FNB CORP/FL/
Form 10-Q
August 05, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

¨ **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 001-31940

F.N.B. CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**25-1255406**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One North Shore Center, 12 Federal Street, Pittsburgh, PA	**15212**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 800-555-5455

(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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 ¨
Non-accelerated Filer ¨	Smaller reporting company ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at July 31, 2016
Common Stock, $0.01 Par Value	210,120,837 Shares

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F.N.B. CORPORATION

FORM 10-Q

June 30, 2016

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

In thousands, except share and per share data

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and due from banks	**$ 285,783**	$ 207,399
Interest bearing deposits with banks	**113,244**	281,720
Cash and Cash Equivalents	**399,027**	489,119
Securities available for sale	**2,133,662**	1,630,567
Securities held to maturity (fair value of **$2,104,782** and $1,643,416)	**2,064,305**	1,637,061
Residential mortgage loans held for sale	**12,062**	4,781
Loans and leases, net of unearned income of **$60,268** and $51,642	**14,563,128**	12,190,440
Allowance for credit losses	**(154,369)**	(142,012)
Net Loans and Leases	**14,408,759**	12,048,428
Premises and equipment, net	**224,805**	159,080
Goodwill	**1,021,247**	833,086
Core deposit and other intangible assets, net	**83,744**	45,644
Bank owned life insurance	**328,127**	308,192
Other assets	**539,229**	401,704
Total Assets	**$ 21,214,967**	$ 17,557,662
Liabilities		
Deposits:		
Non-interest bearing demand	**$ 3,969,115**	$ 3,059,949
Interest bearing demand	**6,657,651**	5,311,589
Savings	**2,284,159**	1,786,459
Certificates and other time deposits	**2,617,637**	2,465,466
Total Deposits	**15,528,562**	12,623,463
Short-term borrowings	**2,260,411**	2,048,896
Long-term borrowings	**656,844**	641,480
Other liabilities	**223,813**	147,641

Total Liabilities	**18,669,630**	15,461,480
Stockholders Equity		
Preferred stock - $0.01 par value; liquidation preference of $1,000 per share		
Authorized 20,000,000 shares		
Issued 110,877 shares	**106,882**	106,882
Common stock - $0.01 par value		
Authorized 500,000,000 shares		
Issued **211,406,626** and 176,595,060 shares	**2,116**	1,766
Additional paid-in capital	**2,220,243**	1,808,210
Retained earnings	**255,921**	243,217
Accumulated other comprehensive loss	**(25,459)**	(51,133)
Treasury stock **1,286,025** and 1,153,390 shares at cost	**(14,366)**	(12,760)
Total Stockholders Equity	**2,545,337**	2,096,182
Total Liabilities and Stockholders Equity	**$ 21,214,967**	$ 17,557,662

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands, except per share data

Unaudited

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest Income				
Loans and leases, including fees	**$ 150,720**	$ 119,460	**$ 287,841**	$ 237,199
Securities:				
Taxable	**17,976**	14,467	**34,469**	28,681
Nontaxable	**2,129**	1,484	**4,147**	2,857
Dividends	**9**	9	**14**	20
Other	**97**	28	**214**	60
Total Interest Income	**170,931**	135,448	**326,685**	268,817
Interest Expense				
Deposits	**10,424**	7,636	**19,910**	15,085
Short-term borrowings	**2,559**	1,794	**4,920**	3,562
Long-term borrowings	**3,579**	2,251	**7,132**	4,482
Total Interest Expense	**16,562**	11,681	**31,962**	23,129
Net Interest Income	**154,369**	123,767	**294,723**	245,688
Provision for credit losses	**16,640**	8,864	**28,408**	17,000
Net Interest Income After Provision for Credit Losses	**137,729**	114,903	**266,315**	228,688
Non-Interest Income				
Service charges	**26,396**	17,514	**47,672**	33,331
Trust fees	**5,405**	5,432	**10,687**	10,593
Insurance commissions and fees	**4,105**	3,559	**9,026**	7,928
Securities commissions and fees	**3,622**	3,597	**6,996**	6,654
Net securities gains	**226**	14	**297**	5
Mortgage banking operations	**2,753**	2,516	**4,348**	4,315
Bank owned life insurance	**2,559**	1,838	**4,621**	3,681
Other	**6,345**	5,282	**13,808**	11,427
Total Non-Interest Income	**51,411**	39,752	**97,455**	77,934
Non-Interest Expense				
Salaries and employee benefits	**61,329**	50,431	**117,754**	99,700
Net occupancy	**10,193**	8,472	**19,459**	17,448
Equipment	**10,014**	7,698	**18,570**	15,346

Amortization of intangibles	**3,388**	1,999	**6,037**	4,114
Outside services	**9,825**	9,163	**19,128**	17,940
FDIC insurance	**5,103**	2,783	**9,071**	6,472
Merger and acquisition related	**10,551**	371	**35,491**	371
Other	**19,226**	15,582	**40,767**	29,763
Total Non-Interest Expense	**129,629**	96,499	**266,277**	191,154
Income Before Income Taxes	**59,511**	58,156	**97,493**	115,468
Income taxes	**18,211**	18,025	**30,061**	34,994
Net Income	**41,300**	40,131	**67,432**	80,474
Less: Preferred stock dividends	**2,010**	2,010	**4,020**	4,020
Net Income Available to Common Stockholders	**$ 39,290**	$ 38,121	**$ 63,412**	$ 76,454
Net Income per Common Share Basic	**$ 0.19**	$ 0.22	**$ 0.31**	$ 0.44
Net Income per Common Share Diluted	**0.19**	0.22	**0.31**	0.43
Cash Dividends per Common Share	**0.12**	0.12	**0.24**	0.24
Comprehensive Income	**$ 49,492**	$ 31,158	**$ 93,106**	$ 82,524

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Dollars in thousands, except per share data

Unaudited

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2016	**$ 106,882**	**$ 1,766**	**$ 1,808,210**	**$ 243,217**	**$ (51,133)**	**$ (12,760)**	**$ 2,096,182**
Comprehensive income				**67,432**	**25,674**		**93,106**
Dividends declared:							
Preferred stock				**(4,020)**			**(4,020)**
Common stock: $0.24/share				**(50,708)**			**(50,708)**
Issuance of common stock		**9**	**5,284**			**(1,606)**	**3,687**
Issuance of common stock - acquisitions		**341**	**403,690**				**404,031**
Restricted stock compensation			**2,916**				**2,916**
Tax benefit of stock-based compensation			**143**				**143**
Balance at June 30, 2016	**$ 106,882**	**$ 2,116**	**$ 2,220,243**	**$ 255,921**	**$ (25,459)**	**$ (14,366)**	**$ 2,545,337**
Balance at January 1, 2015	$ 106,882	$ 1,754	$ 1,798,984	$ 176,120	$ (46,003)	$ (16,281)	$ 2,021,456
Comprehensive income				80,474	2,050		82,524
Dividends declared:							
Preferred stock				(4,020)			(4,020)
Common stock: $0.24/share				(42,152)			(42,152)
Issuance of common stock		11	2,607			3,589	6,207
Restricted stock compensation			1,564				1,564
Tax benefit of stock-based compensation			192				192
Balance at June 30, 2015	$ 106,882	$ 1,765	$ 1,803,347	$ 210,422	$ (43,953)	$ (12,692)	$ 2,065,771

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

Unaudited

	Six Months Ended June 30, 2016	2015
Operating Activities		
Net income	**$ 67,432**	$ 80,474
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	**25,892**	21,871
Provision for credit losses	**28,408**	17,000
Deferred tax expense	**11,539**	5,789
Net securities (gains) losses	**(297)**	(5)
Tax benefit of stock-based compensation	**(143)**	(192)
Loans originated for sale	**(266,313)**	(195,538)
Loans sold	**264,874**	198,787
Gain on sale of loans	**(5,843)**	(3,780)
Net change in:		
Interest receivable	**(215)**	(1,593)
Interest payable	**(131)**	(492)
Bank owned life insurance	**(3,355)**	(2,524)
Other, net	**(21,916)**	(14,562)
Net cash flows provided by operating activities	**99,932**	105,235
Investing Activities		
Net change in loans and leases	**(438,448)**	(402,216)
Securities available for sale:		
Purchases	**(622,544)**	(242,375)
Sales	**615,199**	33,228
Maturities	**256,722**	125,270
Securities held to maturity:		
Purchases	**(588,138)**	(204,591)
Maturities	**158,240**	137,518
Purchase of bank owned life insurance	**(16,579)**	(24)
Increase in premises and equipment	**(27,311)**	(8,651)
Net cash received in business combinations	**245,762**	
Net cash flows used in investing activities	**(417,097)**	(561,841)
Financing Activities		

Net change in:		
Demand (non-interest bearing and interest bearing) and savings accounts	**355,565**	999,376
Time deposits	**(79,850)**	(21,510)
Short-term borrowings	**9,114**	(534,076)
Increase in long-term borrowings	**28,168**	14,654
Decrease in long-term borrowings	**(37,942)**	(13,544)
Net proceeds from issuance of common stock	**6,603**	7,772
Tax benefit of stock-based compensation	**143**	192
Cash dividends paid:		
Preferred stock	**(4,020)**	(4,020)
Common stock	**(50,708)**	(42,152)
Net cash flows provided by financing activities	**227,073**	406,692
Net Decrease in Cash and Cash Equivalents	**(90,092)**	(49,914)
Cash and cash equivalents at beginning of period	**489,119**	287,393
Cash and Cash Equivalents at End of Period	**$ 399,027**	$ 237,479

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 2016

NATURE OF OPERATIONS

F.N.B. Corporation (the Corporation), headquartered in Pittsburgh, Pennsylvania, is a diversified financial services company operating in six states and three major metropolitan areas, including Pittsburgh, Pennsylvania, Baltimore, Maryland and Cleveland, Ohio. As of June 30, 2016, the Corporation had 330 banking offices throughout Pennsylvania, Ohio, Maryland and West Virginia. The Corporation provides a full range of commercial banking, consumer banking and wealth management solutions through its subsidiary network which is led by its largest affiliate, First National Bank of Pennsylvania (FNBPA). Commercial banking solutions include corporate banking, small business banking, investment real estate financing, international banking, business credit, capital markets and lease financing. Consumer banking provides a full line of consumer banking products and services including deposit products, mortgage lending, consumer lending and a complete suite of mobile and online banking services. Wealth management services include fiduciary and brokerage services, asset management, private banking and insurance. The Corporation also operates Regency Finance Company (Regency), which had 76 consumer finance offices in Pennsylvania, Ohio, Kentucky and Tennessee as of June 30, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation s accompanying consolidated financial statements and these notes to the financial statements include subsidiaries in which the Corporation has a controlling financial interest. The Corporation owns and operates FNBPA, First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency, Bank Capital Services, LLC and F.N.B. Capital Corporation, LLC, and includes results for each of these entities in the accompanying consolidated financial statements.

