 1, (1)	$8,424	8,865
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for losses realized during the quarter	(16)	(16)
Reduction for securities called realized during the quarter	—	(360)
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at June 30,	$8,408	$8,489

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

	2016	2015
Beginning balance at January 1, (1)	$8,436	8,894
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for losses realized during the six months	(28)	(45)
Reduction for securities called realized during the nine months	—	(360)
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at June 30,	$8,408	8,489

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

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(4) Loans receivable

The following table shows a summary of our loans receivable at June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016			December 31, 2015		
	Originated	Acquired	Total	Originated	Acquired	Total
Personal Banking:						
Residential mortgage loans (1)	$2,714,268	42,304	2,756,572	2,695,561	45,716	2,741,277
Home equity loans	1,039,457	122,717	1,162,174	1,055,907	131,199	1,187,106
Consumer loans	381,677	154,321	535,998	307,961	202,656	510,617
Total Personal Banking	4,135,402	319,342	4,454,744	4,059,429	379,571	4,439,000
Commercial Banking:						
Commercial real estate loans	2,173,571	387,131	2,560,702	2,094,710	429,564	2,524,274
Commercial loans	440,785	50,814	491,599	372,540	65,175	437,715
Total Commercial Banking	2,614,356	437,945	3,052,301	2,467,250	494,739	2,961,989
Total loans receivable, gross	6,749,758	757,287	7,507,045	6,526,679	874,310	7,400,989
Deferred loan costs	18,530	4,116	22,646	14,806	5,259	20,065
Allowance for loan losses	(55,323)	(5,458)	(60,781)	(60,970)	(1,702)	(62,672)
Undisbursed loan proceeds:						
Residential mortgage loans	(11,068)	—	(11,068)	(10,778)	—	(10,778)
Commercial real estate loans	(193,808)	(3,518)	(197,326)	(159,553)	(13,287)	(172,840)
Commercial loans	(24,281)	(2,095)	(26,376)	(11,132)	(4,183)	(15,315)
Total loans receivable, net	$6,483,808	750,332	7,234,140	6,299,052	860,397	7,159,449

(1) Includes $39.9 million of loans held for sale at June 30, 2016.

Acquired loans were initially measured at fair value and subsequently accounted for under either Accounting Standards Codification ("ASC") Topic 310-30 or ASC Topic 310-20. The following table provides information related to the outstanding principal balance and related carrying value of acquired loans for the dates indicated (in thousands):

	June 30, 2016	December 31, 2015
Acquired loans evaluated individually for future credit losses:		
Outstanding principal balance	$17,719	$ 21,069
Carrying value	14,043	16,867
Acquired loans evaluated collectively for future credit losses:		
Outstanding principal balance	749,206	848,194
Carrying value	741,747	839,973
Total acquired loans:		
Outstanding principal balance	766,925	869,263
Carrying value	755,790	856,840

The following table provides information related to the changes in the accretable discount, which includes income recognized from contractual cash flows for the dates indicated (in thousands):

Total

Balance at December 31, 2014	$—
LNB Bancorp, Inc. acquisition	1,672
Accretion	(377)
Net reclassification from nonaccretable yield	724
Balance at December 31, 2015	2,019
Accretion	(628)
Net reclassification from nonaccretable yield	628
Balance at June 30, 2016	$2,019

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The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the six months ended June 30, 2016 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	$ 1,446	2,248	21	1,546	103
Home equity loans	1,515	2,868	6	1,586	108
Consumer loans	201	399	2	216	20
Total Personal Banking	3,162	5,515	29	3,348	231
Commercial Banking:					
Commercial real estate loans	10,631	11,938	353	10,675	391
Commercial loans	250	266	—	250	6
Total Commercial Banking	10,881	12,204	353	10,925	397
Total	$ 14,043	17,719	382	14,273	628

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2015 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	$ 1,981	2,910	14	2,083	41
Home equity loans	2,084	3,455	6	2,222	51
Consumer loans	267	492	2	305	18
Total Personal Banking	4,332	6,857	22	4,610	110
Commercial Banking:					
Commercial real estate loans	12,288	13,946	353	12,867	249
Commercial loans	247	266	—	335	18
Total Commercial Banking	12,535	14,212	353	13,202	267
Total	$ 16,867	21,069	375	17,812	377

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended June 30, 2016 (in thousands):

	Balance June 30, 2016	Current period provision	Charge-offs	Recoveries	Balance March 31, 2016
Originated loans:					
Personal Banking:					
Residential mortgage loans	$3,022	501	(1,803)	67	4,257
Home equity loans	3,335	230	(439)	135	3,409
Consumer loans	7,924	2,382	(2,146)	394	7,294
Total Personal Banking	14,281	3,113	(4,388)	596	14,960
Commercial Banking:					
Commercial real estate loans	25,686	(3,509)	(1,317)	645	29,867
Commercial loans	15,356	901	(885)	417	14,923
Total Commercial Banking	41,042	(2,608)	(2,202)	1,062	44,790
Total originated loans	55,323	505	(6,590)	1,658	59,750
Acquired loans:					
Personal Banking:					
Residential mortgage loans	61	35	(49)	67	8
Home equity loans	1,128	1,217	(507)	120	298
Consumer loans	552	501	(186)	38	199
Total Personal Banking	1,741	1,753	(742)	225	505
Commercial Banking:					
Commercial real estate loans	3,165	1,660	(414)	184	1,735
Commercial loans	552	281	(18)	1	288
Total Commercial Banking	3,717	1,941	(432)	185	2,023
Total acquired loans	5,458	3,694	(1,174)	410	2,528
Total	$60,781	4,199	(7,764)	2,068	62,278

