FNB CORP/FL/
Form 10-K
February 26, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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.)
12 Federal Street, One North Shore Center, Pittsburgh, PA	**15212**
(Address of principal executive offices)	(Zip Code)
Registrant s telephone number, including area code:	**800-555-5455**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange
Depositary Shares each representing a 1/40th interest in a share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ¨	Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	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

The aggregate market value of the registrant s outstanding voting common stock held by non-affiliates on June 30, 2015, determined using a per share closing price on that date of $14.32, as quoted on the New York Stock Exchange, was $2,405,282,056.

As of February 15, 2016, the registrant had outstanding 209,445,037 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of F.N.B. Corporation s definitive proxy statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on May 18, 2016 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14, of this Annual Report on Form 10-K. F.N.B. Corporation will file its definitive proxy statement with the Securities and Exchange Commission on or before April 15, 2016.

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PART I

Forward-Looking Statements: From time to time F.N.B. Corporation (the Corporation) has made and may continue to make written or oral forward-looking statements with respect to the Corporation s outlook or expectations for earnings, revenues, expenses, capital levels, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on the Corporation s business operations or performance. This Annual Report on Form 10-K (the Report) also includes forward-looking statements. See Cautionary Statement Regarding Forward-Looking Information in Item 7 of this Report.

ITEM 1. BUSINESS

Overview

The Corporation was formed in 1974 as a bank holding company. The Corporation is a financial holding company under the Gramm-Leach-Bliley Act of 1999 (GLB Act). The Corporation has four reportable business segments: Community Banking, Wealth Management, Insurance and Consumer Finance. As of December 31, 2015, the Corporation had 288 Community Banking offices in Pennsylvania, Ohio, Maryland and West Virginia and 76 Consumer Finance offices in Pennsylvania, Ohio, Tennessee and Kentucky.

As a diversified financial services holding company, the Corporation, through its subsidiaries, provides a full range of financial services, principally to consumers, corporations, governments and small- to medium-sized businesses in its market areas. The Corporation s business strategy focuses primarily on providing quality, consumer- and commercial-based financial services adapted to the needs of each of the markets it serves. The Corporation seeks to maintain its community orientation by providing local management with certain autonomy in decision making, enabling them to respond to customer requests more quickly and to concentrate on transactions within their market areas. However, while the Corporation seeks to preserve some decision making at a local level, it has centralized legal, loan review and underwriting, accounting, investment, audit, loan operations, deposit operations and data processing functions. The centralization of these processes enables the Corporation to maintain consistent quality of these functions and to achieve certain economies of scale.

As of December 31, 2015, the Corporation had total assets of $17.6 billion, loans of $12.2 billion and deposits of $12.6 billion. See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data, of this Report.

Recent Developments

The Corporation seeks to grow organically and by opportunistic acquisitions. Descriptions of the most recent acquisitions by the Corporation are provided below.

Pending Branch Purchase Fifth Third Bank

On September 3, 2015, the Corporation announced that it entered into a purchase and assumption agreement to acquire approximately $383,000 in retail and private banking deposits, 17 branch-banking locations and related consumer loans in the Pittsburgh, Pennsylvania area from Fifth Third Bank. The transaction is expected to close during the second quarter of 2016.

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. On the acquisition date, METR had assets with a net book value of approximately $2.9 billion, including $2.0 billion in loans and deposits with a net book value of approximately $2.3 billion. The acquisition was valued at approximately $403.0 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.

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), in which the Corporation acquired approximately $154.6 million in deposits.

Insurance Brokerage Conway E&S, Inc.

On July 18, 2015, the Corporation, through its wholly-owned subsidiary, First National Insurance Agency, LLC (FNIA), acquired certain account assets of Conway E&S, Inc., a Pittsburgh-based independent insurance brokerage firm. Under the purchase agreement, the Corporation paid $0.4 million in cash and recorded goodwill of $0.2 million and other intangibles of $0.2 million in connection with this acquisition.

Insurance Brokerage First Niagara Risk Management, Inc.

On June 22, 2015, FNIA acquired the Pittsburgh Insurance Brokerage Segment of First Niagara Risk Management, Inc. Under the purchase agreement, the Corporation paid $3.1 million in cash and recorded goodwill of $1.6 million, other intangibles of $1.2 million and miscellaneous other assets of $0.2 million in connection with this acquisition.

Other acquisitions completed during the last five years are summarized below (dollars in millions):

Acquired Entity	Acquired Bank	Date	Fair Value of Assets Acquired
OBA Financial Services, Inc. (OBA)	OBA Bank	2014	$ 390.2
BCSB Bancorp, Inc. (BCSB)	Baltimore County Savings Bank	2014	594.0
PVF Capital Corp. (PVF)	Park View Federal Savings Bank	2013	737.2
Annapolis Bancorp, Inc. (ANNB)	BankAnnapolis	2013	430.3
Parkvale Financial Corporation (Parkvale)	Parkvale Bank	2012	1,743.9
Comm Bancorp, Inc. (CBI)	Community Bank and Trust Company	2011	625.6

These acquisitions have supported the expansion of the Corporation into the attractive markets of Pittsburgh, Pennsylvania, Cleveland, Ohio and Baltimore, Maryland. For more detailed information concerning the most recent acquisitions, see the Mergers and Acquisitions footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Debt Offering

On October 2, 2015, the Corporation completed its offering of $100.0 million aggregate principal amount of 4.875% subordinated notes due in 2025. The subordinated notes are eligible for treatment as tier 2 capital for regulatory capital purposes. The net proceeds of the debt offering after deducting underwriting discounts and commissions and offering expenses were $98.4 million. The Corporation intends to use the net proceeds from the sale of the subordinated notes for general corporate purposes, which may include investments at the holding company level, providing capital to support the growth of FNBPA and its business, repurchases of its common shares and the payment of the cash consideration components of future acquisitions.

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Business Segments

In addition to the following information relating to the Corporation s business segments, more detailed information is contained in the Business Segments footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report. As of December 31, 2015, the Corporation had four business segments, with the largest being the Community Banking segment consisting of a regional community bank. The Wealth Management segment consists of a trust company, a registered investment advisor and a subsidiary that offers broker-dealer services through a third party networking arrangement with a non-affiliated licensed broker-dealer entity. The Insurance segment consists of an insurance agency and a reinsurer. The Consumer Finance segment consists of a multi-state consumer finance company.

Community Banking

The Corporation s Community Banking segment consists of First National Bank of Pennsylvania (FNBPA), which offers services traditionally offered by full-service commercial banks, including commercial and individual demand, savings and time deposit accounts and commercial, mortgage and individual installment loans. As of December 31, 2015, the Corporation operated its Community Banking business through a network of 288 branches in Pennsylvania, Ohio, Maryland and West Virginia.

The goals of Community Banking are to generate high-quality, profitable revenue growth through increased business with its current customers, attract new customer relationships through FNBPA s current branches and expand into new and existing markets through de novo branch openings, acquisitions and the establishment of loan production offices. The Corporation considers Community Banking an important source of revenue opportunity through the cross-selling of products and services offered by the Corporation s other business segments.

The lending philosophy of Community Banking is to establish high-quality customer relationships, while minimizing credit losses by following strict credit approval standards (which include independent analysis of realizable collateral value), diversifying its loan portfolio by industry and borrower and conducting ongoing review and management of the loan portfolio. Commercial loans are generally made to established businesses within the geographic market areas served by Community Banking.

No material portion of the loans or deposits of Community Banking has been obtained from a single customer or small group of customers, and the loss of any one customer s loans or deposits or a small group of customers loans or deposits by Community Banking would not have a material adverse effect on the Community Banking segment or on the Corporation. The substantial majority of the loans and deposits have been generated within the geographic market areas in which Community Banking operates.

Wealth Management

The Corporation s Wealth Management segment delivers wealth management services to individuals, corporations and retirement funds, as well as existing customers of Community Banking, located primarily within the Corporation s geographic markets.

The Corporation s Wealth Management operations are conducted through three subsidiaries of FNBPA. First National Trust Company (FNTC) provides a broad range of personal and corporate fiduciary services, including the administration of decedent and trust estates. As of December 31, 2015, the fair value of trust assets under management was approximately $3.7 billion. FNTC is required to maintain certain minimum capitalization levels in accordance with regulatory requirements. FNTC periodically measures its capital position to ensure all minimum capitalization levels are maintained.

The Corporation s Wealth Management segment also includes two other subsidiaries. First National Investment Services Company, LLC (FNIS) offers a broad array of investment products and services for

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customers of Wealth Management through a networking relationship with a third-party licensed brokerage firm. F.N.B. Investment Advisors, Inc. (FNBIA), an investment advisor registered with the Securities and Exchange Commission (SEC), offers customers of Wealth Management comprehensive investment programs featuring mutual funds, annuities, stocks and bonds.

No material portion of the business of Wealth Management has been obtained from a single customer or small group of customers, and the loss of any one customer s business or the business of a small group of customers by Wealth Management would not have a material adverse effect on the Wealth Management segment or on the Corporation.

Insurance

The Corporation s Insurance segment operates principally through FNIA, which is a subsidiary of the Corporation. FNIA is a full-service insurance brokerage agency offering numerous lines of commercial and personal insurance through major carriers to businesses and individuals primarily within the Corporation s geographic markets. The goal of FNIA is to grow revenue through cross-selling to existing clients of Community Banking and to gain new clients through its own channels.

The Corporation s Insurance segment also includes a reinsurance subsidiary, Penn-Ohio Life Insurance Company (Penn-Ohio). Penn-Ohio underwrites, as a reinsurer, credit life and accident and health insurance sold by the Corporation s lending subsidiaries. Additionally, FNBPA owns a direct subsidiary, First National Corporation, which offers title insurance products.

No material portion of the business of Insurance has been obtained from a single customer or small group of customers, and the loss of any one customer s business or the business of a small group of customers by Insurance would not have a material adverse effect on the Insurance segment or on the Corporation.

Consumer Finance

The Corporation s Consumer Finance segment operates through its subsidiary, Regency Finance Company (Regency), which is involved principally in making personal installment loans to individuals and purchasing installment sales finance contracts from retail merchants. Such activity is primarily funded through the sale at Regency s branch offices of subordinated notes which are issued by one of the Corporation s indirect subsidiaries, FNB Financial Services, LP, and guaranteed by the Corporation. The Consumer Finance segment operates in Pennsylvania, Ohio, Tennessee and Kentucky.

No material portion of the business of Consumer Finance has been obtained from a single customer or small group of customers, and the loss of any one customer s business or the business of a small group of customers by Consumer Finance would not have a material adverse effect on the Consumer Finance segment or on the Corporation.

Other

The Corporation also operates other non-banking subsidiaries. F.N.B. Capital Corporation, LLC (FNBCC) was formed as a merchant banking subsidiary to offer mezzanine financing options for small- to medium-sized businesses that need financial assistance beyond the parameters of typical commercial bank lending products. FNBCC ceased financing new portfolio companies in July 2013. FNBCC has a 21.9% funding commitment in F.N.B. Capital Partners, L.P. (FNBCP), a Small Business Investment Company licensed by the U.S. Small Business Administration (the Corporation licensed FNBCP to use its name). FNBCP, which is not an affiliate or a subsidiary of the Corporation, was formed by former employees of FNBCC. F.N.B. Statutory Trust II and Omega Financial Capital

Trust I issued TPS to third-party investors. Regency Consumer Financial Services, Inc. and FNB Consumer Financial Services, Inc. are the general partner and limited partner, respectively, of FNB Financial Services, LP, the company established to issue, administer and repay the subordinated notes through which loans in the Consumer Finance segment are funded. Additionally, Bank

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Capital Services, LLC, a subsidiary of FNBPA, offers commercial loans and leases to customers in need of new or used equipment. Certain financial information concerning these subsidiaries, along with the parent company and intercompany eliminations, are included in the Parent and Other category in the Business Segments footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Market Area and Competition

The Corporation operates in Pennsylvania, eastern Ohio, and northern West Virginia, which are areas with relatively stable markets and modest growth. Additionally, the Corporation operates in the Baltimore, Maryland Metropolitan Statistical Area and Montgomery County, Maryland, which are relatively higher growth markets. In addition to Pennsylvania and Ohio, the Corporation s Consumer Finance segment also operates in northern and central Tennessee and western and central Kentucky.

The Corporation s subsidiaries compete for loans, deposits and financial services business with a large number of other financial institutions, many of which offer such services through the internet and mobile devices. Competition for loans comes principally from commercial banks, savings banks, mortgage banking companies, credit unions, insurance companies and other financial services companies. The most direct competition for deposits historically comes from commercial banks, savings banks and credit unions. Additional competition for deposits comes from non-depositary competitors such as mutual funds, securities and brokerage firms and insurance companies. In providing wealth and asset management services, as well as insurance brokerage services, the Corporation s subsidiaries compete with many other financial services firms, brokerage firms, mutual fund complexes, investment management firms, trust and fiduciary service providers and insurance agencies.

In Regency s market areas of Pennsylvania, Ohio, Tennessee and Kentucky, its active competitors include banks, credit unions and national, regional and local consumer finance companies, some of which have substantially greater resources than that of Regency. The ready availability of consumer credit through charge accounts and credit cards constitutes additional competition. In this market area, competition is based on the rates of interest charged for loans, the rates of interest paid to obtain funds and the availability of customer services.

The ability to deploy and use technology effectively is an important competitive factor in the financial services industry. Technology is not only important with respect to delivery of financial services and protection of the security of customer information, but also in processing information. The Corporation and each of its subsidiaries must continually make technological investments to remain competitive in the financial services industry. FNBPA is currently executing several initiatives under its retail delivery strategy that are designed to integrate and streamline FNBPA s physical branch and e-delivery channels.

Underwriting

Commercial Loans

The Corporation s Credit Policy requires, among other things, that all commercial loans be underwritten to document the borrower s financial capacity to support the cash flow required to repay the loan. The Credit Policy also contains additional guidelines and requirements applicable to specific loan products or lines of business. The Corporation has developed a proprietary underwriting system for all corporate business loan relationships and utilizes a third party solution for small business loan relationships, with both platforms allowing for consistency in underwriting across the entire footprint that also generally permits credit decisions at the local and regional level. As part of this underwriting, the Corporation requires clear and concise documentation of the borrower s ability to repay the loan based on current financial statements and/or tax returns, plus pro-forma financial statements, as appropriate. Specific guidelines for loan terms and conditions are outlined in the Corporation s Credit Policy. The guidelines also detail the collateral requirements for various loan types. It is the Corporation s general practice to obtain personal guarantees, supported by current personal financial statements and/or tax returns, to reduce the credit risk, as appropriate.

For loans secured by commercial real estate, the Corporation obtains current and independent appraisals from licensed or certified appraisers to assess the value of the underlying collateral. The Corporation s general policy for commercial real estate loans is to limit the terms of the loans to not more than 15 years and to have loan-to-value (LTV) ratios not exceeding 80% on owner-occupied and income producing properties. For non-owner occupied commercial real estate loans, the loan terms are generally aligned with the property s lease terms, and in many instances, these loans mature within 5 years. The Corporation s Credit Policy also delineates similar guidelines for maximum terms and acceptable advance rates for loans that are not secured by real estate.

Consumer Loans

The Corporation s revolving home equity lines of credit (HELOC) are generally variable rate loans underwritten based on fully indexed rates. For home equity loans, the Corporation s policy is to generally require a LTV ratio not in excess of 85% and FICO scores of not less than 660. In certain circumstances, the Corporation will extend credit to borrowers with a LTV ratio over 85% on a limited and closely monitored basis. The Corporation s underwriters evaluate a borrower s debt service capacity on all line of credit applications by utilizing an interest shock rate of 3% over the prevailing variable interest rate at origination. The borrower s debt-to-income ratio must remain within the Corporation s guidelines under the shock rate repayment formula. The Corporation has elected, with the onset of the qualified mortgage (QM) rules established by the Consumer Financial Protection Bureau (CFPB) in 2014, to tightly limit the origination of non-QM loans.

The Corporation s policy for its indirect installment loans, which third parties (primarily auto dealers) originate, is to require a minimum FICO score of 640 for the borrower, the age of the vehicle not to exceed 7 years or 100,000 miles and an appropriate LTV ratio, not to exceed 115% inclusive of back-end added products, based on the year and make of the vehicle financed.

The Corporation structures its consumer loan products to meet the diverse credit needs of consumers in the Corporation s market for personal and household purposes. These loan products are on a fixed amount or revolving basis depending on customer need and borrowing capacity. The Corporation s loans and lines of credit attempt to balance borrower budgeting sensitivities with realistic repayment maturities within a philosophy that encourages consumer financial responsibility, sound credit risk management and development of strong customer relationships.

The Corporation s consumer loan policies and procedures require prospective borrowers to provide appropriate and accurate financial information that will enable the Corporation s loan underwriting personnel to make credit decisions. Specific information requirements vary based on loan type, risk profile and secondary investor requirements where applicable. In all extensions of credit, however, the Corporation insists on evidence of capacity as well as an independent credit report to assess the prospective borrower s willingness and ability to repay the debt. If any information submitted by the prospective borrower raises reasonable doubts with respect to the willingness and ability of the borrower to repay the loan, the Corporation denies the credit. The Corporation does not provide loans in which there is no verification of the prospective borrower s income. The Corporation does not make interest-only or similar type residential mortgage loans.

The Corporation often takes collateral to support an extension of credit and to provide additional protection should the primary source of repayment fail. Consequently, the Corporation limits unsecured extensions of credit in amount and only grants them to borrowers with adequate capacity and above-average credit profiles. The Corporation expressly discourages unsecured credit lines for debt consolidation unless there is compelling evidence that the borrower has sufficient liquidity and net worth to repay the loan from alternative sources in the event of income disruption.

The Corporation generally obtains full independent appraisals of residential real estate collateral values on residential mortgage applications of $100,000 and greater. The Corporation may use algorithm-based valuation models for residential mortgages under $100,000. The Corporation recognizes the limitations as well as the benefits of these valuation products. The Corporation s policy is to be conservative in their use but fluid and flexible in interpreting reasonable collateral values when obtained.

The Corporation monitors consumer loans with exceptions to its policy including, but not limited to, LTV ratios, FICO scores and debt-to-income ratios. Management routinely evaluates the type, nature, trend and scope of these exceptions and reacts through policy changes, lender counseling, adjustment of loan authorities and similar prerogatives to assure that the retail assets generated meet acceptable credit quality standards. As an added precaution, the Corporation s risk management personnel conduct periodic reviews of loan files.

Regency Finance Company Loans

Regency originates three general types of loans: direct real estate, direct non-real estate and indirect sales finance. Regency has written policies and procedures that it distributes to each Regency branch office defining underwriting, pricing and loan servicing guidelines. Regency issues written credit authority limits based upon the individual loan underwriter s capability. On a monthly basis, Regency evaluates specific metrics relating to Regency s origination and servicing of its loan portfolio. Regency also uses a quality control program to review, in an independent manner, loan origination and servicing on a monthly basis to ensure adherence with compliance and credit criteria standards.

Regency evaluates each applicant for credit on an individual basis measuring attributes derived from the review of credit reports, income verification and collateral, if applicable, with product-specific underwriting standards. Regency utilizes a prospective borrower s reported income to derive debt-to-income ratios that permit Regency to follow a conservative approach in evaluating a potential borrower s ability to pay debt service.

Regency underwrites direct real estate loans utilizing a risk-based pricing matrix that evaluates the applicants by FICO score, credit criteria and LTV ratio. First lien general LTV standards permit a maximum of 85% of appraised value. Regency does not offer variable rate real estate secured loans. Regency does not offer unverified or no documentation loans.

Regency underwrites direct financing for automobile secured loans utilizing a risk-based pricing matrix that evaluates the applicants by FICO score, credit criteria and advance rate as a percentage of the book value of the vehicle. Regency will only grant credit secured by an automobile at the current (time of application) National Automobile Dealers Association Book retail price.

Regency generates indirect sales finance applications and subsequent loans through dealers that Regency approves for the purpose of the customer s finance of a purchase such as furniture or windows. Regency grants credit in a similar manner as set forth above for direct real estate loans. Pricing parameters are generally dealer and geographic specific. Regency underwrites direct non-real estate personal and secured loans represented above with the exception that this product does not rely on FICO scores. Specific analysis of the applicant s credit report and income verification are the principal elements of Regency s credit decision with respect to direct non-real estate personal and secured loans.

Employees

As of January 31, 2016, the Corporation and its subsidiaries had 2,747 full-time and 458 part-time employees. Management of the Corporation considers its relationship with its employees to be satisfactory.

Government Supervision and Regulation

The following summary sets forth certain of the material elements of the regulatory framework applicable to bank holding companies and financial holding companies and their banking subsidiaries and to companies engaged in the same types of securities and insurance activities as the Corporation s subsidiaries and provides certain specific information about the Corporation. The bank regulatory framework is intended primarily for the protection of depositors through the federal deposit insurance guarantee, and not for the protection of security holders. Numerous laws and regulations govern the operations of financial services institutions and their holding companies. Significant elements of the laws and regulations applicable to the Corporation and its affiliates are described in this section. Such descriptions are qualified in their entirety by reference to the full text of the statutes, regulations and policies referenced herein. In addition, certain of the Corporation s public disclosure, internal control environment, risk and capital management and corporate governance principles are subject to the Sarbanes-Oxley Act of 2002 (SOX), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and related regulations and rules of the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. The Corporation s common stock and Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, are listed on the New York Stock Exchange, Inc. (NYSE) under the trading symbols FNB and FNBPrE, respectively, and the Corporation is subject to the rules of the NYSE for listed companies. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by express reference to each of the particular statutory and regulatory provisions. New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect the Corporation s financial condition or results of operations. As a financial institution, to the extent that different regulatory systems impose overlapping or inconsistent requirements on the conduct of the Corporation s business, it faces increased complexity and additional costs in its compliance efforts.

General

The Corporation is a legal entity separate and distinct from its subsidiaries. As a financial holding company and a bank holding company, the Corporation is regulated under the Bank Holding Company Act of 1956, as amended (BHC Act), and is subject to regulation, inspection, examination and supervision by the Board of Governors of the Federal Reserve System (FRB). The Corporation is also subject to regulation by the SEC as a result of the Corporation s status as a public company and due to the nature of the business activities of certain of the Corporation s subsidiaries.

The FRB is the umbrella regulator of a financial holding company. In addition, a financial holding company s operating entities, such as its subsidiary broker-dealers, investment managers, investment companies, insurance companies and banks, are subject to the jurisdiction of various federal and state functional regulators.

The Corporation s subsidiary bank, FNBPA, and FNBPA s subsidiary trust company, FNTC, are organized as national banking associations, which are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (OCC), which is a bureau of the U.S. Department of the Treasury (UST). FNBPA is also subject to certain regulatory requirements of the Federal Deposit Insurance Corporation (FDIC), the FRB and other federal and state regulatory agencies, including requirements to maintain reserves against deposits, capital requirements, limitations regarding dividends, restrictions on the types and amounts of loans that may be granted and the interest that may be charged on loans, inter-affiliate transactions, monitoring obligations under the federal bank secrecy act and anti-money laundering requirements, limitations on the types of investments that may be made, activities that may be engaged in and types of services that may be offered. In addition to banking laws, regulations and regulatory agencies, the Corporation and its subsidiaries are subject to various other laws and regulations and supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Corporation and its ability to make distributions to its stockholders. If the Corporation fails to comply with these or other applicable laws and regulations, it may be subject to civil monetary penalties, imposition of cease and desist orders or other written directives, removal of management and, in certain cases, criminal penalties.

Pursuant to the GLB Act, bank holding companies such as the Corporation that have qualified as financial holding companies because they are well-capitalized and well managed have broad authority to engage in

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activities that are financial in nature or incidental to such financial activity, including insurance underwriting and brokerage, merchant banking, securities underwriting, dealing and market-making; and such additional activities as the FRB in consultation with the Secretary of the UST determines to be financial in nature, incidental thereto or complementary to a financial activity. The GLB Act repealed or modified a number of significant statutory provisions, including those of the Glass-Steagall Act and the BHC Act, which had previously restricted banking organizations ability to engage in certain types of business activities (subsequently further modified by the Dodd-Frank Act, as discussed below). As a result of the GLB Act, a bank holding company may engage in those activities directly or through subsidiaries by qualifying as a financial holding company. A financial holding company may engage directly or indirectly in activities considered financial in nature, either de novo or by acquisition, provided the financial holding company continues such status and gives the FRB after-the-fact notice of the new activities. The GLB Act also permits national banks, such as FNBPA, to engage in activities considered financial in nature through a financial subsidiary, subject to certain conditions and limitations and with the approval of the OCC.

As a regulated financial holding company, the Corporation s relationships and good standing with its regulators are of fundamental importance to the continuation and growth of the Corporation s businesses. The FRB, OCC, FDIC, CFPB and SEC have broad enforcement powers and authority to approve, deny or refuse to act upon applications or notices of the Corporation or its subsidiaries to open new or close existing offices, conduct new activities, acquire or divest businesses or assets or reconfigure existing operations. In addition, the Corporation, FNBPA, FNTC and other affiliates are subject to examination by the various regulators, which results in examination reports (which are not publicly available) and ratings that can impact the conduct and growth of the Corporation s businesses. These examinations consider not only safety and soundness principles, but also compliance with applicable laws and regulations, including bank secrecy and anti-money laundering requirements, loan quality and administration, capital levels, asset quality and risk management ability and performance, earnings, liquidity, consumer compliance, community reinvestment and various other factors. An examination downgrade by any of the Corporation s federal bank regulators could potentially result in the imposition of significant limitations and prohibitions on the activities and growth of the Corporation and its subsidiaries.

There are numerous laws, regulations and rules governing the activities of financial institutions, financial holding companies and bank holding companies. The following discussion is general in nature and seeks to highlight some of the more significant of these regulatory requirements, but does not purport to be complete or to describe all of the laws and regulations that apply to the Corporation and its subsidiaries.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

Implementation of the Dodd-Frank Act has had and will continue to have a broad impact on the financial services industry by introducing significant regulatory and compliance changes including, among other things,

- enhanced authority over troubled and failing banks and their holding companies;
- increased capital and liquidity requirements;
- increased regulatory examination fees;
- increases to the assessments banks must pay the FDIC for federal deposit insurance; and
- specific provisions designed to improve supervision and oversight of, and strengthening safety and soundness by imposing restrictions and limitations on the scope and type of banking and financial activities.

In addition, the Dodd-Frank Act establishes a new framework for systemic risk oversight within the financial system that is enforced by new and existing federal regulatory agencies and authorities, including the Financial Stability

Oversight Council (FSOC), FRB, OCC, FDIC and CFPB. The following description briefly summarizes certain impacts of the Dodd-Frank Act on the operations and activities, both currently and prospectively, of the Corporation and its subsidiaries.

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Deposit Insurance. The Dodd-Frank Act made permanent the $250,000 deposit insurance limit for insured deposits. Amendments to the Federal Deposit Insurance Act also revised the assessment base against which an insured depository institution s deposit insurance premiums paid to the FDIC s Deposit Insurance Fund (DIF) are calculated. Under the amendments, the FDIC assessment base is no longer the institution s deposit base, but rather its average consolidated total assets less its average tangible equity. The Dodd-Frank Act also changed the minimum designated reserve ratio of the DIF, requiring the minimum to be increased from 1.15% to 1.35% of the estimated amount of total insured deposits by September 30, 2020, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds, leaving the designated reserve ratio to the discretion of the FDIC, which has set 2% as the designated reserve ratio. Several of these provisions have increased, and may continue to increase, the FDIC deposit insurance premiums FNBPA pays.

Interest on Demand Deposits. The Dodd-Frank Act permits depository institutions to pay interest on demand deposits. In accordance therewith, the Corporation pays interest on certain classes of commercial demand deposits.

Trust Preferred Securities. Pursuant to Section 619 of the Dodd-Frank Act (the Volcker Rule), the federal bank regulatory agencies issued interim final rules which permits banking entities with consolidated assets less than $15 billion to continue to retain interests in TPS as tier 1 capital provided the TPS was established, and interest was issued prior to May 19, 2010, the banking entity reasonably believes the offering proceeds received by the TPS were invested in certain qualifying TPS collateral and the banking entity s interest in the TPS was acquired prior to December 31, 2013. In addition, the interim final rules provide that for banking entities with $15 billion or more in consolidated assets, TPS will, on a phased-out basis, no longer qualify as tier 1 capital after January 1, 2016 (see discussion under the captions, *Capital and Operational Requirements* and *Increased Capital Standards and Enhanced Supervision*).

The Consumer Financial Protection Bureau. The Dodd-Frank Act created a new, independent CFPB within the FRB. The CFPB s responsibility is to establish, implement and enforce rules and regulations under certain federal consumer protection laws with respect to the conduct of both bank and non-bank providers of certain consumer financial products and services. The CFPB has rulemaking authority over many of the statutes that govern products and services banks offer to consumers. The CFPB has authority to prevent unfair, discriminatory, deceptive or abusive practices in connection with the offering of consumer financial products. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are more stringent than those regulations promulgated by the CFPB, and state attorneys general will have the authority to enforce consumer protection rules that the CFPB adopts against state-chartered institutions and against, with respect to certain non-preempted laws, national banks. Compliance with any such new regulations established by the CFPB and/or states could reduce the Corporation s revenue, increase its cost of operations, and limit its ability to expand into certain products and services.

Debit Card Interchange Fees. On June 29, 2011, the FRB, pursuant to its authority under the Dodd-Frank Act, issued rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion, adopting a per-transaction interchange cap base of $0.21 plus a 5-basis point fraud loss adjustment per transaction. Following completion of the Corporation s acquisition of Parkvale on January 1, 2012, the Corporation s assets exceeded the $10 billion threshold. As a result, the Corporation became subject to the new rules regarding debit card interchange fees as of July 1, 2013.

Transactions with Affiliates. The Dodd-Frank Act enhances the requirements for certain transactions with affiliates under Sections 23A and 23B of the Federal Reserve Act, including an expansion of the definition of covered transactions to include the borrowing or lending of securities or derivative transactions, and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Certain transactions (including loans and credit extensions from FNBPA) between FNBPA and the Corporation and/or its affiliates and subsidiaries are subject to quantitative and qualitative limitations, collateral requirements, and other restrictions imposed by statute and FRB regulation. Transactions subject to these restrictions are generally required to be made on an arm s-length basis. These restrictions generally do not apply to transactions between FNBPA and its direct wholly-owned subsidiaries.

Transactions with Insiders. The Dodd-Frank Act expands insider transaction limitations through the strengthening of loan restrictions to insiders and extending the types of transactions subject to the various requirements to include derivative transactions, repurchase agreements, reverse repurchase agreements and securities lending and borrowing transactions. The Dodd-Frank Act also places restrictions on certain asset sales to and from an insider of an institution, including requirements that such sales be on market terms and, in certain circumstances, receive the approval of the institution s board of directors.

Enhanced Lending Limits. The Dodd-Frank Act strengthens the existing limits on a depository institution s credit exposure to one borrower. Federal banking law currently limits a national bank s ability to extend credit to one person or group of related persons to an amount that does not exceed certain thresholds. Among other things, the Dodd-Frank Act expands the scope of these restrictions to include credit exposure arising from derivative transactions, repurchase agreements and securities lending and borrowing transactions.

Corporate Governance. The Dodd-Frank Act addresses many corporate governance and executive compensation matters that will affect most U.S. publicly traded companies, including the Corporation. The Dodd-Frank Act:

- grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation;
- enhances independence requirements for compensation committee members; and
- requires companies listed on national securities exchanges to adopt clawback policies for incentive-based compensation plans applicable to executive officers.

Although many of the requirements of the Dodd-Frank Act have been implemented there still remain a number of its requirements that will be implemented over time. Given the uncertainty associated with the manner in which the federal banking agencies may implement the provisions of the Dodd-Frank Act, the full extent of the impact such requirements may have on the Corporation s compliance responsibilities, operations and the financial services markets is unclear at this time. The changes resulting from the Dodd-Frank Act may impact the Corporation s profitability, require changes to certain of the Corporation s business practices, including limitations on fee income opportunities, increased compliance costs, imposition of more stringent capital, liquidity and leverage requirements upon the Corporation or otherwise adversely affect the Corporation s business. These changes may also require the Corporation to continue to invest significant management attention and compliance, legal, risk and audit resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. The Corporation cannot predict what effect any newly implemented, presently contemplated or future changes in the laws or regulations or their interpretations would have on the Corporation.

Capital and Operational Requirements

The FRB, OCC and FDIC issued substantially similar risk-based and leverage capital guidelines applicable to U.S. banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, due to its financial condition or actual or anticipated growth.

The FRB s risk-based guidelines are based on a three-tier capital framework. Tier 1 capital includes common stockholders equity and qualifying preferred stock, less goodwill and other adjustments. Tier 2 capital consists of preferred stock not qualifying as tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for credit losses of up to 1.25 percent of risk-weighted assets. Tier 3 capital includes subordinated debt that is unsecured, fully paid, and has an original maturity of at least two years, is not redeemable before maturity without prior approval by the FRB and includes a lock-in clause precluding payment of either interest of principal if the payment would cause the issuing bank s risk-based capital ratio to fall or remain below the required minimum.

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The Corporation, like other bank holding companies, through December 31, 2015 was required to maintain tier 1 capital and total capital (the sum of tier 1 and tier 2 capital) equal to at least 4.0% and 8.0%, respectively, of its total risk-weighted assets (including various off-balance sheet items). Risk-based capital ratios are calculated by dividing tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in credit and market risk profiles among banks and financial holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. At December 31, 2015, the Corporation s tier 1 and total capital ratios under these guidelines were 10.4% and 12.9%, respectively. At December 31, 2015, the Corporation had $14.4 million of capital securities that qualified as tier 1 capital and $163.1 million of capital securities and subordinated debt that qualified as tier 2 capital.

In addition, the FRB has established minimum leverage ratio guidelines for bank holding companies. These guidelines currently provide for a minimum ratio of tier 1 capital to average total assets, less goodwill and certain other intangible assets (the leverage ratio), of 3.0% for bank holding companies that meet certain specified criteria, including the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 4.0%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Further, the FRB has indicated that it will consider a tangible tier 1 capital leverage ratio (deducting all intangibles) and all other indicators of capital strength in evaluating proposals for expansion or new activities. The Corporation s leverage ratio at December 31, 2015 was 8.1%.

Increased Capital Standards and Enhanced Supervision

The Dodd-Frank Act imposes a series of more onerous capital requirements on financial companies and other companies, including swap dealers and non-bank financial companies that are determined to be of systemic risk. Compliance with heightened capital standards may reduce the Corporation s ability to generate or originate revenue-producing assets and thereby restrict revenue generation from banking and non-banking operations.

The Dodd-Frank Act s new regulatory capital requirements are intended to ensure that financial institutions hold sufficient capital to absorb losses during future periods of financial distress. The Dodd-Frank Act directs federal banking agencies to establish minimum leverage and risk-based capital requirements on a consolidated basis for insured depository institutions, their holding companies and non-bank financial companies that have been determined to be systemically significant by the FSOC.

The Dodd-Frank Act requires that, at a minimum, regulators apply to bank holding companies and other systemically significant non-bank financial companies the same capital and risk standards that such regulators apply to banks insured by the FDIC. An important consequence of this requirement is that hybrid capital instruments, such as TPS, will no longer be included in the definition of tier 1 capital after December 31, 2015, for banking entities with over $15 billion in consolidated assets. Tier 1 capital includes common stock, retained earnings, certain types of preferred stock and TPS. Since TPS are not currently counted as tier 1 capital for insured banks, the effect of the Dodd-Frank Act is that such securities will no longer be included as tier 1 capital for bank holding companies or financial holding companies. Excluding TPS from tier 1 capital could significantly decrease regulatory capital levels of holding companies that have traditionally relied on TPS to meet capital requirements. The Dodd-Frank Act capital requirements may force bank holding companies to raise other forms of tier 1 capital, for example, by issuing perpetual non-cumulative preferred stock. Since common stock must typically constitute at least 50 percent of tier 1 capital, many bank holding companies and systemically significant non-bank companies may consider dilutive follow-on offerings of common stock, such as that executed by the Corporation in November 2013.

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In order to ease the compliance burden associated with the new capital requirements, the Dodd-Frank Act provides a number of exceptions and phase-in periods. For bank holding companies with over $15 billion in consolidated assets and systemically important non-bank financial companies, any regulatory capital deductions for debt or equity issued before May 19, 2010 was phased in incrementally from January 1, 2013 to January 1, 2016. The term regulatory capital deductions refers to the exclusion of hybrid capital from tier 1 capital. On a fully phased-in basis under these new standards, the Corporation continues to exceed all estimated well-capitalized regulatory requirements.

Basel III Capital Rules

In July 2013, the Corporation s and FNBPA s primary federal regulator, the FRB, published the Basel III Capital Rules (Basel III) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee s December 2010 framework for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. Basel III substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Corporation and FNBPA, compared to the then-existing U.S. risk-based capital rules. Basel III defines the components of capital and addresses other issues affecting the numerator in banking institutions regulatory capital ratios. Basel III also addresses risk weights and other issues affecting the denominator in a banking institution s regulatory capital ratios and replaces the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee s 2004 Basel II capital accords. Basel III also implements the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies rules. Basel III became effective for the Corporation and FNBPA on January 1, 2015 (subject to a phase-in period for certain provisions).

Basel III, among other things, (i) introduces a new capital measure called Common Equity Tier 1 (CET1), (ii) specifies that tier 1 capital consists of CET1 and Additional Tier 1 capital instruments meeting specified requirements, (iii) defines CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expands the scope of the deductions/adjustments as compared to existing regulations.

When fully phased in on January 1, 2019, Basel III will require the Corporation and FNBPA to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation), (ii) a minimum ratio of tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital (that is, tier 1 plus tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage ratio of 4%, calculated as the ratio of tier 1 capital to average quarterly assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority s risk-adjusted measure for market risk).

Basel III also provides for a countercyclical capital buffer that is applicable to only certain covered institutions and does not have any current applicability to the Corporation or FNBPA.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation depending on the amount of the shortfall.

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Under Basel III, the initial minimum capital ratios that became effective on January 1, 2015 are as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% tier 1 capital to risk-weighted assets;
- 8.0% total capital to risk-weighted assets; and
- 4.0% tier 1 capital to average quarterly assets.

Basel III provides for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under capital standards in effect as of December 31, 2014, the effects of accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under Basel III, the effects of certain accumulated other comprehensive items are not excluded; however, banking organizations which do not use the advanced approach, such as the Corporation and FNBPA, may make a one-time permanent election to continue to exclude these items. The Corporation and FNBPA made this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of the Corporation s available-for-sale securities portfolio. Basel III also precludes certain hybrid securities, such as TPS, as tier 1 capital of bank holding companies, subject to phase-out. TPS no longer included in the Corporation s tier 1 capital may nonetheless be included as a component of tier 2 capital on a permanent basis without phase-out.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased-in over a four-year period (starting at 40% on January 1, 2015, with an additional 20% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

With respect to FNBPA, Basel III also revises the prompt corrective action regulations pursuant to Section 38 of the Federal Deposit Insurance Act, as discussed below under Prompt Corrective Action.

Basel III prescribes a standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Specific changes to the rules impacting the Corporation s determination of risk-weighted assets include, among other things:

- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;
- assigning a 150% risk weight to exposures (other than residential mortgage exposures) that are 90 days past due;
- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%);

- providing for a risk weight, generally not less than 20% with certain exceptions, for securities lending transactions based on the risk weight category of the underlying collateral securing the transaction;
- providing for a 100% risk weight for claims on securities firms;
- eliminating the current 50% cap on the risk weight for OTC derivatives.

In addition, Basel III provides more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increases the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

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Management believes that, as of December 31, 2015, the Corporation and FNBPA meet all capital adequacy requirements under Basel III on a fully phased-in basis as if such requirements had been in effect.

Stress Testing

As required by the Dodd-Frank Act, the FRB and OCC published final rules regarding company-run stress testing. The rules require institutions, such as, the Corporation and FNBPA, with average total consolidated assets greater than $10 billion, to conduct an annual company-run stress test of capital, consolidated earnings and losses under one base and at least two stress scenarios provided by the federal bank regulators. Implementation of the rules for covered institutions with total consolidated assets between $10 billion and $50 billion began in 2013. The stress test rules and guidance require increased involvement by boards of directors in the stress testing process and public disclosure of the results. The company-run stress tests were conducted using data as of September 30, 2014 and 2013 and scenarios released by the agencies. Stress test results must be reported to the agencies by the following March 31st. Public disclosure of summary stress test results under the severely adverse scenario began in June 2015 for stress tests commencing in 2014. The next public disclosure of the Corporations stress testing results using data as of December 31, 2015 will be in June 2016. The Corporation s capital ratios reflected in the stress test calculations are an important factor considered by the FRB in evaluating the capital adequacy of the Corporation and FNBPA and whether the appropriateness of any proposed payments of dividends or stock repurchases may be an unsafe or unsound practice. In reviewing the Corporation s and FNBPA s stress test results, the FRB and OCC will consider both quantitative and qualitative factors.

Liquidity Requirements

Historically, the regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. Liquidity risk management has become increasingly important since the financial crisis. The Basel III liquidity framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio (LCR), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity s expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio (NSFR), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements are designed to incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

In September 2014, the federal bank regulators approved final rules implementing the LCR for advanced approaches banking organizations (i.e., banking organizations with $250 billion or more in total consolidated assets or $10 billion or more in total on-balance sheet foreign exposure) and a modified version of the LCR for bank holding companies with at least $50 billion in total consolidated assets that are not advanced approach banking organizations, neither of which apply to the Corporation or FNBPA. The federal bank regulators have not yet proposed rules to implement the NSFR or addressed the scope of bank organizations to which it will apply. The Basel Committee s final NSFR document states that the NSFR applies to internationally active banks, as did its final LCR document as to the ratio.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, classifies insured depository institutions into five capital categories (well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository

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institutions that do not meet minimum capital requirements within such categories. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital-raising requirements, restrictions on its business and a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and in certain circumstances the appointment of a conservator or receiver. An undercapitalized bank must develop a capital restoration plan and its parent holding company must guarantee that bank s compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank s assets at the time it became undercapitalized or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, the obligation under such guarantee would take priority over the parent s general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories identified by FDICIA, using the total risk-based capital, tier 1 risk-based capital and leverage capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a well-capitalized institution must have a tier 1 risk-based capital ratio of at least 6.0%, a total risk-based capital ratio of at least 10.0% and a leverage ratio of at least 5.0% and not be subject to a capital directive order. Under these guidelines, FNBPA was considered well-capitalized as of December 31, 2015.

