

FNB CORP/FL/  
Form 10-Q  
November 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2012

**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)

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**Florida**  
(State or other jurisdiction of  
incorporation or organization)

**25-1255406**  
(I.R.S. Employer  
Identification No.)

**One F.N.B. Boulevard, Hermitage, PA**  
(Address of principal executive offices)

**16148**  
(Zip Code)

**Registrant's telephone number, including area code: 724-981-6000**

(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  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  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

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

**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  
Common Stock, \$0.01 Par Value

Outstanding at October 31, 2012  
139,795,027 Shares

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**F.N.B. CORPORATION**

**FORM 10-Q**

September 30, 2012

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS  
F.N.B. CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

Dollars in thousands, except par value

	September 30, 2012 (Unaudited)	December 31, 2011
<b>Assets</b>		
Cash and due from banks	\$ 203,503	\$ 197,349
Interest bearing deposits with banks	164,091	11,604
<b>Cash and Cash Equivalents</b>	367,594	208,953
Securities available for sale	1,112,839	640,571
Securities held to maturity (fair value of \$1,196,359 and \$952,033)	1,151,743	917,212
Residential mortgage loans held for sale	21,575	14,275
Loans, net of unearned income of \$50,246 and \$47,110	7,979,450	6,856,667
Allowance for loan losses	(102,714)	(100,662)
<b>Net Loans</b>	7,876,736	6,756,005
Premises and equipment, net	145,043	130,043
Goodwill	677,168	568,462
Core deposit and other intangible assets, net	40,095	30,953
Bank owned life insurance	239,615	208,927
Other assets	352,483	311,082
<b>Total Assets</b>	\$ 11,984,891	\$ 9,786,483
<b>Liabilities</b>		
Deposits:		
Non-interest bearing demand	\$ 1,735,857	\$ 1,340,465
Savings and NOW	4,764,148	3,790,863
Certificates and other time deposits	2,625,818	2,158,440
<b>Total Deposits</b>	9,125,823	7,289,768
Other liabilities	150,152	143,239
Short-term borrowings	1,019,411	851,294
Long-term debt	90,501	88,016
Junior subordinated debt	204,006	203,967
<b>Total Liabilities</b>	10,589,893	8,576,284
<b>Stockholders Equity</b>		
Common stock \$0.01 par value Authorized 500,000,000 shares Issued 140,173,022 and 127,436,261 shares	1,397	1,268
Additional paid-in capital	1,374,241	1,224,572
Retained earnings	63,298	32,925
Accumulated other comprehensive loss	(38,972)	(45,148)
Treasury stock 380,295 and 215,502 shares at cost	(4,966)	(3,418)

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<b>Total Stockholders Equity</b>	1,394,998	1,210,199
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 11,984,891</b>	<b>\$ 9,786,483</b>

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****F.N.B. CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Dollars in thousands, except per share data

Unaudited

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Interest Income</b>				
Loans, including fees	\$ 94,545	\$ 86,038	\$ 282,720	\$ 255,937
Securities:				
Taxable	11,470	10,744	36,022	32,233
Nontaxable	1,682	1,847	5,083	5,676
Dividends	12	13	361	144
Other	47	60	142	238
<b>Total Interest Income</b>	<b>107,756</b>	<b>98,702</b>	<b>324,328</b>	<b>294,228</b>
<b>Interest Expense</b>				
Deposits	10,205	13,078	32,776	41,727
Short-term borrowings	1,182	1,644	3,961	5,111
Long-term debt	860	1,698	2,702	4,981
Junior subordinated debt	1,978	1,880	5,956	6,030
<b>Total Interest Expense</b>	<b>14,225</b>	<b>18,300</b>	<b>45,395</b>	<b>57,849</b>
<b>Net Interest Income</b>	<b>93,531</b>	<b>80,402</b>	<b>278,933</b>	<b>236,379</b>
Provision for loan losses	8,429	8,573	22,028	25,352
<b>Net Interest Income After Provision for Loan Losses</b>	<b>85,102</b>	<b>71,829</b>	<b>256,905</b>	<b>211,027</b>
<b>Non-Interest Income</b>				
Impairment losses on securities	(440)	(473)	(440)	(473)
Non-credit related losses on securities not expected to be sold (recognized in other comprehensive income)	321	436	321	436
Net impairment losses on securities	(119)	(37)	(119)	(37)
Service charges	17,666	16,057	52,419	46,058
Insurance commissions and fees	4,578	4,002	12,632	11,812
Securities commissions and fees	2,102	1,858	6,143	5,960
Trust fees	3,783	3,565	11,359	11,222
Net securities (losses) gains	(66)	49	302	141
Gain on sale of residential mortgage loans	1,176	657	2,696	1,800
Bank owned life insurance	1,671	1,309	4,809	3,913
Other	4,022	2,170	9,095	6,451
<b>Total Non-Interest Income</b>	<b>34,813</b>	<b>29,630</b>	<b>99,336</b>	<b>87,320</b>
<b>Non-Interest Expense</b>				
Salaries and employee benefits	41,579	37,149	127,255	112,059
Net occupancy	5,840	5,514	18,624	16,484
Equipment	5,728	4,749	16,598	14,149
Amortization of intangibles	2,242	1,808	6,892	5,409
Outside services	7,048	5,447	20,725	16,024