The accompanying consolidated financial statements include all adjustments that are necessary, in the opinion of management, to fairly reflect the Corporation s financial position and results of operations in accordance with U.S. generally accepted accounting principles (GAAP). All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation. Events occurring subsequent to the date of the balance sheet have been evaluated for potential recognition or disclosure in the consolidated financial statements through the date of the filing of the consolidated financial statements with the Securities and Exchange Commission (SEC).

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The interim operating results are not necessarily indicative of operating results the Corporation expects for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation s Annual Report on Form 10-K filed with the SEC on February 26, 2016.

Use of Estimates

The accounting and reporting policies of the Corporation conform with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates. Material estimates that are particularly susceptible to significant changes include the allowance for credit losses, securities valuations, goodwill and other intangible assets, fair value measurements and income taxes.

Business Combinations

Business combinations are accounted for by applying the acquisition method in accordance with Accounting Standards Codification (ASC) 805, *Business Combinations.* Under the acquisition method, identifiable assets acquired and liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date are measured at their fair values as of that date, and are recognized separately from goodwill. Results of operations of the acquired entities are included in the consolidated statements of comprehensive income from the date of acquisition. Beginning in 2016, measurement-period adjustments are recorded in the period the adjustment is identified. Prior to this time, measurement-period adjustments were recorded retrospectively.

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Cloud Computing Arrangements

Beginning in 2016, for new or materially modified contracts, the Corporation prospectively adopted new accounting principles to evaluate fees paid for cloud computing arrangements to determine if those arrangements include the purchase of or license to software that should be accounted for separately as internal-use software. If a contract includes the purchase or license to software that should be accounted for separately as internal-use software, the contract is amortized over the software s identified useful life in amortization of intangibles. For contracts that do not include a software license, the contract is accounted for as a service contract with fees paid recorded in other non-interest expense.

Stock Based Compensation

The Corporation accounts for its stock based compensation awards in accordance with ASC 718, *Compensation - Stock Compensation,* which requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards, including stock options and restricted stock, made to employees and directors.

ASC 718 requires companies to estimate the fair value of share-based awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense in the Corporation s consolidated statements of comprehensive income over the shorter of requisite service periods or the period through the date that the employee first becomes eligible to retire. Some of the Corporation s plans contain performance targets that affect vesting and can be achieved after the requisite service period and accounted for as a performance condition. Beginning in 2016, the performance target is not reflected in the estimation of the award s grant date fair value and compensation cost is recognized in the period in which it becomes probable that the performance condition will be achieved.

Because share-based compensation expense is based on awards that are ultimately expected to vest, share-based compensation expense has been reduced to account for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Variable Interest Entities

The Corporation has investments in certain partnerships and limited liability entities that qualify as variable interest entities (VIEs). These entities are evaluated on an on-going basis to determine whether they should be consolidated. Consolidation of a VIE is appropriate if a reporting entity holds a controlling financial interest in the VIE. The Corporation has determined that it does not hold a controlling financial interest in any of the VIEs and, therefore, the assets and liabilities of these entities are not consolidated into its financial statements. Instead, investments in these entities are accounted for under the equity method of accounting and are evaluated periodically for impairment. The recorded investment in these entities is reported in other assets on the consolidated balance sheets.

2. NEW ACCOUNTING STANDARDS

The following paragraphs summarize accounting pronouncements applicable to the Corporation that have been issued by the Financial Accounting Standards Board (FASB) but are not yet effective.

Credit Losses

Accounting Standards Update (ASU or Update) 2016-13*, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, commonly referred to as CECL, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses for most financial assets measured at amortized cost and certain other instruments, including loans, held-to-maturity debt securities, net investments in leases and off-balance sheet credit exposures. In addition, the Update will require the use of a modified available-for-sale debt security impairment model and eliminate the current accounting for purchased credit impaired loans and debt securities. The Update is effective the first quarter of 2020. Early application is permitted. The Corporation is currently assessing the potential impact to its Consolidated Financial Statements.

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Revenue Recognition

ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,* addresses certain issues in the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition.

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* clarifies several aspects of identifying performance obligations and licensing implementation guidance including guidance that is expected to reduce the cost and complexity by eliminating the need to assess whether goods and services are performance obligations if they are immaterial in the context of the contract with the customer.

ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* clarifies the guidance on principal versus agent considerations when another party is involved in providing goods and services to a customer. The guidance requires a company to determine whether it is required to provide the specific good or service itself or to arrange for that good or service to be provided by another party.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* modifies the guidance used to recognize revenue from contracts with customers for transfers of goods and services and transfers of nonfinancial assets, unless those contracts are within the scope of other guidance. The guidance also requires new qualitative and quantitative disclosures about contract balances and performance obligations. The Update can be adopted using either the full retrospective method or modified retrospective method. The Corporation intends to use the modified retrospective approach when adopted.

The guidance for these Revenue Recognition Updates is effective for annual periods beginning in the first quarter of 2018. Early application is permitted beginning in the first quarter of 2017. The Corporation is currently assessing the potential impact to its Consolidated Financial Statements.

Stock Based Compensation

ASU 2016-09, *Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting,* simplifies several aspects of 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. The Update is effective in the first quarter of 2017 by an application method determined by the type of transaction impacted by the adoption. Early application is permitted. The Corporation is currently assessing the potential impact to its Consolidated Financial Statements.

Investments

ASU 2016-07, *Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting,* eliminates the requirement for an investor to retrospectively apply the equity method when an investment that it had accounted for by another method qualifies for use of the equity method. The Update is effective in the first quarter of 2017 with prospective application. Early application is permitted. This Update is not expected to have a material effect on the Consolidated Financial Statements.

Derivative and Hedging Activities

ASU 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force),* provides clarification that determination of whether an embedded contingent put or call option in a financial instrument is clearly and closely related to the debt host requires only an analysis of the four-step decision sequence described in ASC 815-15-25-42. The Update is effective in the first quarter of 2017 with modified retrospective application. Early application is permitted. If an entity is no longer required to bifurcate an embedded derivative as a result of this Update and elects fair value accounting, the effects should be reported as a cumulative-effect adjustment. This Update is not expected to have a material effect on the Consolidated Financial Statements.

ASU 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force),* clarifies that a change in counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided all other hedge accounting criteria continue to be met. The Update is effective in the first quarter of 2017 with either prospective or modified retrospective application. Early application is permitted. This Update is not expected to have a material effect on the Consolidated Financial Statements.

Extinguishments of Liabilities

ASU 2016-04, *Liabilities Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force),* requires entities that sell prepaid stored-value products redeemable for goods, services or cash at third-party merchants to recognize breakage. The Update is effective in the first quarter of 2018 with either the modified retrospective method by means of a cumulative-effect adjustment to retained earnings or retrospective application. Early application is permitted. This Update is not expected to have a material effect on the Consolidated Financial Statements.

Leases

ASU 2016-02, *Leases (Topic 842),* requires lessees to put most leases on their balance sheet but recognize expenses in the income statement similar to current accounting. In addition, the Update changes the guidance for sale-leaseback transactions, initial direct costs and lease executory costs for most entities. All entities will classify leases to determine how to recognize lease related revenue and expense. The Update is effective in the first quarter of 2019 with modified retrospective application including a number of optional practical expedients. Early application is permitted. The Corporation is currently assessing the potential impact to its Consolidated Financial Statements.

Financial Instruments Recognition and Measurement

ASU 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* amends the presentation and accounting for certain financial instruments, including liabilities measured at fair value under the fair value option, and equity investments. The guidance also updates fair value presentation and disclosure requirements for financial instruments measured at amortized cost. The Update is effective in the first quarter of 2018 with a cumulative-effect adjustment as of the beginning of the fiscal year of adoption. Early application is prohibited except for the provision requiring the recognition of changes in fair value related to changes in an entity s own credit risk in other comprehensive income for financial liabilities measured using the fair value option. This Update is not expected to have a material effect on the Consolidated Financial Statements.

3. MERGERS AND ACQUISITIONS

Branch Purchase Fifth Third Bank

On April 22, 2016, the Corporation completed its purchase of 17 branch-banking locations and related consumer loans in the Pittsburgh, Pennsylvania metropolitan area from Fifth Third Bank (Fifth Third). The fair value of the acquired assets totaled $317.6 million, including $198.9 million in cash, $97.7 million in loans and $15.0 million in fixed and other assets. The Corporation also assumed $302.5 million in deposits, for which it paid a deposit premium of 1.97%, as part of the transaction. The assets and liabilities relating to these purchased branches were recorded on the Corporation s balance sheet at their preliminary fair values as of April 22, 2016 and the related results of operations for these branches have been included in the Corporation s consolidated statement of comprehensive income since that date. Based on the preliminary purchase price allocation, the Corporation recorded $11.4 million in goodwill and $6.0 million in core deposit intangibles. These fair value estimates are provisional amounts based on third party valuations that are currently under review. The goodwill for this transaction is deductible for income tax purposes.

Metro Bancorp, Inc.