When determining the adequacy of an institution s capital, federal regulators must also take into consideration (a) concentrations of credit risk; (b) interest rate risk (when the interest rate sensitivity of an institution s assets does not match the sensitivity of its liabilities or its off-balance sheet position) and (c) risks from non-traditional activities, as well as an institution s ability to manage those risks. This evaluation is made as part of the institution s regular safety and soundness examination. In addition, the Corporation, and any bank with significant trading activity, must incorporate a measure for market risk in their regulatory capital calculations.

Expanded FDIC Powers Upon Insolvency of Insured Depository Institutions

The Dodd-Frank Act provides a mechanism for appointing the FDIC as receiver for a financial company if the failure of the company and its liquidation under the Bankruptcy Code or other insolvency procedures would pose a significant risk to the financial stability of the U.S.

If appointed as receiver for a failing financial company for which a systemic risk determination has been made, the FDIC has broad authority under the Dodd-Frank Act and the Orderly Liquidation Authority it created to operate or liquidate the business, sell the assets, and resolve the liabilities of the company immediately after its appointment as receiver or as soon as conditions make this appropriate. This authority will enable the FDIC to act immediately to sell assets of the company to another entity or, if that is not possible, to create a bridge financial company to maintain critical functions as the entity is wound down. In receiverships of insured depository institutions, the ability to act quickly and decisively has been found to reduce losses to creditors while maintaining key banking services for depositors and businesses. The FDIC will similarly be able to act quickly in resolving non-bank financial companies under the Dodd-Frank Act.

The FDIC Office of Complex Financial Institutions is responsible for implementing its expanded responsibilities attendant to its new receivership authority. The FDIC adopted five major rules for the implementation of its new receivership authority.

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Subject to these new rules, if the FDIC is appointed the conservator or receiver of an insured depository institution upon its insolvency or in certain other events, the FDIC has the power to:

- transfer any of the depository institution s assets and liabilities to a new obligor without the approval of the depository institution s creditors;
- enforce the terms of the depository institution s contracts pursuant to their terms; and
- repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmation or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution. Also, under applicable law, the claims of a receiver of an insured depository institution for administrative expense and claims of holders of U.S. deposit liabilities (including the FDIC, as subrogee of the depositors) have priority over the claims of other unsecured creditors of the institution in the event of the liquidation or other resolution of the institution. As a result, whether or not the FDIC would ever seek to repudiate any obligations held by public note holders, such persons would be treated differently from, and could receive, if anything, substantially less than the depositors of the depository institution.

Interstate Banking

Under the BHC Act, bank holding companies, including those that are also financial holding companies, are required to obtain the prior approval of the FRB (unless waived by the FRB) before acquiring more than five percent of any class of voting stock of any non-affiliated bank. Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Banking Act), a bank holding company may acquire banks located in states other than its home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the U.S. and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state.

The Dodd-Frank Act confers on state and national banks the ability to branch de novo into any state, provided that the law of that state permits a bank chartered in that state to establish a branch at that same location.

Community Reinvestment Act

The Community Reinvestment Act of 1977 (CRA) requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practices. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to and investments in low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHC Act, or to acquire any company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least satisfactory in its most recent examination under the CRA. Furthermore, banking regulators take into account CRA ratings when considering approval of a proposed transaction.

Financial Privacy

In accordance with the GLB Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA PATRIOT Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (USA PATRIOT Act) substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the U.S. The UST has issued a number of regulations that apply various requirements of the USA PATRIOT Act to financial institutions such as FNBPA. These regulations require financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal, including criminal law enforcement, and reputational consequences for the institution.

Office of Foreign Assets Control Regulation

The U.S. has instituted economic sanctions which affect transactions with designated foreign countries, nationals and others. These are typically known as the OFAC rules because they are administered by the UST Office of Foreign Assets Control (OFAC). The OFAC-administered sanctions target countries in various ways. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country, and prohibitions on U.S. persons engaging in financial transactions which relate to investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences for the institution.

Consumer Protection Statutes and Regulations

In addition to the consumer regulations that may be issued by the CFPB pursuant to its authority under the Dodd-Frank Act, FNBPA is subject to various federal consumer protection statutes and regulations including the Truth in Lending Act, Truth in Savings Act, Equal Credit Opportunity Act, Fair Housing Act, Real Estate Settlement Procedures Act and Home Mortgage Disclosure Act. Among other things, these acts:

- require banks to disclose credit terms in meaningful and consistent ways;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with more detailed information regarding the nature and cost of real estate settlements;

prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions;

prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations and

prohibit unfair and deceptive practices in connection with consumer loans.

The CFPB has implemented a series of final consumer protection and disclosure rules related to mortgage loan origination and mortgage loan servicing designed to address the Dodd-Frank Act mortgage lending protections. In particular, the CFPB issued a rule implementing the ability-to-repay and QM provisions of the Truth in Lending Act, as amended by the Dodd-Frank Act (the QM Rule). The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of qualified mortgage are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements, and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements. The definition of a qualified mortgage incorporates the statutory requirements, such as not allowing negative amortization or terms longer than 30 years. The QM Rule also adds an explicit maximum 43% debt-to-income ratio for borrowers if the loan is to meet the QM definition, though some mortgages that meet underwriting guidelines of U.S. government-sponsored entities, the Federal Housing Administration and the U.S. Department of Veteran Affairs may, for a period not to exceed seven years, meet the QM definition without being subject to the 43% debt-to-income limits. The QM Rule became effective January 10, 2014. Additionally, regulations governing the servicing of residential mortgages that became effective in January 2014 have placed additional requirements on mortgage servicers that often lengthen the process for foreclosing on residential mortgages.

The Corporation is still evaluating the impact of the rules recently issued by the CFPB to determine if they will have any long-term impact on its mortgage loan origination and servicing activities. Compliance with these rules will likely increase the Corporation s overall regulatory compliance costs and decrease fee income opportunities.

Dividend Restrictions

The Corporation s primary source of funds for cash distributions to its stockholders, and funds used to pay principal and interest on its indebtedness, is dividends received from FNBPA. FNBPA is subject to federal laws and regulations governing its ability to pay dividends to the Corporation, including requirements to maintain capital above regulatory minimums. Under federal law, the amount of dividends that a national bank, such as FNBPA, may pay in a calendar year is dependent on the amount of its net income for the current year combined with its retained net income for the two preceding years. The OCC has the authority to prohibit the payment of dividends by a national bank if it determines such payment would be an unsafe or unsound banking practice. In addition to dividends from FNBPA, other sources of parent company liquidity for the Corporation include cash and short-term investments, as well as dividends and loan repayments from other subsidiaries.

In addition, the ability of the Corporation and FNBPA to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under FDICIA, as described above. The right of the Corporation, its stockholders and its creditors to participate in any distribution of the assets or earnings of the Corporation s subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

Source of Strength

According to the Dodd-Frank Act and FRB policy, a financial or bank holding company is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each such subsidiary. Consistent with the source of strength policy, the FRB has stated that, as a matter of prudent banking, a bank or financial holding company generally should not maintain a rate of cash dividends unless its net income has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the Corporation s capital needs, asset quality and overall financial condition. This support may be required at times when the parent holding company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC either as a result of default of a banking subsidiary or related to FDIC assistance provided to a subsidiary in danger of default, the other banks that are within the same holding company family as the distressed bank that are members of the FDIC may be assessed for the FDIC s loss, subject to certain exceptions.

In addition, if FNBPA was no longer well-capitalized and well-managed within the meaning of the BHC Act and FRB rules (which take into consideration capital ratios, examination ratings and other factors), the expedited processing of certain types of FRB applications would not be available to the Corporation. Moreover, examination ratings of 3 or lower, unsatisfactory ratings, capital ratios below well-capitalized levels, regulatory concerns regarding management, controls, assets, operations or other factors can all potentially result in the loss of financial holding company status, practical limitations on the ability of a bank or bank (or financial) holding company to engage in new activities, grow, acquire new businesses, repurchase its stock or pay dividends or continue to conduct existing activities.

Financial Holding Company Status and Activities

Under the BHC Act, an eligible bank holding company may elect to be a financial holding company and thereafter may engage in a range of activities that are financial in nature and that were not previously permissible for banks and bank holding companies. The Corporation is a financial holding company under the BHC Act. The financial holding company may engage directly or through a subsidiary in certain statutorily authorized activities (subject to certain restrictions and limitations imposed by the Dodd-Frank Act). A financial holding company may also engage in any activity that has been determined by rule or order to be financial in nature, incidental to such financial activity, or (with prior FRB approval) complementary to a financial activity and that does not pose substantial risk to the safety and soundness of an institution or to the financial system generally. In addition to these activities, a financial holding company may engage in those activities permissible for a bank holding company that has not elected to be treated as a financial holding company.

For a bank holding company to be eligible for financial holding company status, all of its subsidiary U.S. depository institutions must be well-capitalized and well-managed. The FRB generally must deny expanded authority to any bank holding company with a subsidiary insured depository institution that received less than a satisfactory rating on its most recent CRA review as of the time it submits its request for financial holding company status. If, after becoming a financial holding company and undertaking activities not permissible for a bank holding company under the BHC Act, the company fails to continue to meet any of the requirements for financial holding company status, the company must enter into an agreement with the FRB to comply with all applicable capital and management requirements. If the company does not return to compliance within 180 days, the FRB may order the company to divest its subsidiary banks or the company may discontinue or divest investments in companies engaged in activities permissible only for a bank holding company that has elected to be treated as a financial holding company.

Activities and Acquisitions

The BHC Act requires a bank or financial holding company to obtain the prior approval of the FRB before:

- the company may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition the bank holding company will directly or indirectly own or control more than five percent of any class of voting securities of the institution;
- any of the company s subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; or
- the company may merge or consolidate with any other bank or financial holding company.

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The Interstate Banking Act generally permits bank holding companies to acquire banks in any state, and preempts all state laws restricting the ownership by a holding company of banks in more than one state. The Interstate Banking Act also permits:

- a bank to merge with an out-of-state bank and convert any offices into branches of the resulting bank;
- a bank to acquire branches from an out-of-state bank; and
- a bank to establish and operate de novo interstate branches whenever the host state permits de novo branching of its own state-chartered banks.

Bank or financial holding companies and banks seeking to engage in mergers authorized by the Interstate Banking Act must be at least adequately capitalized as of the date that the application is filed, and the resulting institution must be well-capitalized and managed upon consummation of the transaction.

The Change in Bank Control Act prohibits a person, entity or group of persons or entities acting in concert, from acquiring control of a bank holding company or bank unless the FRB has been given prior notice and has not objected to the transaction. Under FRB regulations, the acquisition of 10% or more (but less than 25%) of the voting stock of a corporation would, under the circumstances set forth in the regulations, create a rebuttable presumption of acquisition of control of the corporation.

Securities and Exchange Commission

The Corporation is also subject to regulation by the SEC by virtue of the Corporation s status as a public company and due to the nature of the business activities of certain subsidiaries. The Dodd-Frank Act significantly expanded the SEC s jurisdiction over hedge funds, credit ratings agencies and governance of public companies, among other areas, and enhanced the SEC s enforcement powers. Several of the provisions could lead to significant changes in SEC enforcement practice and may have long-term implications for public companies, their officers and employees, accountants, brokerage firms, investment advisers and persons associated with them. For example, these provisions (1) authorize new rewards to and provide expanded protections of whistleblowers; (2) provide the SEC authority to impose substantial civil penalties on all persons subject to cease-and-desist proceedings, not merely securities brokers, investment advisers and their associated persons; (3) broaden standards for the imposition of secondary liability; (4) confer on the SEC extraterritorial jurisdiction over alleged fraud violations involving conduct abroad and enhancing the ability of the SEC and the Public Company Accounting Oversight Board to inspect audit work by foreign public accounting firms; and (5) expand the applicability of collateral bars.

SOX contains important requirements for public companies in the areas of financial disclosure and corporate governance. In accordance with section 302(a) of SOX, written certifications by the Corporation s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required with respect to each of the Corporation s quarterly and annual reports filed with the SEC. These certifications attest that the applicable report does not contain any untrue statement of a material fact. The Corporation also maintains a program designed to comply with Section 404 of SOX, which includes identification of significant processes and accounts, documentation of the design of process and entity level controls and testing of the operating effectiveness of key controls. See Item 9A, Controls and Procedures, of this Report for the Corporation s evaluation of its disclosure controls and procedures.

FNBIA is registered with the SEC as an investment advisor and, therefore, is subject to the requirements of the Investment Advisers Act of 1940 and the SEC s regulations thereunder. The principal purpose of the regulations applicable to investment advisors is the protection of investment advisory clients and the securities markets, rather than the protection of creditors and stockholders of investment advisors. The regulations applicable to investment advisors cover all aspects of the investment advisory business, including limitations on the ability of investment advisors to charge performance-based or non-refundable fees to clients, record-keeping,

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operating, marketing and reporting requirements, disclosure requirements, limitations on principal transactions between an advisor or its affiliates and advisory clients, as well as other anti-fraud prohibitions. FNBIA also may be subject to certain state securities laws and regulations.

Additional legislation, changes in or new rules promulgated by the SEC and other federal and state regulatory authorities and self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, may directly affect the method of operation and profitability of FNBIA. The profitability of FNBIA could also be affected by rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation, homeland security and electronic commerce.

Under various provisions of the federal and state securities laws, including in particular those applicable to broker-dealers, investment advisors and registered investment companies and their service providers, a determination by a court or regulatory agency that certain violations have occurred at a company or its affiliates can result in a limitation of permitted activities and disqualification to continue to conduct certain activities.

FNBIA also may be required to conduct its business in a manner that complies with rules and regulations promulgated by the U.S. Department of Labor under the Employee Retirement Income Security Act of 1974 (ERISA), among others. The principal purpose of these regulations is the protection of clients and plan assets and beneficiaries, rather than the protection of stockholders and creditors.

Consumer Finance Subsidiary

Regency is subject to regulation under Pennsylvania, Tennessee, Ohio and Kentucky state laws that require, among other things, that it maintain licenses in effect for consumer finance operations for each of its offices. Representatives of the Pennsylvania Department of Banking and Securities, the Tennessee Department of Financial Institutions, the Ohio Division of Financial Institutions and the Kentucky Department of Financial Institutions periodically visit Regency s offices and conduct extensive examinations in order to determine compliance with such laws and regulations. Additionally, the FRB, as umbrella regulator of the Corporation pursuant to the GLB Act, may conduct an examination of Regency s offices or operations. Such examinations include a review of loans and the collateral securing those loans, as well as a check of the procedures employed for making and collecting loans. Additionally, Regency is under the jurisdiction of the CFPB and is subject to certain federal consumer protection laws that require that certain information relating to credit terms be disclosed to customers and, in certain instances, afford customers the right to rescind transactions. The CFPB may also periodically visit Regency s offices and conduct extensive consumer protection examinations. As a Pennsylvania corporation, Regency is subject to Pennsylvania s requirements concerning dividend payments.

Insurance Agencies

FNIA is subject to licensing requirements and extensive regulation under the laws of the Commonwealth of Pennsylvania and the various states in which FNIA conducts business. These laws and regulations are primarily for the benefit of policyholders. In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, those authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Licenses may be denied or revoked for various reasons, including for regulatory violations or upon conviction for certain crimes. Possible sanctions that may be imposed for violation of regulations include the suspension of individual employees, limitations on engaging in a particular business for a specified period of time, revocation of licenses, censures and fines.

Penn-Ohio is subject to examination by the Arizona Department of Insurance. Representatives of the Arizona Department of Insurance periodically determine whether Penn-Ohio has maintained required reserves, established adequate deposits under a reinsurance agreement and complied with reporting requirements under the applicable Arizona statutes.

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Governmental Policies

The operations of the Corporation and its subsidiaries are affected not only by general economic conditions, but also by the policies of various regulatory authorities. In particular, the FRB regulates monetary policy and interest rates in order to influence general economic conditions. These policies have a significant influence on overall growth and distribution of loans, investments and deposits and affect interest rates charged on loans or paid for deposits. FRB monetary policies have had a significant effect on the operating results of all financial institutions in the past and may continue to do so in the future.

Available Information

The Corporation makes available through its website at www.fnbcorporation.com, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (and amendments to any of the foregoing) as soon as reasonably practicable after such reports are filed with or furnished to the SEC. Information on the Corporation s website is not incorporated by reference into this document and should not be considered part of this Report. The Corporation s common stock is traded on the NYSE under the symbol FNB .

ITEM 1A. RISK FACTORS

As a financial services organization, the Corporation takes on a certain amount of risk in every business decision, strategic initiative and activity. For example, every time FNBPA opens an account or approves a loan for a customer, processes a payment, offers a new product or service, hires a new employee, or implements a new computer system, FNBPA and the Corporation incur a certain amount of risk. As an organization, the Corporation must balance revenue generation and profitability with the risks associated with its business activities. The objective of risk management is not to eliminate risk, but to identify and accept risk and then manage risk effectively so as to optimize total shareholder value.

The Corporation has identified seven major categories of risk: credit risk, market risk, liquidity risk, reputational risk, operational risk, regulatory compliance risk and strategic risk. The Corporation more fully describes credit risk, market risk and liquidity risk, and the programs the Corporation s management has implemented to address these risks, in the Market Risk section of Management s Discussion and Analysis of Financial Condition and Results of Operations , which is included in Item 7 of this Report. Reputational risk relates to a risk of loss resulting from damage to a company s reputation, in lost revenue or destruction of shareholder value, even if the company is not subject to regulatory or other sanctions or penalties. Operational risk arises from inadequate information systems and technology, weak internal control systems or other failed internal processes or systems, human error, fraud or external events. Regulatory compliance risk relates to each of the other five major categories of risk listed above, but specifically addresses internal control failures that result in non-compliance with laws, rules, regulations, safety and soundness or ethical standards.

The following discussion highlights specific risks that could affect the Corporation and its businesses. You should carefully consider each of the following risks and all of the other information set forth in this Report. Based on the information currently known, the Corporation believes that the following information identifies the most significant risk factors affecting the Corporation. However, the risks and uncertainties the Corporation faces are not limited to those described below. Additional risks and uncertainties not presently known or that the Corporation currently believes to be immaterial may also adversely affect its business.

If any of the following risks and uncertainties develop into actual events or if the circumstances described in the risks and uncertainties occur or continue to occur, these events or circumstances could have a material adverse effect on the

Corporation s business, financial condition or results of operations. These events could also have a negative effect on the trading price of the Corporation s securities.

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If the Corporation is not able to continue its historical levels of growth, it may not be able to maintain its historical revenue trends.

To achieve its past levels of growth, the Corporation has focused on both organic growth and acquisitions. The Corporation may not be able to sustain its historical rate of growth or may not be able to grow at all. More specifically, the Corporation may not be able to obtain the financing necessary to fund additional growth and may not be able to find suitable acquisition candidates. Various factors, such as economic conditions and competition, may impede or prohibit the opening of new retail branches and the completion of acquisitions. Further, the Corporation may be unable to attract and retain experienced bankers, which could adversely affect its internal growth. If the Corporation is not able to continue its historical levels of growth, it may not be able to maintain its historical revenue trends.

The Corporation s results of operations are significantly affected by the ability of its borrowers to repay their loans. A significant portion of the Corporation s loan portfolio is comprised of commercial and consumer loans, which generally bear a higher risk of non-payment and loss than certain other types of loans, such as one-to-four family residential mortgage loans.

Lending money is an essential part of the banking business. However, for various reasons, borrowers do not always repay their loans. The risk of non-payment is affected by:

- credit risks of a particular borrower;
- changes in economic conditions which impact certain geographic markets or industries;
- the duration of the loan; and
- in the case of a collateralized loan, uncertainties as to the future value of the collateral.

Generally, commercial/industrial, construction and commercial real estate loans present a greater risk of non-payment by a borrower than other types of loans. They typically involve larger loan balances and are particularly sensitive to economic conditions. The borrower s ability to repay usually depends on the successful operation of the business and the income stream of the borrowers. In addition, many of the Corporation s commercial borrowers have more than one loan outstanding with the Corporation, which means that an adverse development with respect to one loan or one credit relationship can expose it to significantly greater risk of loss. Also, in the case of commercial/industrial loans, the collateral often consists of accounts receivable, inventory and equipment, which usually does not yield a substantial recovery in the event of a foreclosure and is susceptible to deterioration or other loss in advance of foreclosure. However, these types of loans historically have driven the growth in the Corporation s loan portfolio and the Corporation intends to continue to emphasize this type of lending. At December 31, 2015, commercial/industrial, construction and commercial real estate loans comprised 56.7% of the Corporation s loan portfolio. In addition to commercial loans, consumer loans (comprised of direct installment loans and consumer lines of credit) comprise a significant portion of the Corporation s loan portfolio. These loans, which were 23.3% of the Corporation s loan portfolio at December 31, 2015, typically have shorter terms and lower balances with higher yields compared to real estate mortgage loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower s continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount that can be recovered on these loans. For additional information, see the Lending Activity section of Management s Discussion and Analysis of Financial Condition and Results of Operations , which is included in Item 7 of this Report.

The Corporation s financial condition may be adversely affected if it is unable to attract sufficient deposits to fund its anticipated loan growth and meet liquidity objectives.

The Corporation funds its loan growth primarily through deposits and customer repurchase agreements. Deposits and customer repurchase agreements are a low cost and stable source of funding for the Corporation.

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However, the Corporation competes with commercial banks, savings banks and credit unions, as well as non-depositary competitors such as mutual funds, securities and brokerage firms and insurance companies, for deposits and customer repurchase agreements. To the extent that the Corporation is unable to attract and maintain sufficient levels of deposits and customer repurchase agreements to fund its loan growth and liquidity objectives, it may be subject to paying higher funding costs by raising interest rates that are paid on deposits and customer repurchase agreements. Higher funding costs would reduce the Corporation s net interest margin and net interest income. The Corporation also could seek to raise additional funds through public or private financings. However, the Corporation can give no assurance that it would be able to obtain these funds on terms that are attractive to it.

The Corporation s financial condition and results of operations could be adversely affected if it must further increase its provision for credit losses or if its allowance for credit losses is not sufficient to absorb actual losses.

There is no precise method of predicting loan losses. The Corporation can give no assurance that its allowance for credit losses will be sufficient to absorb actual loan losses. Excess loan losses could have a material adverse effect on the Corporation s financial condition and results of operations. The Corporation attempts to maintain an adequate allowance for credit losses to provide for estimated losses inherent in its loan portfolio as of the corresponding reporting date based on various assumptions and judgments about the collectability of the loan portfolio. The Corporation periodically determines the amount of its allowance for credit losses based upon consideration of several quantitative and qualitative factors including, but not limited to, the following:

- a regular review of the quality, mix and size of the overall loan portfolio;
- historical loan loss experience;
- evaluation of non-performing loans;
- geographic or industry concentrations;
- assessment of economic conditions and their effects on the Corporation s existing portfolio;
- the amount and quality of collateral, including guarantees, securing loans; and
- geographic or industry economic market conditions.

The level of the allowance for credit losses reflects the judgment and estimates of management regarding the amount and timing of future cash flows, current fair value of the underlying collateral and other qualitative risk factors that may affect the loan. Determination of the allowance is inherently subjective and is based on factors that are susceptible to significant change. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Corporation s control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review the Corporation s allowance and may require an increase in the provision for credit losses or the recognition of additional loan charge-offs, based on judgments different from those of management. In addition, if charge-offs in future periods exceed the allowance for credit losses, the Corporation will need additional provisions to increase the allowance. Any increases in the allowance will result in a decrease in net income and capital and may have a material adverse effect on the Corporation s financial condition and results of operations. For additional discussion relating to this matter, refer to the Allowance and Provision for Credit Losses section of Management s Discussion and Analysis of Financial Condition and Results of Operations , which is included in Item 7 of this Report.

Changes in economic conditions and the composition of the Corporation s loan portfolio could lead to higher loan charge-offs or an increase in the Corporation s provision for credit losses and may reduce the Corporation s net income.

Changes in national and regional economic conditions, and in large metropolitan areas within the Corporation s market, continue to impact the loan portfolios of the Corporation. For example, an increase in unemployment, a decrease in real estate values or changes in interest rates, as well as other factors, could weaken the economies of the communities the Corporation serves. Weakness in the market areas served by the

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Corporation could depress its earnings and consequently its financial condition because customers may not want or need the Corporation s products or services; borrowers may not be able to repay their loans; the value of the collateral securing the Corporation s loans to borrowers may decline; and the quality of the Corporation s loan portfolio may decline. Any of the latter three scenarios could require the Corporation to charge-off a higher percentage of its loans and/or increase its provision for credit losses, which would reduce its net income.

The Corporation s business and financial performance is impacted significantly by market rates and changes in those rates. The monetary, tax and other policies of governmental agencies, including the UST and the FRB, have a direct impact on interest rates and overall financial market performance over which the Corporation and its subsidiary bank have no control and which may not be able to be predicted with reasonable accuracy.

As a result of the high percentage of the Corporation s assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates in the shape of the yield curve or in spreads between different market interest rates can have a material effect on its business, profitability and the value of its financial assets and liabilities. Such scenarios may include the following:

- changes in interest rates or interest rate spreads can affect the difference between the interest that FNBPA can earn on assets and the interest that FNBPA may pay on liabilities, which impacts FNBPA s overall net interest income and profitability;
- such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments and can, in turn, affect the Corporation s loss rates on those assets;
- such changes may decrease the demand for interest rate-based products or services, including bank loans and deposit products and the subordinated notes offered at Regency offices;
- such changes can also affect the Corporation s ability to hedge various forms of market and interest rate risks and may decrease the profitability or increase the risk associated with such hedges; and
- movements in interest rates also affect mortgage repayment speeds and could result in impairments of mortgage servicing assets or otherwise affect the profitability of such assets.

The monetary, tax and other policies of the U.S. Government and its agencies also have a significant impact on interest rates and overall financial market performance. An important function of the FRB is to regulate the national supply of bank credit and certain interest rates. The actions of the FRB influence the rates of interest that FNBPA may charge on loans and what FNBPA may pay on borrowings and interest-bearing deposits and can also affect the value of the Corporation s and FNBPA s on-balance sheet and off-balance sheet financial instruments. Principally, due to the impact of rates and by controlling access to direct funding from the Federal Reserve Banks, the FRB s policies also influence to a significant extent, FNBPA s cost of funding. The Corporation cannot predict the nature or timing of future changes in monetary, tax and other policies or the effects that they may have on FNBPA s and other affiliates activities and financial results.

The financial soundness of other financial institutions may adversely affect the Corporation, FNBPA and other affiliates.

Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. The Corporation, FNBPA and other affiliates are exposed to many different industries and counterparties and they routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Many of these type transactions expose the Corporation, FNBPA and other affiliates to credit risk in the event of default of the counterparty or client. In addition, FNBPA and other affiliates credit risks may be exacerbated when the collateral held by it cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure that it is due.

There may be risks resulting from the extensive use of models in FNBPA s business.

FNBPA relies on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, assessing potential acquisition opportunities, for developing presentations made to market analysts and others, creating loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy, testing, developing strategic planning initiatives, capital stress testing and calculating regulatory capital levels, as well as to estimate the value of financial instruments and balance sheet items. Poorly designed or implemented models present the risk that FNBPA s business decisions based on information incorporating models will be adversely affected due to the inadequacy of such information. Also, information the Corporation provides to the public or to its regulators based on poorly designed or implemented models could be inaccurate or misleading. Certain decisions that the regulators make, including those related to capital distributions and dividends to the Corporation s shareholders, could be adversely affected due to the regulator s perception that the quality of FNBPA s models used to generate the relevant information is insufficient.

The Corporation s asset valuations may include methodologies, estimations and assumptions that are subject to differing interpretations and this, along with market factors such as volatility in one or more markets or industries, could result in changes to asset valuations that may materially adversely affect the Corporation s subsidiary bank s results of operations or financial condition.

The Corporation and FNBPA must use estimates, assumptions and judgments when assets are measured and reported at fair value. Assets carried at fair value inherently result in a higher degree of financial statement volatility. Because the assets are carried at fair value, a decline in their value may cause the Corporation to incur losses even if the assets in question present minimal risk. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party resources, when available. When such third-party information is not available, the Corporation estimates fair value primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relative inputs. Changes in underlying factors or assumptions in any of the areas underlying these estimates could materially impact the Corporation s future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be more difficult to value certain assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were historically in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. In such cases, valuations in certain asset classes may require more subjectivity and management discretion; valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented market conditions in any particular market (e.g., credit, equity, fixed income) could materially impact the valuation of assets as reported within the Corporation s consolidated financial statements, and the period-to-period changes in value could vary significantly.

The Corporation may be required to record future impairment charges if the declines in asset values are considered other-than-temporary. If the impairment charges are significant enough, they could affect the ability of FNBPA to pay dividends to the Corporation (which could have a material adverse effect on the Corporation s liquidity and its ability to pay dividends to shareholders), and could also negatively impact its regulatory capital ratios and result in FNBPA not being classified as well-capitalized for regulatory purposes.

The Corporation is subject to operational risk that could damage its reputation and its business. It engages in a variety of businesses in diverse markets and relies on systems, employees, service providers and counterparties to properly process a high volume of transactions.

Like all businesses, the Corporation is subject to operational risk, which represents the risk of loss resulting from inadequate or failed internal processes in its systems, human error and external events. Operational risk also encompasses technology, compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, rules, regulations, prescribed practices or ethical standards, as well as the

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risk of the Corporation s and its subsidiaries noncompliance with contractual and other obligations. The Corporation is also exposed to operational risk through its outsourcing arrangements, and the effect the changes in circumstances or capabilities of the Corporation s outsourcing vendors can have on the Corporation s ability to continue to perform operational functions necessary to the Corporation s business. The Corporation outsources certain of its data processing and online and mobile banking services to third party providers. Those third party providers could also be sources of operational and information security risk to the Corporation, including from breakdowns or failures of their own systems or capacity constraints. Although the Corporation seeks to mitigate operational risks through a system of internal controls which the Corporation regularly reviews and updates, no system of controls, however well designed and maintained, is infallible, and, to the extent the risks arise from the operations of third party vendors or customers, the Corporation has limited ability to control those risks. Control weaknesses or failures or other operational risk could result in charges, increased operational costs, harm to the Corporation s reputation, inability to secure insurance, civil litigation, regulatory intervention or sanctions, foregone business opportunities, the loss of customer business, especially if customers are discouraged from using mobile bill pay, mobile banking and online banking services, or the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary information.

The Corporation s business could be adversely affected by difficult economic conditions in the regions in which it operates.

The Corporation operates primarily in Pennsylvania, eastern Ohio, Maryland and northern West Virginia. Most of the Corporation s customers are individuals and small- and medium-sized businesses that are dependent upon their regional economies. Although economic conditions have improved since the recent recessionary conditions, due to the protracted and inconsistent recovery, further deterioration or minimal improvement in economic and employment conditions in the market areas the Corporation serves could result in the following consequences, any of which could have a material adverse effect on the Corporation s business, financial condition and results of operations:

- demand for the Corporation s loans, deposits and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- weak economic conditions may continue to limit the demand for loans by creditworthy borrowers, limiting the Corporation s capacity to leverage its retail deposits and maintain its net interest income;
- collateral for the Corporation s loans may decline further in value; and
- the amount of the Corporation s low-cost or non-interest-bearing deposits may decrease.

The Corporation could be adversely affected by changes in the law, especially changes in the regulation of the banking industry.

The Corporation and its subsidiaries operate in a highly regulated environment and their businesses are subject to supervision and regulation by several governmental agencies, including the SEC, FRB, OCC, CFPB, FDIC and state regulatory and licensing agencies. Regulations are generally intended to provide protection for depositors, borrowers and other customers, rather than for investors in the Corporation s securities. The Corporation is subject to changes in federal and state law, regulations, governmental policies, tax laws and accounting principles. Changes in regulations or the regulatory environment could adversely affect the banking and financial services industry as a whole and could limit the Corporation s growth and the return to investors by restricting such activities as:

- the payment of dividends;
- mergers with or acquisitions of other institutions or branches;

investments;
loans and interest rates;
assessments of fees, such as overdraft and electronic transfer interchange fees;
the provision of securities, insurance, brokerage or trust services;

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the types of non-deposit activities in which the Corporation s financial institution subsidiaries may engage; and
offering of new products and services.

Under regulatory capital adequacy guidelines and other regulatory requirements, the Corporation and FNBPA must meet guidelines subject to qualitative judgments by regulators about components, risk weightings and other factors. From time to time, the regulators implement changes to those regulatory capital adequacy guidelines. Changes resulting from the Dodd-Frank Act and the regulatory accords on international banking institutions formulated by the Basel Committee on banking supervision and implemented by the FRB, when fully phased in, will likely require the Corporation to satisfy additional, more stringent and complex capital adequacy standards (see discussion under Business Government Supervision and Regulation Basel III Capital Rules).

These changes to present capital and liquidity requirements could restrict the Corporation s activities and require it to maintain additional capital. Compliance with heightened capital standards may reduce its ability to generate or originate revenue-producing assets and thereby restrict revenue generation from banking and non-banking operations. If the Corporation fails to meet these minimum liquidity capital guidelines and other regulatory requirements, its financial condition would be materially and adversely affected.

The Dodd-Frank Act effects fundamental changes in the regulation of the financial services industry, some of which may adversely affect the Corporation s business.

The Dodd-Frank Act imposes new regulatory requirements and oversight over banks and other financial institutions in a number of ways, among which are: (i) creating the CFPB to regulate consumer financial products and services sold by banks and non-banks, and to review their compliance with federal consumer protection unfair and deceptive practice standards and fair lending laws; (ii) creating the FSOC to identify and impose stronger regulatory oversight on large financial firms and to identify systemic risks; (iii) granting orderly liquidation authority to the FDIC for the liquidation of financial corporations that pose a risk to the financial system of the U.S.; (iv) limiting debit card interchange fees; (v) adopting certain changes to stockholder rights, including a stockholder say on pay vote on executive compensation; (vi) strengthening the SEC s powers to regulate securities markets; (vii) regulating OTC derivative markets; (viii) making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; (ix) providing consumers a defense of set-off or recoupment in a foreclosure or collection action if the lender violates the newly created reasonable ability to repay provision; (x) amending the Truth in Lending Act with respect to mortgage originations, including originator compensation, disallowing mandatory arbitration, and prepayment considerations; (xi) the Volcker Rule which, among other things, imposes restrictions on proprietary trading and investment activities of banks and bank holding companies and restricts the sponsoring of hedge funds or private equity funds; (xii) reform related to the regulation of credit rating agencies; and (xiii) placing additional and sometimes more time consuming requirements on the process of foreclosing on residential mortgage loans in default.

Regulators are tasked with adopting regulations that implement and define the breadth and scope of the Dodd-Frank Act, many of which have yet to be implemented. A number of the regulations that must be adopted under the Dodd-Frank Act have yet to be proposed, and it is difficult to gauge the impact of certain provisions of the Dodd-Frank Act because so many important details related to the concepts adopted in the Dodd-Frank Act were left within the sole discretion of the regulators. For example, the CFPB has the power to adopt new regulations, such as the QM Rule, to protect consumers, which power it may exercise at its discretion so long as it advances the general concept of the protection of consumers.

Consequently, the full impact of these regulations and other regulations to be adopted pursuant to the Dodd-Frank Act remains unclear, but they may impair the Corporation s ability to meet all of the product needs of its customers, lead customers to seek financial solutions and products through non-banking channels and adversely affect the

Corporation s profitability. Moreover, the increased regulatory scrutiny resulting from the Dodd-Frank Act regulations will likely continue to increase the Corporation s cost of compliance, divert its resources and may adversely affect profitability.

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Among those regulations that have been proposed or adopted, the following may adversely affect the business of the Corporation:

- limitations on debit card interchange fees may adversely affect its revenues and earnings;
- changing the methodology for calculating deposit insurance premium rates will become more complex, less predictable and more pro-cyclical, diverting its resources and potentially having a material adverse effect on its financial condition, results of operations and ability to pay dividends;
- changing the procedures for liquidation may adversely impact its credit ratings and adversely impact its liquidity, financial condition, and its ability to fund itself;
- increases in requirements for regulatory capital while eliminating certain sources of capital may adversely affect its financial condition and ability to pay dividends;
- the ability to pay interest on commercial demand deposit accounts may increase its interest expenses; and
- uncertainty as to the types of activities which may be deemed unfair and deceptive practices which may impact fee income opportunities.

These provisions may limit the types of products the Corporation is able to offer, the methods of offering them and prices at which they are offered. They may also increase the cost of offering these products. These provisions likely will affect different financial institutions in different ways, and therefore, may also affect the competitive landscape.

Increases in or required prepayments of FDIC insurance premiums may adversely affect the Corporation s earnings.

Since 2008, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted its DIF. In addition, the FDIC instituted temporary programs, some of which were made permanent by the Dodd-Frank Act, to further insure customer deposits at FDIC-insured banks, which have placed additional stress on the DIF.

In order to maintain a strong funding position and restore reserve ratios of the DIF, the FDIC has increased assessment rates of insured institutions. Pursuant to the Dodd-Frank Act, the minimum reserve ratio for the DIF was increased from 1.15% to 1.35% of estimated insured deposits, or the assessment base, and the FDIC was directed to take the steps needed to cause the reserve ratio of the DIF to reach 1.35% of estimated insured deposits by September 30, 2020. On December 15, 2010, as part of its long-range management plan to ensure that the DIF is able to maintain a positive balance despite banking crises and steady, moderate assessment rates despite economic and credit cycles, the FDIC set the DIF s designated reserve ratio (DRR) at 2% of estimated insured deposits. The FDIC is required to offset the effect of the increased minimum reserve ratio for banks with assets of less than $10 billion, so smaller community banks will be spared the cost of funding the increase in the minimum reserve ratio (FNBPA exceeds the $10 billion threshold).

Historically, the FDIC utilized a risk-based assessment system that imposed insurance premiums based upon a risk matrix that takes into account several components, including but not limited to the bank s capital level and supervisory rating. Pursuant to the Dodd-Frank Act, the FDIC amended its regulations to base insurance assessments on the average consolidated assets less the average tangible equity of the insured depository institution during the assessment period; to set deposit insurance assessment rates in light of the new assessment base; and to revise the assessment system applicable to large banks (those having at least $10 billion in total assets) to better differentiate for the risks that a large bank could pose to the DIF.

The likely effect of the new assessment scheme will be to increase assessment fees for institutions that rely more heavily on non-deposit funding sources. However, the higher assessments for institutions that have relied on non-deposit sources of funding in the past could force these institutions to change their funding models and more actively search for deposits. If this happens, it could drive up the costs to attain deposits across the market, a situation that would negatively impact community banks like FNBPA, which derive the majority of their funding from deposits.

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The Corporation generally will be unable to control the amount of premiums that it is required to pay for FDIC insurance. Any future increases in or required prepayments of FDIC insurance premiums may adversely affect the Corporation s financial condition and results of operations. In light of the recent increases in the assessment rates, the potential for additional increases, and the Corporation s status as a large bank, FNBPA may be required to pay additional amounts to the DIF, which could have an adverse effect on its earnings. If FNBPA s deposit insurance premium assessment rate increases again, either because of its risk classification, because of emergency assessments, or because of another uniform increase, the earnings of the Corporation could be further adversely impacted.

The Corporation must comply with stress-testing requirements.

The stress testing requirements under the Dodd-Frank Act stipulate that all U.S. banks such as the Corporation with consolidated assets between $10 billion and $50 billion are required to conduct annual stress tests calculated under a multi-scenario analysis (see discussion under Business Government Supervision and Regulation Stress Testing).

The economic and financial market scenarios used in the annual company-run stress test include baseline, adverse and severely adverse scenarios. Each scenario includes 26 variables, including economic activity, unemployment, exchange rates, prices, incomes and interest rates. The adverse and severely adverse scenarios are not forecasts, but rather hypothetical scenarios designed to assess the strength and resilience of financial institutions under severe economic conditions. If the Corporation fails to meet these stress-test requirements, it could be required to take certain actions, including raising additional capital. The results of the stress test could also impact the FRB s decision-making regarding future dividend payments, as well as acquisitions and new business activities by the Corporation.

Recently adopted rules regulating the imposition of debit card fees may adversely affect the Corporation s revenues and earnings.

On June 29, 2011, the FRB, pursuant to its authority under the Dodd-Frank Act, issued rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over $10 billion, adopting a per-transaction interchange cap base of $0.21 plus a 5-basis point fraud loss adjustment per transaction. The FRB deemed such fees reasonable and proportional to the actual cost of a transaction to the issuer. Entities which had assets in excess of $10 billion as of December 31, 2011 were required to comply with those rules effective as of July 1, 2012. Beginning in 2012 and for each calendar year thereafter, entities having assets in excess of $10 billion as of the end of that calendar year were required to comply with those rules no later than the immediately following July 1. The Corporation became subject to the FRB rules concerning debit card interchange fees as of July 1, 2013.

An interruption in or breach in security of the Corporation s information systems may result in a loss of customer business and have an adverse effect on the Corporation s results of operations, financial condition and cash flows.

As part of its business, the Corporation collects, processes and retains sensitive and confidential client and customer information in both paper and electronic form and relies heavily on communications and information systems for these functions. Additionally, certain of these data processing functions are not handled by the Corporation directly, but are outsourced to third party providers. The Corporation has taken reasonable and prudent security measures to prevent the loss of this information, including policies and plans that involve its third party providers to detect and deter cyber-related crimes intended to infiltrate the Corporation s networks, capture sensitive client and customer information, deny service to customers, or harm electronic processing capabilities. Despite these efforts, the facilities and systems of the Corporation, and those of its third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses or compromises, misplaced or lost data, programming and/or human errors or other similar events. Any security breach involving

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the misappropriation, loss or other unauthorized disclosure of confidential Corporation, business, employee or customer information, whether by the Corporation, its vendors and retail businesses, could severely damage the reputation of the Corporation, expose it to the risks of civil litigation and liability, disrupt its operations, and have a material adverse effect on its business. Moreover, cyber-security risks appear to be growing. In the last few years, there have been an increasing number of cyber incidents, including several well-publicized cyber-attacks that targeted other U.S. companies, including financial services companies much larger than the Corporation. Further, as technology advances, the ability to initiate transactions and access data has become more widely distributed among mobile devices, personal computers, automated teller machines, remote deposit capture sites and similar access points. These technological advances increase cybersecurity risk. Although the Corporation maintains specific cyber insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. In addition, cyber threat scenarios are inherently difficult to predict and can take many forms, many of which may not be covered under the Corporation s cyber insurance coverage. As cyber threats continue to evolve and increase, the Corporation may be required to spend significant additional resources to continue to modify or enhance its protective and preventative measures or to investigate and remediate any information security vulnerabilities.

The banking and financial services industry continually encounters technological change, especially in the systems that are used to deliver products to, and execute transactions on behalf of, customers, and if the Corporation fails to continue to invest in technological improvements as they become appropriate or necessary, its ability to compete effectively could be severely impaired.