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

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

Unallocated	—	(3,978)	—	—	3,978
Total	$59,057	1,050	(12,374)	3,083	67,298

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the six months ended June 30, 2016 (in thousands):

	Balance June 30, 2016	Current period provision	Charge-offs	Recoveries	Balance December 31, 2015
Originated loans:					
Personal Banking:					
Residential mortgage loans	$3,022	504	(2,292)	118	4,692
Home equity loans	3,335	(43)	(737)	174	3,941
Other consumer loans	7,924	4,027	(4,373)	782	7,488
Total Personal Banking	14,281	4,488	(7,402)	1,074	16,121
Commercial Banking:					
Commercial real estate loans	25,686	(7,715)	(1,500)	2,553	32,348
Commercial loans	15,356	3,340	(996)	511	12,501
Total Commercial Banking	41,042	(4,375)	(2,496)	3,064	44,849
Total originated loans	55,323	113	(9,898)	4,138	60,970
Acquired loans:					
Personal Banking:					
Residential mortgage loans	61	72	(124)	95	18
Home equity loans	1,128	1,955	(1,193)	265	101
Other consumer loans	552	709	(362)	95	110
Total Personal Banking	1,741	2,736	(1,679)	455	229
Commercial Banking:					
Commercial real estate loans	3,165	2,474	(1,128)	380	1,439
Commercial loans	552	536	(24)	6	34
Total Commercial Banking	3,717	3,010	(1,152)	386	1,473
Total acquired loans	5,458	5,746	(2,831)	841	1,702
Total	$60,781	5,859	(12,729)	4,979	62,672

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

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

Unallocated	—	(4,365)	—	—	4,365
Total	$59,057	1,950	(16,828)	6,417	67,518

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At June 30, 2016, we expect to fully collect the carrying value of our acquired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent. As a result, we do not consider our acquired loans that are 90 days or more delinquent to be nonaccrual or impaired and continue to recognize interest income on these loans, including the loans' accretable discount.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at June 30, 2016 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	$2,757,598	3,083	18,370	2	7,340	251	—
Home equity loans	1,162,174	4,463	6,733	—	2,205	405	—
Consumer loans	546,550	8,476	2,903	171	—	—	—
Total Personal Banking	4,466,322	16,022	28,006	173	9,545	656	—
Commercial Banking:							
Commercial real estate loans	2,363,376	28,851	37,080	—	27,999	2,028	203
Commercial loans	465,223	15,908	10,792	299	11,569	1,256	131
Total Commercial Banking	2,828,599	44,759	47,872	299	39,568	3,284	334
Total	$7,294,921	60,781	75,878	472	49,113	3,940	334

(1) Includes $18.1 million of nonaccrual TDRs.
(2) Represents loans 90 days past maturity and still accruing.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2015 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	$2,740,892	4,710	19,772	4	6,360	1,189	—
Home equity loans	1,187,106	4,042	7,522	—	2,298	605	—
Consumer loans	520,289	7,598	3,452	976	—	—	—
Total Personal Banking	4,448,287	16,350	30,746	980	8,658	1,794	—
Commercial Banking:							
Commercial real estate loans	2,351,434	33,787	33,421	206	31,970	2,257	241
Commercial loans	422,400	12,535	7,495	148	10,487	631	79
Total Commercial Banking	2,773,834	46,322	40,916	354	42,457	2,888	320
Total	$7,222,121	62,672	71,662	1,334	51,115	4,682	320

(1) Includes $21.1 million of nonaccrual TDRs.

(2) Represents loans 90 days past maturity and still accruing.

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The following table provides geographical information related to the loan portfolio by portfolio segment and class of financing receivable at June 30, 2016 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans receivable:						
Personal Banking:						
Residential mortgage loans	$2,324,087	181,713	71,305	124,887	55,606	2,757,598
Home equity loans	859,960	125,112	148,757	24,316	4,029	1,162,174
Consumer loans	263,384	12,555	107,267	1,942	161,402	546,550
Total Personal Banking	3,447,431	319,380	327,329	151,145	221,037	4,466,322
Commercial Banking:						
Commercial real estate loans	954,237	795,715	454,354	115,546	43,524	2,363,376
Commercial loans	329,151	56,340	64,018	5,641	10,073	465,223
Total Commercial Banking	1,283,388	852,055	518,372	121,187	53,597	2,828,599
Total	$4,730,819	1,171,435	845,701	272,332	274,634	7,294,921
Percentage of total loans receivable	64.9 %	16.0 %	11.6 %	3.7 %	3.8 %	100.0 %

The following table provides delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at June 30, 2016 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent: (1)						
Personal Banking:						
Residential mortgage loans	$ 9,914	2,168	1,094	1,222	648	15,046
Home equity loans	2,784	872	1,296	470	—	5,422
Consumer loans	2,097	59	19	—	224	2,399
Total Personal Banking	14,795	3,099	2,409	1,692	872	22,867
Commercial Banking:						
Commercial real estate loans	6,957	2,402	5,632	110	143	15,244
Commercial loans	3,229	795	565	120	—	4,709
Total Commercial Banking	10,186	3,197	6,197	230	143	19,953
Total	$ 24,981	6,296	8,606	1,922	1,015	42,820
Percentage of total loans 90 or more days delinquent	58.3 %	14.7 %	20.1 %	4.5 %	2.4 %	100.0 %

(1) Includes $2.9 million of acquired loans considered accruing.