On February 13, 2016, the Corporation completed its acquisition of Metro Bancorp, Inc. (METR), a bank holding company based in Harrisburg, Pennsylvania. The acquisition enhanced the Corporation s distribution and scale across Central Pennsylvania, strengthened its position as the largest Pennsylvania-based regional bank and allowed the Corporation to leverage the significant infrastructure investments made in connection with the expansion of its product offerings and risk management systems. On the acquisition date, the estimated fair values of METR included \$2.8 billion in assets, \$1.9 billion in loans and \$2.3 billion in deposits. The acquisition was valued at \$404.0 million and resulted in the Corporation issuing 34,041,181 shares of its common stock in exchange for 14,345,319 shares of METR common stock. The Corporation also acquired the fully vested outstanding stock options of METR. The assets and liabilities of METR were recorded on the Corporation s consolidated balance sheet at their preliminary estimated fair values as of February 13, 2016, the acquisition date, and METR s results of operations have been included in the Corporation s consolidated statement of comprehensive income since that date. METR s banking affiliate, Metro Bank, was merged into FNBPA on February 13, 2016. Based on the preliminary purchase price allocation, the Corporation recorded \$177.0 million in goodwill and \$36.8 million in core deposit intangibles as a result of the acquisition. These fair value estimates are provisional amounts based on third party valuations that are currently under review. None of the goodwill is deductible for income tax purposes.

The following pro forma financial information for the six months ended June 30, 2015 reflects the Corporation s estimated consolidated pro forma results of operations as if the METR acquisition occurred on January 1, 2015, unadjusted for potential cost savings and other business synergies the Corporation expects to receive as a result of the acquisition:

(dollars in thousands, except per share data)	**F.N.B. Corporation**	**METR**	**Pro Forma Adjustments**	**Pro Forma Combined**
Revenue (net interest income and non-interest income)	$ 323,622	$ 67,629	$ (2,122)	$ 389,129
Net income	80,474	9,899	(4,007)	86,366
Net income available to common stockholders	76,454	9,859	(3,967)	82,346
Earnings per common share basic	0.44	0.70		0.39
Earnings per common share diluted	0.43	0.68		0.39

The pro forma adjustments reflect amortization and associated taxes related to the purchase accounting adjustments made to record various acquired items at fair value.

In connection with the METR acquisition, the Corporation incurred expenses related to systems conversions and other costs of integrating and conforming acquired operations with and into the Corporation. These merger-related charges amounted to \$31.4 million and were expensed as incurred. Severance costs comprised 40.8% of the merger-related expenses, with the remainder consisting of other non-interest expenses, including professional services, marketing and advertising, technology and communications, occupancy and equipment, and charitable contributions. The Corporation also incurred issuance costs of \$0.7 million which were charged to additional paid-in capital.

Branch Purchase Bank of America

On September 18, 2015, the Corporation completed its purchase of five branch-banking locations in southeastern Pennsylvania from Bank of America (BofA). The fair value of the acquired assets totaled \$153.1 million, including \$148.2 million in cash and \$2.0 million in fixed and other assets. The Corporation also assumed \$154.6 million in deposits associated with these branches. The Corporation paid a deposit premium of 1.96% and acquired an immaterial amount of loans as part of the transaction. The Corporation s operating results for 2015 include the impact of branch activity subsequent to the September 18, 2015 closing date. The Corporation recorded $1.5 million in goodwill and $3.0 million in core deposit intangibles. The goodwill for this transaction is deductible for income tax purposes.

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The following table summarizes the amounts recorded on the consolidated balance sheet as of each of the acquisition dates in conjunction with the acquisitions discussed above:

(in thousands)	Fifth Third Branches	METR	BofA Branches
Fair value of consideration paid	$	$ 404,031	$
Fair value of identifiable assets acquired:			
Cash and cash equivalents	198,872	46,890	148,159
Securities		722,980	
Loans	97,734	1,868,873	842
Core deposit intangibles	5,952	36,801	3,000
Other assets	15,038	122,704	1,133
Total identifiable assets acquired	317,596	2,798,248	153,134
Fair value of liabilities assumed:			
Deposits	302,529	2,328,238	154,619
Borrowings		227,539	
Other liabilities	26,427	15,397	
Total liabilities assumed	328,956	2,571,174	154,619
Fair value of net identifiable assets acquired	(11,360)	227,074	(1,485)
Goodwill recognized (1)	$ 11,360	$ 176,957	$ 1,485

(1) All of the goodwill for these transactions has been recorded by FNBPA.

Pending Acquisition Yadkin Financial Corporation

On July 20, 2016, the Corporation entered into a definitive merger agreement to acquire Yadkin Financial Corporation (YDKN), a bank holding company based in Raleigh, North Carolina with approximately $7.5 billion in total assets. The transaction is valued at approximately $1.4 billion. Under the terms of the merger agreement, YDKN voting common shareholders will be entitled to receive 2.16 shares of the Corporation s common stock for each share of YDKN common stock. The Corporation expects to issue approximately 111.0 million shares of its common stock in exchange for approximately 51.4 million shares of YDKN common stock. YDKN s banking affiliate, Yadkin Bank, will be merged into FNBPA. The transaction is expected to be completed in the first quarter of 2017, pending regulatory approvals, the approval of shareholders of the Corporation and YDKN, and the satisfaction of other closing conditions.

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4. SECURITIES

The amortized cost and fair value of securities are as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
June 30, 2016				
U.S. Treasury	**$ 29,805**	**$ 257**	**$**	**$ 30,062**
U.S. government-sponsored entities	**432,534**	**3,235**		**435,769**
Residential mortgage-backed securities:				
Agency mortgage-backed securities	**1,095,826**	**19,051**		**1,114,877**
Agency collateralized mortgage obligations	**495,943**	**5,239**	**(1,535)**	**499,647**
Non-agency collateralized mortgage obligations	**1,034**		**(56)**	**978**
Commercial mortgage-backed securities	**3,389**	**4**		**3,393**
States of the U.S. and political subdivisions	**38,195**	**280**	**(27)**	**38,448**
Other debt securities	**9,778**	**150**	**(760)**	**9,168**
Total debt securities	**2,106,504**	**28,216**	**(2,378)**	**2,132,342**
Equity securities	**975**	**345**		**1,320**
Total securities available for sale	**$ 2,107,479**	**$ 28,561**	**$ (2,378)**	**$ 2,133,662**
December 31, 2015				
U.S. Treasury	$ 29,738	$ 58	$	$ 29,796
U.S. government-sponsored entities	368,463	856	(1,325)	367,994
Residential mortgage-backed securities:				
Agency mortgage-backed securities	703,069	4,594	(2,832)	704,831
Agency collateralized mortgage obligations	503,328	1,032	(8,530)	495,830
Non-agency collateralized mortgage obligations	1,177	13		1,190
Commercial mortgage-backed securities	4,299		(12)	4,287
States of the U.S. and political subdivisions	10,748	309		11,057
Other debt securities	14,729	208	(651)	14,286
Total debt securities	1,635,551	7,070	(13,350)	1,629,271
Equity securities	975	324	(3)	1,296
Total securities available for sale	$ 1,636,526	$ 7,394	$ (13,353)	$ 1,630,567
Securities Held to Maturity				
June 30, 2016				
U.S. Treasury	**$ 500**	**$ 204**	**$**	**$ 704**
U.S. government-sponsored entities	**238,464**	**2,073**		**240,537**
Residential mortgage-backed securities:				
Agency mortgage-backed securities	**882,467**	**22,422**		**904,889**

Agency collateralized mortgage obligations	**614,480**	**6,356**	**(1,305)**	**619,531**
Non-agency collateralized mortgage obligations	**2,143**	**5**	**(4)**	**2,144**
Commercial mortgage-backed securities	**50,294**	**1,776**	**(81)**	**51,989**
States of the U.S. and political subdivisions	**275,957**	**9,031**		**284,988**
Total securities held to maturity	**$ 2,064,305**	**$ 41,867**	**$ (1,390)**	**$ 2,104,782**
December 31, 2015				
U.S. Treasury	$ 500	$ 153	$	$ 653
U.S. government-sponsored entities	137,385	809	(395)	137,799
Residential mortgage-backed securities:				
Agency mortgage-backed securities	709,970	9,858	(1,176)	718,652
Agency collateralized mortgage obligations	499,694	803	(7,657)	492,840
Non-agency collateralized mortgage obligations	2,681	14		2,695
Commercial mortgage-backed securities	51,258	115	(259)	51,114
States of the U.S. and political subdivisions	235,573	4,191	(101)	239,663
Total securities held to maturity	$ 1,637,061	$ 15,943	$ (9,588)	$ 1,643,416

The increase in securities in 2016 primarily relates to the METR acquisition completed on February 13, 2016.

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Gross gains and gross losses were realized on securities as follows:

(in thousands)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Gross gains	**$ 227**	$ 14	**$ 298**	$ 14
Gross losses	**(1)**		**(1)**	(9)
Net gains	**$ 226**	$ 14	**$ 297**	$ 5

As of June 30, 2016, the amortized cost and fair value of securities, by contractual maturities, were as:

	Available for Sale		**Held to Maturity**	
(in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	**$ 14,985**	**$ 15,061**	**$ 11,478**	**$ 11,502**
Due from one to five years	**460,162**	**463,729**	**234,393**	**236,292**
Due from five to ten years	**27,882**	**28,135**	**48,491**	**49,991**
Due after ten years	**7,283**	**6,522**	**220,559**	**228,444**
	510,312	**513,447**	**514,921**	**526,229**
Residential mortgage-backed securities:				
Agency mortgage-backed securities	**1,095,826**	**1,114,877**	**882,467**	**904,889**
Agency collateralized mortgage obligations	**495,943**	**499,647**	**614,480**	**619,531**
Non-agency collateralized mortgage obligations	**1,034**	**978**	**2,143**	**2,144**
Commercial mortgage-backed securities	**3,389**	**3,393**	**50,294**	**51,989**
Equity securities	**975**	**1,320**		
Total securities	**$ 2,107,479**	**$ 2,133,662**	**$ 2,064,305**	**$ 2,104,782**

Maturities may differ from contractual terms because borrowers may have the right to call or prepay obligations with or without penalties. Periodic payments are received on mortgage-backed securities based on the payment patterns of the underlying collateral.