The banking and financial services industry continually undergoes technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. The Corporation s future success will depend, in part, on its ability to address customer needs by using secure technology to provide products and services that will satisfy customer demands, as well as create additional efficiencies in the Corporation s operations. Many of the Corporation s competitors have greater resources to invest in technological improvements, and the Corporation may not effectively implement new technology-driven products and services or do so as quickly as its competitors. Failure to successfully keep pace with technological change affecting the banking and financial services industry could negatively affect the Corporation s revenue and profitability.

The Corporation s day-to-day operations rely heavily on the proper functioning of products, information systems and services provided by third-party, external vendors.

The Corporation relies on certain external vendors to provide products, information systems and services necessary to maintain day-to-day operations of the Corporation. These third parties provide key components of the Corporation s business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. While the Corporation has selected these third party vendors carefully, it does not control their actions. Any complications caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect the Corporation s ability to deliver products and services to its customers and otherwise conduct its business. Financial or operational difficulties of a third party vendor could also hurt the Corporation s operations if those difficulties interfere with the vendor s ability to provide services. Furthermore, the Corporation s vendors could also be sources of operational and information security risk, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Problems caused by external vendors could be disruptive to the Corporation s operations, which could have a material adverse impact on the Corporation s business and, in turn, the

Corporation s financial condition and results of operations.

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The Corporation s failure to continue to recruit and retain qualified banking professionals could adversely affect its ability to compete successfully and affect its profitability.

The Corporation s continued success and future growth depends heavily on its ability to attract and retain highly skilled and motivated banking professionals. The Corporation competes against many institutions with greater financial resources both within its industry and in other industries to attract these qualified individuals. Its failure to recruit and retain adequate talent could reduce its ability to compete successfully and adversely affect its business and profitability.

The Corporation could experience significant difficulties and complications in connection with its growth and acquisition strategy.

The Corporation has grown significantly over the last few years, including through acquisitions, and intends to seek to continue to grow by acquiring financial institutions and branches as well as non-depository entities engaged in permissible activities for its financial institution subsidiaries. However, the market for acquisitions is highly competitive. The Corporation may not be as successful as it anticipates in identifying financial institutions and branch acquisition candidates, integrating acquired institutions or preventing deposit erosion at acquired institutions or branches. Even if the Corporation is successful with this strategy, there can be no assurance that it will be able to manage this growth adequately and profitably. For example, acquiring any bank or non-bank entity will involve risks commonly associated with acquisitions, including:

- potential exposure to unknown or contingent liabilities, including fraud, of banks and non-bank entities that the Corporation acquires;
- exposure to potential asset quality issues of acquired banks and non-bank entities due to different underwriting standards that may have been employed by the predecessor entities;
- potential disruption to the Corporation s business;
- potential diversion of the time and attention of the Corporation s management;
- the possible loss of key employees and customers of the banks and other businesses that the Corporation acquires; and
- potential dilution of current shareholders ownership of the Corporation to the extent that the Corporation issues additional shares of stock to pay for those acquisitions.

The Corporation may encounter unforeseen expenses, as well as difficulties and complications in integrating expanded operations and new employees without disruption to its overall operations. Following each acquisition, the Corporation must expend substantial resources to integrate the entities. The integration of non-banking entities often involves combining different industry cultures and business methodologies. The failure to integrate acquired entities successfully with the Corporation s existing operations may adversely affect its results of operations and financial condition. As the Corporation grows, its regulatory costs also may become more significant.

In addition to acquisitions, the Corporation may expand into additional communities or attempt to strengthen its position in its current markets by undertaking additional de novo branch openings. Based on its experience, the Corporation believes that it generally takes up to three years for new banking facilities to achieve operational profitability due to the impact of organizational and overhead expenses and the start-up phase of generating loans and deposits. To the extent that the Corporation undertakes additional de novo branch openings or branch acquisitions, it is likely to continue to experience the effects of higher operating expenses relative to operating income from the new banking facilities, which may have an adverse effect on its net income, earnings per share, return on average shareholders equity and return on average assets.

The Corporation s growth may require it to raise additional capital in the future, but that capital may not be available when it is needed.

The Corporation is required by federal and state regulatory authorities to maintain adequate levels of capital to support its operations (see the Government Supervision and Regulation section included in Item 1 of this Report). As a financial holding company, the Corporation seeks to maintain capital sufficient to meet the well-capitalized standard set by regulators. The Corporation anticipates that its current capital resources will satisfy its capital requirements for the foreseeable future. The Corporation may at some point, however, need to raise additional capital to support continued growth, whether such growth occurs internally or through acquisitions.

The availability of additional capital or financing will depend on a variety of factors, many of which are outside of the Corporation s control, such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, the Corporation s credit ratings and credit capacity, marketability of the Corporation s stock, as well as the possibility that lenders could develop a negative perception of the Corporation s long- or short-term financial prospects if the Corporation incurs large credit losses or if the level of business activity decreases due to economic conditions. Accordingly, there can be no assurance of the Corporation s ability to expand its operations through internal growth and acquisitions. As such, the Corporation may be forced to delay raising capital, issue shorter term securities than desired or bear an unattractive cost of capital, which could decrease profitability and significantly reduce financial flexibility. In addition, if the Corporation decides to raise additional equity capital, it could be dilutive to the Corporation s existing shareholders.

The Corporation s key assets include its brand and reputation and the Corporation s business may be affected by how it is perceived in the market place.

The Corporation s brand and its attributes are key assets of the Corporation. The Corporation s ability to attract and retain banking, insurance, consumer finance, wealth management and corporate clients and employees is highly dependent upon external perceptions of its level of service, security, trustworthiness, business practices and financial condition. Negative perceptions or publicity regarding these matters could damage the Corporation s reputation among existing customers and corporate clients and employees, which could make it difficult for the Corporation to attract new clients and employees and retain existing ones. Adverse developments with respect to the financial services industry may also, by association, negatively impact the Corporation s reputation, or result in greater regulatory or legislative scrutiny or litigation against the Corporation. Although the Corporation monitors developments for areas of potential risk to its reputation and brand, negative perceptions or publicity could materially and adversely affect the Corporation s revenues and profitability.

The Corporation is dependent on dividends from its subsidiaries to meet its financial obligations and pay dividends to stockholders.

The Corporation is a holding company and conducts almost all of its operations through its subsidiaries. The Corporation does not have any significant assets other than cash and the stock of its subsidiaries. Accordingly, the Corporation depends on dividends from its subsidiaries to meet its financial obligations and to pay dividends to stockholders. The Corporation s right to participate in any distribution of earnings or assets of its subsidiaries is subject to the prior claims of creditors of such subsidiaries. Under federal law, the amount of dividends that a national bank, such as FNBPA, may pay in a calendar year is dependent on the amount of its net income for the current year combined with its retained net income for the two preceding years. The OCC has the authority to prohibit FNBPA from paying dividends if it determines such payment would be an unsafe and unsound banking practice. Likewise, the Corporation s state-based entities are subject to state laws governing dividend practices and payments.

Regulatory authorities may restrict the Corporation s ability to pay dividends on and repurchase its common stock.

Dividends on the Corporation s common stock will be payable only if, when and as authorized and declared by its board of directors. In addition, banking laws and regulations and its banking regulators may limit the Corporation s ability to pay dividends and make share repurchases. For example, the Corporation s ability to make capital distributions, including its ability to pay dividends or repurchase shares of its common stock, is subject to the review and non-objection of its annual capital plan by the FRB. In certain circumstances, the Corporation will not be able to make a capital distribution unless the FRB has approved such distribution, including if the dividend could not be fully funded by the Corporation s net income over the last four quarters (net of dividends paid), the Corporation s prospective rate of earnings retention appears inconsistent with its capital needs, asset quality, and overall financial condition, or the Corporation will not be able to continue meeting minimum required capital ratios. As a bank holding company, the Corporation also is required to consult with the FRB before increasing dividends or redeeming or repurchasing capital instruments. Additionally, the FRB could prohibit or limit the Corporation s payment of dividends if it determines that payment of the dividend would constitute an unsafe or unsound practice. There can be no assurance that the Corporation will declare and pay any dividends or repurchase any shares of its common stock in the future.

The Corporation has outstanding securities senior to the common stock which could limit the Corporation s ability to pay dividends on its common stock.

The Corporation has outstanding TPS and Series E preferred stock that are senior to the common stock and could adversely affect the ability of the Corporation to declare or pay dividends or distributions on the Corporation s common stock. The terms of the TPS prohibit the Corporation from declaring or paying dividends or making distributions on its junior capital stock, including the common stock, or purchasing, acquiring, or making a liquidation payment on any junior capital stock, if: (1) an event of default has occurred and is continuing under the junior subordinated debentures underlying the TPS, (2) the Corporation is in default with respect to a guarantee payment under the guarantee of the related TPS or (3) the Corporation has given notice of its election to defer interest payments, but the related deferral period has not yet commenced or a deferral period is continuing. The Corporation also would be prohibited from paying dividends on its common stock unless all full dividends for the latest dividend period have been declared and paid on all outstanding shares of the Series E preferred stock. If the Corporation experiences a material deterioration in its financial condition, liquidity, capital, results of operations or risk profile, the Corporation s regulators may not permit it to make future payments on its TPS or preferred stock, which would also prevent the Corporation from paying any dividends on its common stock.

Certain provisions of the Corporation s Articles of Incorporation and By-laws and Florida law may discourage takeovers.

The Corporation s Articles of Incorporation and By-laws contain certain anti-takeover provisions that may discourage or may make more difficult or expensive a tender offer, change in control or takeover attempt that is opposed by the Corporation s Board of Directors. In particular, the Corporation s Articles of Incorporation and By-laws:

- require stockholders to give the Corporation advance notice to nominate candidates for election to its Board of Directors or to make stockholder proposals at a stockholders meeting;
- permit the Corporation s Board of Directors to issue, without approval of its common stockholders unless otherwise required by law, preferred stock with such terms as its Board of Directors may determine;
- require the vote of the holders of at least 75% of the Corporation s voting shares for stockholder amendments to its By-laws.

Under Florida law, the approval of a business combination with a stockholder owning 10% or more of the voting shares of a corporation requires the vote of holders of at least two-thirds of the voting shares not owned by such stockholder, unless the transaction is approved by a majority of the corporation s disinterested directors. In addition, Florida law generally provides that shares of a corporation that are acquired in excess of certain specified thresholds will not possess any voting rights unless the voting rights are approved by a majority of the corporation s disinterested stockholders.

These provisions of the Corporation s Articles of Incorporation and By-laws and of Florida law could discourage potential acquisition proposals and could delay or prevent a change in control, even though the holders of a majority of the Corporation s stock may consider such proposals desirable. Such provisions could also make it more difficult for third parties to remove and replace members of the Corporation s Board of Directors. Moreover, these provisions could diminish the opportunities for stockholders to participate in certain tender offers, including tender offers at prices above the then-current market price of the Corporation s common stock, and may also inhibit increases in the trading price of the Corporation s common stock that could result from takeover attempts.

ITEM 1B. UNRESOLVED STAFF COMMENTS

NONE.

ITEM 2. PROPERTIES

The Corporation s corporate headquarters are located in Pittsburgh, Pennsylvania. The Pittsburgh offices, which are leased, are also occupied by Community Banking, Wealth Management and Insurance employees. The Corporation also leases office space for regional headquarters in the Cleveland, Ohio and Baltimore, Maryland markets. In Hermitage, Pennsylvania, the Corporation continues to maintain its administrative offices, as well as offices for Community Banking and Wealth Management personnel, in a six-story office building, and a data processing and technology center in a two-story office building, both of which are owned by the Corporation. Additionally, the Corporation leases additional office space in Hermitage, Pennsylvania, which houses various support departments.

As of December 31, 2015, the Community Banking segment had 288 offices, located in 38 counties in Pennsylvania, 11 counties in Ohio, six counties in Maryland and one county in West Virginia, of which 160 were owned and 128 were leased. As of December 31, 2015, the Consumer Finance segment had 76 offices, located in 21 counties in Pennsylvania, 17 counties in Tennessee, 16 counties in Kentucky and 12 counties in Ohio, all of which were leased. The operating leases for the Community Banking and Consumer Finance offices expire at various dates through the year 2040 and generally include options to renew. For additional information regarding the lease commitments, see the Premises and Equipment footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

ITEM 3. LEGAL PROCEEDINGS

Other Legal Proceedings

The Corporation and its subsidiaries are involved in various pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. These actions include claims brought against the Corporation and its subsidiaries where the Corporation or a subsidiary acted as one or more of the following: a depository bank, lender, underwriter, fiduciary, financial advisor, broker, acquiror or was engaged in other business activities. Although the ultimate outcome for any asserted claim cannot be predicted with certainty, the Corporation believes that it and its subsidiaries have valid defenses for all asserted claims. Reserves are established for legal claims when losses associated with the claims are judged to be probable and the amount of the loss can be reasonably estimated.

Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Corporation does not anticipate, at the present time, that the aggregate liability, if any, arising out of such legal proceedings will have a material adverse effect on the Corporation s consolidated financial position. However, the Corporation cannot determine whether or not any claims asserted against it will have a material adverse effect on its consolidated results of operations in any future reporting period.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age and principal occupation for each of the executive officers of the Corporation as of January 31, 2016 are set forth below:

Name	Age	Principal Occupation
Vincent J. Delie, Jr.	51	President and Chief Executive Officer of the Corporation; Chief Executive Officer of FNBPA
Vincent J. Calabrese, Jr.	53	Chief Financial Officer of the Corporation; Executive Vice President of FNBPA
Gary L. Guerrieri	55	Chief Credit Officer of the Corporation; Executive Vice President of FNBPA
James G. Orie	57	Chief Legal Officer and Corporate Secretary of the Corporation; Senior Vice President of FNBPA
Timothy G. Rubritz	61	Corporate Controller and Senior Vice President of the Corporation
Robert M. Moorehead	61	Chief Wholesale Banking Officer of FNBPA
Barry C. Robinson	52	Chief Consumer Banking Officer of FNBPA

There are no family relationships among any of the above executive officers, and there is no arrangement or understanding between any of the above executive officers and any other person pursuant to which he was selected as an officer. The executive officers are elected by the Corporation s Board of Directors subject in certain cases to the terms of an employment agreement between the officer and the Corporation.

PART II.

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

The Corporation s common stock is listed on the NYSE under the symbol FNB. The accompanying table shows the range of high and low sales prices per share of the common stock as reported by the NYSE for 2015 and 2014. The table also shows dividends per share paid on the outstanding common stock during those periods. As of January 31, 2016, there were 11,067 holders of record of the Corporation s common stock.

	Low	High	Dividends
Quarter Ended 2015			
March 31	$ 11.82	$ 13.43	$ 0.12
June 30	12.85	14.61	0.12

September 30	12.00	14.80	0.12
December 31	12.31	14.66	0.12
Quarter Ended 2014			
March 31	$ 11.40	$ 13.67	$ 0.12
June 30	11.78	13.70	0.12
September 30	11.84	13.21	0.12
December 31	11.50	13.56	0.12

The information required by this Item 5 with respect to securities authorized for issuance under equity compensation plans is set forth in Part III, Item 12 of this Report.

The Corporation did not purchase any of its own equity securities during the fourth quarter of 2015.

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STOCK PERFORMANCE GRAPH

Comparison of Total Return on F.N.B. Corporation s Common Stock with Certain Averages

The following five-year performance graph compares the cumulative total shareholder return (assuming reinvestment of dividends) on the Corporation s common stock (¨) to the NASDAQ Bank Index (n) and the Russell 2000 Index (p). This stock performance graph assumes $100 was invested on December 31, 2010, and the cumulative return is measured as of each subsequent fiscal year end.

F.N.B. Corporation Five-Year Stock Performance

Total Return, Including Stock and Cash Dividends

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ITEM 6. SELECTED FINANCIAL DATA

Dollars in thousands, except per share data

Year Ended December 31	2015	2014 (1)	2013 (2)	2012 (3)	2011 (4)
Total interest income	$ 546,795	$ 508,983	$ 440,386	$ 431,906	$ 391,125
Total interest expense	48,573	42,686	44,344	59,055	74,617
Net interest income	498,222	466,297	396,042	372,851	316,508
Provision for credit losses	40,441	38,648	31,090	31,302	33,641
Total non-interest income	162,410	158,274	135,778	131,252	119,730
Total non-interest expense	390,549	379,253	338,170	318,618	283,546
Net income	159,649	144,050	117,804	110,410	87,047
Net income available to common stockholders	151,608	135,698	117,804	110,410	87,047
At Year-End					
Total assets	$ 17,557,662	$ 16,127,090	$ 13,563,405	$ 12,023,976	$ 9,786,483
Net loans	12,048,428	11,121,112	9,395,310	8,033,345	6,756,005
Deposits	12,623,463	11,382,208	10,198,232	9,082,174	7,289,768
Short-term borrowings	2,048,896	2,041,658	1,241,239	1,083,138	851,294
Long-term borrowings	641,480	541,443	219,133	293,444	291,983
Total stockholders equity	2,096,182	2,021,456	1,774,383	1,402,069	1,210,199
Per Common Share					
Basic earnings per share	$ 0.87	$ 0.81	$ 0.81	$ 0.79	$ 0.70
Diluted earnings per share	0.86	0.80	0.80	0.79	0.70
Cash dividends declared	0.48	0.48	0.48	0.48	0.48
Book value	11.34	11.00	10.49	10.02	9.51
Ratios					
Return on average assets	0.96%	0.96%	0.93%	0.94%	0.88%
Return on average tangible assets	1.06	1.08	1.04	1.05	0.99
Return on average equity	7.70	7.50	7.78	8.02	7.36
Return on average tangible common equity	14.46	14.91	16.66	17.64	15.76
Dividend payout ratio	55.74	59.85	60.48	61.27	69.72
Average equity to average assets	12.48	12.84	11.98	11.68	11.97

(1) On February 15, 2014 and September 19, 2014, the Corporation completed the acquisitions of BCSB Bancorp, Inc. and OBA Financial Services, Inc., respectively.

(2) On April 6, 2013 and October 12, 2013, the Corporation completed the acquisitions of Annapolis Bancorp, Inc. and PVF Capital Corp., respectively.

(3) On January 1, 2012, the Corporation completed the acquisition of Parkvale Financial Corporation.

(4) On January 1, 2011, the Corporation completed the acquisition of Comm Bancorp, Inc.

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QUARTERLY EARNINGS SUMMARY

Dollars in thousands, except per share data

Quarter Ended 2015	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**
Total interest income	$ 140,781	$ 137,197	$ 135,448	$ 133,369
Total interest expense	13,448	11,996	11,681	11,448
Net interest income	127,333	125,201	123,767	121,921
Provision for credit losses	12,664	10,777	8,864	8,136
Net securities gains (losses)	503	314	14	(9)
Other non-interest income	42,614	41,045	39,738	38,191
Total non-interest expense	101,246	98,149	96,499	94,655
Net income	39,122	40,053	40,131	40,343
Net income available to common stockholders	37,111	38,043	38,121	38,333
Per Common Share				
Basic earnings per common share	$ 0.21	$ 0.22	$ 0.22	$ 0.22
Diluted earnings per common share	0.21	0.22	0.22	0.22
Cash dividends declared	0.12	0.12	0.12	0.12

Quarter Ended 2014	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**
Total interest income	$ 135,097	$ 131,566	$ 124,440	$ 117,880
Total interest expense	11,436	10,947	10,248	10,055
Net interest income	123,661	120,619	114,192	107,825
Provision for credit losses	10,040	11,197	10,405	7,006
Net securities gains	302	1,178	776	9,461
Other non-interest income	39,160	36,374	38,414	32,609
Total non-interest expense	96,656	95,847	92,584	94,166
Net income	39,304	35,391	34,831	34,524
Net income available to common stockholders	37,294	33,381	32,821	32,202
Per Common Share				
Basic earnings per common share	$ 0.21	$ 0.20	$ 0.20	$ 0.20
Diluted earnings per common share	0.21	0.20	0.20	0.20
Cash dividends declared	0.12	0.12	0.12	0.12

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

Management s discussion and analysis represents an overview of the consolidated results of operations and financial condition of the Corporation. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes presented in Item 8 of this Report. Results of operations for the periods included in this review are not necessarily indicative of results to be obtained during any future period.

Important Cautionary Statement Regarding Forward-Looking Information

The Corporation makes statements in this Report, and may from time to time make other statements, regarding its outlook for earnings, revenues, expenses, capital levels, liquidity levels, asset levels, asset quality and other matters regarding or affecting the Corporation and its future business and operations that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as believe, plan, expect, anticipate, see, look, intend, outlook, project, for goal, will, should and other similar words and expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time.

Forward-looking statements speak only as of the date made. The Corporation does not assume any duty and does not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

The Corporation s forward-looking statements are subject to the following principal risks and uncertainties:

The Corporation s businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:

Changes in interest rates and valuations in debt, equity and other financial markets.
Disruptions in the liquidity and other functioning of U.S. and global financial markets.
The impact of federal regulatory agencies that have oversight or review of the Corporation s business and securities activities, including the bank regulatory examination and supervisory process.
Actions by the FRB, UST and other government agencies, including those that impact money supply and market interest rates.
Slowing or reversal of the rate of growth in the economy and employment levels and other economic factors that affect the Corporation s liquidity and performance of its loan portfolio, particularly in the markets in which the Corporation operates.
Changes in customer preferences and behavior, whether due to changing business and economic conditions, legislative and regulatory initiatives, or other factors.

Legal and regulatory developments could affect the Corporation s ability to operate its businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:

Changes resulting from legislative and regulatory reforms, including broad-based restructuring of financial industry regulation; changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other industry aspects; and changes in accounting policies and principles. The Corporation will continue to be impacted by extensive reforms provided for in the

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Dodd-Frank Act and otherwise growing out of the recent financial crisis, the precise nature, extent and timing of which, and their impact on the Corporation, remains uncertain.

Results of the regulatory examination and supervisory process.

Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act, Volcker rule, Dodd-Frank stress testing rules (DFAST) and Basel III initiatives.

Impact on business and operating results of any costs associated with obtaining rights in intellectual property, the adequacy of the Corporation s intellectual property protection in general, and the Corporation s operational or security systems or infrastructure, or those of third party vendors or other service providers, and rapid technological developments and changes.

Business and operating results are affected by judgments and assumptions in the Corporation s analytical and forecasting models, the Corporation s reliance on the advice of experienced outside advisors and its ability to identify and effectively manage risks inherent in its businesses, including, where appropriate, through effective use of third-party insurance, derivatives, swaps, and capital management techniques, and to meet evolving regulatory capital standards.

The Corporation grows its business in part by acquiring, from time to time, other financial services companies, financial services assets and related deposits. These acquisitions often present risks and uncertainties, including, the possibility that the transaction cannot be consummated; regulatory issues; cost or difficulties involved in integration and conversion of the acquired businesses after closing; inability to realize expected cost savings, efficiencies and strategic advantages; the extent of credit losses in acquired loan portfolios; the extent of deposit attrition; and the potential dilutive effect to current shareholders.

Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Industry restructuring in the current environment could also impact the Corporation s business and financial performance through changes in counterparty creditworthiness and performance, and the competitive and regulatory landscape. The Corporation s ability to anticipate and respond to technological changes can also impact its ability to respond to customer needs and meet competitive demands.

Business and operating results can also be affected by widespread disasters, dislocations, terrorist activities, cyber-attacks or international hostilities through their impacts on the economy and financial markets.

The Corporation provides greater detail regarding these factors in the Risk Factors section of this Report. The Corporation s forward-looking statements may also be subject to other risks and uncertainties, including those that may be discussed elsewhere in this Report or other SEC filings, accessible on the SEC s website at www.sec.gov and on the Corporation s website at www.fnbcorporation.com. The Corporation has included these web addresses as inactive textual references only. Information on these websites is not part of this document.

Application of Critical Accounting Policies

The Corporation s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, the consolidated financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently are based to a greater extent on estimates, assumptions and judgments of management and, as such, have a greater possibility of producing results that could be materially different than originally reported.

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The most significant accounting policies followed by the Corporation are presented in the Summary of Significant Accounting Policies footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report. These policies, along with the disclosures presented in the Notes to Consolidated Financial Statements, provide information on how the Corporation values significant assets and liabilities in the consolidated financial statements, how the Corporation determines those values and how the Corporation records transactions in the consolidated financial statements.

Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the consolidated financial statements. Management currently views the determination of the allowance for credit losses, accounting for acquired loans, securities valuation, goodwill and other intangible assets and income taxes to be critical accounting policies.

Allowance for Credit Losses

The allowance for credit losses addresses credit losses inherent in the existing loan portfolio and is presented as a reserve against loans on the consolidated balance sheet. Loan 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.

Estimating the amount of the allowance for credit losses is based to a significant extent on the judgment and estimates of management regarding the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans and consideration of other qualitative factors, all of which may be susceptible to significant change. In 2014, the Corporation implemented a new allowance model that expanded the number of modeling segments and allows for a more precise calculation through the use of transition matrices and loan level probability of default and loss given default.

Management s assessment of the adequacy of the allowance for credit losses considers individual impaired loans, pools of homogeneous loans with similar risk characteristics and other risk factors concerning the economic environment. The specific credit allocations for individual impaired commercial loans are based on ongoing analyses of all loans over a $0.5 million threshold. These analyses involve a high degree of judgment in estimating the amount of loss associated with specific impaired loans, including estimating the amount and timing of future cash flows, current fair value of the underlying collateral and other qualitative risk factors that may affect the loan. The evaluation of this component of the allowance for credit losses requires considerable judgment in order to estimate inherent loss exposures.

Pools of homogeneous loans with similar risk characteristics are also assessed for probable losses. Loans are categorized into pools based on loan type and by internal risk rating for commercial loans, or payment performance and FICO score for consumer loans. There is considerable judgment involved in setting internal commercial risk ratings, including an evaluation of the borrower s current financial condition and ability to repay the loan. Transition matrices are generated on a monthly basis to determine probabilities of default, while historical loss experience is used to generate loss given default results for the pools. Inherent but undetected losses may arise due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower s financial condition, the difficulty in identifying triggering events that correlate to subsequent loss rates and risk factors that have not yet manifested themselves in loss allocation factors. Uncertainty surrounding the strength and timing of economic cycles also affects estimates of loss. The historical loss experience used in the migration and historical charge-off analysis may not be representative of actual unrealized losses inherent in the portfolio.

Management evaluates the impact of various qualitative factors which pose additional risks that may not adequately be addressed in the analyses described above. Expected loss rates for each loan category may be adjusted for levels of and trends in loan volumes, net charge-offs, delinquency and non-performing loans. In addition, management takes into consideration the impact of changes to lending policies; the experience and depth of lending management and staff; the results of internal loan reviews; concentrations of credit; competition, legal and regulatory risk; market uncertainty and collateral illiquidity; national and local economic trends; or any other common risk factor that might affect loss experience across one or more components of the portfolio. The assessment of relevant economic factors indicates that the Corporation s primary markets historically tend to lag the national economy, with local economies in the Corporation s primary market areas also improving or weakening, as the case may be, but at a more measured rate than the national trends. Regional economic factors influencing management s estimate of allowance for credit losses include, but are not limited to, uncertainty of the labor markets, industrial presence, commercial real estate activity and residential real estate values. The determination of this qualitative component of the allowance for credit losses is particularly dependent on the judgment of management.

There are many factors affecting the allowance for credit losses; some are quantitative, while others require qualitative judgment. Although management believes its process for determining the allowance for credit losses adequately considers all of the factors currently inherent in the portfolio that could potentially result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provisions for credit losses could be required that may adversely affect the Corporation s earnings or financial position in future periods.

The Allowance and Provision for Credit Losses section of this financial review includes a discussion of the factors affecting changes in the allowance for credit losses during the current period.

Accounting for Acquired Loans

All acquired loans are initially measured at fair value at the date of acquisition, based on expected cash flows consisting of principal, estimated prepayments and interest, discounted at prevailing market interest rates. An allowance for credit losses is not recorded at the acquisition date because principal and interest not expected to be collected over the life of the loan are a component of the initial fair value.

Acquired loans are evaluated for impairment in accordance with the provisions of Accounting Standards Codification (ASC) 310-30. Acquired loans are considered impaired if there is evidence of credit deterioration since origination and if it is probable at time of acquisition that all contractually required payments will not be collected. At the acquisition date, and for subsequent accounting, the Corporation generally aggregates impaired loans into pools of loans with common characteristics. Each pool is accounted for as a single asset with one composite interest rate and an aggregate expectation of cash flows. Expected cash flows at the acquisition date in excess of the fair value of the loans is referred to as the accretable yield and recorded as interest income over the life of the loans. Acquired impaired loans are not classified as non-accrual or non-performing as they are considered to be accruing loans because their interest income relates to the accretable yield recognized at the pool level and not to contractual interest payments at the loan level. Subsequent to the acquisition date, increases in expected cash flows will generally result in a recovery of any previously recorded allowance, to the extent applicable, and/or a reclassification from the non-accretable difference to accretable yield, which will be recognized prospectively. The present value of any decreases in expected cash flows after the acquisition date will generally result in an impairment charge recorded as a provision for credit losses. Revolving loans, including lines of credit and credit card loans, and leases are excluded from acquired impaired loan accounting.

For acquired non-impaired loans, the difference between the acquisition date fair value and the contractual amounts due at the acquisition date represents the fair value adjustment. Fair value adjustments may be discounts (or premiums) to a loan s cost basis and are accreted (or amortized) to interest income over the loan s remaining life using the level yield method. Subsequent to the acquisition date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Corporation records a provision for credit losses only when the required allowance exceeds the remaining fair value adjustment.

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Securities Valuation and Impairment

Investment securities are classified as trading, held to maturity, or available for sale. As of December 31, 2015 and 2014, the Corporation did not hold any trading securities.

The Corporation classifies debt securities as held to maturity and carries them at cost, adjusted for related amortization of premiums and accretion of discounts through interest income from securities, if there is positive intent and ability to hold the securities to maturity.

Securities not classified as trading or held to maturity are classified as available for sale. The Corporation s available for sale securities portfolio is comprised predominantly of debt securities. Such securities are carried at fair value with net unrealized gains and losses deemed to be temporary reported separately as a component of other comprehensive income, net of tax. Realized gains and losses on the sale of available for sale securities and other-than-temporary impairment (OTTI) charges are recorded within non-interest income in the consolidated statement of income. Realized gains and losses on the sale of securities are determined using the specific-identification method.

The Corporation evaluates its investment securities portfolio for OTTI on a quarterly basis. Impairment is assessed at the individual security level. An investment security is considered impaired if the fair value of the security is less than its cost or amortized cost basis.

The Corporation s OTTI evaluation process is performed in a consistent and systematic manner and includes an evaluation of all available evidence. Documentation of the process is extensive to support a conclusion as to whether a decline in fair value below cost or amortized cost is other-than-temporary and includes documentation supporting both observable and unobservable inputs and a rationale for conclusions reached.

This process considers factors such as the severity, length of time and anticipated recovery period of the impairment, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions of its industry, and the issuer s financial condition, capital strength and near-term prospects. The Corporation also considers its intent to sell the security and whether it is more likely than not that the Corporation would be required to sell the security prior to the recovery of its amortized cost basis. Among the factors that are considered in determining the Corporation s intent to sell the security or whether it is more likely than not that the Corporation would be required to sell the security is a review of its capital adequacy, interest rate risk position and liquidity.

The assessment of a security s ability to recover any decline in fair value, the ability of the issuer to meet contractual obligations, and the Corporation s intent and ability to retain the security require considerable judgment.

Debt securities with credit ratings below AA at the time of purchase that are repayment-sensitive securities are evaluated using the guidance of ASC 320, *Investments Debt Securities*.

Goodwill and Other Intangible Assets

As a result of acquisitions, the Corporation has acquired goodwill and identifiable intangible assets on its balance sheet. Goodwill represents the cost of acquired companies in excess of the fair value of net assets, including identifiable intangible assets, at the acquisition date. The Corporation s recorded goodwill relates to value inherent in its Community Banking, Wealth Management and Insurance segments.

The value of goodwill and other identifiable intangibles is dependent upon the Corporation s ability to provide quality, cost-effective services in the face of competition. As such, these values are supported ultimately

by revenue that is driven by the volume of business transacted. A decline in earnings as a result of a lack of growth or the Corporation s inability to deliver cost-effective services over sustained periods can lead to impairment in value which could result in additional expense and adversely impact earnings in future periods.

Other identifiable intangible assets such as core deposit intangibles, customer renewal lists and mortgage servicing rights are amortized over their estimated useful lives.

The Corporation performs a quantitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount. If, after assessing updated quantitative factors, the Corporation determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it does not perform the two-step goodwill impairment test. The two-step impairment test is used to identify potential goodwill impairment and measure the amount of impairment loss to be recognized, if any. The first step compares the fair value of a reporting unit with its carrying amount. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure impairment loss, if any. Under the second step, the fair value is allocated to all of the assets and liabilities of the reporting unit to determine an implied fair value of goodwill. This allocation is similar to a purchase price allocation performed in purchase accounting. If the implied goodwill value of a reporting unit is less than the carrying amount of that goodwill, an impairment loss is recognized in an amount equal to that difference.

Determining fair values of each reporting unit, of its individual assets and liabilities, and also of other identifiable intangible assets requires considering market information that is publicly available as well as the use of significant estimates and assumptions. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. Inputs used in determining fair values where significant estimates and assumptions are necessary include discounted cash flow calculations, market comparisons and recent transactions, projected future cash flows, discount rates reflecting the risk inherent in future cash flows, long-term growth rates and determination and evaluation of appropriate market comparables.

The Corporation performed an annual test of goodwill for each of its business units as of October 1, 2015 along with an update through year-end and concluded that the recorded value of goodwill was not impaired.

Income Taxes

The Corporation is subject to the income tax laws of the U.S., its states and other jurisdictions where it conducts business. The laws are complex and subject to different interpretations by the taxpayer and various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these inherently complex tax statutes, related regulations and case law. In the process of preparing the Corporation s tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the taxing authorities or based on management s ongoing assessment of the facts and evolving case law.

The Corporation establishes a valuation allowance when it is more likely than not that the Corporation will not be able to realize a benefit from its deferred tax assets, or when future deductibility is uncertain. Periodically, the valuation allowance is reviewed and adjusted based on management s assessments of realizable deferred tax assets.

On a quarterly basis, management assesses the reasonableness of the Corporation s effective tax rate based on management s current best estimate of net income and the applicable taxes for the full year. Deferred tax assets and liabilities are assessed on an annual basis, or sooner, if business events or circumstances warrant.

Recent Accounting Pronouncements and Developments

The New Accounting Standards footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report, discusses new accounting pronouncements adopted by the Corporation in 2015 and the expected impact of accounting pronouncements recently issued or proposed but not yet required to be adopted.

Overview

The Corporation, headquartered in Pittsburgh, Pennsylvania, is a diversified financial services company operating in six states and three major metropolitan areas, including Pittsburgh, Baltimore, Maryland and Cleveland, Ohio. As of December 31, 2015, the Corporation had 288 banking offices throughout Pennsylvania, Ohio, Maryland and West Virginia. The Corporation provides a full range of commercial banking, consumer banking, insurance and wealth management solutions through its subsidiary network which is led by its largest affiliate, 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 products and services include deposit products, mortgage lending, consumer lending and a complete suite of mobile and online banking services. Wealth management services include asset management, private banking and insurance. The Corporation also operates Regency, which had 76 consumer finance offices in Pennsylvania, Ohio, Kentucky and Tennessee as of December 31, 2015.

Results of Operations

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net income available to common stockholders for 2015 was $151.6 million or $0.86 per diluted common share, compared to net income available to common stockholders for 2014 of $135.7 million or $0.80 per diluted common share. The increase in net income available to common stockholders is a result of increases of $31.9 million in net interest income and $4.1 million in non-interest income, partially offset by increases of $1.8 million in the provision for credit losses and $11.3 million in non-interest expense. The results for 2015 included $3.0 million in merger costs and reflect costs and benefits associated with the BofA branch purchase that closed on September 18, 2015, combined with costs associated with the Metro acquisition that closed on February 13, 2016. The results for 2014 included $9.6 million in merger costs and reflect the OBA, BCSB and PVF acquisitions that closed on September 19, 2014, February 15, 2014 and October 12, 2013, respectively. Average diluted common shares outstanding increased 7.3 million shares or 4.3% to 176.3 million shares for 2015, primarily as a result of the full-year effect of the previously-mentioned acquisitions.

The Corporation s return on average equity was 7.70% and its return on average assets was 0.96% for 2015, compared to 7.50% and 0.96%, respectively, for 2014. The Corporation s return on average tangible common equity was 14.46% and its return on average tangible assets was 1.06% for 2015, compared to 14.91% and 1.08%, respectively, for 2014. Average equity was $2.1 billion and $1.9 billion for 2015 and 2014, respectively, while average tangible equity was $1.2 billion and $1.1 billion, respectively, for those same periods. Average equity for 2015 reflects the full-year impact of the above-mentioned acquisitions that were completed during 2014.

In addition to evaluating its results of operations in accordance with GAAP, the Corporation routinely supplements its evaluation with an analysis of certain non-GAAP financial measures, such as return on average tangible common equity, return on average tangible assets and net interest income on a fully taxable equivalent (FTE) basis. The Corporation believes these non-GAAP financial measures provide information useful to investors in understanding the Corporation s operating performance and trends, and facilitate comparisons with the performance of the Corporation s peers. The non-GAAP financial measures used by the Corporation may differ from the non-GAAP financial measures other financial institutions use to measure their results of operations. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Corporation s reported results prepared in accordance with GAAP.

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The following tables summarize the Corporation s non-GAAP financial measures for 2015 and 2014 derived from amounts reported in the Corporation s financial statements (dollars in thousands):

Year Ended December 31	2015	2014
Return on average tangible common equity:		
Net income available to common stockholders	$ 151,608	$ 135,698
Amortization of intangibles, net of tax	6,861	8,002
	$ 158,469	$ 143,700
Average total stockholders equity	$ 2,072,170	$ 1,920,440
Less: Average preferred stockholders equity	(106,882)	(106,882)
Less: Average intangibles	(869,347)	(849,934)
	$ 1,095,941	$ 963,624
Return on average tangible common equity	14.46%	14.91%
Return on average tangible assets:		
Net income	$ 159,649	$ 144,050
Amortization of intangibles, net of tax	6,861	8,002
	$ 166,510	$ 152,052
Average total assets	$ 16,606,147	$ 14,962,140
Less: Average intangibles	(869,347)	(849,934)
	$ 15,736,800	$ 14,112,206
Return on average tangible assets	1.06%	1.08%

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The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities (dollars in thousands):

	Year Ended December 31								
	2015			2014			2013		
Assets	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:									
Interest-bearing deposits with banks	$ 70,116	$ 117	0.17%	$ 51,070	$ 94	0.18%	$ 57,605	$ 129	0.22%
Taxable investment securities (1)	2,864,795	58,148	2.03	2,590,746	54,060	2.09	2,125,001	43,551	2.00
Non-taxable investment securities (1) (2)	204,076	9,853	4.83	155,608	8,148	5.24	160,601	8,737	5.44
Residential mortgage loans held for sale	7,773	382	4.91	3,932	355	9.02	17,772	720	4.05
Loans (2) (3)	11,650,742	485,930	4.17	10,364,199	453,225	4.37	8,688,030	394,218	4.54
Total interest-earning assets	14,797,502	554,430	3.75	13,165,555	515,882	3.92	11,049,009	447,355	4.05
Cash and due from banks	206,566			197,210			183,656		
Allowance for credit losses	(133,508)			(117,027)			(109,050)		
Premises and equipment	165,253			163,986			147,009		
Other assets	1,570,334			1,552,416			1,370,061		
	$ 16,606,147			$ 14,962,140			$ 12,640,685		
Liabilities									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand	$ 5,040,102	8,562	0.17	$ 4,352,050	6,812	0.16	$ 3,844,865	5,825	0.15
Savings	1,714,587	787	0.05	1,556,040	698	0.04	1,358,386	656	0.05
Certificates and other time	2,565,937	21,858	0.85	2,681,055	22,093	0.82	2,489,129	22,960	0.92
Customer repurchase	515,108	1,094	0.21	826,125	1,816	0.22	794,436	1,850	0.23

agreements									
Other short-term borrowings	1,149,035	5,981	0.52	616,717	3,822	0.62	231,326	2,573	1.10
Long-term borrowings	566,914	10,291	1.82	411,433	7,445	1.81	303,068	10,480	3.46
Total interest-bearing liabilities	11,551,683	48,573	0.42	10,443,420	42,686	0.41	9,021,210	44,344	0.49
Non-interest-bearing demand	2,832,982			2,448,546			1,963,431		
Other liabilities	149,312			149,734			141,573		
	14,533,977			13,041,700			11,126,214		
Stockholders equity	2,072,170			1,920,440			1,514,471		
	$ 16,606,147			$ 14,962,140			$ 12,640,685		
Excess of interest-earning assets over interest-bearing liabilities	$ 3,245,819			$ 2,722,135			$ 2,027,799		
Net interest income (FTE)		505,857			473,196			403,011	
Tax-equivalent adjustment		(7,635)			(6,899)			(6,969)	
Net interest income		$ 498,222			$ 466,297			$ 396,042	
Net interest spread			3.33%			3.51%			3.56%
Net interest margin (2)			3.42%			3.59%			3.65%

(1) The average balances and yields earned on securities are based on historical cost.

(2) The interest income amounts are reflected on a FTE basis which is a non-GAAP financial measure and adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35.0% for each period presented. The yield on earning assets and the net interest margin are presented on an FTE basis. The Corporation believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

(3) Average balances include non-accrual loans. Loans consist of average total loans less average unearned income. The amount of loan fees included in interest income on loans is immaterial.

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Net Interest Income

Net interest income, which is the Corporation s major source of revenue, is the difference between interest income from earning assets (loans, securities and interest-bearing deposits with banks) and interest expense paid on liabilities (deposits, customer repurchase agreements, short- and long-term borrowings and junior subordinated debt). In 2015, net interest income, which comprised 75.4% of net revenue (net interest income plus non-interest income) compared to 74.7% in 2014, was affected by the general level of interest rates, changes in interest rates, the timing of repricing of assets and liabilities, the shape of the yield curve, the level of non-accrual loans and changes in the amount and mix of interest-earning assets and interest-bearing liabilities.

Net interest income, on an FTE basis, increased $32.7 million or 6.9% from $473.2 million for 2014 to $505.9 million for 2015. Average earning assets increased $1.6 billion or 12.4% and average interest-bearing liabilities increased $1.1 billion or 10.6% from 2014, due to the acquisitions of OBA and BCSB, combined with organic growth in loans, deposits and customer repurchase agreements. The Corporation s net interest margin was 3.42% for 2015, compared to 3.59% for 2014, as loan yields declined faster than deposit rates primarily as a result of the current low interest rate environment, partially offset by a benefit from higher accretable yield adjustments. Accretable yield adjustments added 6 basis points to the net interest margin for both 2015 and 2014. Details on changes in tax equivalent net interest income attributable to changes in interest-earning assets, interest-bearing liabilities, yields and cost of funds are set forth in the preceding table.