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The following table provides geographical information related to the loan portfolio by portfolio segment and class of financing receivable at December 31, 2015 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans receivable:						
Personal Banking:						
Residential mortgage loans	$2,310,860	171,790	70,209	129,129	58,904	2,740,892
Home equity loans	879,447	124,291	154,003	24,458	4,907	1,187,106
Consumer loans	260,170	12,244	102,034	1,870	143,971	520,289
Total Personal Banking	3,450,477	308,325	326,246	155,457	207,782	4,448,287
Commercial Banking:						
Commercial real estate loans	965,090	749,435	453,180	122,775	60,954	2,351,434
Commercial loans	284,611	53,420	68,327	5,662	10,380	422,400
Total Commercial Banking	1,249,701	802,855	521,507	128,437	71,334	2,773,834
Total	$4,700,178	1,111,180	847,753	283,894	279,116	7,222,121
Percentage of total loans receivable	65.1 %	15.4 %	11.7 %	3.9 %	3.9 %	100.0 %

The following table provides delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at December 31, 2015 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent: (1)						
Personal Banking:						
Residential mortgage loans	$ 10,998	1,801	1,308	1,341	902	16,350
Home equity loans	3,204	639	1,294	975	—	6,112
Consumer loans	2,780	90	24	—	32	2,926
Total Personal Banking	16,982	2,530	2,626	2,316	934	25,388
Commercial Banking:						
Commercial real estate loans	10,439	3,012	4,823	251	506	19,031
Commercial loans	1,582	859	158	—	—	2,599
Total Commercial Banking	12,021	3,871	4,981	251	506	21,630
Total	$ 29,003	6,401	7,607	2,567	1,440	47,018
Percentage of total loans 90 or more days delinquent	61.6 %	13.6 %	16.2 %	5.5 %	3.1 %	100.0 %

(1) Includes $3.8 million of acquired loans considered accruing.

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The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the six months ended June 30, 2016 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	$ 14,829	3,541	—	6,165	24,535	24,219	549
Home equity loans	5,226	1,507	—	1,737	8,470	9,096	237
Consumer loans	2,374	529	—	—	2,903	3,065	73
Total Personal Banking	22,429	5,577	—	7,902	35,908	36,380	859
Commercial Banking:							
Commercial real estate loans	12,960	24,120	4,443	13,982	55,505	69,232	1,647
Commercial loans	4,566	6,226	2,843	3,942	17,577	15,896	465
Total Commercial Banking	17,526	30,346	7,286	17,924	73,082	85,128	2,112
Total	$ 39,955	35,923	7,286	25,826	108,990	121,508	2,971

The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2015 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	$ 15,810	3,962	—	5,086	24,858	24,554	944
Home equity loans	5,650	1,872	—	1,847	9,369	9,644	497
Consumer loans	2,900	552	—	—	3,452	2,977	101
Total Personal Banking	24,360	6,386	—	6,933	37,679	37,175	1,542
Commercial Banking:							
Commercial real estate loans	16,449	16,972	16,121	16,467	66,009	77,166	3,226
Commercial loans	2,459	5,036	2,014	4,654	14,163	16,187	694
Total Commercial Banking	18,908	22,008	18,135	21,121	80,172	93,353	3,920
Total	$ 43,268	28,394	18,135	28,054	117,851	130,528	5,462

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at June 30, 2016 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	$ 2,749,415	8,183	8,183	251	—
Home equity loans	1,159,969	2,205	2,205	405	—
Consumer loans	546,469	81	81	18	—
Total Personal Banking	4,455,853	10,469	10,469	674	—
Commercial Banking:					
Commercial real estate loans	2,329,716	33,660	33,284	2,402	376
Commercial loans	453,046	12,177	12,177	1,159	—
Total Commercial Banking	2,782,762	45,837	45,461	3,561	376
Total	$ 7,238,615	56,306	55,930	4,235	376

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2015 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	$ 2,733,741	7,151	7,151	1,189	—
Home equity loans	1,184,808	2,298	2,298	605	—
Consumer loans	520,159	130	130	50	—
Total Personal Banking	4,438,708	9,579	9,579	1,844	—
Commercial Banking:					
Commercial real estate loans	2,297,599	53,835	35,937	2,675	17,898
Commercial loans	411,342	11,058	7,673	489	3,385
Total Commercial Banking	2,708,941	64,893	43,610	3,164	21,283
Total	$ 7,147,649	74,472	53,189	5,008	21,283