Following is information relating to securities pledged:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Securities pledged (carrying value):		
Collateral for public deposits, trust deposits and for other purposes as required by law	**$ 2,404,720**	$ 1,728,939

Collateral for short-term borrowings	**298,240**	272,629
Securities pledged as a percent of total securities	**64.4%**	61.3%

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Following are summaries of the fair values and unrealized losses of impaired securities, segregated by length of impairment:

	Less than 12 Months			12 Months or More			Total		
(dollars in thousands)	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Securities Available for Sale									
June 30, 2016									
Residential mortgage-backed securities:									
Agency collateralized mortgage obligations	**1**	**$ 12,209**	**$ (37)**	**11**	**$ 122,569**	**$ (1,498)**	**12**	**$ 134,778**	**$ (1,535)**
Non-agency collateralized mortgage obligations	**1**	**974**	**(56)**				**1**	**974**	**(56)**
States of the U.S. and political subdivisions	**9**	**11,515**	**(27)**				**9**	**11,515**	**(27)**
Other debt securities				**3**	**4,140**	**(760)**	**3**	**4,140**	**(760)**
Total impaired securities available for sale	**11**	**$ 24,698**	**$ (120)**	**14**	**$ 126,709**	**$ (2,258)**	**25**	**$ 151,407**	**$ (2,378)**
December 31, 2015									
U.S. government-sponsored entities	6	$ 99,131	$ (814)	2	$ 34,487	$ (511)	8	$ 133,618	$ (1,325)
Residential mortgage-backed securities:									
Agency mortgage-backed securities	19	359,250	(2,832)				19	359,250	(2,832)
Agency collateralized mortgage obligations	9	126,309	(1,366)	18	215,330	(7,164)	27	341,639	(8,530)
Commercial mortgage-backed securities	1	4,287	(12)				1	4,287	(12)
Other debt securities				3	4,245	(651)	3	4,245	(651)
Equity securities	1	632	(3)				1	632	(3)
Total impaired securities available for sale	36	$ 589,609	$ (5,027)	23	$ 254,062	$ (8,326)	59	$ 843,671	$ (13,353)
Securities Held to Maturity									
June 30, 2016									
Residential mortgage-backed securities:									
Agency collateralized mortgage obligations		**$**	**$**	**12**	**$ 128,715**	**$ (1,305)**	**12**	**$ 128,715**	**$ (1,305)**
	2	**1,174**	**(4)**				**2**	**1,174**	**(4)**

Non-agency collateralized mortgage obligations									
Commercial mortgage-backed securities	**1**	**8,541**	**(81)**				**1**	**8,541**	**(81)**
Total impaired securities held to maturity	**3**	**$ 9,715**	**$ (85)**	**12**	**$ 128,715**	**$ (1,305)**	**15**	**$ 138,430**	**$ (1,390)**
December 31, 2015									
U.S. government-sponsored entities	3	$ 39,843	$ (173)	1	$ 14,778	$ (222)	4	$ 54,621	$ (395)
Residential mortgage-backed securities:									
Agency mortgage-backed securities	17	212,024	(1,159)	1	917	(17)	18	212,941	(1,176)
Agency collateralized mortgage obligations	11	150,593	(1,434)	14	160,716	(6,223)	25	311,309	(7,657)
Commercial mortgage-backed securities	3	46,278	(259)				3	46,278	(259)
States of the U.S. and political subdivisions	9	17,616	(101)				9	17,616	(101)
Total impaired securities held to maturity	43	$ 466,354	$ (3,126)	16	$ 176,411	$ (6,462)	59	$ 642,765	$ (9,588)

The Corporation does not intend to sell the debt securities and it is not more likely than not that the Corporation will be required to sell the securities before recovery of their amortized cost basis.

Other-Than-Temporary Impairment

The Corporation evaluates its investment securities portfolio for other-than-temporary impairment (OTTI) on a quarterly basis. Impairment is assessed at the individual security level. The Corporation considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis. The following table presents a summary of the cumulative credit-related OTTI charges recognized as components of earnings for securities for which a portion of an OTTI is recognized in other comprehensive income:

(in thousands)	Equities	Total
For the Six Months Ended June 30, 2016		
Beginning balance	**$ 27**	**$ 27**
Loss where impairment was not previously recognized		
Additional loss where impairment was previously recognized		
Reduction due to credit impaired securities sold		
Ending balance	**$ 27**	**$ 27**
For the Six Months Ended June 30, 2015		
Beginning balance	$ 27	$ 27
Loss where impairment was not previously recognized		
Additional loss where impairment was previously recognized		
Reduction due to credit impaired securities sold		
Ending balance	$ 27	$ 27

The Corporation did not recognize any impairment losses on securities for the six months ended June 30, 2016 or 2015.

States of the U.S. and Political Subdivisions

The Corporation s municipal bond portfolio with a carrying amount of $314.4 million as of June 30, 2016 is highly rated with an average entity-specific rating of AA and 96.0% of the portfolio rated A or better. General obligation bonds comprise 99.9% of the portfolio. Geographically, municipal bonds support the Corporation s primary footprint as 95.7% of the securities are from municipalities located throughout Pennsylvania, Ohio and Maryland. The average holding size of the securities in the municipal bond portfolio is $1.8 million. In addition to the strong stand-alone ratings, 77.0% of the municipalities have some formal credit enhancement insurance that strengthens the creditworthiness of their issue. Management also reviews the credit profile of each issuer on a quarterly basis.

5. LOANS AND LEASES

Following is a summary of loans and leases, net of unearned income:

(in thousands)	Originated Loans	Acquired Loans	Total Loans and Leases
June 30, 2016			
Commercial real estate	**$ 3,789,036**	**$ 1,566,589**	**$ 5,355,625**
Commercial and industrial	**2,643,116**	**436,489**	**3,079,605**
Commercial leases	**200,350**		**200,350**
Total commercial loans and leases	**6,632,502**	**2,003,078**	**8,635,580**
Direct installment	**1,733,606**	**96,600**	**1,830,206**
Residential mortgages	**1,217,574**	**461,072**	**1,678,646**
Indirect installment	**1,076,516**	**301**	**1,076,817**

Consumer lines of credit	**1,058,128**	**231,925**	**1,290,053**
Other	**51,826**		**51,826**
Total loans and leases, net of unearned income	**$ 11,770,152**	**$ 2,792,976**	**$ 14,563,128**

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(in thousands)	Originated Loans	Acquired Loans	Total Loans and Leases
December 31, 2015			
Commercial real estate	$ 3,531,146	$ 577,910	$ 4,109,056
Commercial and industrial	2,534,351	67,371	2,601,722
Commercial leases	204,553		204,553
Total commercial loans and leases	6,270,050	645,281	6,915,331
Direct installment	1,660,717	45,919	1,706,636
Residential mortgages	1,044,689	351,282	1,395,971
Indirect installment	996,175	554	996,729
Consumer lines of credit	1,021,830	115,425	1,137,255
Other	38,518		38,518
Total loans and leases, net of unearned income	$ 11,031,979	$ 1,158,461	$ 12,190,440

Commercial real estate includes both owner-occupied and non-owner-occupied loans secured by commercial properties. Commercial and industrial includes loans to businesses that are not secured by real estate. Commercial leases are made for new or used equipment. Direct installment is comprised of fixed-rate, closed-end consumer loans for personal, family or household use, such as home equity loans and automobile loans. Residential mortgages consist of conventional and jumbo mortgage loans for non-commercial properties. Indirect installment is comprised of loans originated by third parties and underwritten by the Corporation, primarily automobile loans. Consumer lines of credit include home equity lines of credit (HELOC) and consumer lines of credit that are either unsecured or secured by collateral other than home equity. Other is comprised primarily of credit cards, mezzanine loans and student loans.

The loan and lease portfolio consists principally of loans to individuals and small- and medium-sized businesses within the Corporation s primary market area of Pennsylvania, eastern Ohio, Maryland and northern West Virginia. The total loan portfolio also contains consumer finance loans to individuals in Pennsylvania, Ohio, Tennessee and Kentucky, which totaled $187.8 million or 1.3% of total loans and leases at June 30, 2016, compared to $186.2 million or 1.5% of total loans and leases at December 31, 2015. Due to the relative size of the consumer finance loan portfolio, these loans are not segregated from other consumer loans.

The following table shows certain information relating to commercial loans:

(dollars in thousands)	June 30, 2016	December 31, 2015
Commercial construction loans	**$ 432,429**	$ 352,322
Percent of total loans and leases	**3.0%**	2.9%
Commercial real estate:		
Percent owner-occupied	**37.0%**	38.1%
Percent non-owner-occupied	**63.0%**	61.9%

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Acquired Loans

All acquired loans were initially recorded at fair value at the acquisition date. The outstanding balance and the carrying amount of acquired loans included in the consolidated balance sheet are as follows:

(in thousands)	June 30, 2016	December 31, 2015
Accounted for under ASC 310-30:		
Outstanding balance	**$ 2,730,575**	$ 1,258,418
Carrying amount	**2,419,551**	1,011,139
Accounted for under ASC 310-20:		
Outstanding balance	**398,107**	146,161
Carrying amount	**367,775**	140,595
Total acquired loans:		
Outstanding balance	**3,128,682**	1,404,579
Carrying amount	**2,787,326**	1,151,734

The carrying amount of purchased credit impaired loans included in the table above totaled $7.1 million at June 30, 2016 and $5.9 million at December 31, 2015, representing less than 1% of the carrying amount of total acquired loans as of each date.

The following table provides changes in accretable yield for all acquired loans accounted for under ASC 310-30. Loans accounted for under ASC 310-20 are not included in this table.

	Six Months Ended June 30,	
(in thousands)	2016	2015
Balance at beginning of period	**$ 256,120**	$ 331,899
Acquisitions	**308,311**	
Reduction due to unexpected early payoffs	**(35,879)**	(25,735)
Reclass from non-accretable difference	**14,508**	15,653
Disposals/transfers	**(208)**	(348)
Accretion	**(49,646)**	(31,656)
Balance at end of period	**$ 493,206**	$ 289,813

The following table reflects amounts at acquisition for all purchased loans subject to ASC 310-30 (impaired and non-impaired) acquired from METR and Fifth Third.

(in thousands)	Acquired Impaired Loans	Acquired Performing Loans	Total

Contractually required cash flows at acquisition	**$ 99,611**	**$ 2,191,476**	**$ 2,291,087**
Non-accretable difference (expected losses and foregone interest)	**(52,995)**	**(264,233)**	**(317,228)**
Cash flows expected to be collected at acquisition	**46,616**	**1,927,243**	**1,973,859**
Accretable yield	**(1,063)**	**(307,248)**	**(308,311)**
Basis in acquired loans at acquisition	**$ 45,553**	**$ 1,619,995**	**$ 1,665,548**

In addition, loans purchased in the METR acquisition and Fifth Third branch purchase that were not subject to ASC 310-30 had the following balances at the date of acquisition: fair value of $292.3 million; unpaid principal balance of $315.1 million; and contractual cash flows not expected to be collected of $103.0 million.