The following table provides certain information regarding changes in net interest income attributable to changes in the average volumes and yields earned on interest-earning assets and the average volume and rates paid for interest-bearing liabilities for the periods indicated (in thousands):

	2015 vs 2014			2014 vs 2013		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest Income						
Interest-bearing deposits with banks	$ 30	$ (7)	$ 23	$ (12)	$ (23)	$ (35)
Securities	7,241	(1,448)	5,793	8,606	1,314	9,920
Residential mortgage loans held for sale	239	(212)	27	(828)	463	(365)
Loans	54,258	(21,553)	32,705	73,727	(14,720)	59,007
	61,768	(23,220)	38,548	81,493	(12,966)	68,527
Interest Expense						
Deposits:						
Interest-bearing demand	1,560	190	1,750	1,002	(15)	987
Savings	111	(22)	89	92	(50)	42
Certificates and other time	(967)	732	(235)	1,670	(2,537)	(867)
Customer repurchase agreements	(663)	(59)	(722)	72	(106)	(34)
Other short-term borrowings	2,850	(691)	2,159	2,809	(1,587)	1,222
Long-term borrowings	2,823	23	2,846	540	(3,548)	(3,008)
	5,714	173	5,887	6,185	(7,843)	(1,658)
Net Change	$ 56,054	$ (23,393)	$ 32,661	$ 75,308	$ (5,123)	$ 70,185

(1) The amount of change not solely due to rate or volume was allocated between the change due to rate and the change due to volume based on the net size of the rate and volume changes.

(2) Interest income amounts are reflected on an FTE basis which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35.0% for each period presented. The Corporation believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

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Interest income, on an FTE basis, of $554.4 million for 2015, increased $38.5 million or 7.5% from 2014, primarily due to increased-earning assets combined with higher accretable yield adjustments, partially offset by lower yields due to competitive market rates throughout 2015 being less than portfolio yields at the end of 2014. During 2015 and 2014, the Corporation recognized a benefit of $5.0 million and $6.6 million, respectively, in accretable yield adjustments on acquired loans. The increase in earning assets was primarily driven by a $1.3 billion or 12.4% increase in average loans, including $1.0 million or 9.7% of organic growth, which reflects the benefit of the Corporation s expanded banking footprint and successful sales management. The yield on earning assets decreased 17 basis points from 3.92% for 2014 to 3.75% for 2015, reflecting the decreases in market interest rates, competitive pressures and the above-mentioned changes in accretable yield adjustments on acquired loans.

Interest expense of $48.6 million for 2015 decreased $5.9 million or 13.8% from 2014 due to lower rates paid, partially offset by growth in interest-bearing liabilities. The rate paid on interest-bearing liabilities increased 1 basis point to 0.42% for 2015, compared to 0.41% for 2014, reflecting changes in interest rates and the effect of the subordinated debt borrowed in October 2015, partially offset by a favorable shift in deposit mix to lower-cost transaction deposits and customer repurchase agreements. The growth in average interest-bearing liabilities was primarily attributable to growth in average deposits and customer repurchase agreements, which increased by $0.8 billion or 6.8%, including $0.5 billion or 3.9% of organic growth.

Provision for Credit Losses

The provision for credit losses is determined based on management s estimates of the appropriate level of allowance for credit losses needed to absorb probable losses inherent in the existing loan portfolio, after giving consideration to charge-offs and recoveries for the period.

The provision for credit losses of $40.4 million during 2015 increased $1.8 million from 2014, primarily due to an increase of $7.4 million in the provision for the originated portfolio supporting loan growth, and to a lesser degree, some slight credit migration within the originated commercial portfolio. This was partially offset by a decrease of $5.6 million in the provision for the acquired portfolio, which resulted from lower acquired net charge-offs and generally more favorable cash flow re-estimations during the year. During 2015, net charge-offs were $24.4 million, or 0.21% of average loans and leases, compared to $23.5 million, or 0.23% of average loans and leases, for 2014. The ratio of the allowance for credit losses to total loans and leases equaled 1.16% and 1.12% at December 31, 2015 and 2014, respectively, reflecting the Corporation s overall favorable credit quality performance, along with the addition of loans acquired in the BCSB and OBA acquisitions during 2014, which did not carry a corresponding allowance for credit losses in accordance with acquired loan accounting rules. For additional information relating to the allowance and provision for credit losses, refer to the Allowance for Credit Losses section of this Management s Discussion and Analysis.

Non-Interest Income

Total non-interest income of $162.4 million for 2015 increased $4.1 million or 2.6% from $158.3 million in 2014. The variances in significant individual non-interest income items are further explained in the following paragraphs.

Service charges on loans and deposits of $70.7 million for 2015 increased $2.4 million or 3.6% from $68.3 million in 2014. Customer-related interchange fees increased $1.4 million or 12.1% over this period due to higher volume usage of debit and credit cards. Overdraft fees decreased $1.9 million or 6.7% over this period, following a nationwide trend as consumers are better managing their accounts to avoid these types of fees. Other service charges and fees increased $3.0 million or 10.7% over this period, reflecting the impact of organic growth and the expanded customer base due to acquisitions.

Trust fees of $20.9 million for 2015 increased $1.6 million or 8.1% from $19.4 million in 2014, primarily driven by strong organic growth activity, geographic expansion and improved market conditions. The market value of assets under management increased $194.9 million or 5.5% to $3.7 billion during 2015.

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Insurance commissions and fees of $16.3 million for 2015 decreased $0.5 million or 2.9% from $16.8 million in 2014, primarily due to reduced contingent fee income resulting from increases in claims and higher loss ratios during 2015 compared to 2014.

Securities commissions of $13.6 million for 2015 increased $2.2 million or 19.1% from $11.5 million in 2014, primarily due to positive results from initiatives generating new customer relationships combined with increased volume, geographic expansion and improved market conditions. Partially offsetting these increases were the costs associated with a securities system conversion combined with the impact of severe weather conditions throughout the Corporation s market area in the first half of 2014.

Net securities gains were $0.8 million and $11.7 million for 2015 and 2014, respectively. During 2014, the Corporation strategically sold its entire portfolio of pooled TPS for net proceeds of $51.5 million and a gain of $13.8 million. Of the 23 pooled securities sold, one was determined to be a disallowed investment under the Volcker Rule of the Dodd-Frank Act, and as such, was required to be disposed of by July 2016. Partially offsetting this gain was a net loss of $2.1 million relating to the sale of other securities. By selling these securities, the Corporation strengthened the risk profile of its investment portfolio, improved its capital levels due to lowered risk-weighted assets and generated capital to support future growth.

Mortgage banking operations generated income of $8.6 million and $3.7 million for 2015 and 2014, respectively. This increase was primarily due to higher origination volume and successful cross-selling efforts generated from a strengthened mortgage management team and expanded market presence. During 2015, the Corporation sold $444.7 million of residential mortgage loans, compared to $162.7 million for 2014.

Income from BOLI of $8.0 million for 2015 increased $0.3 million or 3.82% from $7.7 million in 2014, primarily as a result of improved market conditions and an increase in death claims.

Other non-interest income was $23.4 million and $19.3 million for 2015 and 2014, respectively. During 2015, the Corporation recorded $3.7 million more in fees earned through its commercial loan interest rate swap program, reflecting strong commercial loan growth. Additionally, the Corporation recorded $1.7 million more in dividends on non-marketable equity securities, primarily resulting from a special dividend paid by the FHLB totaling $1.0 million. Also during 2015, the Corporation recorded $1.0 million more in gains from an equity investment, a gain of $0.4 million relating to the sale of its ownership interest in a non-banking affiliate and a gain of $0.4 million relating to the settlement of an insurance benefit. Additionally during 2015, the Corporation recognized $0.5 million more in gains on the sale of fixed assets, $0.5 million more in foreign currency exchange income, $0.4 million less in recoveries of impaired loans acquired in previous acquisitions and $0.5 million less in swap valuation income due to changes in the yield curve. During 2015, the Corporation recorded $0.9 million in short-term equipment rental income. During 2014, the Corporation recognized a one-time $2.7 million gain from an overpayment related to a predecessor bank s acquisition of another bank prior to becoming part of the Corporation and recorded a gain of $0.9 million related to the sale of impaired commercial loans.

Non-Interest Expense

Total non-interest expense of $390.5 million for 2015 increased $11.3 million or 3.0% from $379.3 million in 2014. The variances in the individual non-interest expense items are further explained in the following paragraphs with an overriding theme of the expense increases being primarily related to the expanded operations from acquisitions.

Salaries and employee benefits of $202.1 million for 2015 increased $7.1 million or 3.6% from $195.0 million in 2014. This increase primarily relates to employees added in conjunction with the acquisitions and heightened regulatory compliance costs, combined with new hires, merit increases and higher medical insurance costs in 2015. Additionally, the Corporation recorded a net charge of $1.9 million in 2014 relating to the mutual conclusion of a consulting agreement with a retired executive.

Occupancy and equipment expense of $65.5 million for 2015 increased $4.0 million or 6.5% from $61.5 in 2014, primarily resulting from acquisitions, combined with an increase in rental expense relating to the Pittsburgh headquarters and regional headquarters in Cleveland, Ohio and Baltimore, Maryland. Additionally, the Corporation s continued focus on new technology, both in meeting customer needs via the utilization of electronic delivery channels, such as online and mobile banking, and in meeting the continued regulatory requirements, resulted in an increase of $2.6 million in technology-related expense during 2015.

Amortization of intangibles expense of $8.3 million for 2015 decreased $1.4 million or 14.5% from $9.7 million in 2014, due to a combination of certain intangible assets being completely amortized during 2014 and declining amortization expense on some intangible assets due to accelerated amortization methods.

Outside services expense of $34.7 million for 2015 increased $1.5 million or 4.5% from $33.2 million in 2014. During 2015, data processing services, security services and other services provided increased $0.5 million, $0.4 million and $0.3 million, respectively, primarily resulting from the OBA and BCSB acquisitions and costs related to compliance with new regulations. Additionally, consulting fees increased $0.8 million during this same period, as 2014 reflected a refund of previously paid consulting fees, and check card expenses decreased $0.8 million as a result of obtaining a new contract with an outside party providing processing services.

FDIC insurance of $12.9 million for 2015 decreased $0.4 million or 2.8% from $13.3 million in 2014, due to the Corporation implementing certain business strategies to lower its assessment rate along with a refinement of previous estimates related to Basel III requirements.

Supplies expense of $8.1 million for 2015 increased $1.0 million or 13.6% from $7.1 million in 2014, as the Corporation recognized additional costs associated with the recent acquisitions and recent company-wide conversion to an enhanced internal network platform.

State tax expense of $8.1 million for 2015 increased $1.2 million or 17.0% from $7.0 million in 2014, primarily due to a higher assessment base resulting from enhanced capital levels at FNBPA due to the 2014 acquisitions.

Telephone expense of $6.2 million for 2015 increased $0.5 million or 9.2% from $5.7 million in 2014, as the Corporation recognized additional costs associated with the recent acquisitions and an expanded mobile work force.

Advertising and promotional expense of $8.4 million for 2015 increased $0.6 million or 7.3% from $7.8 million in 2014, primarily due to higher expenses associated with the recent acquisitions, as the Corporation implemented promotional efforts to support further expansion in the Cleveland, Ohio and the higher cost Baltimore, Maryland metropolitan markets.

Loan-related expense of $6.2 million for 2015 increased $1.2 million or 24.9% from $4.9 million in 2014, primarily due to appraisal fees and processing costs incurred for enhanced underwriting standards.

OREO expense of $4.6 million for 2015 increased slightly from 2014, as the Corporation incurred higher levels of write-downs to permit the sale of certain properties in its continuing effort to manage expenses.

The Corporation recorded $3.0 million in merger-related costs in 2015, primarily associated with the Metro acquisition and BofA branch purchase. The merger-related costs for 2015 were comprised of $0.2 million in severance and other employee benefit costs, $1.6 million in professional services, $0.4 million in data processing conversion costs, $0.4 million in marketing costs and $0.4 million in other expenses. Merger-related costs recorded during 2014 were $9.6 million, primarily in conjunction with the OBA and BCSB acquisitions. The merger-related costs for 2014 were comprised of $4.9 million in severance and other employee benefit costs, $2.8 million in professional services, $1.0 million in data processing conversion costs, $0.7 million in marketing costs and $0.2 million in other expenses.

Other non-interest expense was $22.4 million and $20.0 million for 2015 and 2014, respectively. During 2015, the Corporation recognized $0.7 million more in other taxes, primarily due to acquisitions and volume increases related to organic growth. In addition, other miscellaneous losses increased $0.3 million, primarily due to higher credit card disputes and fraud losses and $0.6 million in costs associated with short-term equipment rental income.

Income Taxes

The Corporation s income tax expense of $70.0 million for 2015 increased $7.4 million or 11.8% from $62.6 million in 2014. The effective tax rate of 30.5% for 2015 increased slightly from 30.3% for 2014, due to higher levels of pre-tax income, offset by the reversal of a valuation allowance on state deferred taxes. Both periods tax rates are lower than the 35% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt income on investments and loans, tax credits and income from BOLI.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net income available to common stockholders for 2014 was $135.7 million or $0.80 per diluted common share, compared to net income available to common stockholders for 2013 of $117.8 million or $0.80 per diluted common share. The increase in net income available to common stockholders is a result of an increase of $70.3 million in net interest income, combined with an increase of $22.5 million in non-interest income, partially offset by increases of $7.6 million in the provision for credit losses, $41.1 million in non-interest expense and $8.4 million in preferred stock dividends. The results for 2014 included $9.6 million in merger costs and reflect the OBA, BCSB and PVF acquisitions that closed on September 19, 2014, February 15, 2014 and October 12, 2013, respectively. The results for 2013 included $8.2 million in merger costs, relating to the PVF acquisition and the ANNB acquisition that closed on April 6, 2013. Average diluted common shares outstanding increased 21.3 million shares or 14.4% to 169.1 million shares for 2014, primarily as a result of the previously mentioned acquisitions, combined with the common stock offering completed in November 2013.

The Corporation s return on average equity was 7.50% and its return on average assets was 0.96% for 2014, compared to 7.78% and 0.93%, respectively, for 2013. The Corporation s return on average tangible common equity was 14.91% and its return on average tangible assets was 1.08% for 2014, compared to 16.66% and 1.04%, respectively, for 2013. Average equity was $1.9 billion and $1.5 billion for 2014 and 2013, respectively, while average tangible equity was $1.1 billion and $761.6 million, respectively, for those same periods. Average equity for 2014 reflects the impact of the above-mentioned acquisitions, combined with the full year impact of the common and preferred stock offerings completed in November 2013.

Net Interest Income

In 2014, net interest income, which comprised 74.7% of net revenue (net interest income plus non-interest income) compared to 74.5% in 2013, was affected by the general level of interest rates, changes in interest rates, the timing of repricing of assets and liabilities, the shape of the yield curve, the level of non-accrual loans and changes in the amount and mix of interest-earning assets and interest-bearing liabilities.

Net interest income, on an FTE basis, increased $70.2 million or 17.4% from $403.0 million for 2013 to $473.2 million for 2014. Average earning assets increased $2.1 billion or 19.2% and average interest-bearing liabilities increased $1.4 billion or 15.8% from 2013, due to the acquisitions of BCSB, PVF and ANNB, combined with organic growth in loans, deposits and customer repurchase agreements. The Corporation s net interest margin was 3.59% for 2014, compared to 3.65% for 2013, as loan yields declined faster than deposit rates primarily as a result of the current low interest rate environment, partially offset by an increase in net interest margin due to higher accretable yield adjustments. Accretable yield adjustments added 6 basis points to the net interest margin for 2014 compared to 3 basis points for 2013.

Interest income, on an FTE basis, of $515.9 million for 2014, increased $68.5 million or 15.3% from 2013, primarily due to increased earning assets combined with higher accretable yield adjustments, partially offset by lower yields due to competitive market rates throughout 2014 being less than portfolio yields at the end of 2013. During 2014 and 2013, the Corporation recognized a benefit of $6.6 million and $3.3 million, respectively, in accretable yield adjustments on acquired loans. The increase in earning assets was primarily driven by a $1.7 billion or 19.3% increase in average loans, including $823.8 million or 9.0% of organic growth, which reflects the benefit of the Corporation s expanded banking footprint and successful sales management. Additionally, 2014 average loans increased as a result of the OBA, BCSB, PVF and ANNB acquisitions by $84.8 million, $274.0 million, $418.3 million and $75.2 million, respectively. The yield on earning assets decreased 13 basis points from 4.05% for 2013 to 3.92% for 2014, reflecting the decreases in market interest rates and competitive pressures, partially offset by the above-mentioned changes in accretable yield adjustments on acquired loans.

Interest expense of $42.7 million for 2014 decreased $1.7 million or 3.7% from 2013 due to lower rates paid, partially offset by growth in interest-bearing liabilities. The rate paid on interest-bearing liabilities decreased 8 basis points to 0.41% for 2014, compared to 0.49% for 2013, reflecting changes in interest rates and a favorable shift in deposit mix to lower-cost transaction deposits and customer repurchase agreements. The growth in average interest-bearing liabilities was primarily attributable to growth in average deposits and customer repurchase agreements, which increased by $1.4 billion or 13.5%, including $209.2 million or 1.9% of organic growth, combined with $86.4 million, $461.4 million, $552.5 million and $104.1 million in average deposits and customer repurchase agreements added in the OBA, BCSB, PVF and ANNB acquisitions, respectively.

Provision for Credit Losses

The provision for credit losses of $38.6 million during 2014 increased $7.6 million from 2013, primarily due to an increase of $7.9 million in the provision for the originated portfolio to support loan growth, partially offset by a decrease of $0.3 million in the provision for the acquired portfolio. During 2014, net charge-offs were $23.5 million, or 0.23% of average loans, compared to $24.7 million, or 0.28% of average loans, for 2013, reflecting stable asset quality performance in the Corporation s loan portfolio. The ratio of the allowance for credit losses to total loans equaled 1.12% and 1.17% at December 31, 2014 and 2013, respectively, which reflects the Corporation s overall favorable credit quality performance along with the addition of loans acquired in the BCSB and OBA acquisitions during 2014, which did not carry a corresponding allowance for credit losses in accordance with acquired loan accounting rules. For additional information relating to the allowance and provision for credit losses, refer to the Allowance and Provision for Credit Losses section of this Management s Discussion and Analysis.

Non-Interest Income

Total non-interest income of $158.3 million for 2014 increased $22.5 million or 16.6% from $135.8 million in 2013. The variances in significant individual non-interest income items are further explained in the following paragraphs.

Service charges on loans and deposits of $68.3 million for 2014 were flat compared to 2013. Customer-related interchange fees were $4.9 million lower in 2014 as the Corporation became subject to the new rules regarding debit card interchange fees imposed by the Durbin Amendment of the Dodd-Frank Act effective July 1, 2013. Partially offsetting this decrease, other service charges and fees increased $4.9 million over this same period, reflecting the impact of organic growth and the expanded customer base due to acquisitions. For information relating to the new regulations on interchange fees, refer to the Dodd-Frank Act section included in the Item 1, Business section of this Report.

Trust fees of $19.4 million for 2014 increased $2.6 million or 15.6% from $16.8 million in 2013, primarily driven by strong organic growth activity and improved market conditions. The market value of assets under management increased $348.4 million or 10.9% to $3.5 billion over this same period, with $305.2 million as a result of organic growth and $43.2 million due to improved stock market conditions.

Insurance commissions and fees of $16.8 million for 2014 increased slightly from $16.6 million in 2013. Increased fee income resulting from the implementation of revenue-enhancing strategies and initiatives during 2014 was partially offset by a reduction in fee income relating to the sale of a book-of-business to an outside agency for which revenue was received during 2013 that was only received for part of 2014.

Securities commissions of $11.5 million for 2014 increased slightly from $11.3 million in 2013, primarily due to positive results from new initiatives generating new customer relationships combined with increased volume and improved market conditions, partially offset by the costs associated with a system conversion combined with the impact of severe weather conditions throughout the Corporation s market area in the first quarter of 2014.

Net securities gains were $11.7 million for 2014, compared to $0.8 million for 2013. During 2014, the Corporation strategically sold its entire portfolio of pooled TPS for net proceeds of $51.5 million and a gain of $13.8 million. Of the 23 pooled securities sold, one was determined to be a disallowed investment under the Volcker Rule of the Dodd-Frank Act, and as such, was required to be disposed of by July 2015. Partially offsetting this gain was a net loss of $2.1 million relating to the sale of other securities. By selling these securities, the Corporation strengthened the risk profile of its investment portfolio, improved its capital levels due to lowered risk-weighted assets and generated capital to support future growth.

Mortgage banking revenue, which is primarily derived from the gain on sale of residential mortgage loans, was $3.7 million for 2014 and increased slightly from $3.5 million in 2013. During 2014, the Corporation sold $162.7 million of residential mortgage loans, compared to $239.6 million for 2013, as part of its ongoing strategy of generally selling 30-year fixed rate residential mortgage loans. Despite the volume decrease resulting from an industry-wide trend as refinance activity was greatly diminished in 2014, the gain on sale on residential mortgage loans increased due to improved pricing practices.

Income from BOLI of $7.7 million for 2014 increased $0.8 million or 12.2% from $6.9 million in 2013, primarily as a result of improved market conditions, along with additional policies from acquisitions.

Other non-interest income of $19.3 million for 2014 increased $7.5 million from $11.8 million in 2013. During 2014, the Corporation recorded $2.9 million more in fees earned through its commercial loan interest rate swap program, reflecting strong commercial loan growth in 2014 and demand for these products given the interest rate environment. Additionally, the Corporation recorded $1.8 million more in dividends on non-marketable equity securities and $0.9 million more in gains from an equity investment during 2014. Also during 2014, the Corporation recognized a one-time $2.7 million gain from an overpayment related to a predecessor bank s acquisition of another bank prior to becoming part of the Corporation and the Corporation recorded a gain of $0.9 million related to the sale of impaired commercial loans. Partially offsetting these increases in other non-interest income is a gain of $1.6 million recognized during 2013 related to a debt extinguishment in which $15.0 million of the Corporation-issued TPS was repurchased at a discount. This $15.0 million was opportunistically purchased at auction and represents a portion of the underlying collateral of a pooled TPS that was liquidated by the trustee.

Non-Interest Expense

Total non-interest expense of $379.3 million for 2014 increased $41.1 million or 12.1% from $338.2 million in 2013. The variances in the individual non-interest expense items are further explained in the following paragraphs with an overriding theme of the expense increases being primarily related to the expanded operations from acquisitions.

Salaries and employee benefits of $195.0 million for 2014 increased $15.0 million or 8.4% from $180.0 million in 2013. This increase primarily relates to employees added in conjunction with the acquisitions, combined with new hires, merit increases and higher medical insurance costs in 2014. Additionally, the Corporation recorded a net charge of $1.9 million during 2014 relating to the mutual conclusion of a consulting agreement with a retired executive.

Occupancy and equipment expense of $61.5 million for 2014 increased $9.8 million or 19.0% from $51.7 million in 2013, primarily resulting from acquisitions, combined with an increase in rental expense relating to the Pittsburgh headquarters and regional headquarters in Cleveland, Ohio and Baltimore, Maryland. Additionally, equipment depreciation expense increased during 2014 due to upgrades to incorporate new technology, primarily relating to online and mobile banking applications, and snow removal expense increased as a result of severe weather conditions throughout the Corporation s market area during 2014 compared to 2013.

Amortization of intangibles expense of $9.7 million for 2014 increased $1.3 million or 15.6% from $8.4 million in 2013, primarily due to core deposit intangibles recorded as a result of acquisitions.

Outside services expense of $33.2 million for 2014 increased $3.0 million or 9.8% from $30.3 million in 2013. For 2014, compared to 2013, licenses, fees and dues, data processing services and other outside services increased $0.6 million, $0.4 million and $1.8 million, respectively, primarily resulting from acquisitions and costs related to compliance with new regulations, including capital stress testing. These increases were partially offset by a decrease of $0.5 million in consulting fees due to a refund of previously paid fees for system enhancements.

FDIC insurance of $13.3 million for 2014 increased $3.1 million or 30.1% from $10.2 million in 2013, primarily due to an increased asset base resulting from acquisitions.

State tax expense of $7.0 million for 2014 increased $2.7 million or 63.4% from $4.3 million in 2013, primarily due to a higher assessment base resulting from state tax code changes. The Pennsylvania bank shares tax in 2014 was based on equity at December 31, 2013, compared to the previous method of using a six-year average, along with the replacement of a three-factor formula with the single factor formula of receipts.

Loan-related expense of $4.9 million for 2014 increased $1.0 million or 25.0% from $3.9 million in 2013, primarily due to appraisal fees and processing costs incurred for enhanced underwriting standards.

OREO expense of $4.4 million for 2014 increased $1.2 million or 36.8% from $3.2 million in 2013, as the Corporation recorded higher costs in 2014 associated with the disposition of non-strategic properties from acquired banks. These properties were sold as part of the Corporation s continuing efforts to manage expenses.

Telephone expense of $5.7 million for 2014 increased $0.6 million or 12.8% from $5.1 million in 2013, as the Corporation recognized additional costs associated with the recent acquisitions.

Advertising and promotional expense of $7.8 million for 2014 increased $1.5 million or 23.2% from $6.3 million in 2013, primarily due to higher expenses associated with the recent acquisitions, as the Corporation implemented promotional efforts to support further expansion in the Cleveland, Ohio and the higher cost Baltimore, Maryland metropolitan markets.

The Corporation recorded $9.6 million in merger-related costs in 2014, primarily associated with the OBA and BCSB acquisitions. The merger-related costs for 2014 were comprised of $4.9 million in severance and other employee benefit costs, $2.8 million in professional services, $1.0 million in data processing conversion costs, $0.7 million in marketing costs and $0.2 million in other expenses. Merger-related costs recorded during 2013 were $8.2 million, primarily in conjunction with the PVF and ANNB acquisitions. The merger-related costs for 2013 were comprised of $3.5 million in severance and other employee benefit costs, $3.2 million in professional services, $0.6 million in data processing conversion costs, $0.4 million in marketing costs and $0.5 million in other expenses.

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Other non-interest expense increased to $20.0 million for 2014, compared to $19.7 million 2013. For 2014 compared to 2013, business development expenses increased $0.7 million, postage expenses increased $0.5 million and other taxes increased $0.4 million, all primarily due to additional expenses related to acquisitions, partially offset by a decrease of $0.5 million in other non-interest expenses. In addition, other miscellaneous losses increased $0.7 million due to check and fraud losses. During 2014 and 2013, the Corporation recorded $0.6 million and $2.2 million, respectively, in charges related to debt extinguishment in which Corporation-issued TPS were redeemed and the related debt extinguished.

Income Taxes

The Corporation s income tax expense of $62.6 million for 2014 increased $17.8 million or 39.9% from 2013. The effective tax rate of 30.3% for 2014 increased from 27.5% for 2013, due to higher levels of pre-tax income, which is subject to the marginal tax rate of 35%. Both periods tax rates are lower than the 35% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt income on investments and loans, tax credits and income from BOLI.

Liquidity

The Corporation s goal in liquidity management is to satisfy the cash flow requirements of customers and the operating cash needs of the Corporation with cost-effective funding. The Board of Directors of the Corporation has established an Asset/Liability Management Policy in order to achieve and maintain earnings performance consistent with long-term goals, while maintaining acceptable levels of interest rate risk, a well-capitalized balance sheet and adequate levels of liquidity. The Board of Directors of the Corporation has also established a Contingency Funding Policy to address liquidity crisis conditions. These policies designate the Corporate Asset/Liability Committee (ALCO) as the body responsible for meeting these objectives. The ALCO, which includes members of executive management, reviews liquidity on a periodic basis and approves significant changes in strategies that affect balance sheet or cash flow positions. Liquidity is centrally managed on a daily basis by the Corporation s Treasury Department.

FNBPA generates liquidity from its normal business operations. Liquidity sources from assets include payments from loans and investments, as well as the ability to securitize, pledge or sell loans, investment securities and other assets. Liquidity sources from liabilities are generated primarily through the banking offices of FNBPA in the form of deposits and customer repurchase agreements. The Corporation also has access to reliable and cost-effective wholesale sources of liquidity. Short- and long-term funds can be acquired to help fund normal business operations, as well as to serve as contingency funding in the event that the Corporation would be faced with a liquidity crisis.

The principal sources of the parent company s liquidity are its strong existing cash resources plus dividends it receives from its subsidiaries. These dividends may be impacted by the parent s or its subsidiaries capital needs, statutory laws and regulations, corporate policies, contractual restrictions, profitability and other factors. Cash on hand at the parent has been favorably impacted by management strategies over the last few years. These include strong earnings, increasing earnings retention rate and capital actions. On September 29, 2015, the Corporation issued $100.0 million aggregate principal amount of 4.875% subordinated notes due in 2025. The net proceeds of the debt offering after deducting underwriting discounts and commissions and estimated offering expenses were $98.4 million and were received on October 2, 2015. Additional capital actions include the raising of $161.3 million via the issuance of common and preferred equity during the fourth quarter of 2013. These proceeds were subsequently utilized to redeem various TPS obligations of the Corporation totaling $148.0 million. The positive results of these strategies can be seen in the parent s strong cash position as it has increased from $129.3 million at December 31, 2014 to $226.9 million at December 31, 2015. The Corporation intends to use the net proceeds from the sale of the subordinated notes for general corporate purposes, which may include investments at the holding company level, providing capital to support the growth of FNBPA and its business, repurchases of its common shares and the payment of the cash consideration components of future acquisitions.

Management believes cash levels for the Corporation are appropriate given the current environment. Two metrics that are used to gauge the adequacy of the parent company s cash position are the Liquidity Coverage Ratio (LCR) and Months of Cash on Hand (MCH). The LCR is defined as the sum of cash on hand plus projected cash inflows over the next 12 months divided by projected cash outflows over the next 12 months. The LCR was 1.8 times at December 31, 2015 and 2.2 times at December 31, 2014. The internal limit for LCR is for the ratio to be greater than 1.0 time. The MCH is defined as the number of months of corporate expenses that can be covered by the cash on hand. The MCH was 14.0 months at December 31, 2015 and 14.2 months at December 31, 2014. The internal limit for MCH is for the ratio to be greater than 12 months. In addition, the Corporation issues subordinated notes on a regular basis. Subordinated notes decreased $3.3 million or 1.5% during 2015 to $208.8 million at December 31, 2015.

The liquidity position of the Corporation continues to be strong as evidenced by its ability to generate growth in relationship-based accounts. Total average deposits and customer repurchase agreements totaled $12.7 billion in 2015 and increased $804.9 million, or 6.8%, including average organic growth of $477.4 million or 3.9% for the year. For the three months ended December 31, 2015 total average deposits and customer repurchase agreements grew organically $284.2 million, or 8.8% annualized. Organic results are adjusted by the impact from the acquisition of five BofA branches on September 18, 2015, the OBA acquisition on September 19, 2014 and the BCSB acquisition on February 15, 2014. Organic growth in low-cost transaction deposits and customer repurchase agreements for 2015 was $691.0 million, or 7.4%, led by strong organic growth in average non-interest-bearing deposits of $328.5 million, or 13.2%. For the three months ended December 31, 2015, total average transaction deposits and customer repurchase agreements grew organically $359.5 million, or 14.0% annualized. The strong growth in low-cost transaction deposits and customer repurchase agreements was partially offset by a decline in average time deposits of $213.5 million or 7.7% for the year on an organic basis. The rate of decline has slowed this year compared to prior periods due to the Corporation s pricing actions designed to extend time deposit maturities.

FNBPA had unused wholesale credit availability of $5.2 billion or 30.0% of bank assets at December 31, 2015 and $4.6 billion or 29.1% of bank assets at December 31, 2014. These sources include the availability to borrow from the FHLB, the FRB, correspondent bank lines and access to brokered certificates of deposit. In addition to credit availability, FNBPA also possesses salable unpledged government and agency securities which could be utilized to meet funding needs. These securities totaled $1.3 billion, or 7.3% of total assets and $1.1 billion, or 6.6% of total assets as of December 31, 2015 and 2014, respectively. The ALCO Policy minimum level is 3.0%.

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Another metric for measuring liquidity risk is the liquidity gap analysis. The following liquidity gap analysis (in thousands) for the Corporation as of December 31, 2015 compares the difference between cash flows from existing assets and liabilities over future time intervals. Management seeks to limit the size of the liquidity gaps so that sources and uses of funds are reasonably matched in the normal course of business. A reasonably matched position lays a better foundation for dealing with additional funding needs during a potential liquidity crisis. The twelve-month cumulative gap to total assets was (2.6)% and (1.0)% as of December 31, 2015 and 2014, respectively.

	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Assets					
Loans	$ 289,917	$ 582,946	$ 791,027	$ 1,420,941	$ 3,084,831
Investments	348,100	85,290	124,310	245,586	803,286
	638,017	668,236	915,337	1,666,527	3,888,117
Liabilities					
Non-maturity deposits	97,408	194,815	292,225	584,448	1,168,896
Time deposits	110,222	228,038	373,498	600,291	1,312,049
Borrowings	1,619,127	20,501	39,892	178,530	1,858,050
	1,826,757	443,354	705,615	1,363,269	4,338,995
Period Gap (Assets - Liabilities)	$ (1,188,740)	$ 224,882	$ 209,722	$ 303,258	$ (450,878)
Cumulative Gap	$ (1,188,740)	$ (963,858)	$ (754,136)	$ (450,878)	
Cumulative Gap to Total Assets	(6.8)%	(5.5)%	(4.3)%	(2.6)%	

In addition, the ALCO regularly monitors various liquidity ratios and stress scenarios of the Corporation s liquidity position. The stress scenarios forecast that adequate funding will be available even under severe conditions. Management believes the Corporation has sufficient liquidity available to meet its normal operating and contingency funding cash needs.

Market Risk

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. The Corporation is primarily exposed to interest rate risk inherent in its lending and deposit-taking activities as a financial intermediary. To succeed in this capacity, the Corporation offers an extensive variety of financial products to meet the diverse needs of its customers. These products sometimes contribute to interest rate risk for the Corporation when product groups do not complement one another. For example, depositors may want short-term deposits while borrowers desire long-term loans.

Changes in market interest rates may result in changes in the fair value of the Corporation s financial instruments, cash flows and net interest income. The ALCO is responsible for market risk management which involves devising policy guidelines, risk measures and limits, and managing the amount of interest rate risk and its effect on net interest income and capital. The Corporation uses derivative financial instruments for interest rate risk management purposes and not for trading or speculative purposes.

Interest rate risk is comprised of repricing risk, basis risk, yield curve risk and options risk. Repricing risk arises from differences in the cash flow or repricing between asset and liability portfolios. Basis risk arises when asset and liability portfolios are related to different market rate indexes, which do not always change by the same amount. Yield curve risk arises when asset and liability portfolios are related to different maturities on a given yield curve; when the yield curve changes shape, the risk position is altered. Options risk arises from embedded options within asset and liability products as certain borrowers have the option to prepay their loans when rates fall, while certain depositors can redeem their certificates of deposit early when rates rise.

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The Corporation uses an asset/liability model to measure its interest rate risk. Interest rate risk measures utilized by the Corporation include earnings simulation, economic value of equity (EVE) and gap analysis.

Gap analysis and EVE are static measures that do not incorporate assumptions regarding future business. Gap analysis, while a helpful diagnostic tool, displays cash flows for only a single rate environment. EVE s long-term horizon helps identify changes in optionality and longer-term positions. However, EVE s liquidation perspective does not translate into the earnings-based measures that are the focus of managing and valuing a going concern. Net interest income simulations explicitly measure the exposure to earnings from changes in market rates of interest. In these simulations, the Corporation s current financial position is combined with assumptions regarding future business to calculate net interest income under various hypothetical rate scenarios. The ALCO reviews earnings simulations over multiple years under various interest rate scenarios on a periodic basis. Reviewing these various measures provides the Corporation with a comprehensive view of its interest rate risk profile.

The following repricing gap analysis (in thousands) as of December 31, 2015 compares the difference between the amount of interest-earning assets and interest-bearing liabilities subject to repricing over a period of time. Management utilizes the repricing gap analysis as a diagnostic tool in managing net interest income and EVE risk measures.

	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Assets					
Loans	$ 4,841,503	$ 743,276	$ 596,173	$ 1,070,263	$ 7,251,215
Investments	379,621	96,585	133,331	251,760	861,297
	5,221,124	839,861	729,504	1,322,023	8,112,512
Liabilities					
Non-maturity deposits	3,478,044				3,478,044
Time deposits	202,093	228,616	371,918	596,366	1,398,993
Borrowings	1,956,481	81,203	23,695	146,138	2,207,517
	5,636,618	309,819	395,613	742,504	7,084,554
Off-balance sheet	(200,000)	50,000			(150,000)
Period Gap (assets liabilities + off-balance sheet)	$ (615,494)	$ 580,042	$ 333,891	$ 579,519	$ 877,958
Cumulative Gap	$ (615,494)	$ (35,452)	$ 298,439	$ 877,958	
Cumulative Gap to Assets	(3.9)%	(0.2)%	1.9%	5.6%	

The twelve-month cumulative repricing gap to total assets was 5.6% and 6.7% as of December 31, 2015 and 2014, respectively. The positive cumulative gap positions indicate that the Corporation has a greater amount of repricing earning assets than repricing interest-bearing liabilities over the subsequent twelve months. If interest rates increase then net interest income will increase and, conversely, if interest rates decrease then net interest income will decrease.

The allocation of non-maturity deposits and customer repurchase agreements to the one-month maturity category above is based on the estimated sensitivity of each product to changes in market rates. For example, if a product s rate is estimated to increase by 50% as much as the market rates, then 50% of the account balance was placed in this category.

The following net interest income metrics were calculated using rate shocks which move market rates in an immediate and parallel fashion. The variance percentages represent the change between the net interest income or EVE calculated under the particular rate scenario versus the net interest income or EVE that was calculated assuming market rates as of December 31, 2015.

The following table presents an analysis of the potential sensitivity of the Corporation s net interest income and EVE to changes in interest rates:

	December 31, 2015	December 31, 2014	ALCO Limits
Net interest income change (12 months):			
+ 300 basis points	5.7%	3.3%	n/a
+ 200 basis points	4.0%	2.4%	(5.0)%
+ 100 basis points	2.0%	1.1%	(5.0)%
100 basis points	(3.0)%	(2.2)%	(5.0)%
Economic value of equity:			
+ 300 basis points	1.6%	(1.2)%	(25.0)%
+ 200 basis points	1.8%	(0.1)%	(15.0)%
+ 100 basis points	1.3%	0.6%	(10.0)%
100 basis points	(5.3)%	(6.3)%	(10.0)%

The Corporation also models rate scenarios which move all rates gradually over twelve months (Rate Ramps) and also scenarios that gradually change the shape of the yield curve. A +300 basis point Rate Ramp increases net interest income (12 months) by 3.6% and 3.1% at December 31, 2015 and 2014, respectively.

The Corporation s strategy is generally to manage to a neutral interest rate risk position. However, given the current interest rate environment, the interest rate risk position has been managed to a modestly asset-sensitive position. Currently, rising rates are expected to have a modest, positive effect on net interest income versus net interest income if rates remained unchanged.

The ALCO utilizes several tactics to manage the Corporation s interest rate risk position. As mentioned earlier, the growth in transaction deposits provides funding that is less interest rate-sensitive than time deposits and wholesale borrowings. On the lending side, the Corporation regularly sells long-term fixed-rate residential mortgages to the secondary market and has been successful in the origination of consumer and commercial loans with short-term repricing characteristics. Total variable and adjustable-rate loans were 58.3% and 57.9% of total loans as of December 31, 2015 and 2014, respectively. The investment portfolio is used, in part, to manage the Corporation s interest rate risk position. The Corporation has managed the duration of its investment portfolio over the last year to be relatively short and relatively unchanged from the prior year end, resulting in a portfolio duration of 3.5 and 3.3 at December 31, 2015 and 2014, respectively. Finally, the Corporation has made use of interest rate swaps to commercial borrowers (commercial swaps) to manage its interest rate risk position as the commercial swaps effectively increase adjustable-rate loans. As of December 31, 2015, the commercial swaps totaled $1.3 billion of notional principal, with $450.1 million in notional swap principal originated during 2015. The success of the aforementioned tactics has resulted in an asset-sensitive position. For additional information regarding interest rate swaps, see the Derivative Instruments footnote in this Report.

The Corporation desired to remain modestly asset-sensitive during 2015. A number of management actions and market occurrences resulted in a slight increase in the asset sensitivity of the Corporation s interest rate risk position. The primary factors included balance sheet growth in less rate-sensitive deposits and an increase in the amount of adjustable loans repricing in 12 months or less, which was aided by commercial swaps. Organic deposit balance sheet growth and the addition of five BofA branches on September 18, 2015 provided less rate-sensitive deposits. In addition, the amount of outstanding variable and adjustable loans repricing in 12 months or less increased by $297.0

million for the quarter, by $573.4 million for the year, and totaled $7.0 billion at December 31, 2015. These increases in the net asset-sensitivity position were offset by an increase in the use of overnight and short-term borrowings compared to the prior year end. Net overnight and short-term borrowings increased by $480.9 million for the most recent quarter and by $345.4 million for the year. This was primarily due to the normal seasonal outflow of government deposits being exaggerated by the Pennsylvania legislature budget impasse which was not settled by year end.

The Corporation recognizes that all asset/liability models have some inherent shortcomings. Asset/liability models require certain assumptions to be made, such as prepayment rates on interest-earning assets and repricing impact on non-maturity deposits, which may differ from actual experience. These business assumptions are based upon the Corporation s experience, business plans and available industry data. While management believes such assumptions to be reasonable, there can be no assurance that modeled results will be achieved. Furthermore, the metrics are based upon the balance sheet structure as of the valuation date and do not reflect the planned growth or management actions that could be taken.

Risk Management

The Corporation s Board of Directors recognizes that, as a financial institution, the Corporation takes on a certain amount of risk in every business decision, transaction and activity. The Corporation s Board of Directors and senior management have identified seven major categories of risk: credit risk, market risk, liquidity risk, reputational risk, operational risk, regulatory compliance risk and strategic risk. In its oversight role of the Corporation s risk management function, the Board of Directors is mindful that risk management is not about eliminating risk, but rather is about identifying, understanding and managing risks so as to optimize total shareholder value, while balancing prudent business and safety and soundness considerations.