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

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

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

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

	For the quarters ended June 30,			
	2016		2015	
	Number of contracts	Amount	Number of contracts	Amount
Beginning TDR balance:	227	$48,248	242	$60,645
New TDRs	9	1,662	4	386
Re-modified TDRs	3	863	1	45
Net paydowns		(1,421)		(3,617)
Charge-offs:				
Residential mortgage loans	—	—	—	—
Home equity loans	—	—	1	(68)
Commercial real estate loans	—	—	1	(9)
Commercial loans	—	—	—	—
Paid-off loans:				
Residential mortgage loans	—	—	1	(53)
Home equity loans	1	(1)	—	—
Commercial real estate loans	4	(41)	6	(926)
Commercial loans	1	(197)	6	(219)
Ending TDR balance:	230	$49,113	231	$56,184
Accruing TDRs		$31,015		$40,741
Non-accrual TDRs		18,098		15,443

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

	For the six months ended June 30,			
	2016		2015	
	Number of contracts		Number of contracts	
Beginning TDR balance:	227	$51,115	248	$61,788
New TDRs	18	5,011	6	498
Re-modified TDRs	4	1,063	2	130
Net paydowns		(2,904)		(4,440)
Charge-offs:				
Residential mortgage loans	—	—	—	—
Home equity loans	—	—	3	(99)
Commercial real estate loans	—	—	2	(23)
Commercial loans	1	(43)	2	(387)
Paid-off loans:				
Residential mortgage loans	—	—	1	(53)
Home equity loans	3	(232)	1	(6)
Commercial real estate loans	8	(4,562)	8	(1,005)
Commercial loans	3	(335)	6	(219)
Ending TDR balance:	230	$49,113	231	$56,184
Accruing TDRs		$31,015		$40,741
Non-accrual TDRs		18,098		15,443

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

	For the quarter ended June 30, 2016				For the six months ended June 30, 2016			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	2	$ 526	525	17	5	$ 1,033	1,028	49
Home equity loans	4	224	191	47	5	280	246	60
Consumer loans	—	—	—	—	—	—	—	—
Total Personal Banking	6	750	716	64	10	1,313	1,274	109
Commercial Banking:								
Commercial real estate loans	2	812	807	31	4	2,096	2,076	297
Commercial loans	4	963	963	481	8	2,665	1,751	575
Total Commercial Banking	6	1,775	1,770	512	12	4,761	3,827	872
Total	12	$ 2,525	2,486	576	22	$ 6,074	5,101	981

At June 30, 2016, no TDRs modified within the previous twelve months have subsequently defaulted.

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

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

The following table provides information as of June 30, 2016 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended June 30, 2016 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	2	$—	—	525	—	525
Home equity loans	4	68	—	—	123	191
Consumer loans	—	—	—	—	—	—
Total Personal Banking	6	68	—	525	123	716

Commercial Banking:						
Commercial real estate loans	2	—	429	378	—	807
Commercial loans	4	—	963	—	—	963
Total Commercial Banking	6	—	1,392	378	—	1,770
Total	12	$68	1,392	903	123	2,486

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

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

The following table provides information as of June 30, 2016 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the six months ended June 30, 2016 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	5	$363	—	617	48	1,028
Home equity loans	5	123	—	—	123	246
Other consumer loans	—	—	—	—	—	—
Total Personal Banking	10	486	—	617	171	1,274
Commercial Banking:						
Commercial real estate loans	4	—	429	378	1,269	2,076
Commercial loans	8	—	—	963	788	1,751
Total Commercial Banking	12	—	429	1,341	2,057	3,827
Total	22	$486	429	1,958	2,228	5,101

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

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

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended June 30, 2016 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	—	$ —	—	—	—	—
Home equity loans	—	—	—	—	—	—
Consumer loans	—	—	—	—	—	—
Total Personal Banking	—	—	—	—	—	—
Commercial Banking:						
Commercial real estate loans	—	—	—	—	—	—
Commercial loans	3	—	863	—	—	863
Total Commercial Banking	3	—	863	—	—	863
Total	3	$ —	863	—	—	863

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

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	1	$ —	—	—	45	45
Home equity loans	—	—	—	—	—	—
Consumer loans	—	—	—	—	—	—
Total Personal Banking	1	—	—	—	45	45
Commercial Banking:						

Commercial real estate loans	—	—	—	—	—	—
Commercial loans	—	—	—	—	—	—
Total Commercial Banking	—	—	—	—	—	—
Total	1	$ —	—	—	45	45

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The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the six months ended June 30, 2016 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	—	$ —	—	—	—	—
Home equity loans	—	—	—	—	—	—
Other consumer loans	—	—	—	—	—	—
Total Personal Banking	—	—	—	—	—	—
Commercial Banking:						
Commercial real estate loans	1	—	—	—	191	191
Commercial loans	3	—	863	—	—	863
Total Commercial Banking	4	—	863	—	191	1,054
Total	4	$ —	863	—	191	1,054