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Credit Quality

Management monitors the credit quality of the Corporation s loan and lease portfolio on an ongoing basis. Measurement of delinquency and past due status is based on the contractual terms of each loan.

Non-performing loans include non-accrual loans and non-performing troubled debt restructurings (TDRs). Past due loans are reviewed on a monthly basis to identify loans for non-accrual status. The Corporation places a loan on non-accrual status and discontinues interest accruals on originated loans generally when principal or interest is due and has remained unpaid for a certain number of days or when the principal and interest is deemed uncollectible, unless the loan is both well secured and in the process of collection. Commercial loans are placed on non-accrual at 90 days, installment loans are placed on non-accrual at 120 days and residential mortgages and consumer lines of credit are generally placed on non-accrual at 180 days. When a loan is placed on non-accrual status, all unpaid interest is reversed. Non-accrual loans may not be restored to accrual status until all delinquent principal and interest have been paid and the ultimate ability to collect the remaining principal and interest is reasonably assured. TDRs are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress.

Following is a summary of non-performing assets:

(dollars in thousands)	**June 30, 2016**	December 31, 2015
Non-accrual loans	**$ 67,475**	$ 49,897
Troubled debt restructurings	**22,542**	22,028
Total non-performing loans	**90,017**	71,925
Other real estate owned (OREO)	**48,344**	38,918
Total non-performing assets	**$ 138,361**	$ 110,843
Asset quality ratios:		
Non-performing loans / total loans and leases	**0.62%**	0.59%
Non-performing loans + OREO / total loans and leases + OREO	**0.95%**	0.91%
Non-performing assets / of total assets	**0.65%**	0.63%

The carrying value of residential OREO held as a result of obtaining physical possession upon completion of a foreclosure or through completion of a deed in lieu of foreclosure totaled $4.7 million at June 30, 2016 and $5.2 million at December 31, 2015. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at June 30, 2016 and December 31, 2015 totaled $9.7 million and $11.7 million, respectively.

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The following tables provide an analysis of the aging of the Corporation s past due loans by class, segregated by loans and leases originated and loans acquired:

(in thousands)	30-89 Days Past Due	³ 90 Days Past Due and Still Accruing	Non-Accrual	Total Past Due	Current	Total Loans and Leases
Originated Loans and Leases						
June 30, 2016						
Commercial real estate	**$ 9,219**	**$ 1**	**$ 23,797**	**$ 33,017**	**$ 3,756,019**	**$ 3,789,036**
Commercial and industrial	**9,411**	**3**	**27,568**	**36,982**	**2,606,134**	**2,643,116**
Commercial leases	**1,099**		**1,142**	**2,241**	**198,109**	**200,350**
Total commercial loans and leases	**19,729**	**4**	**52,507**	**72,240**	**6,560,262**	**6,632,502**
Direct installment	**9,479**	**3,690**	**5,743**	**18,912**	**1,714,694**	**1,733,606**
Residential mortgages	**11,249**	**1,662**	**3,072**	**15,983**	**1,201,591**	**1,217,574**
Indirect installment	**6,067**	**270**	**1,613**	**7,950**	**1,068,566**	**1,076,516**
Consumer lines of credit	**2,141**	**532**	**2,063**	**4,736**	**1,053,392**	**1,058,128**
Other	**41**	**28**		**69**	**51,757**	**51,826**
Total originated loans and leases	**$ 48,706**	**$ 6,186**	**$ 64,998**	**$ 119,890**	**$ 11,650,262**	**$ 11,770,152**
December 31, 2015						
Commercial real estate	$ 11,006	$ 1	$ 23,503	$ 34,510	$ 3,496,636	$ 3,531,146
Commercial and industrial	5,409	3	14,382	19,794	2,514,557	2,534,351
Commercial leases	924		659	1,583	202,970	204,553
Total commercial loans and leases	17,339	4	38,544	55,887	6,214,163	6,270,050
Direct installment	9,254	3,813	4,806	17,873	1,642,844	1,660,717
Residential mortgages	8,135	1,470	2,882	12,487	1,032,202	1,044,689
Indirect installment	9,472	379	1,361	11,212	984,963	996,175
Consumer lines of credit	2,410	1,189	1,181	4,780	1,017,050	1,021,830
Other	73	169		242	38,276	38,518
Total originated loans and leases	$ 46,683	$ 7,024	$ 48,774	$ 102,481	$ 10,929,498	$ 11,031,979

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(in thousands)	30-89 Days Past Due	^{3} 90 Days Past Due and Still Accruing	Non-Accrual	Total Past Due (1) (2)	Current	Discount	Total Loans
Acquired Loans							
June 30, 2016							
Commercial real estate	**$ 24,253**	**$ 26,315**	**$ 893**	**$ 51,461**	**$ 1,602,228**	**$ (87,100)**	**$ 1,566,589**
Commercial and industrial	**2,758**	**4,821**	**1,163**	**8,742**	**461,688**	**(33,941)**	**436,489**
Total commercial loans	**27,011**	**31,136**	**2,056**	**60,203**	**2,063,916**	**(121,041)**	**2,003,078**
Direct installment	**2,602**	**1,124**		**3,726**	**90,263**	**2,611**	**96,600**
Residential mortgages	**11,990**	**13,963**		**25,953**	**474,442**	**(39,323)**	**461,072**
Indirect installment	**11**	**4**		**15**	**255**	**31**	**301**
Consumer lines of credit	**1,325**	**858**	**421**	**2,604**	**234,158**	**(4,837)**	**231,925**
Total acquired loans	**$ 42,939**	**$ 47,085**	**$ 2,477**	**$ 92,501**	**$ 2,863,034**	**$ (162,559)**	**$ 2,792,976**
December 31, 2015							
Commercial real estate	$ 6,399	$ 12,752	$ 931	$ 20,082	$ 593,128	$ (35,300)	$ 577,910
Commercial and industrial	1,065	616	103	1,784	72,037	(6,450)	67,371
Total commercial loans	7,464	13,368	1,034	21,866	665,165	(41,750)	645,281
Direct installment	837	659		1,496	43,596	827	45,919
Residential mortgages	5,871	15,136		21,007	366,742	(36,467)	351,282
Indirect installment	32	9		41	571	(58)	554
Consumer lines of credit	830	546	89	1,465	117,443	(3,483)	115,425
Total acquired loans	$ 15,034	$ 29,718	$ 1,123	$ 45,875	$ 1,193,517	$ (80,931)	$ 1,158,461

(1) Past due information for acquired loans is based on the contractual balance outstanding at June 30, 2016 and December 31, 2015.

(2) Acquired loans are considered performing upon acquisition, regardless of whether the customer is contractually delinquent, as long as the Corporation can reasonably estimate the timing and amount of expected cash flows on such loans. In these instances, the Corporation does not consider acquired contractually delinquent loans to be non-accrual or non-performing and continues to recognize interest income on these loans using the accretion method. Acquired loans are considered non-accrual or non-performing when, due to credit deterioration or other factors, the Corporation determines it is no longer able to reasonably estimate the timing and amount of expected cash flows on such loans. The Corporation does not recognize interest income on acquired loans considered non-accrual or non-performing.

The Corporation utilizes the following categories to monitor credit quality within its commercial loan and lease portfolio:

Rating	**Definition**

Category	
Pass	in general, the condition and performance of the borrower is satisfactory or better
Special Mention	in general, the condition of the borrower has deteriorated, requiring an increased level of monitoring
Substandard	in general, the condition and performance of the borrower has significantly deteriorated and could further deteriorate if deficiencies are not corrected
Doubtful	in general, the condition of the borrower has significantly deteriorated and the collection in full of both principal and interest is highly questionable or improbable

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The use of these internally assigned credit quality categories within the commercial loan and lease portfolio permits management s use of transition matrices to estimate a quantitative portion of credit risk. The Corporation s internal credit risk grading system is based on past experiences with similarly graded loans and leases and conforms with regulatory categories. In general, loan and lease risk ratings within each category are reviewed on an ongoing basis according to the Corporation s policy for each class of loans and leases. Each quarter, management analyzes the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the commercial loan and lease portfolio. Loans and leases within the Pass credit category or that migrate toward the Pass credit category generally have a lower risk of loss compared to loans and leases that migrate toward the Substandard or Doubtful credit categories. Accordingly, management applies higher risk factors to Substandard and Doubtful credit categories.

The following tables present a summary of the Corporation s commercial loans and leases by credit quality category, segregated by loans and leases originated and loans acquired:

	Originated Commercial Loan and Lease Credit Quality Categories				
(in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Originated Loans and Leases					
June 30, 2016					
Commercial real estate	**$ 3,612,375**	**$ 106,555**	**$ 69,872**	**$ 234**	**$ 3,789,036**
Commercial and industrial	**2,387,112**	**89,891**	**159,497**	**6,616**	**2,643,116**
Commercial leases	**194,408**	**2,107**	**3,835**		**200,350**
Total originated commercial loans and leases	**$ 6,193,895**	**$ 198,553**	**$ 233,204**	**$ 6,850**	**$ 6,632,502**
December 31, 2015					
Commercial real estate	$ 3,416,527	$ 52,887	$ 61,411	$ 321	$ 3,531,146
Commercial and industrial	2,335,103	109,539	87,380	2,329	2,534,351
Commercial leases	198,207	2,447	3,899		204,553
Total originated commercial loans and leases	$ 5,949,837	$ 164,873	$ 152,690	$ 2,650	$ 6,270,050
Acquired Loans					
June 30, 2016					
Commercial real estate	**$ 1,301,203**	**$ 131,051**	**$ 132,639**	**$ 1,696**	**$ 1,566,589**
Commercial and industrial	**371,294**	**21,805**	**42,874**	**516**	**436,489**
Total acquired commercial loans	**$ 1,672,497**	**$ 152,856**	**$ 175,513**	**$ 2,212**	**$ 2,003,078**
December 31, 2015					
Commercial real estate	$ 464,162	$ 47,619	$ 66,129		$ 577,910
Commercial and industrial	56,446	3,182	7,743		67,371
Total acquired commercial loans	$ 520,608	$ 50,801	$ 73,872		$ 645,281

Credit quality information for acquired loans is based on the contractual balance outstanding at June 30, 2016 and December 31, 2015. The increase in acquired loans in 2016 relates to the METR acquisition completed on February 13, 2016.