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FDIC insurance	2,014	1,699	6,172	6,288
State taxes	1,347	2,023	4,800	5,978
Merger related	88	282	7,399	4,589
Other	11,196	10,546	33,772	31,163
<b>Total Non-Interest Expense</b>	<b>77,082</b>	<b>69,217</b>	<b>242,237</b>	<b>212,143</b>
<b>Income Before Income Taxes</b>	<b>42,833</b>	<b>32,242</b>	<b>114,004</b>	<b>86,204</b>
Income taxes	12,090	8,469	32,549	22,894
<b>Net Income</b>	<b>\$ 30,743</b>	<b>\$ 23,773</b>	<b>\$ 81,455</b>	<b>\$ 63,310</b>
<b>Net Income per Share Basic</b>	<b>\$ 0.22</b>	<b>\$ 0.19</b>	<b>\$ 0.59</b>	<b>\$ 0.51</b>
<b>Net Income per Share Diluted</b>	<b>0.22</b>	<b>0.19</b>	<b>0.58</b>	<b>0.51</b>
<b>Cash Dividends per Share</b>	<b>0.12</b>	<b>0.12</b>	<b>0.36</b>	<b>0.36</b>
<b>Comprehensive Income</b>	<b>\$ 33,132</b>	<b>\$ 24,241</b>	<b>\$ 87,631</b>	<b>\$ 66,794</b>

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****F.N.B. CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Dollars in thousands, except per share data

Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
<b>Balance at January 1, 2012</b>	\$ 1,268	\$ 1,224,572	\$ 32,925	\$ (45,148)	\$ (3,418)	\$ 1,210,199
Net income			81,455			81,455
Change in other comprehensive income, net of tax				6,176		6,176
Common stock dividends (\$0.36/share)			(50,705)			(50,705)
Issuance of common stock	129	145,833	(377)		(1,548)	144,037
Restricted stock compensation		3,451				3,451
Tax expense of stock-based compensation		385				385
<b>Balance at September 30, 2012</b>	\$ 1,397	\$ 1,374,241	\$ 63,298	\$ (38,972)	\$ (4,966)	\$ 1,394,998
<b>Balance at January 1, 2011</b>	\$ 1,143	\$ 1,094,713	\$ 6,564	\$ (33,732)	\$ (2,564)	\$ 1,066,124
Net income			63,310			63,310
Change in other comprehensive income, net of tax				3,484		3,484
Common stock dividends (\$0.36/share)			(45,114)			(45,114)
Issuance of common stock	125	124,100			(848)	123,377
Restricted stock compensation		3,371				3,371
Tax expense of stock-based compensation		(61)				(61)
<b>Balance at September 30, 2011</b>	\$ 1,268	\$ 1,222,123	\$ 24,760	\$ (30,248)	\$ (3,412)	\$ 1,214,491