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

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

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The following table provides information related to loan payment delinquencies at June 30, 2016 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans:							
Personal Banking:							
Residential mortgage loans	$ 2,468	5,360	14,492	22,320	2,692,974	2,715,294	—
Home equity loans	4,617	1,291	4,545	10,453	1,029,004	1,039,457	—
Consumer loans	6,032	2,068	2,224	10,324	377,789	388,113	—
Total Personal Banking	13,117	8,719	21,261	43,097	4,099,767	4,142,864	—
Commercial Banking:							
Commercial real estate loans	3,824	5,623	10,018	19,465	1,960,298	1,979,763	—
Commercial loans	402	2,076	4,566	7,044	409,460	416,504	—
Total Commercial Banking	4,226	7,699	14,584	26,509	2,369,758	2,396,267	—
Total originated loans	17,343	16,418	35,845	69,606	6,469,525	6,539,131	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	885	273	554	1,712	40,592	42,304	217
Home equity loans	371	144	877	1,392	121,325	122,717	196
Consumer loans	693	179	175	1,047	157,390	158,437	25
Total Personal Banking	1,949	596	1,606	4,151	319,307	323,458	438
Commercial Banking:							
Commercial real estate loans	1,004	3,142	5,226	9,372	374,241	383,613	2,284
Commercial loans	131	353	143	627	48,092	48,719	143
Total Commercial Banking	1,135	3,495	5,369	9,999	422,333	432,332	2,427
Total acquired loans	3,084	4,091	6,975	14,150	741,640	755,790	2,865
Total loans	$ 20,427	20,509	42,820	83,756	7,211,165	7,294,921	2,865

(1) Represents acquired loans that were originally recorded at fair value upon acquisition. These loans are considered to be accruing because we can reasonably estimate future cash flows on and expect to fully collect the carrying value of these loans. Therefore, we are accreting the difference between the carrying value and their expected cash flows into interest income.

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The following table provides information related to loan payment delinquencies at December 31, 2015 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans:							
Personal Banking:							
Residential mortgage loans	$ 25,503	7,541	15,564	48,608	2,646,568	2,695,176	—
Home equity loans	4,870	1,836	5,251	11,957	1,043,950	1,055,907	—
Consumer loans	6,092	2,340	2,857	11,289	301,085	312,374	—
Total Personal Banking	36,465	11,717	23,672	71,854	3,991,603	4,063,457	—
Commercial Banking:							
Commercial real estate loans	22,212	6,875	14,942	44,029	1,891,128	1,935,157	—
Commercial loans	1,703	598	2,449	4,750	356,658	361,408	—
Total Commercial Banking	23,915	7,473	17,391	48,779	2,247,786	2,296,565	—
Total originated loan	60,380	19,190	41,063	120,633	6,239,389	6,360,022	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	440	249	786	1,475	44,241	45,716	540
Home equity loans	936	642	861	2,439	128,760	131,199	462
Consumer loans	1,009	181	69	1,259	206,656	207,915	26
Total Personal Banking	2,385	1,072	1,716	5,173	379,657	384,830	1,028
Commercial Banking:							
Commercial real estate loans	2,665	1,353	4,089	8,107	408,170	416,277	2,582
Commercial loans	1,165	—	150	1,315	59,677	60,992	140
Total Commercial Banking	3,830	1,353	4,239	9,422	467,847	477,269	2,722
Total acquired loan	6,215	2,425	5,955	14,595	847,504	862,099	3,750
Total	$ 66,595	21,615	47,018	135,228	7,086,893	7,222,121	3,750

(1) Represents acquired loans that were originally recorded at fair value upon acquisition. These loans are considered to be accruing because we can reasonably estimate future cash flows on and expect to fully collect the carrying value of these loans. Therefore, we are accreting the difference between the carrying value and their expected cash flows into interest income.

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

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

Substandard — Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that

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jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

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

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

The following table sets forth information about credit quality indicators updated during the quarter ended June 30, 2016 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	$2,700,637	—	14,657	—	—	2,715,294
Home equity loans	1,032,759	—	6,698	—	—	1,039,457
Consumer loans	386,208	—	1,905	—	—	388,113
Total Personal Banking	4,119,604	—	23,260	—	—	4,142,864
Commercial Banking:						
Commercial real estate loans	1,813,712	56,459	109,578	14	—	1,979,763
Commercial loans	361,002	14,725	37,713	3,064	—	416,504
Total Commercial Banking	2,174,714	71,184	147,291	3,078	—	2,396,267
Total originated loans	6,294,318	71,184	170,551	3,078	—	6,539,131
Acquired loans:						
Personal Banking:						
Residential mortgage loans	40,464	—	1,840	—	—	42,304
Home equity loans	120,251	—	2,466	—	—	122,717
Consumer loans	157,966	—	471	—	—	158,437
Total Personal Banking	318,681	—	4,777	—	—	323,458
Commercial Banking:						
Commercial real estate loans	356,871	6,892	19,850	—	—	383,613
Commercial loans	47,176	710	833	—	—	48,719
Total Commercial Banking	404,047	7,602	20,683	—	—	432,332
Total acquired loans	722,728	7,602	25,460	—	—	755,790
Total loans	$7,017,046	78,786	196,011	3,078	—	7,294,921