The Corporation supports its risk management process through a governance structure involving its Board of Directors and senior management. The Corporation s Risk Committee helps ensure that business decisions in the organization are executed within its desired risk appetite. The Risk Committee has the following oversight responsibilities:

- identification, measurement, assessment and monitoring of enterprise-wide risk across the Corporation and its subsidiaries;
- development of appropriate and meaningful risk metrics to use in connection with the oversight of the Corporation s businesses and strategies;
- review and assessment of the Corporation s policies and practices to manage the Corporation s credit, market, liquidity, legal, regulatory and operating risk (including technology, operational, compliance and fiduciary risks); and
- identification and implementation of risk management best practices.

The Risk Committee serves as the primary point of contact between the Corporation s Board of Directors and the Risk Management Council, which is the senior management level committee responsible for the Corporation s risk management.

As noted above, the Corporation has a Risk Management Council comprised of senior management. The purpose of this committee is to provide regular oversight of specific areas of risk with respect to the level of risk and risk management structure. Management has also established an Operational Risk Committee that is responsible for identifying, evaluating and monitoring operational risks across the Corporation. The Operational Risk Committee is responsible for evaluating and approving appropriate remediation efforts to address identified operational risks. The Operational Risk Committee provides periodic reports concerning operational risks to the Risk Management Council. The Risk Management Council reports on a regular basis to the Corporation s Risk Committee regarding the enterprise-wide risk profile of the Corporation and other significant risk management issues. The Corporation s Chief Risk Officer is responsible for the design and implementation of the Corporation s enterprise-wide risk management strategy and framework and ensures the coordinated and consistent implementation of risk management initiatives and strategies on a day-to-day basis. The Corporation s Compliance Department, which reports to the Chief Risk Officer, is responsible for developing policies and procedures and monitoring compliance with applicable laws and regulations.

Further, the Corporation s audit function performs an independent assessment of the Corporation s internal controls environment and plays an integral role in testing the operation of internal controls systems and reporting findings to management and the Corporation s Audit Committee. Both the Corporation s Risk Committee and Audit Committee regularly report

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on risk-related matters to the Corporation s Board of Directors. In addition, both the Corporation s Risk Committee and the Risk Management Council regularly assess the Corporation s enterprise-wide risk profile and provide guidance on actions needed to address key and emerging risk issues.

The Board of Directors believes that the Corporation s enterprise-wide risk management process is effective since it includes the following material components:

enables the Board of Directors to assess the quality of the information it receives;
enables the Board of Directors to understand the businesses, investments and financial, accounting, legal, regulatory and strategic considerations of the Corporation and its subsidiaries, and the risks that they face;
enables the Board of Directors to oversee and assess how senior management evaluates risk; and
enables the Board of Directors to assess appropriately the quality of the Corporation s enterprise-wide risk management process.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

The following table sets forth contractual obligations of principal that represent required and potential cash outflows as of December 31, 2015 (in thousands):

	Within 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Deposits without a stated maturity	$ 10,157,997	$	$	$	$ 10,157,997
Certificates and other time deposits	1,312,627	636,472	411,195	105,172	2,465,466
Operating leases	14,529	25,142	17,067	33,280	90,018
Long-term debt	155,736	210,818	72,222	202,704	641,480
	$ 11,640,889	$ 872,432	$ 500,484	$ 341,156	$ 13,354,961

The following table sets forth the amounts and expected maturities of commitments to extend credit and standby letters of credit as of December 31, 2015 (in thousands):

	Within 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Commitments to extend credit	$ 2,625,883	$ 520,215	$ 332,866	$ 302,755	$ 3,781,719
Standby letters of credit	31,393	8,829	96	52,661	92,979
	$ 2,657,276	$ 529,044	$ 332,962	$ 355,416	$ 3,874,698

Commitments to extend credit and standby letters of credit do not necessarily represent future cash requirements because while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn upon. Additionally, a significant portion of these commitments can be terminated by the Corporation. For additional information relating to commitments to extend credit and standby letters of credit, see the

Commitments, Credit Risk and Contingencies footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Lending Activity

The loan and lease portfolio consists principally of loans and leases 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 portfolio also contains consumer finance loans to individuals in Pennsylvania, Ohio, Tennessee and Kentucky, which totaled $186.2 million or 1.5% of total loans at

December 31, 2015, compared to $180.6 million or 1.6% of the total portfolio at December 31, 2014. Due to the relative size of the consumer finance loan portfolio, they are not segregated from other consumer loans.

Following is a summary of loans and leases (in thousands):

December 31	2015	2014	2013	2012	2011
Commercial real estate	$ 4,109,056	$ 3,815,708	$ 3,245,209	$ 2,707,046	$ 2,495,727
Commercial and industrial	2,601,722	2,318,015	1,881,474	1,602,314	1,363,692
Commercial leases	204,553	177,824	158,895	130,133	110,795
Commercial loans and leases	6,915,331	6,311,547	5,285,578	4,439,493	3,970,214
Direct installment	1,706,636	1,644,621	1,467,236	1,178,530	1,029,187
Residential mortgages	1,395,971	1,263,053	1,086,739	1,092,228	670,936
Indirect installment	996,729	875,551	655,587	582,037	540,789
Consumer lines of credit	1,137,255	1,110,976	965,771	805,494	607,280
Other	38,518	41,290	45,183	39,937	38,261
	$ 12,190,440	$ 11,247,038	$ 9,506,094	$ 8,137,719	$ 6,856,667

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 consist of loans and leases 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.

Additional information relating to originated and acquired loans is provided in the Loans and Leases footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Total loans and leases increased $943.4 million or 8.4% to $12.2 billion at December 31, 2015, compared to $11.2 billion at December 31, 2014, as a result of solid organic growth, particularly in commercial loans and leases.

Total loans and leases increased $1.7 billion or 18.3% to $11.2 billion at December 31, 2014, compared to $9.5 billion at December 31, 2013. This increase was due to the addition of $304.9 million and $291.4 million in loans from the BCSB and OBA acquisitions, respectively, and solid organic growth, particularly in commercial loans and leases.

As of December 31, 2015, 38.1% of the commercial real estate loans were owner-occupied, while the remaining 61.9% were non-owner-occupied, compared to 41.6% and 58.4%, respectively, as of December 31, 2014. As of December 31, 2015 and 2014, the Corporation had commercial construction loans of $352.3 million and $296.2 million, respectively, representing 2.9% and 2.6% of total loans and leases, respectively.

Within the primary lending footprint, certain industries are more predominant given the geographic location of these lending markets. The Corporation strives to maintain a diverse commercial loan portfolio by avoiding undue concentrations or exposures to any particular sector. Pressured commodity prices related to the energy and metals markets have recently caused some migration of credit for borrowers that are more sensitive to these types of price movements. As of December 31, 2015 and 2014, there were no concentrations of loans and leases relating to any industry in excess of 10% of total loans.

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Following is a summary of the maturity distribution of certain loan categories based on remaining scheduled repayments of principal as of December 31, 2015 (in thousands):

	Within 1 Year	1-5 Years	Over 5 Years	Total
Commercial loans and leases	$ 601,047	$ 2,652,799	$ 3,661,485	$ 6,915,331
Residential mortgages	1,977	26,546	1,367,448	1,395,971
	$ 603,024	$ 2,679,345	$ 5,028,933	$ 8,311,302

The total amount due after one year includes $2.2 billion with fixed rates of interest and $5.5 billion with floating or adjustable rates of interest.

For additional information relating to lending activity, see the Loans and Leases footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Non-Performing Assets

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 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 accrued 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. Non-performing assets also include debt securities on which OTTI has been taken in the current or prior periods that have not been returned to accrual status.

Following is a summary of non-performing assets (dollars in thousands):

December 31	2015	2014	2013	2012	2011
Non-accrual loans	$ 49,897	$ 45,113	$ 58,755	$ 66,004	$ 94,335
Troubled debt restructurings	22,028	23,439	18,698	14,876	11,893
Total non-performing loans	71,925	68,552	77,453	80,880	106,228
Other real estate owned (OREO)	38,918	41,466	40,681	35,257	34,719
Total non-performing loans and OREO	110,843	110,018	118,134	116,137	140,947
Non-performing investments			797	2,809	8,972
Total non-performing assets	$ 110,843	$ 110,018	$ 118,931	$ 118,946	$ 149,919

Non-performing loans/total loans and leases	0.59%	0.61%	0.81%	0.99%	1.55%
Non-performing loans + OREO/ total loans and leases + OREO	0.91%	0.97%	1.24%	1.42%	2.05%
Non-performing assets/total assets	0.63%	0.68%	0.88%	0.99%	1.53%

During 2015, non-performing loans and OREO increased $0.8 million. This reflects an increase of $4.8 million in non-accrual loans, partially offset by decreases of $1.4 million and $2.5 million in TDRs and OREO, respectively. The increase in non-accrual loans was primarily due to the migration of a single commercial and

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industrial credit tied to the metals market. The decrease in TDRs was attributed to additional consumer borrowers that met the modified terms of their agreements for the required period of time and were returned to performing status. The decrease in OREO was attributed to property sales during 2015 outpacing transfers in, particularly for commercial properties.

During 2014, non-performing loans and OREO decreased $8.1 million. This decrease reflects a reduction of $13.6 million in non-accrual loans, partially offset by increases of $4.7 million and $0.8 million in TDRs and OREO, respectively. The decrease in non-accrual loans was primarily due to loan payoffs and commercial loan resolutions, while the increase in TDRs was attributed to loans secured by residential mortgages that were restructured in conjunction with government programs.

Following is a summary of non-performing loans and leases, by class (in thousands):

December 31	**2015**	**2014**	**2013**	**2012**	**2011**
Commercial real estate	$ 26,087	$ 26,134	$ 43,648	$ 48,483	$ 76,256
Commercial and industrial	14,846	8,852	6,683	6,099	6,956
Commercial leases	659	722	734	965	1,084
Total commercial loans and leases	41,592	35,708	51,065	55,547	84,296
Direct installment	13,791	15,901	10,577	8,541	7,163
Residential mortgages	12,763	13,842	14,012	11,415	9,544
Indirect installment	1,514	1,305	1,202	1,131	979
Consumer lines of credit	2,265	1,796	597	746	746
Other				3,500	3,500
	$ 71,925	$ 68,552	$ 77,453	$ 80,880	$ 106,228

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.

TDRs that are accruing and performing include loans that 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. TDRs that are accruing and non-performing are comprised of 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 ability to collect 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 incremental losses which are factored into the allowance for credit losses estimate. Additional information related to the Corporation s TDRs is included in the Loans and Leases footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

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Following is a summary of performing, non-performing and non-accrual TDRs, by class (in thousands):

	Performing	Non-Performing	Non-Accrual	Total
December 31, 2015				
Commercial real estate	$	$ 1,653	$ 6,051	$ 7,704
Commercial and industrial		361	813	1,174
Total commercial loans and leases		2,014	6,864	8,878
Direct installment	7,908	8,985	1,137	18,030
Residential mortgages	5,184	9,881	190	15,255
Indirect installment		153	24	177
Consumer lines of credit	2,073	995	92	3,160
	$ 15,165	$ 22,028	$ 8,307	$ 45,500
December 31, 2014				
Commercial real estate	$	$ 2,002	$ 6,188	$ 8,190
Commercial and industrial	727	542	132	1,401
Total commercial loans and leases	727	2,544	6,320	9,591
Direct installment	4,830	8,784	1,352	14,966
Residential mortgages	3,689	10,878	503	15,070
Indirect installment		156	47	203
Consumer lines of credit	195	1,077	50	1,322
	$ 9,441	$ 23,439	$ 8,272	$ 41,152
December 31, 2013				
Commercial real estate	$ 24	$ 2,688	$ 10,435	$ 13,147
Commercial and industrial	749	40	237	1,026
Total commercial loans and leases	773	2,728	10,672	14,173
Direct installment	5,404	5,891	1,070	12,365
Residential mortgages	3,743	9,752	883	14,378
Indirect installment		142	80	222
Consumer lines of credit	300	185		485
	$ 10,220	$ 18,698	$ 12,705	$ 41,623
December 31, 2012				
Commercial real estate	$ 850	$ 588	$ 11,156	$ 12,594
Commercial and industrial	775	82	283	1,140

Total commercial loans and leases	1,625	670	11,439	13,734
Direct installment	5,613	5,199	749	11,561
Residential mortgages	5,401	8,524	107	14,032
Indirect installment		92	90	182
Consumer lines of credit	20	391		411
	$ 12,659	$ 14,876	$ 12,385	$ 39,920
December 31, 2011				
Commercial real estate	$ 803	$	$ 10,510	$ 11,313
Commercial and industrial	800		214	1,014
Total commercial loans and leases	1,603		10,724	12,327
Direct installment	4,987	4,638	103	9,728
Residential mortgages	3,419	7,101		10,520
Indirect installment		61		61
Consumer lines of credit	122	93		215
	$ 10,131	$ 11,893	$ 10,827	$ 32,851

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Following is a summary of loans and leases 90 days or more past due on which interest accruals continue (dollars in thousands):

December 31	2015	2014	2013	2012	2011
Loans and leases 90 days or more past due:					
Originated loans and leases	$ 6,864	$ 9,248	$ 7,971	$ 6,706	$ 7,016
Acquired loans	29,878	38,024	45,823	36,585	11,115
	$ 36,742	$ 47,272	$ 53,794	$ 43,291	$ 18,131
As a percentage of total loans and leases	0.30%	0.42%	0.57%	0.53%	0.26%

The annual increases in loans and leases 90 days or more past due and accruing from 2011 through 2014 were primarily the result of acquisitions. Acquired loans that are 90 days or more past due are considered to be accruing since the Corporation can reasonably estimate future cash flows and it expects to fully collect the carrying value of these loans. The acquired loans were discounted and marked to market with interest income recognized via accretion in accordance with GAAP.

Following is a table showing the amounts of contractual interest income and actual interest income related to non-accrual loans and non-performing TDRs (in thousands):

December 31	2015	2014	2013	2012	2011
Gross interest income:					
Per contractual terms	$ 7,328	$ 7,366	$ 9,221	$ 8,646	$ 13,540
Recorded during the year	747	650	559	369	351

Allowance and Provision for Credit Losses

The allowance for credit losses represents management s estimate of probable loan losses inherent in the loan portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Additions are made to the allowance for credit losses through both periodic provisions charged to income and recoveries of losses previously recorded. Reductions to the allowance for credit losses occur as loans are charged off. Additional information related to the Corporation s policy for its allowance for credit losses is included in the Application of Critical Accounting Policies section of this financial review and in the Summary of Significant Accounting Policies footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

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Following is a summary of changes in the allowance for credit losses related to loans and leases (dollars in thousands):

Year Ended December 31	2015	2014	2013	2012	2011
Balance at beginning of period	$ 125,926	$ 110,784	$ 104,374	$ 100,662	$ 106,120
Charge-offs:					
Commercial real estate	(4,443)	(6,568)	(5,465)	(8,688)	(21,018)
Commercial and industrial	(3,562)	(3,454)	(5,124)	(8,098)	(3,642)
Commercial leases	(544)	(415)	(432)	(509)	(567)
Commercial loans and leases	(8,549)	(10,437)	(11,021)	(17,295)	(25,227)
Direct installment	(10,844)	(9,600)	(9,059)	(7,875)	(8,874)
Residential mortgages	(1,010)	(760)	(1,345)	(1,050)	(1,261)
Indirect installment	(6,427)	(3,627)	(3,337)	(2,926)	(2,957)
Consumer lines of credit	(1,653)	(1,495)	(1,974)	(2,137)	(2,110)
Other	(1,691)	(1,329)	(965)	(1,039)	(1,194)
Purchased impaired loans	(64)	(2,614)	(299)		(208)
Other acquired loans	(830)	(873)	(2,530)	(254)	
Total charge-offs	(31,068)	(30,735)	(30,530)	(32,576)	(41,831)
Recoveries:					
Commercial real estate	1,117	2,351	1,799	1,765	594
Commercial and industrial	1,773	1,412	2,108	693	368
Commercial leases	101	105	179	224	75
Commercial loans and leases	2,991	3,868	4,086	2,682	1,037
Direct installment	1,527	1,163	931	942	876
Residential mortgages	85	74	162	194	67
Indirect installment	1,190	875	773	605	501
Consumer lines of credit	175	218	274	234	213
Other	55	24		14	31
Purchased impaired loans	19	1			7
Other acquired loans	671	1,006	(376)	315	
Total recoveries	6,713	7,229	5,850	4,986	2,732
Net charge-offs	(24,355)	(23,506)	(24,680)	(27,590)	(39,099)
Provision for credit losses	40,441	38,648	31,090	31,302	33,641
Balance at end of period	$ 142,012	$ 125,926	$ 110,784	$ 104,374	$ 100,662
Net loan charge-offs/average loans	0.21%	0.23%	0.28%	0.35%	0.58%
Allowance for credit losses/total loans	1.16%	1.12%	1.17%	1.28%	1.47%
Allowance for credit losses/non-performing loans	197.44%	183.69%	143.03%	129.05%	94.76%

The allowance for credit losses at December 31, 2015 increased $16.1 million or 12.8% from December 31, 2014 as the provision for credit losses for 2015 of $40.4 million exceeded net charge-offs of $24.4 million, with the remainder supporting loan growth in the originated portfolio, and some credit migration within the commercial and industrial and indirect installment portfolios.

The allowance for credit losses at December 31, 2014 increased $15.1 million or 13.7% from December 31, 2013 as the provision for credit losses for 2014 of $38.6 million exceeded net charge-offs of $23.5 million, with the remainder supporting loan growth and incurred losses in the originated and acquired loan portfolios.

The allowance for credit losses at December 31, 2013 increased $6.4 million or 6.1% from December 31, 2012 as the provision for loans losses for 2013 of $31.1 million exceeded net charge-offs of $24.7 million, with the remainder supporting loan growth and incurred losses in the originated and acquired loan portfolios.

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The allowance for credit losses at December 31, 2012 increased $3.7 million or 3.7% from December 31, 2011 as the provision for credit losses for 2012 of $31.3 million exceeded net charge-offs of $27.6 million, with the remainder of the provision supporting loan growth and incurred losses in the originated and acquired loan portfolios.

The allowance for credit losses at December 31, 2011 decreased $5.5 million or 5.1% from December 31, 2010 as net charge-offs for 2011 of $39.1 million exceeded the provision for credit losses of $33.6 million as a result of the Corporation utilizing previously established reserves.

The allowance for credit losses at December 31, 2010 increased $1.5 million or 1.4% from December 31, 2009 as the provision for credit losses for 2010 of $47.3 million exceeded net charge-offs of $45.9 million.

The Corporation s commercial portfolio experienced significant losses in 2011 related to its legacy Florida portfolio due to continued declines in the real estate values and unstable economic conditions in that market during that time.

Following is a summary of the allocation of the allowance for credit losses (dollars in thousands):

	Dec 31, 2015	% of Loans in each Category to Total Loans and Leases	Dec 31, 2014	% of Loans in each Category to Total Loans and Leases	Dec 31, 2013	% of Loans in each Category to Total Loans and Leases	Dec 31, 2012	% of Loans in each Category to Total Loans and Leases	Dec 31, 2011	% of Loans in each Category to Total Loans and Leases
Commercial real estate	$ 41,741	29%	$ 37,588	27%	$ 32,548	28%	$ 34,810	30%	$ 43,283	36%
Commercial and industrial	41,023	21	32,645	19	32,603	18	31,849	19	25,476	20
Commercial leases	2,541	1	2,398	2	1,903	2	1,744	2	1,556	2
Commercial loans and leases	85,305	51	72,631	48	67,054	48	68,403	51	70,315	58
Direct installment	21,587	14	20,538	14	17,824	15	15,130	14	14,814	15
Residential mortgages	7,909	9	8,024	7	5,836	7	5,155	8	4,436	10
Indirect installment	9,889	8	7,504	8	6,409	7	5,449	7	5,503	8
Consumer lines of credit	9,582	8	8,496	9	7,231	9	6,057	9	5,448	9
Other	1,013		759		530				146	
Total originated	135,285	90	117,952	86	104,884	86	100,194	89	100,662	100

loans										
Purchased credit-impaired loans	834		660		1,000		759			
Other acquired loans	5,893	10	7,314	14	4,900	14	3,421	11		
	$ 142,012	100%	$ 125,926	100%	$ 110,784	100%	$ 104,374	100%	$ 100,662	100%

During 2015, the allowance for credit losses allocated to commercial loans and consumer loans (direct installment, indirect installment and consumer lines of credit) increased to support organic loan growth, while a portion of the commercial and industrial and indirect installment allowance for credit losses also supported some limited credit migration within those portfolios. The allowance for credit losses allocated to residential mortgages decreased slightly during this same period, which was the result of growth-related reserves being more than offset by general improvements in asset quality within that portfolio. The allowance for credit losses allocated to acquired loans decreased during the year as a result of favorable quarterly cash flow re-estimation results and problem credit resolution, with the PVF, ANNB, and CBI portfolios driving the decrease.

During 2014, the allowance for credit losses allocated to commercial loans, consumer loans and residential mortgages increased to support organic loan growth. The allowance for credit losses increased as a result of the growth in each of the loan portfolios noted above and was partially offset by allowance declines as a result of the general improvement in asset quality and charge-offs throughout 2014, particularly in the commercial loan portfolios. Furthermore, the Corporation expanded the number of modeling segments in 2014, which allowed for a more precise allowance calculation and moderately offset the required allowance as a result of organic loan growth. The allowance for credit losses allocated to acquired loans increased during the year as a result of the quarterly cash flow re-estimation process, moderate builds in a few loan pools and, to a lesser extent, the addition of the BCSB and OBA portfolios.

During 2013, the allowance for credit losses allocated to residential mortgages and consumer loans increased to support organic loan growth. Positive asset quality results in the commercial loan portfolio outpaced loan provisions for organic growth, resulting in the allowance for credit losses allocated to that portfolio to decrease. The allowance for credit losses related to acquired loans increased during the year primarily as a result of some deterioration in a few small business pools within the Parkvale and CBI portfolios.

During 2012, the allowance for credit losses allocated to residential mortgages and consumer lines of credit increased to support organic loan growth, which was partially offset by a decrease in the Corporation s commercial portfolio due to the change in composition within the commercial real estate portfolio. The allowance for credit losses allocated to acquired loan activities increased during the year as a result of the addition of the Parkvale portfolio.

Investment Activity

Investment activities serve to enhance net interest income while supporting interest rate sensitivity and liquidity positions. Securities purchased with the intent and ability to hold until maturity are categorized as securities held to maturity and carried at amortized cost. All other securities are categorized as securities available for sale and are recorded at fair value. Securities, like loans, are subject to similar interest rate and credit risk. In addition, by their nature, securities classified as available for sale are also subject to fair value risks that could negatively affect the level of liquidity available to the Corporation, as well as stockholders equity. A change in the value of securities held to maturity could also negatively affect the level of stockholders equity if there was a decline in the underlying creditworthiness of the issuers and an OTTI is deemed to have occurred or if there was a change in the Corporation s intent and ability to hold the securities to maturity.

As of December 31, 2015, securities totaling $1.6 billion and $1.6 billion were classified as available for sale and held to maturity, respectively. During 2015, securities available for sale increased by $96.5 million and securities held to maturity increased by $183.7 million from December 31, 2014. During 2014, the Corporation classified certain securities acquired in conjunction with its acquisitions as trading securities. The Corporation both acquired and sold these trading securities during the quarters in which the acquisitions occurred. As of December 31, 2015 and 2014, the Corporation did not hold any trading securities.

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The following table indicates the respective maturities and weighted-average yields of securities as of December 31, 2015 (dollars in thousands):

	Amount	Weighted Average Yield
Obligations of U.S. Treasury:		
Maturing after one year but within five years	$ 29,796	1.17%
Maturing after ten years	500	5.25
Obligations of U.S. government-sponsored entities:		
Maturing after one year but within five years	493,088	1.46
Maturing after five years but within ten years	9,489	3.09
Maturing after ten years	2,802	2.22
States of the U.S. and political subdivisions:		
Maturing within one year	2,590	3.42
Maturing after one year but within five years	12,222	4.21
Maturing after five years but within ten years	65,769	4.49
Maturing after ten years	166,049	4.71
Other debt securities:		
Maturing within one year	5,002	2.98
Maturing after one year but within five years	5,039	3.72
Maturing after ten years	4,245	1.26
Residential mortgage-backed securities:		
Agency mortgage-backed securities	1,414,801	2.34
Agency collateralized mortgage obligations	995,524	1.90
Non-agency collateralized mortgage obligations	3,871	4.37
Commercial mortgage-backed securities	55,545	2.34
Equity securities	1,296	5.16
Total	$ 3,267,628	2.25

The weighted average yields for tax-exempt securities are computed on a FTE basis using the federal statutory tax rate of 35.0%. The weighted average yields for securities available for sale are based on amortized cost.

For additional information relating to investment activity, see the Securities footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Deposits and Short-Term Borrowings

As a bank holding company, the Corporation s primary source of funds is deposits. These deposits are provided by businesses, municipalities and individuals located within the markets served by the Corporation s Community Banking subsidiary.

Total deposits increased $1.2 billion to $12.6 billion at December 31, 2015, compared to December 31, 2014, primarily as a result of an organic increase in transaction accounts, which are comprised of non-interest-bearing, savings and NOW accounts (which includes money market deposit accounts). The increase in transaction accounts is a result of the Corporation s ongoing marketing campaigns designed to attract new customers to the Corporation s local approach to banking, combined with higher balances being carried by existing customers. Additionally, the Corporation added $154.6 million in deposits in conjunction with the BofA branch purchase completed during September 2015.

Short-term borrowings, made up of customer repurchase agreements (also referred to as securities sold under repurchase agreements), FHLB advances, federal funds purchased and subordinated notes, remained stable

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at $2.0 billion at both December 31, 2015 and 2014. The composition of short-term borrowings has changed over this period, as customer repurchase agreements decreased $616.0 million as a result of a planned migration of these accounts to a new premium sweep product included in interest-bearing demand deposits launched during the second quarter of 2015. The customer repurchase agreements, which have next day maturities, are sweep accounts utilized by larger commercial customers to earn interest on their funds. Federal funds purchased and short-term FHLB borrowings increased $358.0 million and $270.0 million in 2015 and 2014, respectively, as the Corporation utilized these sources of funds to support loan growth.

Following is a summary of selected information relating to certain components of short-term borrowings (dollars in thousands):

At or For the Year Ended December 31	2015	2014	2013
Customer Repurchase Agreements			
Balance at year-end	$ 266,732	$ 882,696	$ 841,741
Maximum month-end balance	835,889	925,659	907,406
Average balance during year	515,108	826,125	794,436
Weighted average interest rates:			
At year-end	0.19%	0.22%	0.23%
During the year	0.21%	0.22%	0.23%
FHLB Advances (Short-term)			
Balance at year-end	$ 1,090,000	$ 820,000	
Maximum month-end balance	1,090,000	820,000	
Average balance during year	516,025	101,978	
Weighted average interest rates:			
At year-end	0.48%	0.31%	
During the year	0.40%	0.30%	
Federal Funds Purchased			
Balance at year-end	$ 568,000	$ 210,000	$ 270,000
Maximum month-end balance	1,003,000	775,000	270,000
Average balance during year	507,321	385,987	99,636
Weighted average interest rates:			
At year-end	0.29%	0.25%	0.28%
During the year	0.28%	0.28%	0.27%

For additional information relating to deposits and short-term borrowings, see the Deposits and Short-Term Borrowings footnotes in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Capital Resources

The access to, and cost of, funding for new business initiatives, including acquisitions, the ability to engage in expanded business activities, the ability to pay dividends and the level and nature of regulatory oversight depend, in part, on the Corporation s capital position.

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, changing competitive conditions and economic forces. The Corporation seeks to maintain a strong capital base to support its growth and expansion activities, to provide stability to current operations and to promote public confidence.

The Corporation has an effective shelf registration statement filed with the SEC. Pursuant to this registration statement, the Corporation may, from time to time, issue and sell in one or more offerings any

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combination of common stock, preferred stock or debt securities. On October 2, 2015, the Corporation completed its offering of $100.0 million aggregate principal amount of 4.875% subordinated notes due in 2025 under this registration statement. The subordinated notes are treated as tier 2 capital for regulatory capital purposes. The net proceeds of the debt offering after deducting underwriting discounts and commissions and offering expenses were $98.4 million. The Corporation intends to use the net proceeds from the sale of the subordinated notes for general corporate purposes, which may include investments at the holding company level, providing capital to support the growth of FNBPA and its business, repurchases of its common shares and the payment of the cash consideration components of future acquisitions.

During November 2013, the Corporation issued 4,693,876 common shares and 4,435,080 Depositary Shares (representing a 1/40th interest in the Non-Cumulative Perpetual Preferred Stock, Series E) in public equity offerings under this registration statement. These equity offerings increased the Corporation s capital by $161.3 million. The Corporation applied the proceeds from the offerings to the redemption of various Corporation-issued TPS during 2013 and 2014. The Corporation s preferred stock pays dividends quarterly when, as and if declared by its board of directors, at a rate of 7.25% per year until February 15, 2024; thereafter, dividends are then paid at a floating rate equal to the three-month LIBOR plus 4.60% per year. Additionally, the preferred stock has no maturity date. The preferred stock is redeemable, in whole or in part, from time to time, on any dividend payment date on or after February 15, 2024, at a redemption price of $1,000 per share, plus any declared and unpaid dividends.

Capital management is a continuous process with capital plans and stress testing for the Corporation and FNBPA updated annually. These capital plans include assessing the adequacy of expected capital levels assuming various scenarios by projecting capital needs for a forecast period of 2-3 years beyond the current year. Both the Corporation and FNBPA are subject to various regulatory capital requirements administered by federal banking agencies. For additional information, see the Regulatory Matters footnote in the Notes to the Consolidated Financial Statements, which is included in Item 8 of this Report. From time to time, the Corporation issues shares initially acquired by the Corporation as treasury stock under its various benefit plans. The Corporation may continue to grow through acquisitions, which can potentially impact its capital position. The Corporation may issue additional preferred stock, common stock or subordinated debt in order to maintain its well-capitalized status.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is provided in the Market Risk section of Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included in Item 7 of this Report, and is incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on F.N.B. Corporation s Internal Control Over Financial Reporting

February 26, 2016

F.N.B. Corporation s (the Corporation) internal control over financial reporting is a process effected by the board of directors, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and the board of directors; and (3) provide reasonable assurance regarding prevention, or timely detection of unauthorized acquisition, use, or disposition of the entity s assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management assessed the effectiveness of the Corporation s internal control over financial reporting as of December 31, 2015 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* (2013 framework). Based on that assessment, management concluded that, as of December 31, 2015, the Corporation s internal control over financial reporting is effective based on the criteria established in *Internal Control Integrated Framework* (2013 framework). Ernst & Young LLP, independent registered public accounting firm, has issued an attestation report on the Corporation s internal control over financial reporting.

F.N.B. Corporation

/s/ Vincent J. Delie, Jr.
By: Vincent J. Delie, Jr.
President and Chief Executive Officer

/s/ Vincent J. Calabrese, Jr.
By: Vincent J. Calabrese, Jr.
Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

F.N.B. Corporation

We have audited the accompanying consolidated balance sheets of F.N.B. Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the F.N.B. Corporation s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of F.N.B. Corporation and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), F.N.B. Corporation s internal controls over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

February 26, 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

F.N.B. Corporation

We have audited F.N.B. Corporation s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). F.N.B. Corporation s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on F.N.B. Corporation s Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, F.N.B. Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of F.N.B. Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2015 of F.N.B. Corporation and subsidiaries and our report dated February 26, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

February 26, 2016

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F.N.B. Corporation and Subsidiaries

Consolidated Balance Sheets

Dollars in thousands, except par values

	December 31	
	2015	**2014**
Assets		
Cash and due from banks	$ 207,399	$ 196,240
Interest-bearing deposits with banks	281,720	91,153
Cash and Cash Equivalents	489,119	287,393
Securities available for sale	1,630,567	1,534,065
Securities held to maturity (fair value of $1,643,416 and $1,468,258)	1,637,061	1,453,355
Residential mortgage loans held for sale	4,781	6,180
Loans and leases, net of unearned income of $51,642 and $56,131	12,190,440	11,247,038
Allowance for credit losses	(142,012)	(125,926)
Net Loans and Leases	12,048,428	11,121,112
Premises and equipment, net	159,080	168,756
Goodwill	833,086	832,213
Core deposit and other intangible assets, net	45,644	47,504
Bank owned life insurance	308,192	301,771
Other assets	401,704	374,741
Total Assets	$ 17,557,662	$ 16,127,090
Liabilities		
Deposits:		
Non-interest-bearing demand	$ 3,059,949	$ 2,647,623
Interest-bearing demand	5,311,589	4,547,628
Savings	1,786,459	1,575,922
Certificates and other time deposits	2,465,466	2,611,035
Total Deposits	12,623,463	11,382,208
Short-term borrowings	2,048,896	2,041,658
Long-term borrowings	641,480	541,443
Other liabilities	147,641	140,325
Total Liabilities	15,461,480	14,105,634
Stockholders Equity		
Preferred stock $0.01 par value		
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 176,595,060 and 175,450,303 shares	1,766	1,754
Additional paid-in capital	1,808,210	1,798,984
Retained earnings	243,217	176,120
Accumulated other comprehensive loss	(51,133)	(46,003)
Treasury stock 1,153,390 and 1,458,045 shares at cost	(12,760)	(16,281)
Total Stockholders Equity	2,096,182	2,021,456
Total Liabilities and Stockholders Equity	$ 17,557,662	$ 16,127,090

See accompanying Notes to Consolidated Financial Statements

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F.N.B. Corporation and Subsidiaries

Consolidated Statements of Income

Dollars in thousands, except per share data

	Year Ended December 31		
	2015	**2014**	**2013**
Interest Income			
Loans and leases, including fees	$ 482,086	$ 449,502	$ 390,983
Securities:			
Taxable	58,148	53,877	43,504
Nontaxable	6,405	5,282	5,667
Dividends	39	228	103
Other	117	94	129
Total Interest Income	546,795	508,983	440,386
Interest Expense			
Deposits	31,207	29,603	29,441
Short-term borrowings	7,075	5,638	4,423
Long-term borrowings	10,291	7,445	10,480
Total Interest Expense	48,573	42,686	44,344
Net Interest Income	498,222	466,297	396,042
Provision for credit losses	40,441	38,648	31,090
Net Interest Income After Provision for Credit Losses	457,781	427,649	364,952
Non-Interest Income			
Impairment losses on securities			(27)
Net impairment losses on securities			(27)
Service charges	70,698	68,267	68,221
Trust	20,934	19,365	16,751
Insurance commissions and fees	16,270	16,758	16,598
Securities commissions and fees	13,642	11,453	11,286
Net securities gains	822	11,717	808
Mortgage banking operations	8,619	3,705	3,452
Bank owned life insurance	8,010	7,716	6,874
Other	23,415	19,293	11,815
Total Non-Interest Income	162,410	158,274	135,778
Non-Interest Expense			
Salaries and employee benefits	202,068	195,016	179,971
Net occupancy	33,670	32,281	26,474
Equipment	31,869	29,245	25,214

Amortization of intangibles	8,305	9,717	8,407
Outside services	34,698	33,208	30,257
FDIC insurance	12,888	13,258	10,192
Supplies	8,064	7,102	6,887
State taxes	8,139	6,954	4,256
Telephone	6,234	5,710	5,063
Advertising and promotional	8,396	7,824	6,349
Loan related	6,161	4,933	3,945
Other real estate owned	4,637	4,401	3,215
Merger and acquisition related	3,033	9,611	8,210
Other	22,387	19,993	19,730
Total Non-Interest Expense	390,549	379,253	338,170
Income Before Income Taxes	229,642	206,670	162,560
Income taxes	69,993	62,620	44,756
Net Income	159,649	144,050	117,804
Preferred stock dividends	8,041	8,352	
Net Income Available to Common Stockholders	$ 151,608	$ 135,698	$ 117,804
Net Income per Common Share			
Basic	$ 0.87	$ 0.81	$ 0.81
Diluted	$ 0.86	$ 0.80	$ 0.80
Cash Dividends Paid per Common Share	$ 0.48	$ 0.48	$ 0.48

See accompanying Notes to Consolidated Financial Statements

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F.N.B. Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

Dollars in thousands

	Year Ended December 31		
	2015	**2014**	**2013**
Net income	$ 159,649	$ 144,050	$ 117,804
Other comprehensive (loss) income:			
Securities available for sale:			
Unrealized (losses) gains arising during the period, net of tax (benefit) expense of $(1,561), $13,593, and $(10,121)	(2,899)	25,242	(18,796)
Reclassification adjustment for gains included in net income, net of tax expense of $288, $4,101 and $269	(534)	(7,616)	(500)
Derivative instruments:			
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of $1,989, $4,629 and $(3,165)	3,694	8,597	(5,878)
Reclassification adjustment for gains included in net income, net of tax expense of $1,137, $1,160 and $289	(2,111)	(2,154)	(537)
Pension and postretirement benefit obligations:			
Unrealized (losses) gains arising during the period, net of tax (benefit) expense of $(1,766), $(7,080) and $8,083	(3,280)	(13,148)	15,011
Other comprehensive (loss) income	(5,130)	10,921	(10,700)
Comprehensive income	$ 154,519	$ 154,971	$ 107,104

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2013	$	$ 1,398	$ 1,376,601	$ 75,312	$ (46,224)	$ (5,018)	$ 1,402,069
Comprehensive income				117,804	(10,700)		107,104
Dividends declared:							
Common stock: $0.48/share				(71,246)			(71,246)
Issuance of preferred stock	106,882						106,882
Issuance of common stock		59	58,954			(2,136)	56,877
Issuance of common stock acquisitions		135	165,994				166,129
Restricted stock compensation			5,242				5,242
Tax benefit of stock-based compensation			1,326				1,326
Balance at December 31, 2013	106,882	1,592	1,608,117	121,870	(56,924)	(7,154)	1,774,383
Comprehensive income				144,050	10,921		154,971
Dividends declared:							
Preferred stock				(8,352)			(8,352)
Common stock: $0.48/share				(81,220)			(81,220)
Issuance of common stock		23	14,524	(228)		(9,127)	5,192
Issuance of common stock acquisitions		139	170,011				170,150
Restricted stock compensation			3,618				3,618
Tax benefit of stock-based compensation			2,714				2,714

Balance at December 31, 2014	106,882	1,754	1,798,984	176,120	(46,003)	(16,281)	2,021,456
Comprehensive income				159,649	(5,130)		154,519
Dividends declared:							
Preferred stock				(8,041)			(8,041)
Common stock: $0.48/share				(84,511)			(84,511)
Issuance of common stock		12	4,737			3,521	8,270
Restricted stock compensation			4,461				4,461
Tax benefit of stock-based compensation			28				28
Balance at December 31, 2015	$ 106,882	$ 1,766	$ 1,808,210	$ 243,217	$ (51,133)	$ (12,760)	$ 2,096,182

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

	Year Ended December 31		
	2015	**2014**	**2013**
Operating Activities			
Net income	$ 159,649	$ 144,050	$ 117,804
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation, amortization and accretion	43,949	40,119	30,768
Provision for credit losses	40,441	38,648	31,090
Deferred tax expense	550	44,113	15,291
Net securities gains	(822)	(11,717)	(808)
Other-than-temporary impairment losses on securities			27
Tax benefit of stock-based compensation	(28)	(2,714)	(1,326)
Loans originated for sale	(445,558)	(162,010)	(219,324)
Loans sold	455,623	168,533	243,782
Gain on sale of loans	(8,666)	(5,565)	(3,845)
Net change in:			
Interest receivable	(4,688)	(2,211)	(1,675)
Interest payable	760	(875)	(2,173)
Securities classified as trading in business combination and sold		241,595	125,800
Bank owned life insurance	(6,397)	(10,401)	(3,598)
Other, net	(11,333)	(34,746)	14,280
Net cash flows provided by operating activities	223,480	446,819	346,093
Investing Activities			
Net increase in loans and leases	(985,999)	(1,192,618)	(643,568)
Securities available for sale:			
Purchases	(421,901)	(829,800)	(375,222)
Sales	33,499	175,872	22,047
Maturities	284,483	303,875	345,528
Securities held to maturity:			
Purchases	(465,597)	(475,579)	(373,136)
Sales		4,570	17,428
Maturities	277,967	213,730	285,765
Purchase of bank owned life insurance	(72,688)	(16)	(10,016)
Withdrawal/surrender of bank owned life insurance	72,664	21,968	
Increase in premises and equipment	(9,723)	(20,238)	(14,882)
Net cash received in business combinations	144,629	59,980	141,637
Net cash flows used in investing activities	(1,142,666)	(1,738,256)	(604,419)

Financing Activities			
Net change in:			
Demand (non-interest-bearing and interest-bearing) and savings accounts	1,259,765	652,808	458,153
Time deposits	(166,283)	(292,026)	(312,242)
Short-term borrowings	7,238	789,318	143,703
Increase of long-term borrowings	134,953	385,656	92,583
Repayment of long-term borrowings	(34,968)	(96,906)	(247,988)
Net proceeds from issuance of preferred stock			106,882
Net proceeds from issuance of common stock	12,731	12,857	62,092
Tax benefit of stock-based compensation	28	2,714	1,326
Cash dividends paid:			
Preferred stock	(8,041)	(8,352)	
Common stock	(84,511)	(81,220)	(71,246)
Net cash flows provided by financing activities	1,120,912	1,364,849	233,263
Net Increase (Decrease) in Cash and Cash Equivalents	201,726	73,412	(25,063)
Cash and cash equivalents at beginning of year	287,393	213,981	239,044
Cash and Cash Equivalents at End of Year	$ 489,119	$ 287,393	$ 213,981

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 per share data

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 December 31, 2015, the Corporation had 288 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 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 December 31, 2015.

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 (FNIA), 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).

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 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 statement of income from the date of acquisition.

Cash Equivalents

The Corporation considers cash and demand balances due from banks as cash and cash equivalents.

Securities

Investment securities, which consist of debt securities and certain equity securities, comprise a significant portion of the Corporation s consolidated balance sheet. Such securities can be classified as trading, securities held to maturity or securities available for sale.

Securities acquired in conjunction with acquisitions during 2014 and 2013 were classified as trading securities and were carried at fair value, with unrealized gains (losses) reflected through the consolidated statement of income. The Corporation both acquired and sold these trading securities during the quarters in which each of the acquisitions occurred. As of December 31, 2015 and 2014, the Corporation did not hold any trading securities.

Securities held to maturity are comprised of debt securities, for which management has the positive intent and ability to hold such securities until their maturity. Such securities are carried at cost, adjusted for related amortization of premiums and accretion of discounts through interest income from securities, and other-than-temporary impairment (OTTI), if any.