See accompanying Notes to Consolidated Financial Statements



**Table of Contents****F.N.B. CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Dollars in thousands

Unaudited

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Activities</b>		
Net income	\$ 81,455	\$ 63,310
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	21,989	16,908
Provision for loan losses	22,028	25,352
Deferred taxes	29,549	6,892
Net securities gains	(302)	(141)
Other-than-temporary impairment losses on securities	119	37
Tax (benefit) expense of stock-based compensation	(385)	61
Net change in:		
Interest receivable	(3,248)	883
Interest payable	(3,506)	(1,519)
Trading securities	331,972	110,490
Residential mortgage loans held for sale	(7,300)	2,393
Bank owned life insurance	(4,475)	476
Other, net	12,036	26,806
<b>Net cash flows provided by operating activities</b>	<b>479,932</b>	<b>251,948</b>
<b>Investing Activities</b>		
Net change in loans	(238,978)	(323,897)
Securities available for sale:		
Purchases	(780,185)	(250,558)
Sales	87,101	10,883
Maturities	367,025	292,247
Securities held to maturity:		
Purchases	(468,780)	(332,870)
Sales	2,903	
Maturities	240,059	176,009
Purchase of bank owned life insurance	(20,024)	(26)
Withdrawal/surrender of bank owned life insurance	20,701	
Increase in premises and equipment	(7,940)	(9,648)
Net cash received in business combinations	203,538	23,374
<b>Net cash flows used in investing activities</b>	<b>(594,580)</b>	<b>(414,486)</b>
<b>Financing Activities</b>		
Net change in:		
Non-interest bearing deposits, savings and NOW accounts	567,788	297,049
Time deposits	(249,764)	(116,864)
Short-term borrowings	155,177	38,629
Increase in long-term debt	26,961	46,569
Decrease in long-term debt	(183,139)	(25,114)

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Net proceeds from issuance of common stock	6,586	68,608
Tax benefit (expense) of stock-based compensation	385	(61)
Cash dividends paid	(50,705)	(45,114)
<b>Net cash flows provided by financing activities</b>	<b>273,289</b>	<b>263,702</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>158,641</b>	<b>101,164</b>
Cash and cash equivalents at beginning of period	208,953	131,571
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 367,594</b>	<b>\$ 232,735</b>

See accompanying Notes to Consolidated Financial Statements

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**F.N.B. CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Dollars in thousands, except share data

(Unaudited)

September 30, 2012

**BUSINESS**

F.N.B. Corporation (the Corporation) is a diversified financial services company headquartered in Hermitage, Pennsylvania. Its primary businesses include community banking, consumer finance, wealth management and insurance. The Corporation also conducts commercial leasing and merchant banking activities. The Corporation operates its community banking business through a full service branch network in Pennsylvania, Ohio and West Virginia. The Corporation operates its wealth management and insurance businesses within the existing branch network. It also conducts selected consumer finance business in Pennsylvania, Ohio, Tennessee and Kentucky.

**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 First National Bank of Pennsylvania (FNBPA), First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency Finance Company (Regency), F.N.B. Capital Corporation, LLC and Bank Capital Services, 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 28, 2012.

**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 loan losses, securities valuations, goodwill and other intangible assets and income taxes.

**COMMON STOCK**

On May 18, 2011, the Corporation completed a public offering of 6,037,500 shares of common stock at a price of \$10.70 per share, including 787,500 shares of common stock purchased by the underwriters pursuant to an over-allotment option, which the underwriters exercised in full. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were \$62,803.

**Table of Contents****MERGERS AND ACQUISITIONS**

On January 1, 2012, the Corporation completed its acquisition of Parkvale Financial Corporation (Parkvale), a unitary savings and loan holding company based in Monroeville, Pennsylvania. On the acquisition date, Parkvale had \$1,815,663 in assets, which included \$937,350 in loans, and \$1,505,671 in deposits. The acquisition, net of equity offering costs, was valued at \$140,900 and resulted in the Corporation issuing 12,159,312 shares of its common stock in exchange for 5,582,846 shares of Parkvale common stock. The assets and liabilities of Parkvale were recorded on the Corporation's balance sheet at their preliminary estimated fair values as of January 1, 2012, the acquisition date, and Parkvale's results of operations have been included in the Corporation's consolidated statement of comprehensive income since that date. Parkvale's banking affiliate, Parkvale Bank, was merged into FNBPA on January 1, 2012. In conjunction with the completion of this acquisition, the Corporation fully repaid the \$31,762 of Parkvale preferred stock previously issued to the U.S. Department of the Treasury (UST) under the Capital Purchase Program (CPP). The warrant issued by Parkvale to the UST has been converted into a warrant to purchase up to 819,640 shares of the Corporation's common stock. The warrant expires December 23, 2018 and has an exercise price of \$5.81. Based on a preliminary purchase price allocation, the Corporation recorded \$108,216 in goodwill and \$16,033 in core deposit intangible as a result of the acquisition. The Corporation has recorded estimates of the fair values of acquired assets and liabilities. The fair values for loans, goodwill and other assets are provisional amounts based on third party valuations that are currently under review. Management expects to finalize the valuation and purchase price allocation in the fourth quarter. None of the goodwill is deductible for income tax purposes.

During the first nine months of 2012, the Corporation recorded merger and integration charges of \$7,399 associated with the Parkvale acquisition.