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The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2015 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	$2,680,562	—	13,274	—	1,340	2,695,176
Home equity loans	1,048,397	—	7,510	—	—	1,055,907
Consumer loans	309,900	—	2,474	—	—	312,374
Total Personal Banking	4,038,859	—	23,258	—	1,340	4,063,457
Commercial Banking:						
Commercial real estate loans	1,778,140	46,518	110,384	115	—	1,935,157
Commercial loans	299,455	23,023	37,820	1,110	—	361,408
Total Commercial Banking	2,077,595	69,541	148,204	1,225	—	2,296,565
Total originated loans	6,116,454	69,541	171,462	1,225	1,340	6,360,022
Acquired loans:						
Personal Banking:						
Residential mortgage loans	44,930	—	786	—	—	45,716
Home equity loans	130,338	—	861	—	—	131,199
Consumer loans	207,846	—	69	—	—	207,915
Total Personal Banking	383,114	—	1,716	—	—	384,830
Commercial Banking:						
Commercial real estate loans	392,811	6,872	16,594	—	—	416,277
Commercial loans	59,948	707	337	—	—	60,992
Total Commercial Banking	452,759	7,579	16,931	—	—	477,269
Total acquired loans	835,873	7,579	18,647	—	—	862,099
Total	$6,952,327	77,120	190,109	1,225	1,340	7,222,121

(5) Goodwill and Other Intangible Assets

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

	June 30, 2016	December 31, 2015
Amortizable intangible assets:		
Core deposit intangibles — gross	$37,953	30,578
Acquisitions	—	7,375
Less: accumulated amortization	(32,114)	(31,192)
Core deposit intangibles — net	5,839	6,761
Customer and Contract intangible assets — gross	8,496	8,234
Acquisitions	498	262
Less: accumulated amortization	(6,738)	(6,275)
Customer and Contract intangible assets — net	$2,256	2,221

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The following table shows the actual aggregate amortization expense for the quarters ended June 30, 2016 and 2015, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended June 30, 2016	$ 710
For the quarter ended June 30, 2015	269
For the six months ended June 30, 2016	1,385
For the six months ended June 30, 2015	537
For the year ending December 31, 2016	2,716
For the year ending December 31, 2017	2,224
For the year ending December 31, 2018	1,762
For the year ending December 31, 2019	1,300
For the year ending December 31, 2020	837
For the year ending December 31, 2021	462

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

	Community Banking	Consumer Finance	Total
Balance at December 31, 2014	$ 173,710	1,613	175,323
Goodwill acquired	86,413	—	86,413
Impairment losses	—	—	—
Balance at December 31, 2015	260,123	1,613	261,736
Goodwill acquired	404	—	404
Impairment losses	—	—	—
Balance at June 30, 2016	$ 260,527	1,613	262,140

We are in the process of performing our annual goodwill impairment test as of June 30, 2016 and do not anticipate that goodwill will be impaired. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2015 Annual Report on Form 10-K for a description of our testing procedures.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management’s credit assessment of the customer. At June 30, 2016, the maximum potential amount of future payments we could be required to make under these standby letters of credit was $33.4 million, of which $24.7 million is fully collateralized. At June 30, 2016, we had a liability, which represents deferred income, of $301,000 related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

(7) Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without considering any dilutive items. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. All stock options outstanding during the quarter ended June 30, 2016 were included in the computation of diluted earnings per share because the options' exercise price was less than the average market price of the common shares of $14.15. Stock options to purchase 1,711,080 shares of common stock with a weighted average exercise price of $12.64 per share were outstanding during the quarter ended June 30, 2015 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares of $12.32. Stock options to purchase 723,459 shares of common stock with a weighted average exercise price of $14.15 per share were outstanding during the six months ended June 30, 2016 but were

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not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares of $13.43. Stock options to purchase 4,344,225 shares of common stock with a weighted average exercise price of $12.42 per share were outstanding during the six months ended June 30, 2015 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares of $12.11.

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

	Quarter ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Reported net income/ (loss)	$(7,008)	15,305	10,976	31,475
Weighted average common shares outstanding	99,177,609	91,538,172	99,033,676	91,585,766
Dilutive potential shares due to effect of stock options	1,065,833	459,833	778,049	364,450
Total weighted average common shares and dilutive potential shares	100,243,442	91,998,005	99,811,725	91,950,216
Basic earnings/ (loss) per share:	$(0.07)	0.17	0.11	0.34
Diluted earnings/ (loss) per share:	$(0.07)	0.17	0.11	0.34

(8) Pension and Other Post-retirement Benefits

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

Components of net periodic benefit cost

	Quarter ended June 30,			
	Pension benefits		Other post-retirement benefits	
	2016	2015	2016	2015
Service cost	$1,374	1,430	—	—
Interest cost	1,695	1,531	18	15
Expected return on plan assets	(2,475)	(2,593)	—	—
Amortization of prior service cost	(580)	(581)	—	—
Amortization of the net loss	928	925	22	15
Net periodic (benefit)/ cost	$942	712	40	30

	Six months ended June 30,			
	Pension benefits		Other post-retirement benefits	
	2016	2015	2016	2015
Service cost	$2,748	2,860	—	—
Interest cost	3,391	3,062	35	30
Expected return on plan assets	(4,949)	(5,186)	—	—
Amortization of prior service cost	(1,161)	(1,162)	—	—
Amortization of the net loss	1,855	1,850	45	30
Net periodic (benefit)/ cost	$1,884	1,424	80	60

We anticipate making a contribution to our defined benefit pension plan of $4.0 million to $8.0 million during the year ending December 31, 2016.