Securities that are not classified as trading or held to maturity are classified as securities available for sale. The Corporation s available for sale securities portfolio is comprised of debt securities and marketable equity securities. Such securities are carried at fair value with net unrealized gains and losses deemed to be temporary and unrealized losses deemed to be other-than-temporary and attributable to non-credit factors reported separately as a component of other comprehensive income, net of tax. Realized gains and losses on the sale of available for sale securities and credit-related OTTI charges are recorded within non-interest income in the consolidated statement of income. Realized gains and losses on the sale of securities are determined using the specific-identification method.

The Corporation evaluates its investment securities portfolio for 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.

When impairment of an equity security is considered to be other-than-temporary, the security is written down to its fair value and an impairment loss is recorded as a loss within non-interest income in the consolidated statement of income. When impairment of a debt security is considered to be other-than-temporary, the amount of the OTTI recorded as a loss within non-interest income and thereby recognized in earnings depends on whether the Corporation intends to sell the security or whether it is more likely than not that the Corporation will be required to sell the security before recovery of its amortized cost basis.

If the Corporation intends to sell the debt security or more likely than not will be required to sell the security before recovery of its amortized cost basis, OTTI shall be recognized in earnings equal to the entire difference between the investments amortized cost basis and its fair value.

If the Corporation does not intend to sell the debt security and it is not more likely than not the Corporation will be required to sell the security before recovery of its amortized cost basis, OTTI shall be separated into the amount representing credit loss and the amount related to all other market factors. The amount related to credit loss shall be recognized in earnings. The amount related to other market factors shall be recognized in other comprehensive income, net of applicable taxes.

The Corporation performs its OTTI evaluation process in a consistent and systematic manner and includes an evaluation of all available evidence. Documentation of the process is as extensive as necessary to support a conclusion as to whether a decline in fair value below cost or amortized cost is temporary or other-than-temporary and includes documentation supporting both observable and unobservable inputs and a rationale for conclusions reached.

This process considers factors such as the severity, length of time and anticipated recovery period of the impairment, recoveries or additional declines in fair value subsequent to the balance sheet date, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions in its industry, and the issuer s financial condition, repayment capacity, capital strength and near-term prospects.

For debt securities, the Corporation also considers the payment structure of the debt security, the likelihood of the issuer being able to make future payments, failure of the issuer of the security to make scheduled interest and principal payments, whether the Corporation has made a decision to sell the security and whether the Corporation s cash or working capital requirements or contractual or regulatory obligations indicate that the debt security will be required to be sold before a forecasted recovery occurs. For equity securities, the Corporation also considers its intent and ability to retain the security for a period of time sufficient to allow for a recovery in fair value. Among the factors that the Corporation considers in determining its intent and ability to retain the security is a review of its capital adequacy, interest rate risk position and liquidity. The assessment of a security s ability to recover any decline in fair value, the ability of the issuer to meet contractual obligations, the Corporation s intent and ability to retain the security, and whether it is more likely than not the Corporation will be required to sell the security before recovery of its amortized cost basis require considerable judgment.

Debt securities with credit ratings below AA at the time of purchase that are repayment-sensitive securities are evaluated using the guidance of ASC 325, *Investments Other.* All other securities are required to be evaluated under ASC 320, *Investments Debt Securities*.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were sold plus accrued interest. Securities, generally U.S. government and federal agency securities, pledged as collateral under these financing arrangements cannot be sold or repledged by the secured party. The fair value of collateral either received from or provided to a third party is continually monitored and additional collateral is obtained or is requested to be returned to the Corporation as deemed appropriate.

Derivative Instruments and Hedging Activities

From time to time, the Corporation may enter into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the value of certain assets and liabilities and on future cash flows. The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking each hedge transaction. All derivative instruments are carried at fair value on the balance sheet in accordance with the requirements of ASC 815, *Derivatives and Hedging.*

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the balance sheet as either a freestanding asset or liability, with a corresponding offset recorded in accumulated other comprehensive income (AOCI), net of tax. Amounts are reclassified from AOCI to the consolidated statement of income in the period or periods in which the hedged transaction affects earnings.

Derivative gains and losses under cash flow hedges not effective in hedging the change in fair value or expected cash flows of the hedged item are recognized immediately in the consolidated statement of income. At the hedge s inception and at least quarterly thereafter, a formal assessment is performed to determine whether changes in the fair values or cash flows of the derivative instruments have been highly effective in offsetting changes in fair values or cash flows of the hedged items and whether they are expected to be highly effective in the future. If it is determined a derivative instrument has not been or will not continue to be highly effective as a hedge, hedge accounting is discontinued.

In addition, 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 Corporation then enters into positions with a derivative counterparty in order to offset its exposure on the fixed components of the customer agreements. 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. The Corporation seeks to minimize counterparty credit risk by entering into transactions with only high-quality institutions. These arrangements meet the definition of derivatives, but are not designated as hedging instruments under ASC 815, *Derivatives and Hedging*. The interest rate swap agreement with the loan customer and with the counterparty are 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.

Mortgage Loans Held for Sale and Loan Commitments

Certain residential mortgage loans are originated for sale in the secondary mortgage loan market with the majority sold with servicing rights released. These loans are classified as loans held for sale and are carried at the lower of cost or estimated market value on an aggregate basis. Market value is determined on the basis of rates obtained in the respective secondary market for the type of loan held for sale. Loans are generally sold at a premium or discount from the carrying amount of the loan. Such premium or discount is recognized at the date of sale. Gain or loss on the sale of loans is recorded in non-interest income at the time consideration is received and all other criteria for sales treatment have been met.

The Corporation routinely issues commitments to make loans that it intends to sell. These commitments are considered derivatives. The Corporation also enters into commitments to sell loans to mitigate the risk that the market value of residential loans may decline between the time the rate commitment is issued to the customer and the time the Corporation contracts to sell the loan. These commitments and sales contracts are also derivatives. Both types of derivatives are recorded at fair value. Sales contracts and commitments to sell loans are not designated as hedges of the fair value of loans held for sale. Fair value adjustments related to derivatives are recorded in current period earnings as part of mortgage banking income.

Loans (Excluding Acquired Loans)

Loans the Corporation originates and intends to hold for the foreseeable future or until maturity or payoff are reported at their net book balances, net of any deferred origination fees or costs. Interest income on loans is computed over the term of the loans using the effective interest method. Loan origination fees and certain direct costs incurred to extend credit are deferred and amortized over the term of the loan or loan commitment period as an adjustment to the related loan yield.

Non-performing Loans

Interest is not accrued on loans where collectability is uncertain. The Corporation discontinues interest accruals on originated loans generally when principal or interest is due and has remained unpaid for a certain number of days 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. Past due status is based on the contractual terms of the loan.

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When a loan is placed on non-accrual status, all unpaid interest is reversed. Payments subsequently received are generally applied to either principal or interest or both, depending on management s evaluation of collectability. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable. This generally requires a sustained period of timely principal and interest payments.

Loans are generally written off when deemed uncollectible or when they reach a predetermined number of days past due depending upon loan product, terms, and other factors. Recoveries of amounts previously charged off are credited to the allowance for credit losses.

The Corporation considers a loan impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. The impairment loss is measured by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral, less estimated selling costs, if the loan is collateral dependent. Acquired impaired loans are not classified as non-performing assets as the loans are considered to be performing under the provisions of ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*.

Restructured loans are those in which concessions of terms have been made as a result of deterioration in a borrower s financial condition. In general, the modification or restructuring of a debt constitutes a troubled debt restructuring (TDR) if the Corporation for economic or legal reasons related to the borrower s financial difficulties grants a concession to the borrower that the Corporation would not otherwise consider under current market conditions. Debt restructurings or loan modifications for a borrower occur during the normal course of business and do not necessarily constitute TDRs. To designate a loan as a TDR, the presence of both borrower financial distress and a concession of terms must exist. Additionally, a loan designated as a TDR does not necessarily result in the automatic placement of the loan on non-accrual status. When the full collection of principal and interest is reasonably assured on a loan designated as a TDR and the borrower does not otherwise meet the criteria for non-accrual status, the Corporation will continue to accrue interest on the loan.

In accordance with ASC 310-40, a restructured acquired loan that is accounted for as a component of a pool in accordance with ASC 310-30 is not considered a TDR.

Allowance for Credit Losses

The allowance for credit losses is established as losses are estimated to have occurred through a provision charged to earnings. Loan losses are charged against the allowance for credit losses when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for credit losses. Allowances for impaired commercial loans over $500 are generally determined based on collateral values or the present value of estimated cash flows. All other impaired loans are evaluated in the aggregate based on loan segment loss given default. Changes in the allowance for credit losses related to impaired loans are charged or credited to the provision for credit losses.

The allowance for credit losses is maintained at a level that, in management s judgment, is believed adequate to absorb probable losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Adequacy of the allowance for credit losses is based on management s evaluation of potential loan losses in the loan portfolio, which includes an assessment of past experience, current economic conditions in specific industries and geographic areas, general economic conditions, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and residuals and changes in the composition of the loan portfolio. Determination of the allowance for credit losses is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on transition matrices with predefined loss emergence periods and consideration of qualitative factors, all of which are susceptible to significant change.

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Credit impaired loans obtained through acquisitions are accounted for under the provisions of ASC 310-30. The Corporation also accounts for certain acquired loans considered performing at the time of acquisition by analogy to ASC 310-30. ASC 310-30 requires the initial recognition of acquired loans at the present value of amounts expected to be received. Any deterioration in the credit quality of acquired loans subsequent to acquisition would be considered in the allowance for credit losses.

Acquired Loans

Acquired loans (impaired and non-impaired) are initially recorded at their acquisition-date fair values. Fair values are based on a discounted cash flow methodology that involves assumptions and judgments as to credit risk, default rates, loss severity, collateral values, discount rates, payment speeds, prepayment risk, and liquidity risk.

The carryover of allowance for credit losses related to acquired loans is prohibited as any credit losses in the loans are included in the determination of the fair value of the loans at the acquisition date. The allowance for credit losses on acquired loans reflects only those losses incurred after acquisition and represents the present value of cash flows expected at acquisition that is no longer expected to be collected.

At acquisition, the Corporation considers the following factors as indicators that an acquired loan has evidence of deterioration in credit quality and is therefore impaired and in the scope of ASC 310-30:

- loans that were 90 days or more past due;
- loans that had an internal risk rating of substandard or worse. Substandard is consistent with regulatory definitions and is defined as having a well-defined weakness that jeopardizes liquidation of the loan;
- loans that were classified as non-accrual by the acquired bank at the time of acquisition; or
- loans that had been previously modified in a TDR.

Any acquired loans that were not individually in the scope of ASC 310-30 because they didn t meet the criteria above were pooled into groups of similar loans based on various factors including borrower type, loan purpose, and collateral type. For these pools, the Corporation used certain loan information, including outstanding principal balance, estimated expected losses, weighted average maturity, weighted average margin, and weighted average interest rate along with estimated prepayment rates, probability of default and loss given default to estimate the expected cash flow for each loan pool.

Pursuant to an American Institute of CPAs (AICPA) letter dated December 18, 2009, the AICPA summarized the SEC staff s view regarding accounting in subsequent periods for discount accretion associated with acquired loan receivables that are not required to be accounted for in accordance with ASC 310-30. The AICPA understands that, in the absence of further standard setting, the SEC staff would not object to an accounting policy based on contractual cash flows (ASC 310-20 approach) or an accounting policy based on expected cash flows (ASC 310-30 approach). The Corporation believes analogizing to ASC 310-30 is the more appropriate option to follow in accounting for discount accretion on non-impaired acquired loans other than revolving loans and therefore accounts for such loans in accordance with ASC 310-30. ASC 310-30 guidance does not apply to revolving loans. Consequently, discount accretion on revolving loans acquired is accounted for using the ASC 310-20 approach.

The excess of cash flows expected to be collected at acquisition over recorded fair value is referred to as the accretable yield. The accretable yield is recognized into income over the remaining life of the loan if the timing and/or amount of cash flows expected to be collected can be reasonably estimated (the accretion model). If the timing and/or amount of cash flows expected to be collected cannot be reasonably estimated, the cost recovery method of income recognition must be used. The difference between the loan s total scheduled principal and interest payments over all cash flows expected at acquisition is referred to as the non-accretable difference. The non-accretable difference represents contractually required principal and interest payments which the Corporation does not expect to collect.

Over the life of the acquired loan, the Corporation continues to estimate cash flows expected to be collected. Decreases in expected cash flows, other than from prepayments or rate adjustments, are recognized as impairments through a charge to the provision for credit losses resulting in an increase in the allowance for credit losses. Subsequent improvements in cash flows result in first, reversal of existing valuation allowances recognized subsequent to acquisition, if any, and next, an increase in the amount of accretable yield to be subsequently recognized on a prospective basis over the loan s remaining life.

Acquired loans that met the criteria for non-accrual of interest prior to acquisition are considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if the Corporation can reasonably estimate the timing and amount of expected cash flows on such loans. Accordingly, 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 model.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the asset s estimated useful life. Leasehold improvements are expensed over the lesser of the asset s estimated useful life or the term of the lease including renewal periods when reasonably assured. Useful lives are dependent upon the nature and condition of the asset and range from 3 to 40 years. Maintenance and repairs are charged to expense as incurred, while major improvements are capitalized and amortized to operating expense over the identified useful life.

Other Real Estate Owned

Other real estate owned (OREO) is comprised principally of commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations. OREO acquired in settlement of indebtedness is included in other assets initially at the lower of estimated fair value of the asset less estimated selling costs or the carrying amount of the loan. Changes to the value subsequent to transfer are recorded in non-interest expense along with direct operating expenses. Gains or losses not previously recognized resulting from sales of OREO are recognized in non-interest expense on the date of sale.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangible assets that have finite lives, such as core deposit intangibles, customer relationship intangibles and renewal lists, are amortized over their estimated useful lives and subject to periodic impairment testing. Core deposit intangibles are primarily amortized over ten years using accelerated methods. Customer renewal lists and mortgage servicing rights are amortized over their estimated useful lives which range from eight to thirteen years.

Goodwill and other intangibles are subject to impairment testing at the reporting unit level, which must be conducted at least annually. The Corporation performs impairment testing during the fourth quarter of each year. Due to ongoing uncertainty regarding market conditions surrounding the banking industry, the Corporation continues to monitor goodwill and other intangibles for impairment and to evaluate carrying amounts, as necessary.

The Corporation performs a quantitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing updated quantitative factors, the Corporation determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it does not have to perform the two-step goodwill impairment test. Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit under the second step of the goodwill impairment test are judgmental and often involve the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows, discount rates reflecting the market rate of return, projected growth rates and determination and evaluation of appropriate market comparables. Based on the results of quantitative assessments of all reporting units, the Corporation concluded that no impairment existed at December 31, 2015. However, future events could cause the Corporation to conclude that goodwill or other intangibles have become impaired, which would result in recording an impairment loss. Any resulting impairment loss could have a material adverse impact on the Corporation s financial condition and results of operations.

Income Taxes

The Corporation files a consolidated federal income tax return. The provision for federal and state income taxes is based on income reported on the consolidated financial statements, rather than the amounts reported on the respective income tax returns. Deferred tax assets and liabilities are computed using tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be realized. The effect on deferred tax assets and liabilities resulting from a change in tax rates is recognized as income or expense in the period that the change in tax rates is enacted.

The Corporation makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of certain tax credits and in the calculation of the deferred income tax expense or benefit associated with certain deferred tax assets and liabilities. Significant changes to these estimates may result in an increase or decrease to the Corporation s tax provision in a subsequent period. The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

The Corporation assesses the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the Corporation will increase its provision for income taxes by recording a valuation allowance against the deferred tax assets that are unlikely to be recovered. The Corporation believes that it will ultimately recover the deferred tax assets recorded on the balance sheet. However, should there be a change in the Corporation s ability to recover its deferred tax assets, the effect of this change would be recorded through the provision for income taxes in the period during which such change occurs.

The Corporation periodically reviews the tax positions it takes on its tax return and applies a more likely than not recognition threshold for all tax positions that are uncertain. The amount recognized in the financial statements is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded.

Advertising and Promotional Costs

Advertising and promotional costs are generally expensed as incurred.

Per Share Amounts

Earnings per common share is computed using net income available to common stockholders, which is net income adjusted for preferred stock dividends.

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding net of unvested shares of restricted stock.

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Diluted earnings per common share is calculated by dividing net income available to common stockholders adjusted for interest expense on convertible debt by the weighted average number of shares of common stock outstanding, adjusted for the dilutive effect of potential common shares issuable for stock options, warrants and restricted shares, as calculated using the treasury stock method. Adjustments to net income available to common stockholders and the weighted average number of shares of common stock outstanding are made only when such adjustments dilute earnings per common share.

Retirement Plans

The Corporation sponsors pension plans for its employees. The expense associated with the plans is calculated in accordance with ASC 715, *Compensation Retirement Benefits*. The plans utilize assumptions and methods determined in accordance with ASC 715, including reflecting trust assets at their fair value for the qualified pension plans and recognizing the overfunded and underfunded status of the plans on its consolidated balance sheet. Gains and losses, prior service costs and credits are recognized in AOCI, net of tax, until they are amortized, or immediately upon curtailment.

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 statement of income over the shorter of requisite service periods or the period through the date that the employee first becomes eligible to retire. 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.

2. New Accounting Standards

Financial Instruments Recognition and Measurement

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* This guidance will change how entities measure certain equity investments, present changes in the fair value of financial liabilities measured under the fair value option (FVO) that are attributable to their own credit, and certain disclosure requirements and other aspects of current US GAAP. This ASU does not change the guidance for classifying and measuring investments in debt securities and loans.

The new guidance requires entities to measure investments in certain equity securities and other equity investments at the end of each reporting period at fair value, and to recognize changes therein in net income for the period. Financial liabilities measured using the FVO in ASC 825 will present separately in OCI the change in fair value caused by a change in instrument-specific credit risk. This change amends current US GAAP which requires the entire change in fair value to be recognized through earnings.

The new guidance also requires certain additional disclosures in the statement of financial position or in the accompanying notes to the financial statements. In addition, entities will be required to use the exit price when measuring the fair value of financial instruments carried at amortized cost.

The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption of this guidance is not permitted except for the provision requiring recognition of the fair value changes caused by a change in instrument-specific credit risk in OCI for financial liabilities measured using the FVO in ASC 825. The adoption of this update is not expected to have a material effect on the consolidated financial statements, results of operations or liquidity of the Corporation.

Business Combinations Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments.* ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer must recognize measurement-period adjustments in the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. The guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this update will not have a material effect on the consolidated financial statements, results of operations or liquidity of the Corporation.

Insurance Disclosures about Short-Duration Contracts

In May 2015, the FASB issued ASU No. 2015-09, *Financial Services Insurance: Disclosures about Short-Duration Contracts.* ASU 2015-09 requires insurance entities that issue short-duration contracts to provide additional disclosures about the liability for unpaid claims and claim adjustment expenses, including disclosure of information about significant changes in methodologies and assumptions used to calculate the liability, reasons for the change, and the effects on the financial statements. These additional disclosures will increase the transparency of significant estimates made in measuring those liabilities, improve comparability by requiring consistent disclosure of information, and provide financial statement users with information to facilitate analysis. ASU 2015-09 should be applied retrospectively and is effective for annual periods beginning after December 15, 2015, and interim periods beginning after December 15, 2016, with early adoption permitted. The adoption of this update is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Cloud Computing Arrangements

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles-Goodwill and Other-Internal-Use Software*: *Customer s Accounting for Fees Paid in a Cloud Computing Arrangement.* ASU 2015-05 provides guidance about whether a cloud computing arrangement (CCA) includes a software license. If a CCA includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a CCA does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change GAAP for a customer s accounting for service contracts. This update eliminates the existing requirement to analogize to the guidance on leases in ASC 840 in accounting for some software licenses. ASU 2015-05 is effective for reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply ASU 2015-05 either prospectively or retrospectively. The Corporation will apply ASU 2015-05 prospectively. The adoption of this update is not expected to have a material effect on the Corporation s financial statements.

Interest Imputation of Interest

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.* ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the corresponding debt liability. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this update. ASU 2015-03 is effective for reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Corporation early adopted this guidance by classifying as a deduction from long-term borrowings $1,500 of deferred debt issuance costs related to its October 2, 2015 offering of $100,000 subordinated notes. There were no debt issuance costs included in the prior period balance sheet.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation: Amendments to the Consolidation Analysis*. ASU 2015-02 affects reporting entities that must determine whether they should consolidate certain legal entities. This update modifies the evaluation of whether limited partnerships or similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The amendments are effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. A reporting entity may apply the amendments either retrospectively or by using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. The adoption of this update is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Presentation of Financial Statements

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern: Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern,* which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern, and to provide related footnote disclosures. ASU 2014-15 defines substantial doubt as when it is probable that the entity will be unable to meet its obligations as they become due within one year of the date the financial statements are issued. The requirements of ASU 2014-15 are effective for reporting periods ending after December 15, 2016, and interim periods ending thereafter. Early adoption is permitted. The provisions of ASU 2014-15 are not anticipated to affect the Corporation.

Stock Compensation

In June, 2014, the FASB issued ASU No. 2014-12, *Compensation-Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period.* The amendments in this update clarify that a performance target in a share-based payment that affects vesting and that can be achieved after the requisite service period should be accounted for as a performance condition. As a result, the performance target is not reflected in the estimation of the award s grant date fair value and compensation cost should be recognized in the period in which it becomes probable that the performance condition will be achieved and should represent compensation cost attributable to the periods for which the requisite service period has been rendered. The ASU is effective for reporting periods beginning after December 15, 2015. Upon adoption, the Corporation will elect to apply these amendments prospectively to all awards granted or modified after adoption. The adoption of this update will not have a material effect on the consolidated financial statements, results of operations or liquidity of the Corporation.

Revenue Recognition

In May, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles for recognizing revenue and to improve financial reporting by creating a single, principle-based revenue recognition framework. The core principle requires an entity to recognize revenue in a manner that depicts the transfer of promised goods and services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. All arrangements involving the transfer of goods and services to customers are within the scope of the guidance, except for certain contracts subject to other U.S. GAAP guidance, including lease contracts and rights and obligations related to financing arrangements and financial instruments. The guidance is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before annual reporting periods beginning after December 15, 2016. The guidance can be adopted using either the full retrospective approach or a modified retrospective approach. The Corporation will apply the guidance using a modified retrospective approach. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements.

3. Mergers and Acquisitions

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 continues the Corporation s growth strategy, including expanding its geographic footprint in markets throughout central Pennsylvania. Additionally, cost savings, efficiencies and other benefits are expected from the combined operations.

On the acquisition date, METR had assets with a net book value of approximately $2,854,896, including $1,980,790 in loans, and deposits with a net book value of approximately $2,326,313. The acquisition was valued at approximately $402,990 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 merger will be accounted for in accordance with the acquisition method of accounting. Preliminary fair values for all assets and liabilities are not reported herein as the Corporation is undertaking a comprehensive review and determination of the fair values of the assets and liabilities of METR to ensure that they conform to the measurement and reporting guidance set forth for the accounting for business combinations. Determining the fair value of assets and liabilities, especially in the loan portfolio, is a complex process involving significant judgment regarding estimates and assumptions used to calculate fair values. Accordingly, the initial accounting for the merger is not complete.

Goodwill expected to be recorded in the transaction will not be deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

The Corporation incurred merger expenses of $1,260 related to the METR acquisition for the year ended December 31, 2015.

The following pro forma financial information for the year ended December 31, 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:

Revenue (net interest income and non-interest income)	$ 790,391
Net income	171,850
Net income available to common stockholders	163,809
Earnings per common share basic	0.78
Earnings per common share diluted	0.78

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 $154,619, including $148,159 in cash, $4,485 in goodwill and intangible assets, and $1,975 in fixed and other assets. The Corporation also assumed $154,619 in deposits associated with these branches. The Corporation paid a deposit premium of 1.94% and acquired an immaterial amount of loans as part of the transaction. The Corporation s operating results for 2015 includes the impact of branch activity subsequent to the September 18, 2015 closing date. Goodwill of $1,485 for this transaction is expected to be deductible for income tax purposes.

Insurance Brokerage Conway E&S, Inc.

On July 18, 2015, the Corporation, through its wholly-owned subsidiary, FNIA, acquired certain account assets of Conway E&S, Inc., a Pittsburgh-based independent insurance brokerage firm. Under the purchase agreement, the Corporation paid $464 in cash and recorded goodwill of $269 and other intangibles of $195 in connection with this acquisition.

Insurance Brokerage First Niagara Risk Management, Inc.

On June 22, 2015, FNIA acquired the Pittsburgh Insurance Brokerage Segment of First Niagara Risk Management, Inc. Under the purchase agreement, the Corporation paid $3,066 in cash and recorded goodwill of $1,639, other intangibles of $1,186, and miscellaneous other assets of $241 in connection with this acquisition.

OBA Financial Services, Inc.

On September 19, 2014, the Corporation completed its acquisition of OBA Financial Services, Inc. (OBA), a bank holding company based in Germantown, Maryland. On the acquisition date, the estimated fair values of OBA included $390,160 in assets, $291,393 in loans and $295,922 in deposits. The acquisition was valued at $85,554 and resulted in the Corporation issuing 7,170,037 shares of its common stock in exchange for 4,025,895 shares of OBA common stock. The Corporation also acquired the outstanding stock options of OBA that became fully vested upon the acquisition. The assets and liabilities of OBA were recorded on the Corporation s consolidated balance sheet at their fair values as of September 19, 2014, the acquisition date, and OBA s results of operations have been included in the Corporation s consolidated statement of comprehensive income since that date. OBA s banking affiliate, OBA Bank, was merged into FNBPA on September 19, 2014. Based on the purchase price allocation, the Corporation recorded $20,107 in goodwill and $4,304 in core deposit intangibles as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

BCSB Bancorp, Inc.

On February 15, 2014, the Corporation completed its acquisition of BCSB Bancorp, Inc. (BCSB), a bank holding company based in Baltimore, Maryland. On the acquisition date, the estimated fair values of BCSB included $596,122 in assets, $304,932 in loans and $532,197 in deposits. The acquisition was valued at $80,547 and resulted in the Corporation issuing 6,730,597 shares of its common stock in exchange for 3,235,961 shares of BCSB common stock. The Corporation also acquired the outstanding stock options of BCSB that became fully vested upon the acquisition. The assets and liabilities of BCSB were recorded on the Corporation s consolidated balance sheet at their fair values as of February 15, 2014, the acquisition date, and BCSB s results of operations have been included in the Corporation s consolidated statement of comprehensive income since that date. BCSB s banking affiliate, Baltimore County Savings Bank, was merged into FNBPA on February 15, 2014. Based on the purchase price allocation, the Corporation recorded $42,452 in goodwill and $6,591 in core deposit intangibles as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

PVF Capital Corp.

On October 12, 2013, the Corporation completed its acquisition of PVF Capital Corp. (PVF), a savings and loan holding company based in Solon, Ohio. On the acquisition date, the estimated fair values of PVF included $737,229 in assets, $512,795 in loans and $628,019 in deposits. The acquisition was valued at $109,856 and resulted in the Corporation issuing 8,893,598 shares of its common stock in exchange for 26,119,398 shares of PVF common stock. The Corporation also acquired the outstanding stock options of PVF that became fully vested upon the acquisition. The assets and liabilities of PVF were recorded on the Corporation s consolidated balance sheets at their fair values as of October 12, 2013, the acquisition date, and PVF s results of operations

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have been included in the Corporation s consolidated statements of comprehensive income since that date. PVF s banking affiliate, Park View Federal Savings Bank, was merged into FNBPA on October 12, 2013. Based on the purchase price allocation, the Corporation recorded $55,727 in goodwill and $6,867 in core deposit intangibles as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

Annapolis Bancorp, Inc.

On April 6, 2013, the Corporation completed its acquisition of Annapolis Bancorp, Inc. (ANNB), a bank holding company based in Annapolis, Maryland. On the acquisition date, the estimated fair values of ANNB included $430,252 in assets, $256,212 in loans and $349,370 in deposits. The acquisition was valued at $56,300 and resulted in the Corporation issuing 4,641,412 shares of its common stock in exchange for 4,060,802 shares of ANNB common stock. The Corporation also acquired the outstanding stock options of ANNB that became fully vested upon the acquisition. Additionally, the Corporation paid $609, or $0.15 per share, to the holders of ANNB common stock as cash consideration due to the collection of a certain loan, as designated in the merger agreement. The assets and liabilities of ANNB were recorded on the Corporation s consolidated balance sheets at their fair values as of April 6, 2013, the acquisition date, and ANNB s results of operations have been included in the Corporation s consolidated statements of comprehensive income since that date. ANNB s banking affiliate, BankAnnapolis, was merged into FNBPA on April 6, 2013. In conjunction with the acquisition, a warrant issued by ANNB to the U.S. Department of the Treasury (UST) under the Capital Purchase Program (CPP) was assumed by the Corporation and converted into a warrant to purchase up to 342,564 shares of the Corporation s common stock. The warrant expires January 30, 2019 and has an exercise price of $3.57 per share. Subsequent adjustments related to actual dividends paid by the Corporation have increased the share amount of these warrants to 364,843, with a resulting lower exercise price of $3.38 per share as of December 31, 2015. Based on the purchase price allocation, the Corporation recorded $35,854 in goodwill and $3,775 in core deposit intangibles as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

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

	Bank of America Branches	OBA Financial Services, Inc.	BCSB Bancorp, Inc.	PVF Capital Corp.	Annapolis Bancorp, Inc.
Fair value of consideration paid:					
Common stock issued, net of offering costs	$	$ 85,554	$ 80,547	$ 109,856	$ 54,065
Warrant assumed					2,235
Total consideration paid		85,554	80,547	109,856	56,300
Fair value of identifiable assets acquired:					
Cash and cash equivalents	148,159	32,913	26,980	99,738	41,986
Securities		39,891	208,538	47,258	99,309
Loans	842	291,393	304,932	512,795	256,212
Other intangible assets	3,000	4,304	6,591	15,288	3,775
Other assets	1,133	21,659	49,081	62,150	28,970

Total identifiable assets acquired	153,134	390,160	596,122	737,229	430,252
Fair value of liabilities assumed:					
Deposits	154,619	295,922	532,197	628,019	349,370
Borrowings		27,602	17,011	37,241	58,204
Other liabilities		1,189	8,819	17,840	2,232
Total liabilities assumed	154,619	324,713	558,027	683,100	409,806
Fair value of net identifiable assets acquired	(1,485)	65,447	38,095	54,129	20,446
Goodwill recognized	$ 1,485	$ 20,107	$ 42,452	$ 55,727	$ 35,854

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Pending Branch Purchase   Fifth Third Bank

On September 3, 2015, the Corporation announced that it entered into a purchase and assumption agreement to acquire approximately $383,000 in retail and private banking deposits, 17 branch-banking locations and related consumer loans in the Pittsburgh, Pennsylvania area from Fifth Third Bank. The transaction is expected to close during the second quarter of 2016.

4. Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
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
	$ 1,636,526	$ 7,394	$ (13,353)	$ 1,630,567
December 31, 2014				
U.S. Treasury	$ 29,604	$ 78	$	$ 29,682
U.S. government-sponsored entities	338,330	742	(1,939)	337,133
Residential mortgage-backed securities:				
Agency mortgage-backed securities	546,572	7,548	(35)	554,085
Agency collateralized mortgage obligations	580,601	1,617	(9,047)	573,171
Non-agency collateralized mortgage obligations	1,414	17		1,431
Commercial mortgage-backed securities	7,891		(11)	7,880
States of the U.S. and political subdivisions	12,713	477	(32)	13,158
Other debt securities	16,615	420	(857)	16,178
Total debt securities	1,533,740	10,899	(11,921)	1,532,718
Equity securities	1,031	316		1,347
	$ 1,534,771	$ 11,215	$ (11,921)	$ 1,534,065

December 31, 2013				
U.S. government-sponsored entities	$ 336,763	$ 126	$ (5,904)	$ 330,985
Residential mortgage-backed securities:				
Agency mortgage-backed securities	247,880	4,304	(1,303)	250,881
Agency collateralized mortgage obligations	511,098	895	(20,794)	491,199
Non-agency collateralized mortgage obligations	1,747	15		1,762
States of the U.S. and political subdivisions	16,842	410	(250)	17,002
Collateralized debt obligations	37,203	4,507	(10,115)	31,595
Other debt securities	16,505	524	(929)	16,100
Total debt securities	1,168,038	10,781	(39,295)	1,139,524
Equity securities	1,444	682		2,126
	$ 1,169,482	$ 11,463	$ (39,295)	$ 1,141,650

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
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
	$ 1,637,061	$ 15,943	$ (9,588)	$ 1,643,416
December 31, 2014				
U.S. Treasury	$ 502	$ 168	$	$ 670
U.S. government-sponsored entities	101,602	885	(524)	101,963
Residential mortgage-backed securities:				
Agency mortgage-backed securities	677,169	16,712	(346)	693,535
Agency collateralized mortgage obligations	501,965	1,858	(7,329)	496,494
Non-agency collateralized mortgage obligations	4,285	28		4,313
Commercial mortgage-backed securities	17,560	179		17,739
States of the U.S. and political subdivisions	150,272	3,315	(43)	153,544
	$ 1,453,355	$ 23,145	$ (8,242)	$ 1,468,258
December 31, 2013				
U.S. Treasury	$ 503	$ 99	$	$ 602
U.S. government-sponsored entities	43,322	180	(1,151)	42,351
Residential mortgage-backed securities:				
Agency mortgage-backed securities	628,681	12,281	(6,032)	634,930
Agency collateralized mortgage obligations	385,408	764	(15,844)	370,328
Non-agency collateralized mortgage obligations	6,852	44	(4)	6,892
Commercial mortgage-backed securities	2,241	124	(37)	2,328
States of the U.S. and political subdivisions	132,162	1,992	(2,022)	132,132
	$ 1,199,169	$ 15,484	$ (25,090)	$ 1,189,563

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

Year Ended December 31	2015	2014	2013
Gross gains	$ 831	$ 20,241	$ 1,200
Gross losses	(9)	(8,524)	(392)

	$ 822	$ 11,717	$ 808

During 2014, the Corporation strategically sold its entire portfolio of pooled trust preferred securities (TPS) with net proceeds of $51,540 and a gain of $13,766. These were previously classified as collateralized debt obligations (CDOs) available for sale. Of the 23 pooled securities sold, one was determined to be a disallowed investment under the Volcker Rule (Section 619) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), and as such, was required to be disposed of by July 2016. Partially offsetting this gain was a net loss of $2,049 relating to the sale of other securities. By selling these securities, the

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Corporation strengthened the risk profile of its investment portfolio, improved its capital levels due to lowered risk-weighted assets and generated capital to support future growth.

As of December 31, 2015, 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	$ 5,178	$ 5,183	$ 2,409	$ 2,426
Due from one to five years	403,591	403,401	136,744	136,841
Due from five to ten years	10,013	10,304	64,954	66,347
Due after ten years	4,896	4,245	169,351	172,501
	423,678	423,133	373,458	378,115
Residential mortgage-backed securities:				
Agency mortgage-backed securities	703,069	704,831	709,970	718,652
Agency collateralized mortgage obligations	503,328	495,830	499,694	492,840
Non-agency collateralized mortgage obligations	1,177	1,190	2,681	2,695
Commercial mortgage-backed securities	4,299	4,287	51,258	51,114
Equity securities	975	1,296		
	$ 1,636,526	$ 1,630,567	$ 1,637,061	$ 1,643,416

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 residential mortgage-backed securities based on the payment patterns of the underlying collateral.

At December 31, 2015 and 2014, securities with a carrying value of $1,728,939 and $1,036,380, respectively, were pledged to secure public deposits, trust deposits and for other purposes as required by law. Securities with a carrying value of $272,629 and $892,647 at December 31, 2015 and 2014, respectively, were pledged as collateral for short-term borrowings.

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

	Less than 12 Months			Greater than 12 Months			Total		
	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses	#	Fair Value	Unrealized Losses
Securities Available for Sale:									
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)
	36	$ 589,609	$ (5,027)	23	$ 254,062	$ (8,326)	59	$ 843,671	$ (13,353)
December 31, 2014									
U.S. government-sponsored entities	7	$ 89,986	$ (275)	7	$ 99,326	$ (1,664)	14	$ 189,312	$ (1,939)
Residential mortgage-backed securities:									
Agency mortgage-backed securities	2	45,145	(35)				2	45,145	(35)
Agency collateralized mortgage obligations	9	166,908	(1,238)	16	225,700	(7,809)	25	392,608	(9,047)
Commercial mortgage-backed securities	1	7,880	(11)				1	7,880	(11)
States of the U.S. and political subdivisions				1	1,159	(32)	1	1,159	(32)
Other debt securities				4	6,030	(857)	4	6,030	(857)
	19	$ 309,919	$ (1,559)	28	$ 332,215	$ (10,362)	47	$ 642,134	$ (11,921)

Securities Held to Maturity:									
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)
	43	$ 466,354	$ (3,126)	16	$ 176,411	$ (6,462)	59	$ 642,765	$ (9,588)
December 31, 2014									
U.S. government-sponsored entities	2	$ 24,989	$ (40)	2	$ 29,516	$ (484)	4	$ 54,505	$ (524)
Residential mortgage-backed securities:									
Agency mortgage-backed securities	1	1,099	(1)	4	45,042	(345)	5	46,141	(346)
Agency collateralized mortgage obligations	8	104,071	(630)	14	189,642	(6,699)	22	293,713	(7,329)
States of the U.S. and political subdivisions	1	1,427	(4)	4	5,453	(39)	5	6,880	(43)
	12	$ 131,586	$ (675)	24	$ 269,653	$ (7,567)	36	$ 401,239	$ (8,242)

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

The Corporation s portfolio of TPS consists of three single-issuer securities, which are primarily from money-center and large regional banks and are included in other debt securities. These single-issuer TPS had an amortized cost and estimated fair value of $4,896 and $4,245 at December 31, 2015, respectively. The Corporation has concluded from its analysis performed at December 31, 2015 that it is probable that the Corporation will collect all contractual principal and interest payments related to these securities.

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Other-Than-Temporary Impairment

The Corporation evaluates its investment securities portfolio for 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:

	Collateralized Debt Obligations	Equities	Total
For the Year Ended December 31, 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
For the Year Ended December 31, 2014			
Beginning balance	$ 17,155	$ 27	$ 17,182
Loss where impairment was not previously recognized			
Additional loss where impairment was previously recognized			
Reduction due to credit impaired securities sold	(17,155)		(17,155)
Ending balance	$	$ 27	$ 27

The Corporation did not recognize any impairment losses on securities for the years ended December 31, 2015 and 2014. The Corporation recognized a net impairment loss of $27 for 2013, due to the write-down of securities that the Corporation deemed to be other-than-temporarily impaired.

States of the U.S. and Political Subdivisions

The Corporation s municipal bond portfolio of $246,630 as of December 31, 2015 is highly rated with an average entity-specific rating of AA and 99.0% of the portfolio rated A or better. General obligation bonds comprise 99.8% of the portfolio. Geographically, municipal bonds support the Corporation s primary footprint as 93.8% 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 $1,561. In addition to the strong stand-alone ratings, 81.0% 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. Federal Home Loan Bank Stock

The Corporation is a member of the Federal Home Loan Bank (FHLB) of Pittsburgh. The FHLB requires members to purchase and hold a specified minimum level of FHLB stock based upon their level of borrowings, collateral balances and participation in other programs offered by the FHLB. Stock in the FHLB is non-marketable and is redeemable at the discretion of the FHLB. Both cash and stock dividends on FHLB stock are reported as income.

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Members do not purchase stock in the FHLB for the same reasons that traditional equity investors acquire stock in an investor-owned enterprise. Rather, members purchase stock to obtain access to the low-cost products and services offered by the FHLB. Unlike equity securities of traditional for-profit enterprises, the stock of FHLB does not provide its holders with an opportunity for capital appreciation because, by regulation, FHLB stock can only be purchased, redeemed and transferred at par value.

At December 31, 2015 and 2014, the Corporation s FHLB stock totaled $72,890 and $54,751, respectively, and is included in other assets on the balance sheet. The Corporation accounts for the stock in accordance with ASC 325, which requires the investment to be carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. Due to the continued improvement of the FHLB s financial performance and stability over the past several years, along with a special dividend during the first quarter of 2015 and quarterly cash dividends in 2014 and 2015, the Corporation believes its holdings in the stock are ultimately recoverable at par value and, therefore, determined that FHLB stock was not other-than-temporarily impaired. In addition, the Corporation has ample liquidity and does not require redemption of its FHLB stock in the foreseeable future.

6. Loans and Leases

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

	Originated Loans and Leases	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
	$ 11,031,979	$ 1,158,461	$ 12,190,440
December 31, 2014			
Commercial real estate	$ 3,031,810	$ 783,898	$ 3,815,708
Commercial and industrial	2,197,793	120,222	2,318,015
Commercial leases	177,824		177,824
Total commercial loans and leases	5,407,427	904,120	6,311,547
Direct installment	1,579,770	64,851	1,644,621
Residential mortgages	817,586	445,467	1,263,053
Indirect installment	873,645	1,906	875,551
Consumer lines of credit	946,427	164,549	1,110,976

Other	41,290		41,290
	$ 9,666,145	$ 1,580,893	$ 11,247,038

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.

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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 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 contains consumer finance loans to individuals in Pennsylvania, Ohio, Tennessee and Kentucky, which totaled $186,162 or 1.5% of total loans at December 31, 2015, compared to $180,588 or 1.6% of total loans at December 31, 2014. Due to the relative size of the consumer finance loan portfolio, they are not segregated from other consumer loans.

As of December 31, 2015, 38.1% of the commercial real estate loans were owner-occupied, while the remaining 61.9% were non-owner-occupied, compared to 41.6% and 58.4%, respectively, as of December 31, 2014. As of December 31, 2015 and 2014, the Corporation had commercial construction loans of $352,322 and $296,156, respectively, representing 2.9% and 2.6% of total loans at those respective dates. As of December 31, 2015 and 2014, there were no concentrations of loans relating to any industry in excess of 10% of total loans.

The Corporation has extended credit to certain directors and executive officers and their related interests. These related-party loans were made in the ordinary course of business under normal credit terms and do not involve more than a normal risk of collection. Following is an analysis of these loans to related parties:

Total loans at December 31, 2014	$ 42,263
New loans	4,954
Repayments	(3,802)
Other	(1,614)
Total loans at December 31, 2015	$ 41,801

Other represents the net change in loan balances resulting from changes in related parties during 2015.

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:

December 31	**2015**	**2014**
Accounted for under ASC 310-30:		
Outstanding balance	$ 1,258,418	$ 1,597,558
Carrying amount	1,011,139	1,344,171
Accounted for under ASC 310-20:		
Outstanding balance	146,161	242,488

Carrying amount	140,595	228,748
Total acquired loans:		
Outstanding balance	1,404,579	1,840,046
Carrying amount	1,151,734	1,572,919

The carrying amount of purchased credit impaired loans included in the table above totaled $5,940 at December 31, 2015 and $9,556 at December 31, 2014, representing less than 1% of the carrying amount of total acquired loans as of each date.