The Corporation uses delinquency transition matrices within the consumer and other loan classes to enable management to estimate a quantitative portion of credit risk. Each month, management analyzes payment and volume activity, FICO scores and other external factors such as unemployment, to determine how consumer loans are performing.

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Following is a table showing originated consumer loans by payment status:

	Originated Consumer Loan Credit Quality by Payment Status		
(in thousands)	Performing	Non-Performing	Total
June 30, 2016			
Direct installment	**$ 1,718,741**	**$ 14,865**	**$ 1,733,606**
Residential mortgages	**1,204,189**	**13,385**	**1,217,574**
Indirect installment	**1,074,744**	**1,772**	**1,076,516**
Consumer lines of credit	**1,055,118**	**3,010**	**1,058,128**
Other	**51,826**		**51,826**
Total originated consumer loans	**$ 5,104,618**	**$ 33,032**	**$ 5,137,650**
December 31, 2015			
Direct installment	$ 1,646,925	$ 13,792	$ 1,660,717
Residential mortgages	1,031,926	12,763	1,044,689
Indirect installment	994,661	1,514	996,175
Consumer lines of credit	1,019,783	2,047	1,021,830
Other	38,518		38,518
Total originated consumer loans	$ 4,731,813	$ 30,116	$ 4,761,929

Loans and leases are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan and lease contract is doubtful. Typically, the Corporation does not consider loans and leases for impairment unless a sustained period of delinquency (i.e., 90-plus days) is noted or there are subsequent events that impact repayment probability (i.e., negative financial trends, bankruptcy filings, imminent foreclosure proceedings, etc.). Impairment is evaluated in the aggregate for consumer installment loans, residential mortgages, consumer lines of credit and commercial loan and lease relationships less than $500,000 based on loan and lease segment loss given default. For commercial loan relationships greater than or equal to $500,000, a specific valuation allowance is allocated, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using a market interest rate or at the fair value of collateral if repayment is expected solely from the collateral. Consistent with the Corporation s existing method of income recognition for loans and leases, interest on impaired loans, except those classified as non-accrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

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Following is a summary of information pertaining to originated loans and leases considered to be impaired, by class of loan and lease:

(in thousands)	Unpaid Contractual Principal Balance	Recorded Investment With No Specific Reserve	Recorded Investment With Specific Reserve	Total Recorded Investment	Specific Reserve	Average Recorded Investment
At or for the Six Months Ended June 30, 2016						
Commercial real estate	**$ 32,295**	**$ 22,983**	**$ 2,101**	**$ 25,084**	**$ 234**	**$ 25,319**
Commercial and industrial	**29,126**	**12,826**	**14,699**	**27,525**	**6,616**	**26,023**
Commercial leases	**1,142**	**1,142**		**1,142**		
Total commercial loans and leases	**62,563**	**36,951**	**16,800**	**53,751**	**6,850**	**51,342**
Direct installment	**16,125**	**14,865**		**14,865**		**14,481**
Residential mortgages	**13,942**	**13,385**		**13,385**		**13,093**
Indirect installment	**4,266**	**1,772**		**1,772**		**1,636**
Consumer lines of credit	**3,776**	**3,010**		**3,010**		**2,947**
Total	**$ 100,672**	**$ 69,983**	**$ 16,800**	**$ 86,783**	**$ 6,850**	**$ 83,499**
At or for the Year Ended December 31, 2015						
Commercial real estate	$ 33,780	$ 24,423	$ 772	$ 25,195	$ 321	$ 26,143
Commercial and industrial	15,860	9,176	5,543	14,719	2,329	12,298
Commercial leases	659	659		659		747
Total commercial loans and leases	50,299	34,258	6,315	40,573	2,650	39,188
Direct installment	14,679	13,792		13,792		13,267
Residential mortgages	13,394	12,763		12,763		12,896
Indirect installment	3,745	1,514		1,514		1,401
Consumer lines of credit	2,408	2,047		2,047		2,198
Total	$ 84,525	$ 64,374	$ 6,315	$ 70,689	$ 2,650	$ 68,950

Interest income is generally no longer recognized once a loan becomes impaired.

The above tables do not reflect the additional allowance for credit losses relating to acquired loans in the following pools and categories:

(in thousands)	June 30, 2016	December 31, 2015
Commercial real estate	**$ 2,775**	$ 3,073
Commercial and industrial	**600**	695

Total commercial loans	**3,375**	3,768
Direct installment	**1,183**	1,557
Residential mortgages	**582**	659
Indirect installment	**221**	221
Consumer lines of credit	**289**	522
Total	**$ 5,650**	$ 6,727

Troubled Debt Restructurings

TDRs are loans whose contractual terms have been modified in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs typically result from loss mitigation activities and could include the extension of a maturity date, interest rate reduction, principal forgiveness, deferral or decrease in payments for a period of time and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral.

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Following is a summary of the payment status of originated TDRs:

(in thousands)	June 30, 2016	December 31, 2015
Accruing:		
Performing	**$ 16,762**	$ 15,165
Non-performing	**22,542**	22,028
Non-accrual	**7,479**	8,307
Total TDRs	**$ 46,783**	$ 45,500

TDRs that are accruing and performing include loans that met the criteria for non-accrual of interest prior to restructuring for which the Corporation can reasonably estimate the timing and amount of the expected cash flows on such loans and for which the Corporation expects to fully collect the new carrying value of the loans. During the six months ended June 30, 2016, the Corporation returned to performing status $3,968 million in restructured residential mortgage loans that have consistently met their modified obligations for more than six months. TDRs that are accruing and non-performing are comprised of consumer loans that have not demonstrated a consistent repayment pattern on the modified terms for more than six months, however it is expected that the Corporation will collect all future principal and interest payments. TDRs that are on non-accrual are not placed on accruing status until all delinquent principal and interest have been paid and the ultimate collectability of the remaining principal and interest is reasonably assured. Some loan modifications classified as TDRs may not ultimately result in the full collection of principal and interest, as modified, and may result in potential incremental losses which are factored into the allowance for credit losses.

Excluding purchased impaired loans, commercial loans over $500,000 whose terms have been modified in a TDR are generally placed on non-accrual, individually analyzed and measured for estimated impairment based on the fair value of the underlying collateral. The Corporation s allowance for credit losses included specific reserves for commercial TDRs and pooled reserves for individual loans under $500,000 based on loan segment loss given default. Upon default, the amount of the recorded investment in the TDR in excess of the fair value of the collateral, less estimated selling costs, is generally considered a confirmed loss and is charged-off against the allowance for credit losses. The reserve for commercial TDRs included in the allowance for credit losses are as follows:

(in thousands)	June 30, 2016	December 31, 2015
Specific reserves	**$**	$ 300
Pooled reserves for individual loans under $500	**752**	929

All other classes of loans, which are primarily secured by residential properties, whose terms have been modified in a TDR are pooled and measured for estimated impairment based on the expected net present value of the estimated future cash flows of the pool. The Corporation s allowance for credit losses included pooled reserves for these classes of loans of $3.3 million and $3.5 million at June 30, 2016 and December 31, 2015, respectively. Upon default of an individual loan, the Corporation s charge-off policy is followed accordingly for that class of loan.

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The majority of TDRs are the result of interest rate concessions for a limited period of time. Following is a summary of originated loans, by class, that have been restructured:

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate		$	$	4	$ 778	$ 749
Commercial and industrial						
Total commercial loans				4	778	749
Direct installment	120	1,960	1,832	265	3,984	3,772
Residential mortgages	8	385	390	27	1,420	1,402
Indirect installment	2	6	6	5	17	17
Consumer lines of credit	17	302	298	36	481	473
Total	147	$ 2,653	$ 2,526	337	$ 6,680	$ 6,413

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate		$	$	2	$ 312	$ 176
Commercial and industrial	1	5	4	1	5	4
Total commercial loans	1	5	4	3	317	180
Direct installment	110	1,761	1,729	241	3,310	3,201
Residential mortgages	7	231	234	21	812	846
Indirect installment	5	14	13	10	30	30
Consumer lines of credit	14	250	249	30	520	519
Total	137	$ 2,261	$ 2,229	305	$ 4,989	$ 4,776

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Following is a summary of originated TDRs, by class of loans and leases, for which there was a payment default, excluding loans that were either charged-off or cured by period end. Default occurs when a loan is 90 days or more past due and is within 12 months of restructuring (dollars in thousands).

	Three Months Ended June 30, 2016 (1)		Six Months Ended June 30, 2016 (1)	
(dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial real estate		$		$
Commercial and industrial				
Total commercial loans				
Direct installment	**32**	**135**	**57**	**246**
Residential mortgages	**3**	**142**	**4**	**193**
Indirect installment	**2**	**8**	**6**	**8**
Consumer lines of credit	**1**	**55**	**2**	**65**
Total	**38**	**$ 340**	**69**	**$ 512**

	Three Months Ended June 30, 2015 (1)		Six Months Ended June 30, 2015 (1)	
(dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Commercial real estate		$		$
Commercial and industrial	1	229	1	229
Total commercial loans	1	229	1	229
Direct installment	27	96	58	182
Residential mortgages	3	114	4	171
Indirect installment	3	7	5	7
Consumer lines of credit			1	92
Other				
Total	34	$ 446	69	$ 681

(1) The recorded investment is as of period end.

6. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses addresses credit losses inherent in the existing loan and lease portfolio and is presented as a reserve against loans and leases on the consolidated balance sheet. Loan and lease losses are charged off against the allowance for credit losses, with recoveries of amounts previously charged off credited to the allowance for credit losses. Provisions for credit losses are charged to operations based on management s periodic evaluation of the adequacy of the allowance for credit losses.