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(9) Disclosures About Fair Value of Financial Instruments

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

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

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

- Level 1 — Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices for identical assets or liabilities in actively traded markets. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.
- Level 2 — Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets or liabilities that are actively traded. Level 2 also includes pricing models in which the inputs are corroborated by market data, for example, matrix pricing.
- Level 3 — Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:

- Quotes from brokers or other external sources that are not considered binding;
- Quotes from brokers or other external sources where it cannot be determined that market participants would in fact transact for the asset or liability at the quoted price;
- Quotes and other information from brokers or other external sources where the inputs are not deemed observable.

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

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

Marketable Securities

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

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

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

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

Loans Receivable

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

Federal Home Loan Bank ("FHLB") Stock

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

Deposit Liabilities

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

Borrowed Funds

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

Junior Subordinated Debentures

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

Cash flow hedges — Interest rate swap agreements ("swaps")

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

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At June 30, 2016 and December 31, 2015, there was no significant unrealized appreciation or depreciation on these financial instruments.

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The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at June 30, 2016 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$311,431	311,431	311,431	—	—
Securities available-for-sale	705,297	705,297	3,723	692,855	8,719
Securities held-to-maturity	25,144	25,978	—	25,978	—
Loans receivable, net	7,234,140	7,634,998	39,942	—	7,595,056
Accrued interest receivable	20,713	20,713	20,713	—	—
FHLB Stock	40,321	40,321	—	—	—
Total financial assets	$8,337,046	8,738,738	375,809	718,833	7,603,775
Financial liabilities:					
Savings and checking deposits	$5,039,713	5,039,713	5,039,713	—	—
Time deposits	1,596,288	1,613,089	—	—	1,613,089
Borrowed funds	959,969	959,838	139,652	—	820,186
Junior subordinated debentures	111,213	114,577	—	—	114,577
Cash flow hedges - swaps	4,236	4,236	—	4,236	—
Accrued interest payable	737	737	737	—	—
Total financial liabilities	$7,712,156	7,732,190	5,180,102	4,236	2,547,852

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at December 31, 2015 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$167,408	167,408	167,408	—	—
Securities available-for-sale	874,405	874,405	1,894	863,556	8,955
Securities held-to-maturity	31,689	32,552	—	32,552	—
Loans receivable, net	7,159,449	7,482,431	—	—	7,482,431
Accrued interest receivable	21,072	21,072	21,072	—	—
FHLB Stock	40,903	40,903	—	—	—
Total financial assets	$8,294,926	8,618,771	190,374	896,108	7,491,386
Financial liabilities:					
Savings and checking accounts	$4,917,863	4,917,863	4,917,863	—	—
Time deposits	1,694,718	1,710,388	—	—	1,710,388
Borrowed funds	975,007	998,527	118,664	—	879,863
Junior subordinated debentures	111,213	115,268	—	—	115,268
Cash flow hedges - swaps	4,276	4,276	—	4,276	—
Accrued interest payable	1,993	1,993	1,993	—	—
Total financial liabilities	$7,705,070	7,748,315	5,038,520	4,276	2,705,519

Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both June 30, 2016 and December 31, 2015. There were no transfers of financial instruments between Level 1 and Level 2 during the nine months ended June 30, 2016.

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The following table represents assets and liabilities measured at fair value on a recurring basis at June 30, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 3,723	—	—	3,723
Debt securities:				
U.S. government and agencies	—	9	—	9
Government sponsored enterprises	—	179,893	—	179,893
States and political subdivisions	—	77,343	—	77,343
Corporate	—	8,134	8,719	16,853
Total debt securities	—	265,379	8,719	274,098
Residential mortgage-backed securities:				
GNMA	—	24,935	—	24,935
FNMA	—	88,878	—	88,878
FHLMC	—	44,528	—	44,528
Non-agency	—	594	—	594
Collateralized mortgage obligations:				
GNMA	—	8,561	—	8,561
FNMA	—	110,365	—	110,365
FHLMC	—	140,047	—	140,047
SBA	—	7,365	—	7,365
Non-agency	—	2,203	—	2,203
Total mortgage-backed securities	—	427,476	—	427,476
Interest rate swaps	—	(4,236)	—	(4,236)
Total assets and liabilities	$ 3,723	688,619	8,719	701,061

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The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 1,894	—	—	1,894
Debt securities:				
U.S. government and agencies	—	11	—	11
Government sponsored enterprises	—	294,440	—	294,440
States and political subdivisions	—	82,868	—	82,868
Corporate	—	7,520	8,955	16,475
Total debt securities	—	384,839	8,955	393,794
Residential mortgage-backed securities:				
GNMA	—	27,082	—	27,082
FNMA	—	99,170	—	99,170
FHLMC	—	50,369	—	50,369
Non-agency	—	606	—	606
Collateralized mortgage obligations:				
GNMA	—	10,669	—	10,669
FNMA	—	122,528	—	122,528
FHLMC	—	157,378	—	157,378
SBA	—	8,166	—	8,166
Non-agency	—	2,749	—	2,749
Total mortgage-backed securities	—	478,717	—	478,717
Interest rate swaps	—	(4,276)	—	(4,276)
Total assets and liabilities	$ 1,894	859,280	8,955	870,129