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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.

Year Ended December 31	**2015**	**2014**
Balance at beginning of period	$ 331,899	$ 305,646
Acquisitions		125,001
Reduction due to unexpected early payoffs	(47,075)	(48,556)
Reclass from non-accretable difference	32,141	29,643
Disposals/transfers	(674)	(5,513)
Accretion	(60,171)	(74,322)
Balance at end of period	$ 256,120	$ 331,899

Credit Quality

Management monitors the credit quality of the Corporation s loan portfolio on an ongoing basis. Measurement of delinquency and past due status are 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 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 accrued 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:

December 31	**2015**	**2014**
Non-accrual loans	$ 49,897	$ 45,113
Troubled debt restructurings	22,028	23,439
Total non-performing loans	71,925	68,552
Other real estate owned (OREO)	38,918	41,466
Total non-performing assets	$ 110,843	$ 110,018
Asset quality ratios:		
Non-performing loans as a percent of total loans and leases	0.59%	0.61%
Non-performing loans + OREO as a percent of total loans and leases + OREO	0.91%	0.97%
Non-performing assets as a percent of total assets	0.63%	0.68%

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 amounted to $5,219 at December 31, 2015. Also, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at December 31, 2015 amounted to $11,725.

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The following tables provide an analysis of the aging of loans by class segregated by loans and leases originated and loans acquired:

	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						
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
	$ 46,683	$ 7,024	$ 48,774	$ 102,481	$ 10,929,498	$ 11,031,979
December 31, 2014						
Commercial real estate	$ 9,601	$ 313	$ 24,132	$ 34,046	$ 2,997,764	$ 3,031,810
Commercial and industrial	2,446	3	8,310	10,759	2,187,034	2,197,793
Commercial leases	961	43	722	1,726	176,098	177,824
Total commercial loans and leases	13,008	359	33,164	46,531	5,360,896	5,407,427
Direct installment	9,333	3,617	7,117	20,067	1,559,703	1,579,770
Residential mortgages	8,709	3,891	2,964	15,564	802,022	817,586
Indirect installment	7,804	684	1,149	9,637	864,008	873,645
Consumer lines of credit	2,408	562	719	3,689	942,738	946,427
Other	13	135		148	41,142	41,290
	$ 41,275	$ 9,248	$ 45,113	$ 95,636	$ 9,570,509	$ 9,666,145

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	30-89 Days Past Due	≥ 90 Days Past Due and Still Accruing	Non-Accrual	Total Past Due (1)(2)	Current	Discount	Total Loans
Acquired Loans							
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
	$ 15,034	$ 29,718	$ 1,123	$ 45,875	$ 1,193,517	$ (80,931)	$ 1,158,461
December 31, 2014							
Commercial real estate	$ 12,076	$ 12,368		$ 24,444	$ 799,991	$ (40,537)	$ 783,898
Commercial and industrial	687	1,968		2,655	127,535	(9,968)	120,222
Total commercial loans	12,763	14,336		27,099	927,526	(50,505)	904,120
Direct installment	2,670	1,443		4,113	59,532	1,206	64,851
Residential mortgages	8,159	19,936		28,095	456,810	(39,438)	445,467
Indirect installment	38	30		68	2,179	(341)	1,906
Consumer lines of credit	1,048	2,279		3,327	166,912	(5,690)	164,549
	$ 24,678	$ 38,024		$ 62,702	$ 1,612,959	$ (94,768)	$ 1,580,893

(1) Past due information for loans acquired is based on the contractual balance outstanding at December 31, 2015 and 2014.

(2) Acquired loans are considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if 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 Category	Definition
Pass	in general, the condition of the borrower and the performance of the loan 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 of the borrower has significantly deteriorated and the performance of the loan 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

The use of these internally assigned credit quality categories within the commercial loan 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 conforms with regulatory categories. In general, loan risk ratings within each category are reviewed on an ongoing basis according to the Corporation s policy for each class of loans. 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 portfolio. Loans within the Pass credit category or that migrate toward the Pass credit category generally have a lower risk of loss compared to loans 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 by credit quality category segregated by loans and leases originated and loans acquired:

	Commercial Loan and Lease Credit Quality Categories				
	Pass	Special Mention	Substandard	Doubtful	Total
Originated Loans and Leases					
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
	$ 5,949,837	$ 164,873	$ 152,690	$ 2,650	$ 6,270,050
December 31, 2014					
Commercial real estate	$ 2,890,830	$ 58,630	$ 81,951	$ 399	$ 3,031,810
Commercial and industrial	2,085,893	71,420	39,684	796	2,197,793
Commercial leases	174,677	2,198	949		177,824
	$ 5,151,400	$ 132,248	$ 122,584	$ 1,195	$ 5,407,427
Acquired Loans					
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
	$ 520,608	$ 50,801	$ 73,872		$ 645,281
December 31, 2014					
Commercial real estate	$ 610,260	$ 73,891	$ 99,747		$ 783,898
Commercial and industrial	103,862	3,506	12,854		120,222
	$ 714,122	$ 77,397	$ 112,601		$ 904,120

Credit quality information for acquired loans is based on the contractual balance outstanding at December 31, 2015 and 2014.

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 and other loans by payment status:

	Consumer Loan Credit Quality by Payment Status		
	Performing	**Non-Performing**	**Total**
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
December 31, 2014			
Direct installment	$ 1,565,090	$ 14,680	$ 1,579,770
Residential mortgages	802,522	15,064	817,586
Indirect installment	872,340	1,305	873,645
Consumer lines of credit	944,631	1,796	946,427
Other	41,290		41,290

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 relationships less than $500 based on loan segment loss given default. For commercial loan relationships greater than or equal to $500, 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, 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:

	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 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
	$ 84,525	$ 64,374	$ 6,315	$ 70,689	$ 2,650	$ 68,950
At or for the Year Ended December 31, 2014						
Commercial real estate	$ 34,583	$ 25,443	$ 883	$ 26,326	$ 399	$ 30,807
Commercial and industrial	11,412	7,609	1,948	9,557	780	9,510
Commercial leases	722	722		722		686
Total commercial loans and leases	46,717	33,774	2,831	36,605	1,179	41,003
Direct installment	14,987	14,680		14,680		14,248
Residential mortgages	16,791	15,064		15,064		16,924
Indirect installment	1,467	1,305		1,305		1,399
Consumer lines of credit	1,803	1,796		1,796		1,793
	$ 81,765	$ 66,619	$ 2,831	$ 69,450	$ 1,179	$ 75,367

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

These tables do not reflect the additional allowance for credit losses relating to acquired loans in the following pools and categories: commercial real estate of $3,073; commercial and industrial of $695; direct installment of $1,557; residential mortgages of $659; indirect installment of $221; and consumer lines of credit of $522, totaling $6,727 at December 31, 2015 and commercial real estate of $3,286; commercial and industrial of $1,484; direct installment of $1,847; residential mortgages of $858; indirect installment of $232; and consumer lines of credit of $267, totaling $7,974 at December 31, 2014.

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 composition of total TDRs:

December 31	2015	2014
Accruing:		
Performing	$ 15,165	$ 9,441
Non-performing	22,028	23,439
Non-accrual	8,307	8,272
	$ 45,500	$ 41,152

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 2015, the Corporation returned to performing status $7,338 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 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 of $300 and $371 at December 31, 2015 and 2014, respectively, and pooled reserves for individual loans under $500 of $929 and $1,215 for those same respective periods, 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.

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 $3,515 and $3,448 at December 31, 2015 and 2014, 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 loans, by class, that have been restructured:

Year Ended December 31	**2015**			**2014**		
	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	3	$ 1,165	$ 960	11	$ 2,946	$ 2,282
Commercial and industrial	1	5	4	4	573	540
Total commercial loans	4	1,170	964	15	3,519	2,822
Direct installment	489	6,712	6,314	522	5,742	5,422
Residential mortgages	45	1,667	1,660	46	2,456	2,357
Indirect installment	17	55	48	24	70	66
Consumer lines of credit	58	950	832	41	1,089	1,037
	613	$ 10,554	$ 9,818	648	$ 12,876	$ 11,704

Following is a summary of TDRs, by class of loans, 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.

Year Ended December 31	**2015**		**2014**	
	Number of Contracts	**Recorded Investment (1)**	**Number of Contracts**	**Recorded Investment (1)**
Commercial real estate	1	$ 26		$
Commercial and industrial				
Total commercial loans	1	26		
Direct installment	97	510	97	728
Residential mortgages	7	306	4	151
Indirect installment	9	14	7	16
Consumer lines of credit			1	50
	114	$ 856	109	$ 945

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

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7. Allowance for Credit Losses

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

	Balance at Beginning of Year	Charge-Offs	Recoveries	Net Charge-Offs	Provision for Credit Losses	Balance at End of Year
Year Ended December 31, 2015						
Commercial real estate	$ 37,588	$ (4,443)	$ 1,117	$ (3,326)	$ 7,479	$ 41,741
Commercial and industrial	32,645	(3,562)	1,773	(1,789)	10,167	41,023
Commercial leases	2,398	(544)	101	(443)	586	2,541
Total commercial loans and leases	72,631	(8,549)	2,991	(5,558)	18,232	85,305
Direct installment	20,538	(10,844)	1,527	(9,317)	10,366	21,587
Residential mortgages	8,024	(1,010)	85	(925)	810	7,909
Indirect installment	7,504	(6,427)	1,190	(5,237)	7,622	9,889
Consumer lines of credit	8,496	(1,653)	175	(1,478)	2,564	9,582
Other	759	(1,691)	55	(1,636)	1,890	1,013
Total allowance on originated loans	117,952	(30,174)	6,023	(24,151)	41,484	135,285
Purchased credit-impaired loans	660	(64)	19	(45)	219	834
Other acquired loans	7,314	(830)	671	(159)	(1,262)	5,893
Total allowance on acquired loans	7,974	(894)	690	(204)	(1,043)	6,727
Total allowance	$ 125,926	$ (31,068)	$ 6,713	$ (24,355)	$ 40,441	$ 142,012
Year Ended December 31, 2014						
Commercial real estate	$ 32,548	$ (6,568)	$ 2,351	$ (4,217)	$ 9,257	$ 37,588
Commercial and industrial	32,603	(3,454)	1,412	(2,042)	2,084	32,645
Commercial leases	1,903	(415)	105	(310)	805	2,398
Total commercial loans and leases	67,054	(10,437)	3,868	(6,569)	12,146	72,631
Direct installment	17,824	(9,600)	1,163	(8,437)	11,151	20,538
Residential mortgages	5,836	(760)	74	(686)	2,874	8,024
Indirect installment	6,409	(3,627)	875	(2,752)	3,847	7,504
Consumer lines of credit	7,231	(1,495)	218	(1,277)	2,542	8,496
Other	530	(1,329)	24	(1,305)	1,534	759
Total allowance on originated loans	104,884	(27,248)	6,222	(21,026)	34,094	117,952
Purchased credit-impaired loans	1,000	(2,614)	1	(2,613)	2,273	660

Other acquired loans	4,900	(873)	1,006	133	2,281	7,314
Total allowance on acquired loans	5,900	(3,487)	1,007	(2,480)	4,554	7,974
Total allowance	$ 110,784	$ (30,735)	$ 7,229	$ (23,506)	$ 38,648	$ 125,926
Year Ended December 31, 2013						
Commercial real estate	$ 34,810	$ (5,465)	$ 1,799	$ (3,666)	$ 1,404	$ 32,548
Commercial and industrial	31,849	(5,124)	2,108	(3,016)	3,770	32,603
Commercial leases	1,744	(432)	179	(253)	412	1,903
Total commercial loans and leases	68,403	(11,021)	4,086	(6,935)	5,586	67,054
Direct installment	15,130	(9,059)	931	(8,128)	10,822	17,824
Residential mortgages	5,155	(1,345)	162	(1,183)	1,864	5,836
Indirect installment	5,449	(3,337)	773	(2,564)	3,524	6,409
Consumer lines of credit	6,057	(1,974)	274	(1,700)	2,874	7,231
Other		(965)		(965)	1,495	530
Total allowance on originated loans	100,194	(27,701)	6,226	(21,475)	26,165	104,884
Purchased credit-impaired loans	759	(299)		(299)	540	1,000
Other acquired loans	3,421	(2,530)	(376)	(2,906)	4,385	4,900
Total allowance on acquired loans	4,180	(2,829)	(376)	(3,205)	4,925	5,900
Total allowance	$ 104,374	$ (30,530)	$ 5,850	$ (24,680)	$ 31,090	$ 110,784

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

	Allowance		Loans and Leases Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Originated Loans and Leases	Individually Evaluated for Impairment	Collectively Evaluated for Impairment
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
	$ 2,650	$ 132,635	$ 11,031,979	$ 23,706	$ 11,008,273
December 31, 2014					
Commercial real estate	$ 399	$ 37,189	$ 3,031,810	$ 13,952	$ 3,017,858
Commercial and industrial	780	31,865	2,197,793	5,837	2,191,956
Commercial leases		2,398	177,824		177,824
Total commercial loans and leases	1,179	71,452	5,407,427	19,789	5,387,638
Direct installment		20,538	1,579,770		1,579,770
Residential mortgages		8,024	817,586		817,586
Indirect installment		7,504	873,645		873,645
Consumer lines of credit		8,496	946,427		946,427
Other		759	41,290		41,290
	$ 1,179	$ 116,773	$ 9,666,145	$ 19,789	$ 9,646,356

The above table excludes acquired loans that were pooled into groups of loans for evaluating impairment.

8. Premises and Equipment

Following is a summary of premises and equipment:

December 31	**2015**	**2014**
Land	$ 33,023	$ 35,473

Premises	143,757	150,868
Equipment	130,066	117,223
	306,846	303,564
Accumulated depreciation	(147,766)	(134,808)
	$ 159,080	$ 168,756

Depreciation expense for premises and equipment was $20,009 for 2015, $18,671 for 2014 and $15,558 for 2013.

The Corporation has operating leases extending to 2046 for certain land, office locations and equipment, many of which have renewal options. Leases that expire are generally expected to be replaced by other leases. Lease costs are expensed in accordance with ASC 840, *Leases*, taking into account escalation clauses. Rental expense was $16,193 for 2015, $14,564 for 2014 and $10,443 for 2013.

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Total minimum rental commitments under such leases were $90,320 at December 31, 2015. Following is a summary of future minimum lease payments for years following December 31, 2015:

2016	$ 14,529
2017	13,373
2018	11,768
2019	9,637
2020	7,733
Later years	33,280

9. Goodwill and Other Intangible Assets

The following table shows a rollforward of goodwill by line of business:

	Community Banking	Wealth Manage- ment	Insurance	Consumer Finance	Total
Balance at January 1, 2014	$ 745,469	$ 8,020	$ 8,950	$ 1,809	$ 764,248
Goodwill additions	67,965				67,965
Balance at December 31, 2014	813,434	8,020	8,950	1,809	832,213
Goodwill (deductions) additions	(1,035)		1,908		873
Balance at December 31, 2015	$ 812,399	$ 8,020	$ 10,858	$ 1,809	$ 833,086

The Corporation recorded goodwill during 2015 and 2014 as a result of the purchase accounting adjustments relating to the various acquisitions described in the Mergers and Acquisitions footnote in this Report.

The following table shows a summary of core deposit intangibles, customer renewal lists and mortgage servicing rights:

	Core Deposit Intangibles	Customer Renewal Lists	Mortgage Servicing Rights	Total Finite- lived Intangibles
December 31, 2015				
Gross carrying amount	$ 111,594	$ 12,351	$ 12,766	$ 136,711
Accumulated amortization	(79,362)	(7,860)	(3,845)	(91,067)
	$ 32,232	$ 4,491	$ 8,921	$ 45,644
December 31, 2014				
Gross carrying amount	$ 108,593	$ 10,970	$ 11,691	$ 131,254

Accumulated amortization	(71,818)	(7,099)	(4,833)	(83,750)
	$ 36,775	$ 3,871	$ 6,858	$ 47,504

Core deposit intangibles are being amortized primarily over 10 years using accelerated methods. Customer renewal lists and mortgage servicing rights are being amortized over their estimated useful lives, which range from eight to thirteen years.

Amortization expense on finite-lived intangible assets totaled $10,555 for 2015, $12,310 for 2014 and $9,406 for 2013, of which $2,250, $2,593 and $999 related to mortgage servicing rights for 2015, 2014 and 2013,

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respectively. The amortization relating to mortgage servicing rights is included in mortgage banking operations within the non-interest income section on the Consolidated Income Statement, while the remaining amortization expense is reflected within the non-interest expense section. Following is a summary of the expected amortization expense on finite-lived intangible assets, assuming no new additions, for each of the five years following December 31, 2015:

2016	$ 9,229
2017	8,011
2018	6,150
2019	5,312
2020	4,962

Goodwill and other intangible assets are reviewed annually for impairment, and more frequently if impairment indicators exist. The Corporation completed this review in 2015 and 2014 and determined that its intangible assets are not impaired.

10. Deposits

Following is a summary of deposits:

December 31	**2015**	**2014**
Non-interest-bearing demand	$ 3,059,949	$ 2,647,623
Interest-bearing demand	5,311,589	4,547,628
Savings	1,786,459	1,575,922
Certificates and other time deposits	2,465,466	2,611,035
	$ 12,623,463	$ 11,382,208

Time deposits of $250,000 or more were $213,805 and $228,810 at December 31, 2015 and 2014, respectively. Time deposits of $100,000 or more were $861,042 and $895,505 at December 31, 2015 and 2014, respectively. Following is a summary of the time deposits of $100,000 or more by remaining maturity at December 31, 2015:

	Certificates of Deposit	**Other Time Deposits**	**Total**
Three months or less	$ 88,520	$ 7,973	$ 96,493
Three to six months	113,475	9,928	123,403
Six to twelve months	187,347	24,558	211,905
Over twelve months	311,127	118,114	429,241
	$ 700,469	$ 160,573	$ 861,042

Following is a summary of the scheduled maturities of certificates and other time deposits for the years following December 31, 2015:

2016	$ 1,312,627
2017	439,392
2018	197,080
2019	213,622
2020	197,573
Later years	105,172

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11. Short-Term Borrowings

Following is a summary of short-term borrowings:

December 31	2015	2014
Securities sold under repurchase agreements	$ 266,732	$ 882,696
Federal Home Loan Bank advances	1,090,000	820,000
Federal funds purchased	568,000	210,000
Subordinated notes	124,164	128,962
	$ 2,048,896	$ 2,041,658

Securities sold under repurchase agreements are 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.

The weighted average interest rates on short-term borrowings during 2015, 2014 and 2013 were 0.42%, 0.39% and 0.43%, respectively. The weighted average interest rates on short-term borrowings at December 31, 2015, 2014 and 2013 were 0.48%, 0.37% and 0.41%, respectively.

12. Long-Term Borrowings

Following is a summary of long-term borrowings:

December 31	2015	2014
Federal Home Loan Bank advances	$ 400,017	$ 400,042
Subordinated notes	84,668	83,155
Junior subordinated debt	58,298	58,246
Other subordinated debt	98,497	
	$ 641,480	$ 541,443

The Corporation s banking affiliate has available credit with the FHLB of $4,541,637 of which $1,490,017 was used as of December 31, 2015. 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 the years ended December 31, 2015 and 2014.

Subordinated notes are unsecured and subordinated to other indebtedness of the Corporation. The subordinated notes mature in various amounts periodically through the year 2025. At December 31, 2015, all of the subordinated notes are redeemable by the holders prior to maturity at a discount equal to three to twelve months of interest, depending on the term of the note. The Corporation may require the holder to give 30 days prior written notice. No sinking fund is required and none has been established to retire the notes. The weighted average interest rate on the subordinated notes was 2.73% at December 31, 2015, 2.70% at December 31, 2014 and 2.77% at December 31, 2013.

Junior subordinated debt is comprised of the 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 (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

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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, effective January 1, 2015, the portion of the junior subordinated debt, net of the Corporation s investments in the Trusts, that qualifies as tier 1 capital is limited to 25% of the total $57,500 outstanding at December 31, 2015, with the remaining 75% included in tier 2 capital. In 2016, the entire balance of the junior subordinated debt, net of the Corporation s investments in the Trusts, will be 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 2014, the Corporation redeemed $33,000 of the Corporation-issued TPS, including $16,500 that the Corporation assumed as a result of the BCSB acquisition. During 2016, the Corporation redeemed $10,000 of the TPS issued by Omega Financial Capital Trust I.

The following table provides information relating to the remaining Trusts as of December 31, 2015:

	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	2.16%	Variable; LIBOR + 165 basis points (bps)
Omega Financial Capital Trust I	36,000	1,114	36,133	10/18/34	2.51%	Variable; LIBOR + 219 bps
	$ 57,500	$ 1,779	$ 58,298			

Other subordinated debt is comprised of the $100,000 aggregate principal amount of 4.875% subordinated notes due in 2025 issued by the Corporation in its October 2015 debt offering. The net proceeds of the debt offering after deducting underwriting discounts and commissions and offering costs were $98,443. These subordinated notes are eligible for treatment as tier 2 capital for regulatory capital purposes.

Scheduled annual maturities for all of the long-term debt for the years following December 31, 2015 are as follows:

2016	$ 155,736
2017	168,060
2018	42,758
2019	28,293
2020	43,929

Later years	202,704

13. Derivative Instruments

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

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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.

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:

December 31	**2015**			**2014**		
	Notional Amount	**Fair Value Asset**	**Fair Value Liability**	**Notional Amount**	**Fair Value Asset**	**Fair Value Liability**
Gross Derivatives						
Subject to master netting arrangements:						
Interest rate contracts designated	$ 250,000	$ 3,178	$ 962	$ 200,000	$ 2,109	$ 2,330
Interest rate swaps not designated	1,262,964	1	50,491	972,002	140	43,655
Equity contracts not designated	1,180	18		1,210	47	
Total subject to master netting arrangements	1,514,144	3,197	51,453	1,173,212	2,296	45,985
Not subject to master netting arrangements:						
Interest rate swaps not designated	1,262,964	49,998	1	972,002	43,602	128
Credit risk contracts not designated	114,753	7	133	68,632		
Equity contracts not designated	1,180		18	1,210		47
Total not subject to master netting arrangements	1,378,897	50,005	152	1,041,844	43,602	175
	$ 2,893,041	$ 53,202	$ 51,605	$ 2,215,056	$ 45,898	$ 46,160

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 one 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.

At December 31, 2015 and 2014, the notional amount of these interest rate derivative agreements totaled $250,000 and $200,000, respectively. Fair values included in other assets and other liabilities on the consolidated balance sheet applicable to these agreements amounted to $3,178 and $962, respectively, at December 31, 2015, and $2,109 and $2,330, respectively, at December 31, 2014. For the year ended December 31, 2015, the amount reclassified from AOCI to interest income and interest expense totaled $3,248 ($2,111 net of tax) and $292 ($189 net of tax), respectively.

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As of December 31, 2015, the maximum length of time over which forecasted interest cash flows are hedged is eight years. In the twelve months that follow December 31, 2015, the Corporation expects to reclassify from the amount currently reported in AOCI net derivative gains of 1,794 ($1,166 net of tax), in association with interest on the hedged loans and FHLB advance. 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 December 31, 2015.

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness related to these cash flow hedges. For the years ended December 31, 2015 and 2014, there was no hedge ineffectiveness. Also, during the years ended December 31, 2015 and 2014, 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.

The notional amount of these customer derivative agreements and the offsetting derivative counterparty positions each totaled $1,262,964 at December 31, 2015. Fair values included in other assets and other liabilities on the consolidated balance sheet applicable to these agreements amounted to $49,999 and $50,492, respectively, at December 31, 2015. At December 31, 2014, the notional amount of these customer derivative agreements and the offsetting derivative counterparty positions each totaled $972,002. At December 31, 2014, fair values included in other assets and other liabilities on the consolidated balance sheet amounted to $43,742 and $43,783, respectively.

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 $78,010 as of December 31, 2015 have remaining terms ranging from two to nine years. Under these agreements, the Corporation s maximum exposure assuming a customer defaults on its obligation to perform under certain derivative swap contracts with third parties would be $133 at December 31, 2015 and $25 at December 31, 2014.

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The fair values of risk participation agreements purchased and sold were not material at December 31, 2015 and 2014.

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.

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 $1,333 and $1,862 as of December 31, 2015 and 2014, respectively, in excess of amounts previously posted as collateral with the respective counterparty.

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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:

	Gross Amount	Gross Amounts Offset in the Balance Sheet	Net Amount Presented in the Balance Sheet
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
	$ 53,202		$ 53,202
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
	$ 51,605		$ 51,605
December 31, 2014			
Derivative Assets			
Subject to master netting arrangements:			
Interest rate contracts			
Designated	$ 2,109		$ 2,109
Not designated	140		140
Equity contracts not designated	47		47
Not subject to master netting arrangements:			
Interest rate contracts not designated	43,602		43,602
	$ 45,898		$ 45,898
Derivative Liabilities			

Subject to master netting arrangements:		
Interest rate contracts		
Designated	$ 2,330	$ 2,330
Not designated	43,655	43,655
Not subject to master netting arrangements:		
Interest rate contracts not designated	128	128
Equity contracts not designated	47	47
	$ 46,160	$ 46,160

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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:

	Net Amount Presented in the Balance Sheet	Amount Not Offset in the Balance Sheet		
		Financial Instruments	Cash Collateral	Net Amount
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		
	$ 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
	$ 51,453	$ 25,371	$ 24,802	$ 1,280
December 31, 2014				
Derivative Assets				
Interest rate contracts:				
Designated	$ 2,109	$ 810	$ 1,299	
Not designated	140	138	2	
Equity contracts not designated	47	47		
	$ 2,296	$ 995	$ 1,301	
Derivative Liabilities				
Interest rate contracts:				
Designated	$ 2,330	$ 2,330	$	$
Not designated	43,655	28,646	13,243	1,766
	$ 45,985	$ 30,976	$ 13,243	$ 1,766

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

	Income Statement Location	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest Rate Contracts	Interest income loans and leases	$ 3,248	$ 3,314
Interest Rate Contracts	Interest expense short-term borrowings	292	
Interest Rate Swaps	Other income	(451)	(123)
Credit Risk Contracts	Other income	(126)	

Other

The Corporation has entered into interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans to secondary market investors. These arrangements are considered derivative instruments. The fair values of the Corporation s rate lock commitments to customers and commitments with investors at December 31, 2015 and 2014 are not material.

14. Commitments, Credit Risk and Contingencies

The Corporation has commitments to extend credit and standby letters of credit that involve certain elements of credit risk in excess of the amount stated in the consolidated balance sheet. The Corporation s exposure to credit loss in the event of non-performance by the customer is represented by the contractual amount of those instruments. The credit risk associated with loan commitments and standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal credit policies. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements.

Following is a summary of off-balance sheet credit risk information:

December 31	**2015**	**2014**
Commitments to extend credit	$ 3,781,719	$ 3,665,481
Standby letters of credit	92,979	121,186

At December 31, 2015, funding of 73.3% of the commitments to extend credit was dependent on the financial condition of the customer. The Corporation has the ability to withdraw such commitments at its discretion. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Based on management s credit evaluation of the customer, collateral may be deemed necessary. Collateral requirements vary and may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation that may require payment at a future date. The credit risk involved in issuing letters of credit is quantified on a quarterly basis, through the review of historical performance of the Corporation s portfolios and allocated as a liability on the Corporation s balance sheet.

In addition, debt issued by FNB Financial Services, LP, a wholly-owned finance subsidiary, is fully and unconditionally guaranteed by the Corporation.

Other Legal Proceedings

The Corporation and its subsidiaries are involved in various pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. These actions include claims brought against the Corporation and its subsidiaries where the Corporation or a subsidiary acted as one or more of the following: a depository bank, lender, underwriter, fiduciary, financial advisor, broker, acquiror or was engaged in other business activities. Although the ultimate outcome for any asserted claim cannot be predicted with certainty, the Corporation believes that it and its subsidiaries have valid defenses for all asserted claims. Reserves are established for legal claims when losses associated with the claims are judged to be probable and the amount of the loss can be reasonably estimated.

Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Corporation does not anticipate, at the present time, that the aggregate liability, if any, arising out of such legal proceedings will have a material adverse effect on the Corporation s consolidated financial position. However, the Corporation cannot determine whether or not any claims asserted against it will have a material adverse effect on its consolidated results of operations in any future reporting period.

15. Stock Incentive Plans

Restricted Stock

The Corporation issues restricted stock awards, consisting of both restricted stock and restricted stock units, to key employees under its Incentive Compensation Plans (Plans). Beginning in 2014, the Corporation issues time-based awards and performance-based awards under these Plans, both of which are based on a three-year vesting period. The grant date fair value of the time-based awards is equal to the price of the Corporation s common stock on the grant date. The fair value of the performance-based awards is based on a Monte-Carlo Simulation valuation of the Corporation s common stock as of the grant date.

The Corporation issued 400,436 and 119,589 performance-based restricted stock units in 2015 and 2014, respectively. Recipients will earn shares, totaling between 0% and 175% of the number of units issued, based on the Corporation s total stockholder return relative to a specified peer group of financial institutions over the three-year period. These market-based restricted stock units are included in the table below as if the recipients earned shares equal to 100% of the units issued.

Prior to 2014, more than half of the restricted stock awards granted to management were earned if the Corporation met or exceeded certain financial performance results when compared to its peers. These performance-related awards were expensed ratably from the date that the likelihood of meeting the performance measure was probable through the end of a four-year vesting period. The service-based awards were expensed ratably over a three-year vesting period. The Corporation also issued discretionary service-based awards to certain employees that vested over five years.

During 2015, 2014 and 2013, the Corporation issued 664,337, 387,165 and 361,664 restricted stock awards, respectively; with aggregate weighted average grant date fair values of $8,802, $5,227 and $4,014 respectively, under these Plans. As of December 31, 2015, the Corporation had available up to 2,062,471 shares of common stock to issue under these Plans.

The unvested restricted stock awards are eligible to receive cash dividends or dividend equivalents which are ultimately used to purchase additional shares of stock and are subject to forfeiture if the requisite service period is not completed or the specified performance criteria are not met. These awards are subject to certain accelerated vesting provisions upon retirement, death, disability or in the event of a change of control as defined in the award agreements.

Share-based compensation expense related to restricted stock awards was $4,461, $3,584 and $5,063 for the years ended December 31, 2015, 2014 and 2013, the tax benefit of which was $1,561, $1,254 and $1,772, respectively.

The following table summarizes certain information concerning restricted stock awards:

	2015	Weighted Average Grant Price per Share	2014	Weighted Average Grant Price per Share	2013	Weighted Average Grant Price per Share
Unvested shares outstanding at beginning of year	1,354,093	$ 11.86	1,729,033	$ 10.23	1,913,073	$ 9.17

Granted	664,337	13.25	387,165	13.50	361,664	11.10
Net adjustment due to performance	13,115	19.74	(36,600)	12.01	165,545	9.60
Vested	(484,010)	10.70	(707,074)	8.81	(734,129)	7.90
Forfeited	(41,130)	13.24	(65,399)	11.72	(37,828)	10.42
Dividend reinvestment	42,039	11.86	46,968	12.66	60,708	11.82
Unvested shares outstanding at end of year	1,548,444	12.85	1,354,093	11.86	1,729,033	10.23

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The total fair value of shares vested was $6,070, $10,713 and $8,259 for the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, there was $9,279 of unrecognized compensation cost related to unvested restricted stock awards granted, $55 of which is subject to accelerated vesting under the plan s immediate vesting upon retirement provision for awards granted prior to the adoption of ASC 718. The components of the restricted stock awards as of December 31, 2015 are as follows:

	Service-Based Awards	Performance-Based Awards	Total
Unvested shares	632,054	916,390	1,548,444
Unrecognized compensation expense	$ 3,737	$ 5,542	$ 9,279
Intrinsic value	$ 8,432	$ 12,225	$ 20,657
Weighted average remaining life (in years)	1.92	2.58	2.31

Stock Options

All outstanding stock options were assumed from acquisitions and are fully vested. Upon consummation of the Corporation s acquisitions, all outstanding stock options issued by the acquired companies were converted into equivalent Corporation stock options. The Corporation issues shares of treasury stock or authorized but unissued shares to satisfy stock options exercised. Shares issued upon the exercise of stock options were 93,822 for 2015, 517,192 for 2014 and 69,429 for 2013.

The following table summarizes certain information concerning stock options:

	2015	Weighted Average Price per Share	2014	Weighted Average Price per Share	2013	Weighted Average Price per Share
Options outstanding at beginning of year	568,834	$ 8.86	533,524	$ 11.50	640,050	$ 13.21
Assumed from acquisitions			805,507	7.39	274,964	11.16
Exercised	(93,822)	5.94	(690,973)	7.75	(69,429)	7.46
Forfeited	(39,672)	15.66	(79,224)	21.40	(312,061)	15.58
Options outstanding and exercisable at end of year	435,340	8.86	568,834	8.86	533,524	11.50

The following table summarizes information about stock options outstanding at December 31, 2015:

Range of Exercise	Options Outstanding	Weighted Average	Weighted Average

Prices	and Exercisable	Remaining Contractual Years	Exercise Price
$3.45 - $5.18	147,461	4.12	$ 4.74
$5.19 - $7.78	91,824	1.69	6.17
$11.69 - $17.54	190,285	1.74	12.68
$26.33 - $36.42	5,770	0.84	31.25
	435,340		

The intrinsic value of outstanding and exercisable stock options at December 31, 2015 was $2,050.

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The following table summarizes certain information relating to stock options exercised:

Year Ended December 31	**2015**	**2014**	**2013**
Proceeds from stock options exercised	$ 557	$ 3,292	$ 365
Tax benefit recognized from stock options exercised	130	808	79
Intrinsic value of stock options exercised	693	3,289	318

Warrants

In conjunction with its participation in the CPP, the Corporation issued to the UST a warrant to purchase up to 1,302,083 shares of the Corporation s common stock. Pursuant to Section 13(H) of the Warrant to Purchase Common Stock, the number of shares of common stock issuable upon exercise of the warrant has been reduced in half to 651,042 shares as of June 16, 2009, the date the Corporation completed a public offering. The warrant, which expires in 2019, has an exercise price of $11.52 per share.

In conjunction with the Parkvale acquisition on January 1, 2012, the warrant issued by Parkvale to the UST under the CPP was converted into a warrant to purchase up to 819,640 shares of the Corporation s common stock. This warrant, which was recorded at its fair value on January 1, 2012, was sold at auction by the UST and was exercised at $5.81 per share during the second quarter of 2015.

In conjunction with the ANNB acquisition on April 6, 2013, the warrant issued by ANNB to the UST under the CPP has been converted into a warrant to purchase up to 342,564 shares of the Corporation s common stock at an exercise price of $3.57 per share. Subsequent adjustments related to actual dividends paid by the Corporation have increased the share amount of these warrants to 377,106, with a resulting lower exercise price of $3.24 per share as of December 31, 2015. The warrant, which was recorded at its fair value on April 6, 2013, was sold at auction by the UST and expires in 2019.

16. Retirement Plans

The Corporation sponsors the Retirement Income Plan (RIP), a qualified noncontributory defined benefit pension plan that covered substantially all salaried employees hired prior to January 1, 2008. The RIP covers employees who satisfied minimum age and length of service requirements. The Corporation s funding guideline has been to make annual contributions to the RIP each year, if necessary, such that minimum funding requirements have been met. The RIP was frozen as of December 31, 2010.

The Corporation also sponsors two supplemental non-qualified retirement plans. The ERISA Excess Retirement Plan provides retirement benefits equal to the difference, if any, between the maximum benefit allowable under the Internal Revenue Code and the amount that would be provided under the RIP, if no limits were applied. The Basic Retirement Plan (BRP) is applicable to certain officers whom the Board of Directors designates. Officers participating in the BRP receive a benefit based on a target benefit percentage based on years of service at retirement and a designated tier as determined by the Board of Directors. When a participant retires, the basic benefit under the BRP is a monthly benefit equal to the target benefit percentage times the participant s highest average monthly cash compensation during five consecutive calendar years within the last ten calendar years of employment. This monthly benefit was reduced by the monthly benefit the participant receives from Social Security, the RIP, the ERISA Excess Retirement Plan and the annuity equivalent of the three percent automatic contributions to the qualified 401(k) defined contribution plan and the ERISA Excess Lost Match Plan. The BRP was frozen as of December 31, 2008. The ERISA Excess Retirement Plan was frozen as of December 31, 2010.

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The following tables provide information relating to the accumulated benefit obligation, change in benefit obligation, change in plan assets, the plans funded status and the amount included in the consolidated balance sheet for the qualified and non-qualified plans described above (collectively, the Plans):

December 31	2015	2014
Accumulated benefit obligation	$ 150,754	$ 156,589
Projected benefit obligation at beginning of year	$ 156,924	$ 139,731
Service cost	(14)	62
Interest cost	5,897	6,411
Actuarial (gain) loss	(3,381)	21,253
Benefits paid	(8,411)	(10,533)
Projected benefit obligation at end of year	$ 151,015	$ 156,924
Fair value of plan assets at beginning of year	$ 140,140	$ 139,737
Actual return on plan assets	(331)	9,613
Corporation contribution	1,364	1,323
Benefits paid	(8,411)	(10,533)
Fair value of plan assets at end of year	$ 132,762	$ 140,140
Funded status of plans	$ (18,253)	$ (16,784)

The unrecognized actuarial loss, prior service cost and net transition obligation are required to be recognized into earnings over the average remaining participant life due to the freezing of the RIP, which may, on a net basis reduce future earnings.

Actuarial assumptions used in the determination of the projected benefit obligation in the Plans are as follows:

Assumptions at December 31	2015	2014
Weighted average discount rate	4.19%	3.85%
Rates of average increase in compensation levels	3.50%	4.00%

The discount rate assumption at December 31, 2015 and 2014 was determined using a yield-curve based approach. A yield curve was produced for a universe containing the majority of U.S.-issued Aa-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions), and after excluding the 10% of the bonds with the highest and lowest yields. The discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

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The net periodic pension cost and other comprehensive income for the Plans included the following components:

Year Ended December 31	2015	2014	2013
Service cost	$ (14)	$ 62	$ 65
Interest cost	5,897	6,411	5,728
Expected return on plan assets	(9,964)	(9,946)	(9,081)
Transition amount amortization		(21)	(93)
Prior service credit amortization	7	7	7
Actuarial loss amortization	2,112	1,367	2,263
Net periodic pension cost (gain)	(1,962)	(2,120)	(1,111)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial loss (gain)	6,914	21,586	(20,938)
Amortization of actuarial loss	(2,112)	(1,367)	(2,263)
Amortization of prior service credit	(7)	(7)	(7)
Amortization of transition asset		21	93
Total recognized in other comprehensive income	4,795	20,233	(23,115)
Total recognized in net periodic pension cost (gain) and other comprehensive income	$ 2,833	$ 18,113	$ (24,226)

The plans have an actuarial measurement date of December 31. Actuarial assumptions used in the determination of the net periodic pension cost in the Plans are as follows:

Assumptions for the Year Ended December 31	2015	2014	2013
Weighted average discount rate	3.85%	4.67%	3.78%
Rates of increase in compensation levels	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	7.25%	7.25%	7.25%

The expected long-term rate of return on plan assets has been established by considering historical and anticipated expected returns on the asset classes invested in by the pension trust and the allocation strategy currently in place among those classes.

The change in plan assets reflects benefits paid from the qualified pension plans of $7,047 and $9,211 for 2015 and 2014. The employer did not make any contributions to the qualified pension plans during 2015 or 2014. For the non-qualified pension plans, the change in plan assets reflects benefits paid and contributions to the plans in the same amount. This amount represents the actual benefit payments paid from general plan assets of $1,364 for 2015 and $1,322 for 2014.

As of December 31, 2015 and 2014, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the qualified and non-qualified pension plans were as follows:

December 31	Qualified Pension Plans 2015	2014	Non-Qualified Pension Plans 2015	2014
Projected benefit obligation	$ 130,797	$ 135,998	$ 20,218	$ 20,926
Accumulated benefit obligation	130,797	135,998	19,957	20,591
Fair value of plan assets	132,762	140,140		

The impact of changes in the discount rate and expected long-term rate of return on plan assets would have had the following effects on 2015 pension expense:

	Estimated Effect on Pension Expense
0.5% decrease in the discount rate	$ (33)
0.5% decrease in the expected long-term rate of return on plan assets	687

The following table provides information regarding estimated future cash flows relating to the Plans at December 31, 2015:

Expected employer contributions:	2016		$ 1,350
Expected benefit payments:	2016		7,244
	2017		9,413
	2018		8,177
	2019		8,433
	2020		8,731
	2021	2025	45,879

The qualified pension plan contributions are deposited into a trust and the qualified benefit payments are made from trust assets. For the non-qualified plans, the contributions and the benefit payments are the same and reflect expected benefit amounts, which are paid from general assets of the Corporation.

The Corporation s subsidiaries participate in a qualified 401(k) defined contribution plan under which employees may contribute a percentage of their salary. Employees are eligible to participate upon their first day of employment. Under this plan, the Corporation matches 100% of the first four percent that the employee defers. Additionally, substantially all employees receive an automatic contribution of three percent of compensation at the end of the year and the Corporation may make an additional contribution of up to two percent depending on the Corporation achieving its performance goals for the plan year. The Corporation s contribution expense was $8,055 for 2015, $10,188 for 2014 and $9,300 for 2013.

The Corporation also sponsors an ERISA Excess Lost Match Plan for certain officers. This plan provides retirement benefits equal to the difference, if any, between the maximum benefit allowable under the Internal Revenue Code and the amount that would have been provided under the qualified 401(k) defined contribution plan, if no limits were applied.

Pension Plan Investment Policy and Strategy

The Corporation s investment strategy for the RIP is to diversify plan assets between a wide mix of securities within the equity and debt markets in an effort to allow the plan the opportunity to meet the plan s expected long-term rate of return requirements while minimizing short-term volatility. In this regard, the plan has targeted allocations within the equity securities category for domestic large cap, domestic mid cap, domestic small cap, real estate investment trusts, emerging market and international securities. Within the debt securities category, the plan has targeted allocation levels for U.S. Treasury, U.S. agency, domestic investment-grade bonds, high-yield bonds, inflation-protected securities and international bonds.

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The following table presents asset allocations for the Corporation s pension plans as of December 31, 2015 and 2014, and the target allocation for 2016, by asset category:

December 31	Target Allocation 2016	Percentage of Plan Assets 2015	2014
Asset Category			
Equity securities	45 - 65%	57%	57%
Debt securities	30 - 50	39	40
Cash equivalents	0 - 10	4	3

At December 31, 2015 and 2014, equity securities included 575,128 shares of the Corporation s common stock, representing 5.8% and 5.5% of total plan assets at December 31, 2015 and 2014, respectively. Dividends received on the Corporation s common stock held by the Plan were $276 and $272 for 2015 and 2014, respectively.