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Following is a summary of changes in the allowance for credit losses, by loan and lease class:

(in thousands)	Balance at Beginning of Period	Charge-Offs	Recoveries	Net Charge-Offs	Provision for Credit Losses	Balance at End of Period
Three Months Ended June 30, 2016						
Commercial real estate	$ 43,898	$ (666)	$ 1,109	$ 443	$ 87	$ 44,428
Commercial and industrial	47,863	(5,671)	190	(5,481)	9,093	51,475
Commercial leases	2,818	(603)	32	(571)	800	3,047
Total commercial loans and leases	94,579	(6,940)	1,331	(5,609)	9,980	98,950
Direct installment	20,725	(2,421)	454	(1,967)	2,785	21,543
Residential mortgages	7,810	(72)	38	(34)	634	8,410
Indirect installment	9,065	(1,763)	666	(1,097)	1,575	9,543
Consumer lines of credit	8,967	(528)	49	(479)	661	9,149
Other	1,074	(725)	26	(699)	749	1,124
Total allowance on originated loans and leases	142,220	(12,449)	2,564	(9,885)	16,384	148,719
Purchased credit-impaired loans	704	(239)		(239)	167	632
Other acquired loans	4,876	(226)	279	53	89	5,018
Total allowance on acquired loans	5,580	(465)	279	(186)	256	5,650
Total	$ 147,800	$ (12,914)	$ 2,843	$ (10,071)	$ 16,640	$ 154,369
Six Months Ended June 30, 2016						
Commercial real estate	$ 41,741	$ (2,035)	$ 1,706	$ (329)	$ 3,016	$ 44,428
Commercial and industrial	41,023	(5,969)	380	(5,589)	16,041	51,475
Commercial leases	2,541	(717)	46	(671)	1,177	3,047
Total commercial loans and leases	85,305	(8,721)	2,132	(6,589)	20,234	98,950
Direct installment	21,587	(5,088)	908	(4,180)	4,136	21,543
Residential mortgages	7,909	(157)	57	(100)	601	8,410
Indirect installment	9,889	(3,705)	928	(2,777)	2,431	9,543
Consumer lines of credit	9,582	(1,002)	105	(897)	464	9,149
Other	1,013	(1,279)	32	(1,247)	1,358	1,124
Total allowance on originated loans and leases	135,285	(19,952)	4,162	(15,790)	29,224	148,719
Purchased credit-impaired loans	834	(399)		(399)	197	632
Other acquired loans	5,893	(447)	585	138	(1,013)	5,018

Total allowance on acquired loans	**6,727**	**(846)**	**585**	**(261)**	**(816)**	**5,650**
Total	**$ 142,012**	**$ (20,798)**	**$ 4,747**	**$ (16,051)**	**$ 28,408**	**$ 154,369**

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(in thousands)	Balance at Beginning of Period	Charge-Offs	Recoveries	Net Charge-Offs	Provision for Credit Losses	Balance at End of Period
Three Months Ended June 30, 2015						
Commercial real estate	$ 38,792	$ (977)	$ 200	$ (777)	$ 1,857	$ 39,872
Commercial and industrial	32,803	(1,416)	976	(440)	(58)	32,305
Commercial leases	2,576	(111)	35	(76)	(277)	2,223
Total commercial loans and leases	74,171	(2,504)	1,211	(1,293)	1,522	74,400
Direct installment	21,204	(2,953)	297	(2,656)	3,731	22,279
Residential mortgages	8,471	(112)	24	(88)	196	8,579
Indirect installment	7,657	(1,503)	332	(1,171)	2,423	8,909
Consumer lines of credit	8,890	(323)	36	(287)	515	9,118
Other	854	(325)	25	(300)	357	911
Total allowance on originated loans and leases	121,247	(7,720)	1,925	(5,795)	8,744	124,196
Purchased credit-impaired loans	621				37	658
Other acquired loans	6,631	(468)	41	(427)	83	6,287
Total allowance on acquired loans	7,252	(468)	41	(427)	120	6,945
Total	$ 128,499	$ (8,188)	$ 1,966	$ (6,222)	$ 8,864	$ 131,141
Six Months Ended June 30, 2015						
Commercial real estate	$ 37,588	$ (1,978)	$ 409	$ (1,569)	$ 3,853	$ 39,872
Commercial and industrial	32,645	(2,100)	1,096	(1,004)	664	32,305
Commercial leases	2,398	(204)	45	(159)	(16)	2,223
Total commercial loans and leases	72,631	(4,282)	1,550	(2,732)	4,501	74,400
Direct installment	20,538	(5,386)	566	(4,820)	6,561	22,279
Residential mortgages	8,024	(623)	39	(584)	1,139	8,579
Indirect installment	7,504	(2,783)	634	(2,149)	3,554	8,909
Consumer lines of credit	8,496	(733)	76	(657)	1,279	9,118
Other	759	(660)	36	(624)	776	911
Total allowance on originated loans and leases	117,952	(14,467)	2,901	(11,566)	17,810	124,196
Purchased credit-impaired loans	660	(64)	19	(45)	43	658
Other acquired loans	7,314	(545)	371	(174)	(853)	6,287
Total allowance on acquired loans	7,974	(609)	390	(219)	(810)	6,945
Total	$ 125,926	$ (15,076)	$ 3,291	$ (11,785)	$ 17,000	$ 131,141

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Following is a summary of the individual and collective originated allowance for credit losses and corresponding loan and lease balances by class:

	Originated Allowance		Originated Loans and Leases Outstanding		
(in thousands)	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Loans and Leases	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
June 30, 2016					
Commercial real estate	**$ 234**	**$ 44,194**	**$ 3,789,036**	**$ 14,059**	**$ 3,774,977**
Commercial and industrial	**6,616**	**44,859**	**2,643,116**	**23,546**	**2,619,570**
Commercial leases		**3,047**	**200,350**		**200,350**
Total commercial loans and leases	**6,850**	**92,100**	**6,632,502**	**37,605**	**6,594,897**
Direct installment		**21,543**	**1,733,606**		**1,733,606**
Residential mortgages		**8,410**	**1,217,574**		**1,217,574**
Indirect installment		**9,543**	**1,076,516**		**1,076,516**
Consumer lines of credit		**9,149**	**1,058,128**		**1,058,128**
Other		**1,124**	**51,826**		**51,826**
Total	**$ 6,850**	**$ 141,869**	**$ 11,770,152**	**$ 37,605**	**$ 11,732,547**
December 31, 2015					
Commercial real estate	$ 321	$ 41,420	$ 3,531,146	$ 12,904	$ 3,518,242
Commercial and industrial	2,329	38,694	2,534,351	10,802	2,523,549
Commercial leases		2,541	204,553		204,553
Total commercial loans and leases	2,650	82,655	6,270,050	23,706	6,246,344
Direct installment		21,587	1,660,717		1,660,717
Residential mortgages		7,909	1,044,689		1,044,689
Indirect installment		9,889	996,175		996,175
Consumer lines of credit		9,582	1,021,830		1,021,830
Other		1,013	38,518		38,518
Total	$ 2,650	$ 132,635	$ 11,031,979	$ 23,706	$ 11,008,273

7. BORROWINGS

Following is a summary of short-term borrowings:

(in thousands)	June 30, 2016	December 31, 2015
Securities sold under repurchase agreements	**$ 279,730**	$ 266,732
Federal Home Loan Bank advances	**1,075,000**	1,090,000
Federal funds purchased	**782,000**	568,000

Subordinated notes	**123,681**	124,164
Total short-term borrowings	**$ 2,260,411**	$ 2,048,896

Securities sold under repurchase agreements is comprised of customer repurchase agreements, which are sweep accounts with next day maturities utilized by larger commercial customers to earn interest on their funds. Securities are pledged to these customers in an amount equal to the outstanding balance.

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Following is a summary of long-term borrowings:

(in thousands)	June 30, 2016	December 31, 2015
Federal Home Loan Bank advances	**$ 425,135**	$ 400,017
Subordinated notes	**84,569**	84,668
Junior subordinated debt	**48,581**	58,298
Other subordinated debt	**98,559**	98,497
Total long-term borrowings	**$ 656,844**	$ 641,480

The Corporation s banking affiliate has available credit with the FHLB of $5.5 billion of which $1.5 billion was used as of June 30, 2016. These advances are secured by loans collateralized by residential mortgages, HELOCs, commercial real estate and FHLB stock and are scheduled to mature in various amounts periodically through the year 2021. Effective interest rates paid on the long-term advances ranged from 0.76% to 4.19% for both the six months ended June 30, 2016 and the year ended December 31, 2015.

The junior subordinated debt is comprised of debt securities issued by the Corporation in relation to its two unconsolidated subsidiary trusts (collectively, the Trusts): F.N.B. Statutory Trust II and Omega Financial Capital Trust I. One hundred percent of the common equity of each Trust is owned by the Corporation. The Trusts were formed for the purpose of issuing Corporation-obligated mandatorily redeemable capital securities, or trust preferred securities (TPS) to third-party investors. The proceeds from the sale of TPS and the issuance of common equity by the Trusts were invested in junior subordinated debt securities issued by the Corporation, which are the sole assets of each Trust. Since third-party investors are the primary beneficiaries, the Trusts are not consolidated in the Corporation s financial statements. The Trusts pay dividends on the TPS at the same rate as the distributions paid by the Corporation on the junior subordinated debt held by the Trusts. Omega Financial Capital Trust I was assumed as a result of an acquisition.

Distributions on the junior subordinated debt issued to the Trusts are recorded as interest expense by the Corporation. The TPS are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debt. The TPS are eligible for redemption, at any time, at the Corporation s discretion. Under capital guidelines, beginning in 2016, the entire balance of TPS is included in tier 2 capital. The Corporation has entered into agreements which, when taken collectively, fully and unconditionally guarantee the obligations under the TPS subject to the terms of each of the guarantees.

During the first quarter of 2016, the Corporation redeemed $10.0 million of the TPS issued by Omega Financial Capital Trust I.

The following table provides information relating to the Trusts as of June 30, 2016:

(dollars in thousands)	Trust Preferred Securities	Common Securities	Junior Subordinated Debt	Stated Maturity Date	Interest Rate
F.N.B. Statutory Trust II	**$ 21,500**	**$ 665**	**$ 22,165**	**6/15/36**	**2.30%**

						Variable; 3-month LIBOR + 165 basis points (bps)
Omega Financial Capital Trust I	**26,000**	**1,114**	**26,416**	**10/18/34**	**2.82%**	Variable; 3-month LIBOR + 219 bps
Total	**$ 47,500**	**$ 1,779**	**$ 48,581**			

8. DERIVATIVE AND HEDGING ACTIVITIES

The Corporation is exposed to certain risks arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate risk, primarily by managing the amount, source, and duration of its assets and liabilities, and through the use of derivative instruments. Derivative instruments are used to reduce the effects that changes in interest rates may have on net income and cash flows. The Corporation also uses derivative instruments to facilitate transactions on behalf of its customers.