The following table summarizes the amounts recorded on the consolidated balance sheet in conjunction with the Parkvale acquisition:

Fair value of consideration paid:	
Common stock issued, net of offering costs	\$ 136,441
Warrant assumed	4,459
Total consideration paid	140,900
Fair value of identifiable assets acquired:	
Cash and cash equivalents	203,538
Securities	486,186
Loans	919,479
Other intangible assets	16,033
Accrued income and other assets	116,992
Total identifiable assets acquired	1,742,228
Fair value of liabilities assumed:	
Deposits	1,525,253
Borrowings	171,606
Accrued expenses and other liabilities	12,685
Total liabilities assumed	1,709,544
Fair value of net identifiable assets acquired	32,684
Goodwill recognized	\$ 108,216

On January 1, 2011, the Corporation completed its acquisition of Comm Bancorp, Inc. (CBI), a bank holding company based in Clarks Summit, Pennsylvania. On the acquisition date, CBI had \$625,570 in assets, which included \$445,271 in loans, and \$561,775 in deposits. The transaction, valued at \$75,547, resulted in the Corporation paying \$17,203 in cash and issuing 5,941,287 shares of its common stock in exchange for 1,719,978 shares of CBI common stock. The assets and liabilities of CBI were recorded on the Corporation's balance sheet at their fair values as of January 1, 2011, the acquisition date, and CBI's results of operations have been included in the Corporation's consolidated statement of comprehensive income since that date. CBI's banking affiliate, Community Bank and Trust Company, was merged into FNBPA on January 1, 2011. Based on the purchase price allocation, the Corporation recorded \$40,232 in goodwill and \$4,785 in core deposit intangible as a result of the acquisition. None of the goodwill is deductible for income tax purposes.



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### *Pending Acquisition*

On October 22, 2012, the Corporation announced the signing of a definitive merger agreement to acquire Annapolis Bancorp, Inc. (ANNB), a bank holding company with approximately \$437,000 in total assets based in Annapolis, Maryland. The transaction is valued at approximately \$51,000. Under the terms of the merger agreement, ANNB shareholders will be entitled to receive 1.143 shares of F.N.B. Corporation common stock for each share of ANNB common stock. In addition to the stock consideration, ANNB shareholders may receive up to \$0.36 per share in cash for each share of ANNB common stock they own, dependent upon ANNB's ability to resolve a credit-related matter. ANNB's banking affiliate, BankAnnapolis, will be merged into FNBPA. The transaction is expected to be completed in the second quarter of 2013, pending regulatory approvals, the approval of shareholders of ANNB and the satisfaction of other closing conditions.

## **NEW ACCOUNTING STANDARDS**

### *Comprehensive Income*

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, *Comprehensive Income*, with the intention of increasing the prominence of other comprehensive income in the financial statements. The FASB has eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. Instead, in annual periods, companies are required to present components of net income and other comprehensive income and a total for comprehensive income in a single continuous statement of comprehensive income or two separate but consecutive statements. In interim periods, companies are required to present a total for comprehensive income in a single continuous statement of comprehensive income or two separate but consecutive statements. These requirements, which were applied retrospectively, were effective January 1, 2012. For interim periods, the Corporation has adopted the single continuous statement of comprehensive income approach. Adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

### *Amendments to Fair Value Measurements*

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurements*, to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards (IFRS). The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices. The amendments result in common fair value measurement and disclosure requirements in GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements and others change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements, including quantitative information about significant unobservable inputs and a description of the sensitivity of fair value measurements to changes in significant observable inputs. Many of the previous fair value requirements are not changed by this standard. The amendments in this standard, which were applied prospectively, were effective January 1, 2012. Adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

**Table of Contents****SECURITIES**

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

Securities Available For Sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2012</b>				
U.S. Treasury and other U.S. government				
agencies and corporations	\$ 325,453	\$ 1,852	\$	\$ 327,305
Residential mortgage-backed securities:				
Agency mortgage-backed securities	287,926	9,255		297,181
Agency collateralized mortgage obligations	406,741	4,248	(114)	410,875
Non-agency collateralized mortgage obligations	2,950	41		2,991
States of the U.S. and political subdivisions	27,091	1,463		28,554
Collateralized debt obligations	34,264	156	(13,720)	20,700
Other debt securities	23,799	756	(1,295)	23,260
Total debt securities	1,108,224	17,771	(15,129)	1,110,866
Equity securities	1,555	442	(24)	1,973
	\$ 1,109,779	\$ 18,213	\$ (15,153)	\$ 1,112,839