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

	Quarter ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Beginning balance	$ 8,590	10,306	8,955	10,597
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):				
Included in net income as OTTI	—	—	—	—
Included in other comprehensive income	129	(1,083)	(236)	(1,374)
Purchases	—	—	—	—
Sales	—	—	—	—
Transfers in to Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—

Ending balance	$8,719	9,223	8,719	9,223

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Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment, mortgage servicing rights, and real estate owned. The following table represents the fair value measurement for nonrecurring assets at June 30, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$	——	51,695	51,695
Mortgage servicing rights	$	——	40	40
Real estate owned	—	—	4,950	4,950
Total assets	$	——	56,685	56,685

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at December 31, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$	——	48,181	48,181
Real estate owned	—	—	8,725	8,725
Total assets	$	——	56,906	56,906

Impaired loans — A loan is considered to be impaired as described in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2015 Annual Report on Form 10-K. We classify loans individually evaluated for impairment that require a specific reserve as nonrecurring Level 3.

Mortgage servicing rights - Mortgage servicing rights represent the value of servicing residential mortgage loans, when the mortgage loans have been sold into the secondary market and the associated servicing has been retained. The value is determined through a discounted cash flow analysis, which uses interest rates, prepayment speeds and delinquency rate assumptions as inputs. All of these assumptions require a significant degree of management judgment. Servicing rights and the related mortgage loans are segregated into categories or homogeneous pools based upon common characteristics. Adjustments are only made when the estimated discounted future cash flows are less than the carrying value, as determined by individual pool. As such, mortgage servicing rights are classified as nonrecurring Level 3.

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

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The table presents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine fair value at June 30, 2016 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	$ 8,719	Discounted cash flow	Discount margin	0.4% to 2.1% (0.7%)
			Default rates	1.0%
			Prepayment speeds	1.0 annually
Loans measured for impairment	51,695	Appraisal value (1)	Estimated cost to sell	10.0%
		Discounted cash flow	Discount rate	3.8% to 20.0% (11.0%)
Mortgage servicing rights	40	Discounted cash flow	Annual service cost	$80
			Prepayment rates	7.3% to 8.4% (7.9%)
			Expected life (months)	64.2 to 67.3 (65.5)
			Option adjusted spread	800 basis points
			Forward yield curve	0.5% to 1.7% (1.0%)
Real estate owned	4,950	Appraisal value (1)	Estimated cost to sell	10.0%

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

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

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

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

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

As a result of the LNB acquisition we acquired two statutory business trusts: LNB Trust I and LNB Trust II; both are Delaware statutory business trusts. The outstanding stock issued by LNB Trust I was redeemed on December 15, 2015. At June 30, 2016, LNB Trust II had 7,875 cumulative trust preferred securities outstanding (liquidation value of $1,000 per preferred security or $7,875,000) with a stated maturity of June 15, 2037. These securities carry a fixed interest rate of 6.64% through June 15, 2017,

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then becomes a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.48%. LNB Trust II invested the proceeds of the offerings in junior subordinated deferrable interest debentures acquired by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. LNB Trust II holds $8,119,000 of junior subordinated debentures. The subordinated debentures are the sole assets of the Trusts. Cash distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts.

We are currently a counterparty to two interest rate swap agreements (swaps), designating the swaps as cash flow hedges. The swaps are intended to protect against the variability of cash flows associated with Trust III and Trust IV. The first swap modifies the re-pricing characteristics of Trust III, wherein for a ten year period expiring in September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.61% to the same counterparty calculated on a notional amount of $25.0 million. The other swap modifies the re-pricing characteristics of Trust IV, wherein for a ten year period expiring in December 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of $25.0 million. The swap agreements were entered into with a counterparty that met our credit standards and the agreements contain collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contracts is not significant. At June 30, 2016, $4.7 million of cash was pledged as collateral to the counterparty.

At June 30, 2016, the fair value of the swap agreements was $(4.2) million and was the amount we would have expected to pay if the contracts were terminated. There was no material hedge ineffectiveness for these swaps.

The following table shows liability derivatives, included in other liabilities, at June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016	December 31, 2015
Fair value	$ 4,236	4,276
Notional amount	50,000	50,000
Collateral posted	4,705	4,705

(11) Legal Proceedings

We establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. As of June 30, 2016 we have not accrued for any legal proceedings based on our analysis of currently available information which is subject to significant judgment and a variety of assumptions and uncertainties. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. Due to the inherent subjectivity of assessments and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate loss to us from legal proceedings.

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(12) Changes in Accumulated Other Comprehensive Income/ (Loss)

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

	For the quarter ended June 30, 2016			
	Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of March 31, 2016	$6,817	(2,919)	(24,856)	(20,958)
Other comprehensive income before reclassification adjustments	1,027	166	—	1,193
Amounts reclassified from accumulated other comprehensive income (1), (2)	22	—	226	248
Net other comprehensive income	1,049	166	226	1,441
Balance as of June 30, 2016	$7,866	(2,753)	(24,630)	(19,517)

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

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