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All derivatives are carried on the consolidated balance sheet at fair value and do not take into account the effects of master netting arrangements the Corporation has with other financial institutions. Credit risk is included in the determination of the estimated fair value of derivatives. Derivative assets are classified in the consolidated balance sheet under other assets and derivative liabilities are classified in the consolidated balance sheet under other liabilities. Changes in fair value are recognized in earnings except for certain changes related to derivative instruments designated as part of a cash flow hedging relationship.

The following table presents notional amounts and gross fair values of all derivative assets and derivative liabilities held by the Corporation:

	June 30, 2016			**December 31, 2015**		
	Notional	**Fair Value**		**Notional**	**Fair Value**	
(in thousands)	**Amount**	**Asset**	**Liability**	**Amount**	**Asset**	**Liability**
Gross Derivatives						
Subject to master netting arrangements:						
Interest rate contracts designated	**$ 450,000**	**$ 10,022**	**$ 1,669**	$ 250,000	$ 3,178	$ 962
Interest rate swaps not designated	**1,470,266**		**98,682**	1,262,964	1	50,491
Equity contracts not designated	**1,180**	**59**		1,180	18	
Total subject to master netting arrangements	**1,921,446**	**10,081**	**100,351**	1,514,144	3,197	51,453
Not subject to master netting arrangements:						
Interest rate swaps not designated	**1,470,266**	**98,021**		1,262,964	49,998	1
Credit risk contracts not designated	**169,973**	**47**	**407**	114,753	7	133
Equity contracts not designated	**1,180**		**59**	1,180		18
Total not subject to master netting arrangements	**1,641,419**	**98,068**	**466**	1,378,897	50,005	152
Total	**$ 3,562,865**	**$ 108,149**	**$ 100,817**	$ 2,893,041	$ 53,202	$ 51,605

Derivatives Designated as Hedging Instruments under GAAP

Interest Rate Contracts. The Corporation entered into interest rate derivative agreements to modify the interest rate characteristics of certain commercial loans and three of its FHLB advances from variable rate to fixed rate in order to reduce the impact of changes in future cash flows due to market interest rate changes. These agreements are designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows). The effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same line item associated with the forecasted transaction when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

Following is a summary of key data related to interest rate contracts:

(in thousands)	June 30, 2016	December 31, 2015
Notional amount	**$ 450,000**	$ 250,000
Fair value included in other assets	**10,022**	3,178
Fair value included in other liabilities	**1,669**	962

The following table shows amounts reclassified from accumulated other comprehensive income (AOCI) for the six months ended June 30, 2016:

(in thousands)	Total	Net of Tax
Reclassified from AOCI to interest income	**$ 1,368**	**$ 889**
Reclassified from AOCI to interest expense	**286**	**186**

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As of June 30, 2016, the maximum length of time over which forecasted interest cash flows are hedged is seven years. In the twelve months that follow June 30, 2016, the Corporation expects to reclassify from the amount currently reported in AOCI net derivative gains of $1.6 million ($1.0 million net of tax), in association with interest on the hedged loans and FHLB advances. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to June 30, 2016. There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness related to these cash flow hedges. For the six months ended June 30, 2016 and 2015, there was no hedge ineffectiveness. Also, during the six months ended June 30, 2016 and 2015, there were no gains or losses from cash flow hedge derivatives reclassified to earnings because it became probable that the original forecasted transactions would not occur.

Derivatives Not Designated as Hedging Instruments under GAAP

Interest Rate Swaps. The Corporation enters into interest rate swap agreements to meet the financing, interest rate and equity risk management needs of qualifying commercial loan customers. These agreements provide the customer the ability to convert from variable to fixed interest rates. The credit risk associated with derivatives executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies and monitoring. Swap derivative transactions with customers are not subject to enforceable master netting arrangements and are generally secured by rights to non-financial collateral, such as real and personal property.

The Corporation enters into positions with a derivative counterparty in order to offset its exposure on the fixed components of the customer interest rate swap agreements. The Corporation seeks to minimize counterparty credit risk by entering into transactions only with high-quality financial dealer institutions. These arrangements meet the definition of derivatives, but are not designated as hedging instruments under ASC 815, *Derivatives and Hedging.* Substantially all contracts with dealers that require central clearing (generally, transactions since June 10, 2014) are novated to a SEC registered clearing agency who becomes the Corporation s counterparty.

Following is a summary of key data related to interest rate swaps:

(in thousands)	**June 30, 2016**	**December 31, 2015**
Notional amount	**$ 1,470,266**	$ 1,262,964
Fair value included in other assets	**98,021**	49,999
Fair value included in other liabilities	**98,682**	50,492

The interest rate swap agreement with the loan customer and with the counterparty is reported at fair value in other assets and other liabilities on the consolidated balance sheet with any resulting gain or loss recorded in current period earnings as other income or other expense.

Credit Risk Contracts. The Corporation purchases and sells credit protection under risk participation agreements to share with other counterparties some of the credit exposure related to interest rate derivative contracts or to take on credit exposure to generate revenue. The Corporation will make/receive payments under these agreements if a customer defaults on its obligation to perform under certain derivative swap contracts.

Risk participation agreements sold with notional amounts totaling $120.5 million as of June 30, 2016 have remaining terms ranging from nine months to fourteen years. Under these agreements, the Corporation s maximum exposure assuming a customer defaults on their obligation to perform under certain derivative swap contracts with third parties would be $0.4 million at June 30, 2016 and $0.1 million at December 31, 2015.

The fair values of risk participation agreements purchased and sold were not material at June 30, 2016 and December 31, 2015.

Counterparty Credit Risk

The Corporation is party to master netting arrangements with most of its swap derivative counterparties. Collateral, usually marketable securities and/or cash, is exchanged between the Corporation and its counterparties, and is generally subject to thresholds and transfer minimums. For swap transactions that require central clearing, the Corporation posts cash to its clearing agency. Collateral positions are valued daily, and adjustments to amounts received and pledged by the Corporation are made as appropriate to maintain proper collateralization for these transactions.

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Certain master netting agreements contain provisions that, if violated, could cause the counterparties to request immediate settlement or demand full collateralization under the derivative instrument. If the Corporation had breached its agreements with its derivative counterparties it would be required to settle its obligations under the agreements at the termination value and would be required to pay an additional $1.6 million and $1.3 million as of June 30, 2016 and December 31, 2015, respectively, in excess of amounts previously posted as collateral with the respective counterparty.

The following table presents information about derivative assets and derivative liabilities that are subject to enforceable master netting arrangements as well as those not subject to enforceable master netting arrangements:

(in thousands)	Gross Amount	Gross Amounts Offset in the Balance Sheet	Net Amount Presented in the Balance Sheet
June 30, 2016			
Derivative Assets			
Subject to master netting arrangements:			
Interest rate contracts			
Designated	**$ 10,022**		**$ 10,022**
Not designated			
Equity contracts not designated	**59**		**59**
Not subject to master netting arrangements:			
Interest rate contracts not designated	**98,021**		**98,021**
Credit contracts not designated	**47**		**47**
Total derivative assets	**$ 108,149**		**$ 108,149**
Derivative Liabilities			
Subject to master netting arrangements:			
Interest rate contracts			
Designated	**$ 1,669**		**$ 1,669**
Not designated	**98,682**		**98,682**
Not subject to master netting arrangements:			
Interest rate contracts not designated			
Credit contracts not designated	**407**		**407**
Equity contracts not designated	**59**		**59**
Total derivative liabilities	**$ 100,817**		**$ 100,817**
December 31, 2015			
Derivative Assets			
Subject to master netting arrangements:			
Interest rate contracts			
Designated	$ 3,178		$ 3,178

Not designated	1	1
Equity contracts not designated	18	18
Not subject to master netting arrangements:		
Interest rate contracts not designated	49,998	49,998
Credit contracts not designated	7	7
Total derivative assets	$ 53,202	$ 53,202

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	Gross Amount	Gross Amounts Offset in the Balance Sheet	Net Amount Presented in the Balance Sheet
Derivative Liabilities			
Subject to master netting arrangements:			
Interest rate contracts			
Designated	$ 962		$ 962
Not designated	50,491		50,491
Not subject to master netting arrangements:			
Interest rate contracts not designated	1		1
Credit contracts not designated	133		133
Equity contracts not designated	18		18
Total derivative liabilities	$ 51,605		$ 51,605

The following table presents a reconciliation of the net amounts of derivative assets and derivative liabilities presented in the balance sheet to the net amounts that would result in the event of offset:

		Amount Not Offset in the Balance Sheet		
(in thousands)	Net Amount Presented in the Balance Sheet	Financial Instruments	Cash Collateral	Net Amount
June 30, 2016				
Derivative Assets				
Interest rate contracts:				
Designated	**$ 10,022**	**$ 6,770**	**$ 3,252**	
Not designated				
Equity contracts not designated	**59**	**59**		
Total	**$ 10,081**	**$ 6,829**	**$ 3,252**	
Derivative Liabilities				
Interest rate contracts:				
Designated	**$ 1,669**	**$**	**$ 1,669**	**$**
Not designated	**98,682**	**34,305**	**62,887**	**1,490**
Total	**$ 100,351**	**$ 34,305**	**$ 64,556**	**$ 1,490**
December 31, 2015				
Derivative Assets				
Interest rate contracts:				

Designated	$ 3,178	$ 1,516	$ 1,662	
Not designated	1	1		
Equity contracts not designated	18	18		
Total	$ 3,197	$ 1,535	$ 1,662	
Derivative Liabilities				
Interest rate contracts:				
Designated	$ 962	$ 792	$ 170	$
Not designated	50,491	24,579	24,632	1,280
Total	$ 51,453	$ 25,371	$ 24,802	$ 1,280

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The following table presents the effect of certain of the Corporation s derivative financial instruments on the income statement:

(in thousands)	**Income Statement Location**	**Six Months Ended June 30,**