**December 31, 2011**

U.S. Treasury and other U.S. government

agencies and corporations	\$ 231,187	\$ 642	\$	\$ 231,829
Residential mortgage-backed securities:				
Agency mortgage-backed securities	166,758	4,853		171,611
Agency collateralized mortgage obligations	181,493	2,236		183,729
Non-agency collateralized mortgage obligations	31		(1)	30
States of the U.S. and political subdivisions	38,509	1,841		40,350
Collateralized debt obligations	19,224		(13,226)	5,998
Other debt securities	6,863		(1,666)	5,197
Total debt securities	644,065	9,572	(14,893)	638,744
Equity securities	1,593	257	(23)	1,827
	\$ 645,658	\$ 9,829	\$ (14,916)	\$ 640,571

Securities Held To Maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>September 30, 2012</b>				
U.S. Treasury and other U.S. government				
agencies and corporations	\$ 14,336	\$ 450	\$ (10)	\$ 14,776

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Residential mortgage-backed securities:				
Agency mortgage-backed securities	862,530	36,082		898,612
Agency collateralized mortgage obligations	101,770	1,238		103,008
Non-agency collateralized mortgage obligations	15,603	136	(13)	15,726
Commercial mortgage-backed securities	1,024	45		1,069
States of the U.S. and political subdivisions	154,372	6,793	(7)	161,158
Collateralized debt obligations	787		(87)	700
Other debt securities	1,321		(11)	1,310
	\$ 1,151,743	\$ 44,744	\$ (128)	\$ 1,196,359



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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2011</b>				
U.S. Treasury and other U.S. government agencies and corporations	\$ 4,523	\$ 360	\$	\$ 4,883
Residential mortgage-backed securities:				
Agency mortgage-backed securities	683,100	28,722		711,822
Agency collateralized mortgage obligations	54,319	573	(11)	54,881
Non-agency collateralized mortgage obligations	24,348	143	(1,373)	23,118
States of the U.S. and political subdivisions	147,748	6,877		154,625
Collateralized debt obligations	1,592		(314)	1,278
Other debt securities	1,582	25	(181)	1,426
	\$ 917,212	\$ 36,700	\$ (1,879)	\$ 952,033

The Corporation classifies securities as trading securities when management intends to sell such securities in the near term. Such securities are carried at fair value, with unrealized gains (losses) reflected through the consolidated statements of comprehensive income. The Corporation classified certain securities acquired in conjunction with the Parkvale and CBI acquisitions as trading securities. The Corporation both acquired and sold these trading securities during the quarters in which each of these acquisitions occurred. As of September 30, 2012 and December 31, 2011, the Corporation did not hold any trading securities.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Gross gains	\$ 355	\$ 49	\$ 1,151	\$ 337
Gross losses	(421)		(849)	(196)
	\$ (66)	\$ 49	\$ 302	\$ 141

As of September 30, 2012, the amortized cost and fair value of securities, by contractual maturities, were as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 19,504	\$ 19,538	\$ 6,446	\$ 6,516
Due from one to five years	298,511	300,621	20,784	21,190
Due from five to ten years	35,763	36,905	53,728	56,127
Due after ten years	56,829	42,755	89,858	94,111
	410,607	399,819	170,816	177,944
Residential mortgage-backed securities:				
Agency mortgage-backed securities	287,926	297,181	862,530	898,612
Agency collateralized mortgage obligations	406,741	410,875	101,770	103,008
Non-agency collateralized mortgage obligations	2,950	2,991	15,603	15,726
Commercial mortgage-backed securities			1,024	1,069
Equity securities	1,555	1,973		
	\$ 1,109,779	\$ 1,112,839	\$ 1,151,743	\$ 1,196,359

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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.

At September 30, 2012 and December 31, 2011, securities with a carrying value of \$689,533 and \$547,727, respectively, were pledged to secure public deposits, trust deposits and for other purposes as required by law. Securities

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with a carrying value of \$871,839 and \$680,212 at September 30, 2012 and December 31, 2011, respectively, were pledged as collateral for short-term borrowings.

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

Securities available for sale:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2012</b>						
Residential mortgage-backed securities:						
Agency mortgage-backed securities	\$ 63,593	\$ (114)	\$	\$	\$ 63,593	\$ (114)
Collateralized debt obligations	11,338	(1,340)	5,392	(12,380)	16,730	(13,720)
Other debt securities	2,003		5,574	(1,295)	7,577	(1,295)
Equity securities	640	(24)			640	(24)
	\$ 77,574	\$ (1,478)	\$ 10,966	\$ (13,675)	\$ 88,540	\$ (15,153)

**December 31, 2011**

Residential mortgage-backed securities:

Non-agency collateralized mortgage obligations