The fair values of the Corporation s pension plan assets by asset category are as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Asset Class				
Cash	$ 4,847	$		$ 4,847
Equity securities:				
F.N.B. Corporation	7,672			7,672
Other large-cap U.S. financial services companies	2,541			2,541
Other large-cap U.S. companies	33,387			33,387
International companies	521			521
Other equity	596			596
Mutual fund equity investments:				
U.S. equity index funds:				
U.S. large-cap equity index funds	511			511
U.S. small-cap equity index funds	2,607			2,607
U.S. mid-cap equity index funds	3,464			3,464
Non-U.S. equities growth fund	9,613			9,613
U.S. equity funds:				
U.S. mid-cap	6,989			6,989
U.S. small-cap	2,679			2,679
Other	5,540			5,540
Fixed income securities:				
U.S. government agencies		40,735		40,735
Fixed income mutual funds:				
U.S. investment-grade fixed income securities	10,648			10,648
Non-U.S. fixed income securities	412			412
	$ 92,027	$ 40,735		$ 132,762

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	Level 1	Level 2	Level 3	Total
December 31, 2014				
Asset Class				
Cash	$ 3,970	$		$ 3,970
Equity securities:				
F.N.B. Corporation	7,661			7,661
Other large-cap U.S. financial services companies	2,653			2,653
Other large-cap U.S. companies	34,286			34,286
International companies	730			730
Other equity	583			583
Mutual fund equity investments:				
U.S. equity index funds:				
U.S. large-cap equity index funds	1,504			1,504
U.S. small-cap equity index funds	2,946			2,946
U.S. mid-cap equity index funds	3,803			3,803
Non-U.S. equities growth fund	9,986			9,986
U.S. equity funds:				
U.S. mid-cap	7,501			7,501
U.S. small-cap	3,019			3,019
Other	5,643			5,643
Fixed income securities:				
U.S. government agencies		44,417		44,417
Fixed income mutual funds:				
U.S. investment-grade fixed income securities	10,993			10,993
Non-U.S. fixed income securities	445			445
	$ 95,723	$ 44,417		$ 140,140

The classifications for Level 1, Level 2 and Level 3 are discussed in the Fair Value Measurements footnote.

17. Income Taxes

Income tax expense, allocated based on a separate tax return basis, consists of the following:

Year Ended December 31	**2015**	**2014**	**2013**
Current income taxes:			
Federal taxes	$ 69,572	$ 18,111	$ 33,614
State taxes	989	396	(116)
	70,561	18,507	33,498
Deferred income taxes:			
Federal taxes	63	44,113	11,258
State taxes	(631)		
	(568)	44,113	11,258

	$ 69,993	$ 62,620	$ 44,756

Income tax expense related to gains on the sale of securities was $288, $4,101 and $283 for 2015, 2014 and 2013, respectively.

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The following table presents the tax effects of temporary differences that give rise to deferred tax assets and liabilities:

December 31	2015	2014
Deferred tax assets:		
Allowance for credit losses	$ 50,414	$ 44,613
Discount on purchased loans	28,503	31,787
Net operating loss/tax credit carryforwards	16,487	15,367
Deferred compensation	8,515	7,785
Securities impairments	252	412
Pension and other defined benefit plans	8,539	6,871
Net unrealized securities losses	1,301	
Other	8,020	9,503
Total	122,031	116,338
Valuation allowance	(17,179)	(15,505)
Total deferred tax assets	104,852	100,833
Deferred tax liabilities:		
Loan costs	(2,966)	(1,497)
Depreciation	(10,836)	(11,533)
Prepaid expenses	(628)	(705)
Amortizable intangibles	(12,940)	(13,842)
Lease financing	(6,763)	(7,302)
Debt discharge income deferral	(2,042)	(2,829)
Originated mortgage servicing rights	(1,238)	(2,721)
Other	(1,928)	
Total deferred tax liabilities	(39,341)	(40,429)
Net deferred tax assets	$ 65,511	$ 60,404

The Corporation establishes a valuation allowance when it is more likely than not that the Corporation will not be able to realize the benefit of the deferred tax assets or when future deductibility is uncertain. Periodically, the valuation allowance is reviewed and adjusted based on management s assessment of realizable deferred tax assets. At December 31, 2015, the Corporation reversed $1,872 of the valuation allowance recorded against state deferred taxes due to expansion of operations in the state of Maryland as a result of recent mergers. The remaining balance of the valuation allowance primarily relates to unused state net operating loss carryforwards expiring from 2018 to 2035 and other net deferred tax assets. The Corporation anticipates that neither the state net operating loss carryforwards nor the other net deferred tax assets at certain of its subsidiaries will be utilized and, as such, has recorded a valuation allowance against the deferred tax assets related to these carryforwards.

The effective tax rates for 2015, 2014 and 2013 were all lower than the statutory tax rate due to tax benefits resulting from tax-exempt income on investments and loans, tax credits and income from BOLI.

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The following table provides a reconciliation between the statutory tax rate and the actual effective tax rate:

Year Ended December 31	2015	2014	2013
Statutory tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.8	0.1	0.2
Valuation allowance reversal	(0.8)		
Tax-exempt interest	(2.2)	(1.8)	(2.9)
Cash surrender value of life insurance	(1.3)	(1.3)	(1.8)
Tax credits	(1.1)	(1.4)	(2.4)
Other items	0.1	(0.3)	(0.6)
Actual effective tax rate	30.5%	30.3%	27.5%

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and the federal income tax benefit of unrecognized state tax benefits) is as follows:

Year Ended December 31	2015	2014
Balance at beginning of year	$ 401	$ 660
Additions based on tax positions related to current year	134	60
Additions based on tax positions of prior year		
Reductions for tax positions of prior years		
Reductions due to expiration of statute of limitations	(80)	(319)
Balance at end of year	$ 455	$ 401

As of December 31, 2015 and 2014, the Corporation has approximately $455 and $401, respectively, of unrecognized tax benefits, excluding interest and the federal tax benefit of unrecognized state tax benefits. Also, as of December 31, 2015 and 2014, additional unrecognized tax benefits relating to accrued interest, net of the related federal tax benefit, amounted to $18 and $19, respectively. As of December 31, 2015, $313 of these tax benefits would affect the effective tax rate if recognized. The Corporation recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

The Corporation files numerous income tax returns in the U.S. federal jurisdiction and in several state jurisdictions. The Corporation is no longer subject to U.S. federal income tax examinations for years prior to 2013. The Internal Revenue Service (IRS) has substantially completed their examination of the Corporation s consolidated federal income tax returns for 2011 and 2012 and there are no outstanding unresolved issues. With limited exception, the Corporation is no longer subject to state income tax examinations for years prior to 2012. The Corporation anticipates that a reduction in the unrecognized tax benefit of up to $60 may occur in the next twelve months from the expiration of statutes of limitations which would result in a reduction in income taxes.

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18. Comprehensive Income

The following table presents changes in AOCI, net of tax, by component:

Year Ended December 31, 2015	Unrealized Net Gains (Losses) on Securities Available for Sale	Unrealized Losses on Derivative Instruments	Unrecognized Pension and Postretirement Obligations	Total
Balance at beginning of period	$ (440)	$ (143)	$ (45,420)	$ (46,003)
Other comprehensive income (loss) before reclassifications	(2,899)	3,694	(3,280)	(2,485)
Amounts reclassified from AOCI	(534)	(2,111)		(2,645)
Net current period other comprehensive income (loss)	(3,433)	1,583	(3,280)	(5,130)
Balance at end of period	$ (3,873)	$ 1,440	$ (48,700)	$ (51,133)

The amounts reclassified from AOCI related to securities available for sale are included in net securities gains on the Consolidated Statements of Comprehensive Income, while the amounts reclassified from AOCI related to derivative instruments are included in interest income on loans and leases on the Consolidated Statements of Comprehensive Income.

The tax (benefit) expense amounts reclassified from AOCI in connection with the securities available for sale and derivative instruments reclassifications are included in income taxes on the Consolidated Statements of Comprehensive Income.

19. Earnings per Share

The following tables set forth the computation of basic and diluted earnings per common share:

Year Ended December 31	2015	2014	2013
Net income	$ 159,649	$ 144,050	$ 117,804
Less: Preferred stock dividends	8,041	8,352	
Net income available to common stockholders	$ 151,608	$ 135,698	$ 117,804
Basic weighted average common shares outstanding	174,971,785	167,347,906	146,186,982
Net effect of dilutive stock options, warrants, restricted stock and convertible debt	1,367,168	1,730,939	1,622,522
Diluted weighted average common shares outstanding	176,338,953	169,078,845	147,809,504

Basic earnings per common share	$	0.87	$	0.81	$	0.81
Diluted earnings per common share	$	0.86	$	0.80	$	0.80

For the years ended December 31, 2015, 2014 and 2013, 18,167, 35,442 and 49,995 shares of common stock, respectively, related to stock options and warrants were excluded from the computation of diluted earnings per share because the exercise price of the shares was greater than the average market price of the common shares and therefore, the effect would be antidilutive.

20. Regulatory Matters

The Corporation and FNBPA are subject to various regulatory capital requirements administered by the federal banking agencies. Quantitative measures established by regulators to ensure capital adequacy require the

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Corporation and FNBPA to maintain minimum amounts and ratios of total and tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of leverage ratio (as defined). Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation s consolidated financial statements, dividends and future merger and acquisition activity. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and FNBPA must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation s and FNBPA s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

As of December 31, 2015, the most recent notification from the federal banking agencies categorized the Corporation and FNBPA as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification which management believes have changed this categorization.

During 2014, the Corporation redeemed $33,000 of the Corporation-issued TPS. The regulatory capital ratios at December 31, 2015 and 2014 reflect this decrease in TPS and at December 31, 2015, the new Basel III requirements. Accordingly, at December 31, 2015, $14,375 or 25% of the remaining TPS is included in tier 1 capital and 75% is included in tier 2 capital. During 2016, the Corporation redeemed $10,000 of the TPS issued by Omega Financial Capital Trust I.

Following are the capital ratios as of December 31, 2015 and 2014 for the Corporation and FNBPA (dollars in thousands):

	Actual		Well-Capitalized Requirements		Minimum Capital Requirements	
December 31, 2015	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
F.N.B. Corporation:						
Total capital	$ 1,629,270	12.9%	$ 1,268,396	10.0%	$ 1,014,717	8.0%
Tier 1 capital	1,321,972	10.4	1,014,717	8.0	761,038	6.0
Common equity tier 1	1,200,715	9.5	824,457	6.5	570,778	4.5
Leverage	1,321,972	8.1	811,553	5.0	649,243	4.0
FNBPA:						
Total capital	1,426,284	11.3	1,265,990	10.0	1,012,792	8.0
Tier 1 capital	1,289,965	10.2	1,012,792	8.0	759,594	6.0
Common equity tier 1	1,209,965	9.6	822,893	6.5	569,695	4.5
Leverage	1,289,965	8.0	803,041	5.0	642,433	4.0
December 31, 2014						
F.N.B. Corporation:						
Total capital	$ 1,417,369	12.4%	$ 1,146,556	10.0%	$ 917,245	8.0%
Tier 1 capital	1,269,033	11.1	687,934	6.0	458,623	4.0
Leverage	1,269,033	8.4	752,593	5.0	602,074	4.0
FNBPA:						
Total capital	1,321,433	11.5	1,147,427	10.0	917,941	8.0
Tier 1 capital	1,200,776	10.5	688,456	6.0	458,971	4.0
Leverage	1,200,776	8.1	744,235	5.0	595,388	4.0

The information presented in the table above reflects well-capitalized and minimum capital requirements in accordance with Basel III standards for the period ended December 31, 2015. The capital requirements presented for December 31, 2014 are based on the regulations that were in effect at that time.

FNBPA was required to maintain aggregate cash reserves with the FRB amounting to $6,139 at December 31, 2015. The Corporation also maintains deposits for various services such as check clearing.

Certain limitations exist under applicable law and regulations by regulatory agencies regarding dividend distributions to a parent by its subsidiaries. As of December 31, 2015, the Corporation s subsidiaries had $181,131 of retained earnings available for distribution to the Corporation without prior regulatory approval.

Under current FRB regulations, FNBPA is limited in the amount it may lend to non-bank affiliates, including the Corporation. Such loans must be secured by specified collateral. In addition, any such loans to a non-bank affiliate may not exceed 10% of FNBPA s capital and surplus and the aggregate of loans to all such affiliates may not exceed 20% of FNBPA s capital and surplus. The maximum amount that may be borrowed by the Corporation under these provisions was $225,440 at December 31, 2015.

21. Cash Flow Information

Following is a summary of cash flow information:

Year Ended December 31	**2015**	**2014**	**2013**
Interest paid on deposits and other borrowings	$ 47,805	$ 43,057	$ 46,337
Income taxes paid	61,500	27,000	34,200
Transfers of loans to other real estate owned	9,628	16,535	15,836
Transfers of other real estate owned to loans	372	390	701

Supplemental non-cash information relating to the Corporation s acquisitions is included in the Mergers and Acquisitions footnote included in this Item of the Report.

22. Business Segments

The Corporation operates in four reportable segments: Community Banking, Wealth Management, Insurance and Consumer Finance.

The Community Banking segment provides commercial and consumer banking services. Commercial banking solutions include corporate banking, small business banking, investment real estate financing, asset based lending, capital markets and lease financing. Consumer banking products and services include deposit products, mortgage lending, consumer lending and a complete suite of mobile and online banking services.

The Wealth Management segment provides a broad range of personal and corporate fiduciary services including the administration of decedent and trust estates. In addition, it offers various alternative products, including securities brokerage and investment advisory services, mutual funds and annuities.

The Insurance segment includes a full-service insurance agency offering all lines of commercial and personal insurance through major carriers. The Insurance segment also includes a reinsurer.

The Consumer Finance segment primarily makes installment loans to individuals and purchases installment sales finance contracts from retail merchants. The Consumer Finance segment activity is funded through the sale of the Corporation s subordinated notes at the finance company s branch offices.

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The following tables provide financial information for these segments of the Corporation. The information provided under the caption Parent and Other represents operations not considered to be reportable segments and/or general operating expenses of the Corporation, and includes the parent company, other non-bank subsidiaries and eliminations and adjustments which are necessary for purposes of reconciliation to the consolidated amounts.

	Community Banking	Wealth Manage-ment	Insurance	Consumer Finance	Parent and Other	Consolidated
At or for the Year Ended December 31, 2015						
Interest income	$ 500,030	$	$ 89	$ 39,868	$ 6,808	$ 546,795
Interest expense	41,227			3,518	3,828	48,573
Net interest income	458,803		89	36,350	2,980	498,222
Provision for credit losses	32,125			7,396	920	40,441
Non-interest income	116,141	35,246	13,052	2,926	(4,955)	162,410
Non-interest expense	319,923	27,264	13,891	20,189	977	382,244
Intangible amortization	7,544	273	488			8,305
Income tax expense (benefit)	65,071	2,803	(412)	4,709	(2,178)	69,993
Net income (loss)	150,281	4,906	(826)	6,982	(1,694)	159,649
Total assets	17,374,384	20,753	22,207	195,048	(54,730)	17,557,662
Total intangibles	853,551	10,447	12,923	1,809		878,730
At or for the Year Ended December 31, 2014						
Interest income	$ 463,376	$	$ 98	$ 38,914	$ 6,595	$ 508,983
Interest expense	36,318			3,352	3,016	42,686
Net interest income	427,058		98	35,562	3,579	466,297
Provision for credit losses	30,872			6,920	856	38,648
Non-interest income	115,858	31,497	13,598	2,919	(5,598)	158,274
Non-interest expense	311,834	25,338	11,558	19,692	1,114	369,536
Intangible amortization	9,025	288	404			9,717
Income tax expense (benefit)	57,634	2,135	625	4,430	(2,204)	62,620
Net income (loss)	133,551	3,736	1,109	7,439	(1,785)	144,050
Total assets	15,944,040	20,877	19,222	187,796	(44,845)	16,127,090
Total intangibles	857,066	10,720	10,122	1,809		879,717
At or for the Year Ended December 31, 2013						
Interest income	$ 396,243	$	$ 109	$ 37,956	$ 6,078	$ 440,386

Interest expense	32,178			3,378	8,788	44,344
Net interest income	364,065		109	34,578	(2,710)	396,042
Provision for credit losses	23,502			6,834	754	31,090
Non-interest income	97,156	28,717	13,175	2,794	(6,064)	135,778
Non-interest expense	271,657	25,067	11,448	19,052	2,539	329,763
Intangible amortization	7,697	304	406			8,407
Income tax expense (benefit)	43,966	1,248	519	4,320	(5,297)	44,756
Net income (loss)	114,399	2,098	911	7,166	(6,770)	117,804
Total assets	13,381,047	20,959	20,214	188,259	(47,074)	13,563,405
Total intangibles	788,513	11,008	10,526	1,809		811,856

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23. Fair Value Measurements

The Corporation uses fair value measurements to record fair value adjustments to certain financial assets and liabilities and to determine fair value disclosures. Securities available for sale and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a non-recurring basis, such as mortgage loans held for sale, certain impaired loans, OREO and certain other assets.

Fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure.

In determining fair value, the Corporation uses various valuation approaches, including market, income and cost approaches. ASC 820, *Fair Value Measurements and Disclosures*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, which are developed based on market data obtained from sources independent of the Corporation. Unobservable inputs reflect the Corporation s assumptions about the assumptions that market participants would use in pricing an asset or liability, which are developed based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

Measurement Category	Definition
Level 1	valuation is based upon unadjusted quoted market prices for identical instruments traded in active markets.
Level 2	valuation is based upon quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by market data.
Level 3	valuation is derived from other valuation methodologies including discounted cash flow models and similar techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in determining fair value.

A financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies the Corporation uses for financial instruments recorded at fair value on either a recurring or non-recurring basis:

Securities Available For Sale

Securities available for sale consists of both debt and equity securities. These securities are recorded at fair value on a recurring basis. At December 31, 2015, 99.9% of these securities used valuation methodologies involving market-based or market-derived information, collectively Level 1 and Level 2 measurements, to measure fair value. The remaining 0.1% of these securities were measured using model-based techniques, with primarily unobservable (Level 3) inputs.

The Corporation closely monitors market conditions involving assets that have become less actively traded. If the fair value measurement is based upon recent observable market activity of such assets or comparable assets (other than forced or distressed transactions) that occur in sufficient volume, and do not require significant adjustment using unobservable inputs, those assets are classified as Level 1 or Level 2; if not, they are classified as Level 3. Making this assessment requires significant judgment.

The Corporation uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers, to measure the fair value of investment securities. The Corporation validates prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, and review of pricing information by Corporate personnel familiar with market liquidity and other market-related conditions.

Derivative Financial Instruments

The Corporation determines its fair value for derivatives using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects contractual terms of the derivative, including the period to maturity and uses observable market based inputs, including interest rate curves and implied volatilities.

The Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty s non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Corporation considers the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Corporation has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2015, the Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Corporation has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Residential Mortgage Loans Held For Sale

These loans are carried at the lower of cost or fair value. Under lower of cost or fair value accounting, periodically, it may be necessary to record non-recurring fair value adjustments. Fair value, when recorded, is based on independent quoted market prices and is classified as Level 2.

Impaired Loans

The Corporation reserves for commercial loan relationships greater than or equal to $500 that the Corporation considers impaired as defined in ASC 310 at the time the Corporation identifies the loan as impaired based upon the present value of expected future cash flows available to pay the loan, or based upon the fair value of the collateral less estimated selling costs where a loan is collateral dependent. Collateral may be real estate and/or business assets including equipment, inventory and accounts receivable.

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The Corporation determines the fair value of real estate based on appraisals by licensed or certified appraisers. The value of business assets is generally based on amounts reported on the business financial statements. Management must rely on the financial statements prepared and certified by the borrower or its accountants in determining the value of these business assets on an ongoing basis, which may be subject to significant change over time. Based on the quality of information or statements provided, management may require the use of business asset appraisals and site-inspections to better value these assets. The Corporation may discount appraised and reported values based on management s historical knowledge, changes in market conditions from the time of valuation or management s knowledge of the borrower and the borrower s business. Since not all valuation inputs are observable, the Corporation classifies these non-recurring fair value determinations as Level 2 or Level 3 based on the lowest level of input that is significant to the fair value measurement.

The Corporation reviews and evaluates impaired loans no less frequently than quarterly for additional impairment based on the same factors identified above.

Other Real Estate Owned

OREO is comprised of commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations plus some bank owned real estate. OREO acquired in settlement of indebtedness is recorded at the lower of carrying amount of the loan or fair value less costs to sell. Subsequently, these assets are carried at the lower of carrying value or fair value less costs to sell. Accordingly, it may be necessary to record non-recurring fair value adjustments. Fair value is generally based upon appraisals by licensed or certified appraisers and other market information and is classified as Level 2 or Level 3.

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The following table presents the balances of assets and liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Assets measured at fair value				
Available for sale debt securities				
U.S. Treasury	$	$ 29,796	$	$ 29,796
U.S. government-sponsored entities		367,994		367,994
Residential mortgage-backed securities				
Agency mortgage-backed securities		704,831		704,831
Agency collateralized mortgage obligations		495,830		495,830
Non-agency collateralized mortgage obligations		6	1,184	1,190
Commercial mortgage-backed securities		4,287		4,287
States of the U.S. and political subdivisions		11,057		11,057
Other debt securities		14,286		14,286
		1,628,087	1,184	1,629,271
Available for sale equity securities				
Financial services industry	97	632	439	1,168
Insurance services industry	128			128
	225	632	439	1,296
	225	1,628,719	1,623	1,630,567
Derivative financial instruments				
Trading		50,017		50,017
Not for trading		3,185		3,185
		53,202		53,202
	$ 225	$ 1,681,921	$ 1,623	$ 1,683,769
Liabilities measured at fair value				
Derivative financial instruments				
Trading		$ 50,510		$ 50,510
Not for trading		1,095		1,095
		$ 51,605		$ 51,605

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	Level 1	Level 2	Level 3	Total
December 31, 2014				
Assets measured at fair value				
Available for sale debt securities				
U.S. Treasury	$	$ 29,682	$	$ 29,682
U.S. government-sponsored entities		337,133		337,133
Residential mortgage-backed securities				
Agency mortgage-backed securities		554,085		554,085
Agency collateralized mortgage obligations		573,171		573,171
Non-agency collateralized mortgage obligations		11	1,420	1,431
Commercial mortgage-backed securities		7,880		7,880
States of the U.S. and political subdivisions		13,158		13,158
Other debt securities		16,178		16,178
		1,531,298	1,420	1,532,718
Available for sale equity securities				
Financial services industry	99	654	475	1,228
Insurance services industry	119			119
	218	654	475	1,347
	218	1,531,952	1,895	1,534,065
Derivative financial instruments				
Trading		43,789		43,789
Not for trading		2,109		2,109
		45,898		45,898
	$ 218	$ 1,577,850	$ 1,895	$ 1,579,963
Liabilities measured at fair value				
Derivative financial instruments				
Trading		$ 43,830		$ 43,830
Not for trading		2,330		2,330
		$ 46,160		$ 46,160

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The following table presents additional information about assets measured at fair value on a recurring basis and for which the Corporation has utilized Level 3 inputs to determine fair value:

	Pooled Trust Preferred Collateralized Debt Obligations	Equity Securities	Residential Non-Agency Collateralized Mortgage Obligations	Total
Year Ended December 31, 2015				
Balance at beginning of period		$ 475	$ 1,420	$ 1,895
Total gains (losses) realized/unrealized:				
Included in earnings				
Included in other comprehensive income		20	(4)	16
Accretion included in earnings			5	5
Purchases, issuances, sales and settlements:				
Purchases				
Issuances				
Sales/redemptions				
Settlements			(237)	(237)
Transfers from Level 3		(56)		(56)
Transfers into Level 3				
Balance at end of period		$ 439	$ 1,184	$ 1,623
Year Ended December 31, 2014				
Balance at beginning of period	$ 31,595	$ 410	$ 1,744	$ 33,749
Total gains (losses) realized/unrealized:				
Included in earnings	13,766			13,766
Included in other comprehensive income	5,608	65	3	5,676
Accretion included in earnings	657		5	662
Purchases, issuances, sales and settlements:				
Purchases				
Issuances				
Sales/redemptions	(51,527)			(51,527)
Settlements	(99)		(332)	(431)
Transfers from Level 3				
Transfers into Level 3				
Balance at end of period	$	$ 475	$ 1,420	$ 1,895

The Corporation reviews fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value at the beginning of the period in which the changes occur. See the Securities Available for Sale item in this footnote for information relating to determining Level 3 fair values. During 2015, the Corporation transferred an equity security totaling $56 to non-marketable equity securities, reflected in other assets on the Consolidated Balance Sheet. There were no transfers of assets or liabilities between the hierarchy levels for 2014.

For the years ended December 31, 2015 and 2014, there were no gains or losses included in earnings attributable to the change in unrealized gains or losses relating to assets still held as of those dates. The total gains included in earnings are in the net securities gains line item in the Consolidated Statement of Income.

In accordance with GAAP, from time to time, the Corporation measures certain assets at fair value on a non-recurring basis. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write-downs of individual assets. Valuation methodologies used to measure these fair value adjustments were previously described. For assets measured at fair value on a non-recurring basis still held at the balance sheet date, the following table provides the hierarchy level and the fair value of the related assets or portfolios:

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Impaired loans		$ 124	$ 3,704	$ 3,828
Other real estate owned		5,705	2,126	7,831
December 31, 2014				
Impaired loans		$ 177	$ 1,528	$ 1,705
Other real estate owned		5,695	2,365	8,060

Substantially all of the fair value amounts in the table above were estimated at a date during the twelve months ended December 31, 2015 and 2014. Consequently, the fair value information presented is not as of the period s end.

Impaired loans measured or re-measured at fair value on a non-recurring basis during 2015 had a carrying amount of $6,439 and an allocated allowance for credit losses of $2,650 at December 31, 2015. The allocated allowance is based on fair value of $3,828 less estimated costs to sell of $39. The allowance for credit losses includes a provision applicable to the current period fair value measurements of $1,494, which was included in the provision for credit losses for 2015.

OREO with a carrying amount of $9,960 was written down to $6,950 (fair value of $7,831 less estimated costs to sell of $881), resulting in a loss of $3,010, which was included in earnings for 2015.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each financial instrument:

Cash and Cash Equivalents, Accrued Interest Receivable and Accrued Interest Payable. For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities. For both securities available for sale and securities held to maturity, fair value equals the quoted market price from an active market, if available, and is classified within Level 1. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities or pricing models, and is classified as Level 2. Where there is limited market activity or significant valuation inputs are unobservable, securities are classified within Level 3. Under current market conditions, assumptions used to determine the fair value of Level 3 securities have greater subjectivity due to the lack of observable market transactions.

Loans. The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities less an illiquidity discount. The fair value of variable and adjustable rate loans approximates the carrying amount. Due to the significant judgment involved in evaluating credit quality, loans are classified within Level 3 of the fair value hierarchy.

Derivative Assets and Liabilities. The Corporation determines its fair value for derivatives using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects contractual terms of the derivative, including the period to maturity and uses observable market based inputs, including interest rate curves and implied volatilities.

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The Corporation incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty s non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Corporation considers the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Corporation has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2015, the Corporation has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Corporation has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Deposits. The estimated fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date because of the customers ability to withdraw funds immediately. The fair value of fixed-maturity deposits is estimated by discounting future cash flows using rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings. The carrying amounts for short-term borrowings approximate fair value for amounts that mature in 90 days or less. The fair value of subordinated notes is estimated by discounting future cash flows using rates currently offered.

Long-Term Borrowings. The fair value of long-term borrowings is estimated by discounting future cash flows based on the market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

Loan Commitments and Standby Letters of Credit. Estimates of the fair value of these off-balance sheet items were not made because of the short-term nature of these arrangements and the credit standing of the counterparties. Also, unfunded loan commitments relate principally to variable rate commercial loans, typically are non-binding, and fees are not normally assessed on these balances.

Nature of Estimates. Many of the estimates presented herein are based upon the use of highly subjective information and assumptions and, accordingly, the results may not be precise. Management believes that fair value estimates may not be comparable to other financial institutions due to the wide range of permitted valuation techniques and numerous estimates which must be made. Further, because the disclosed fair value amounts were estimated as of the balance sheet date, the amounts actually realized or paid upon maturity or settlement of the various financial instruments could be significantly different.

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The fair values of the Corporation s financial instruments are as follows:

	Carrying Amount	Fair Value	Fair Value Measurements Level 1	Level 2	Level 3
December 31, 2015					
Financial Assets					
Cash and cash equivalents	$ 489,119	$ 489,119	$ 489,119	$	$
Securities available for sale	1,630,567	1,630,567	225	1,628,719	1,623
Securities held to maturity	1,637,061	1,643,416		1,640,721	2,695
Net loans, including loans held for sale	12,053,209	11,863,882			11,863,882
Derivative assets	53,202	53,202		53,202	
Accrued interest receivable	44,920	44,920	44,920		
Financial Liabilities					
Deposits	12,623,463	12,610,914	10,157,997	2,452,917	
Short-term borrowings	2,048,896	2,048,943	2,048,943		
Long-term borrowings	641,480	637,935			637,935
Derivative liabilities	51,605	51,605		51,605	
Accrued interest payable	7,457	7,457	7,457		
December 31, 2014					
Financial Assets					
Cash and cash equivalents	$ 287,393	$ 287,393	$ 287,393	$	$
Securities available for sale	1,534,065	1,534,065	218	1,531,952	1,895
Securities held to maturity	1,453,355	1,468,258		1,463,945	4,313
Net loans, including loans held for sale	11,127,292	10,956,544			10,956,544
Derivative assets	45,898	45,898		45,898	
Accrued interest receivable	40,231	40,231	40,231		
Financial Liabilities					
Deposits	11,382,208	11,382,402	8,771,173	2,611,229	
Short-term borrowings	2,041,658	2,041,672	2,041,672		
Long-term borrowings	541,443	539,007			539,007
Derivative liabilities	46,160	46,160		46,160	
Accrued interest payable	6,689	6,689	6,689		

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24. Parent Company Financial Statements

The following is condensed financial information of F.N.B. Corporation (parent company only). In this information, the parent company s investments in subsidiaries are stated at cost plus equity in undistributed earnings of subsidiaries since acquisition. This information should be read in conjunction with the consolidated financial statements.

Balance Sheets

December 31	**2015**	**2014**
Assets		
Cash and cash equivalents	$ 227,554	$ 129,320
Securities available for sale	1,168	1,228
Other assets	17,206	16,615
Investment in bank subsidiary	2,073,352	2,006,808
Investments in and advances to non-bank subsidiaries	260,341	254,653
Total Assets	$ 2,579,621	$ 2,408,624
Liabilities		
Other liabilities	$ 26,831	$ 25,772
Advances from affiliates	289,540	292,337
Long-term borrowings	157,777	59,279
Subordinated notes:		
Short-term	8,216	8,351
Long-term	1,075	1,429
Total Liabilities	483,439	387,168
Stockholders Equity	2,096,182	2,021,456
Total Liabilities and Stockholders Equity	$ 2,579,621	$ 2,408,624

Statements of Income

Year Ended December 31	**2015**	**2014**	**2013**
Income			
Dividend income from subsidiaries:			
Bank	$ 87,580	$ 85,000	$ 77,153
Non-bank	7,863	9,900	5,950
	95,443	94,900	83,103
Interest income	4,845	4,856	5,277
Other income	1,053	1,920	1,874
Total Income	101,341	101,676	90,254

Expenses			
Interest expense	9,526	8,503	14,325
Other expenses	8,993	9,252	8,196
Total Expenses	18,519	17,755	22,521
Income Before Taxes and Equity in Undistributed Income of Subsidiaries	82,822	83,921	67,733
Income tax benefit	5,088	4,498	6,267
	87,910	88,419	74,000
Equity in undistributed income (loss) of subsidiaries:			
Bank	71,581	55,742	42,094
Non-bank	158	(111)	1,710
Net Income	$ 159,649	$ 144,050	$ 117,804

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Statements of Cash Flows

Year Ended December 31	2015	2014	2013
Operating Activities			
Net income	$ 159,649	$ 144,050	$ 117,804
Adjustments to reconcile net income to net cash flows from operating activities:			
Undistributed earnings from subsidiaries	(71,739)	(55,631)	(43,804)
Other, net	680	(637)	(6,218)
Net cash flows provided by operating activities	88,590	87,782	67,782
Investing Activities			
Proceeds from sale of securities available for sale		934	128
Net decrease in advances to subsidiaries	3,285	2,018	1,080
Net (increase) decrease in investment in subsidiaries	(9,060)	(2,877)	1,845
Net cash received (paid) in business combinations		5,594	(3,533)
Net cash flows (used in) provided by investing activities	(5,775)	5,669	(480)
Financing Activities			
Net decrease in advance from affiliate	(2,797)	(1,908)	(854)
Net (decrease) increase in short-term borrowings	(135)	(88)	84
Decrease in long-term debt	(650)	(34,865)	(134,829)
Increase in long-term debt	98,794	821	499
Net proceeds from issuance of preferred stock			106,882
Net proceeds from issuance of common stock	12,731	12,857	62,092
Tax benefit of stock-based compensation	28	2,714	1,326
Cash dividends paid:			
Preferred stock	(8,041)	(8,352)	
Common stock	(84,511)	(81,220)	(71,246)
Net cash flows provided by (used in) financing activities	15,419	(110,041)	(36,046)
Net Increase (Decrease) in Cash and Cash Equivalents	98,234	(16,590)	31,256
Cash and cash equivalents at beginning of year	129,320	145,910	114,654
Cash and Cash Equivalents at End of Year	$ 227,554	$ 129,320	$ 145,910
Cash paid during the year for:			
Interest	$ 8,309	$ 9,112	$ 14,351

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES. The Corporation maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Corporation s management, with the participation of its CEO and CFO, evaluated the effectiveness of the

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Corporation s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based upon such evaluation, the Corporation s CEO and CFO have concluded that, as of the end of such period, the Corporation s disclosure controls and procedures were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING. Information required by this item is set forth in Management s Report on F.N.B. Corporation s Internal Control Over Financial Reporting Reporting at a Bank Holding Company Level and Report of Independent Registered Public Accounting Firm.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING. There have not been any changes in the Corporation s internal control over financial reporting (as such term is defined in Rules 13a 15(f) and 15d 15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2015 to which this report relates that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

NONE.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to this item is provided in the Corporation s definitive proxy statement filed with the SEC in connection with its annual meeting of stockholders to be held May 18, 2016. Such information is incorporated herein by reference. Certain information regarding executive officers is included under the caption Executive Officers of the Registrant after Part I, Item 4, of this Report.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to this item is provided in the Corporation s definitive proxy statement filed with the SEC in connection with its annual meeting of stockholders to be held May 18, 2016. Such information is incorporated herein by reference. Neither the Report of the Compensation Committee nor the Report of the Audit Committee shall be deemed filed with the SEC, but shall be deemed furnished to the SEC in this Report, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act of 1934, except to the extent that the Corporation specifically incorporates it by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

With the exception of the equity compensation plan information provided below, the information relating to this item is provided in the Corporation s definitive proxy statement filed with the SEC in connection with its annual meeting of stockholders to be held May 18, 2016. Such information is incorporated herein by reference.

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The following table provides information related to equity compensation plans as of December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Stock Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Stock Options, Warrants and Rights (b)	Number of Securities Remaining for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,548,444 (1)	n/a	2,062,471 (2)
Equity compensation plans not approved by security holders	435,340 (3)	$ 8.86	n/a

(1) Restricted common stock awards subject to forfeiture. The shares of restricted stock vest over periods ranging from three to five years from the award date.

(2) Represents shares of common stock registered with the SEC which are eligible for issuance pursuant to stock option or restricted stock awards granted under various plans.

(3) Represents the securities to be issued upon exercise of stock options that the Corporation assumed in various acquisitions. The Corporation does not intend to grant any new awards under these plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to this item is provided in the Corporation s definitive proxy statement filed with the SEC in connection with its annual meeting of stockholders to be held May 18, 2016. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information relating to this item is provided in the Corporation s definitive proxy statement filed with the SEC in connection with its annual meeting of stockholders to be held May 18, 2016. Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) FINANCIAL STATEMENTS

The consolidated financial statements of F.N.B. Corporation and subsidiaries required in response to this item are incorporated by reference to Item 8 of this Report.

(b) EXHIBITS

The exhibits filed or incorporated by reference as a part of this report are listed in the Index to Exhibits which appears at page 156 and is incorporated by reference.

(c) SCHEDULES

No financial statement schedules are being filed because of the absence of conditions under which they are required or because the required information is included in the Consolidated Financial Statements and related notes thereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

F.N.B. CORPORATION

By /s/ Vincent J. Delie, Jr.
Vincent J. Delie, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Vincent J. Delie, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2016
Vincent J. Delie, Jr.		
/s/ Vincent J. Calabrese, Jr.	Chief Financial Officer	February 26, 2016
Vincent J. Calabrese, Jr.	(Principal Financial Officer)	
/s/ Timothy G. Rubritz	Corporate Controller and Senior Vice President	February 26, 2016
Timothy G. Rubritz	(Principal Accounting Officer)	
/s/ Stephen J. Gurgovits	Chairman of the Board and Director	February 26, 2016
Stephen J. Gurgovits		
/s/ William B. Campbell	Director	February 26, 2016
William B. Campbell		
/s/ James D. Chiafullo	Director	February 26, 2016
James D. Chiafullo		
/s/ Laura E. Ellsworth	Director	February 26, 2016
Laura E. Ellsworth		
/s/ Robert A. Hormell	Director	February 26, 2016
Robert A. Hormell		

/s/ David J. Malone	Director	February 26, 2016
David J. Malone		
/s/ D. Stephen Martz	Director	February 26, 2016
D. Stephen Martz		
/s/ Robert J. McCarthy, Jr.	Director	February 26, 2016
Robert J. McCarthy, Jr.		
/s/ Frank C. Mencini	Director	February 26, 2016
Frank C. Mencini		

/s/ David L. Motley	Director	February 26, 2016
David L. Motley		
/s/ Heidi A. Nicholas	Director	February 26, 2016
Heidi A. Nicholas		
/s/ Arthur J. Rooney II	Director	February 26, 2016
Arthur J. Rooney II		
/s/ John S. Stanik	Director	February 26, 2016
John S. Stanik		
/s/ William J. Strimbu	Director	February 26, 2016
William J. Strimbu		
/s/ Earl K. Wahl, Jr.	Director	February 26, 2016
Earl K. Wahl, Jr.		

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INDEX TO EXHIBITS

The following exhibits are filed or incorporated by reference as part of this report:

2.1.	Agreement and Plan of Merger, dated as of October 22, 2012, between F.N.B. Corporation and Annapolis Bancorp, Inc. (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on October 24, 2012).
2.2.	Agreement and Plan of Merger, dated as of February 19, 2013, between F.N.B. Corporation and PVF Capital Corp (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on February 20, 2013).
2.3.	Agreement and Plan of Merger, dated as of June 13, 2013, between F.N.B. Corporation and BCSB Bancorp, Inc. (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on June 19, 2013).
2.4.	Agreement and Plan of Merger, dated as of April 7, 2014, between F.N.B. Corporation and OBA Financial Services, Inc. (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on April 10, 2014).
2.5	Purchase and Assumption Agreement, dated as of May 27, 2015, between Bank of America, National Association and First National Bank of Pennsylvania (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on May 27, 2015).
2.6	Agreement and Plan of Merger, dated as of August 4, 2015, between F.N.B. Corporation and Metro Bancorp, Inc. (Incorporated by reference to Exhibit 2.1. of the Corporation s Current Report on Form 8-K filed on August 7, 2015).
3.1.	Articles of Restatement of the Articles of Incorporation of the Corporation, as amended, as currently in effect. (Incorporated by reference to Exhibit 3.1. of the Corporation s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
3.2.	By-laws of the Corporation (amended and restated on February 17, 2016) as currently in effect. (filed herewith).
4.1.	Warrant to purchase up to 1,302,083 shares of Common Stock, issued to the United States Department of the Treasury. (Incorporated by reference to Exhibit 4.2. of the Corporation s Current Report on Form 8-K filed on January 14, 2009).
4.2.	Warrant to purchase up to 342,564 shares of Common Stock, issued to the United States Department of the Treasury (Incorporated by reference to Exhibit 4.1. of the Corporation s Current Report on Form 8-K filed on April 8, 2013).
4.3.	Deposit Agreement, dated as of November 1, 2013, by and between F.N.B. Corporation and Computershare Limited (successor in interest to Registrar and Transfer Company), as Depositary (incorporated by reference to Exhibit 4.1 of the Corporation s Current Report on Form 8-K filed on November 1, 2013).
4.4.	Specimen Stock Certificate for Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E (incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K filed on November 1, 2013).

4.5. Form of Depositary Receipt (included as Exhibit A to Exhibit 4.4 above).

4.6. Indenture, dated as of October 2, 2015, by and between F.N.B. Corporation and Wilmington Trust, National Association, as Trustee (Incorporated by reference to Exhibit 4.1 of the Corporation s Current Report on Form 8-K filed on October 5, 2015).

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4.7. Supplemental Indenture, dated as of October 2, 2015, by and between the Corporation and Wilmington Trust, National Association, as Trustee (Incorporated by reference to Exhibit 4.2 of the Corporation s Current Report on Form 8-K filed on October 5, 2015).

4.8. Form of 4.875% Subordinated Note due 2025 (included as part of Exhibit 4.7).

4.9. Indenture, dated as of August 16, 2005, by and among FNB Financial Services, LP, as Issuer, the Corporation, as Guarantor, and The Bank of New York Mellon Trust Company, N.A. (as successor-in-interest to J.P. Morgan Trust Company, National Association), as Trustee (Incorporated by reference to Exhibit 4.5 of the Form S-4 Registration Statement of the Corporation and FNB Financial Services, LP (File No. 333-122244)).

4.10. General Partner Certificate (Incorporated by reference to Exhibit 4.6.5 of the Form S-3 Registration Statement of the Corporation and FNB Financial Services, LP (File No. 333-207190)).

4.11. Form of Nonnegotiable Subordinated Term Note of FNB Financial Services, LP (Incorporated by reference to Exhibit 4.7.5 of the Form S-3 Registration Statement of the Corporation and FNB Financial Services, LP (File No. 333-207190).

4.12. Guaranty of the Corporation, dated as of August 16, 2005 (Incorporated by reference to Exhibit 4.12 of the Form S-4 Registration Statement of the Corporation and FNB Financial Services, LP (File No. 333-122244)).

4.13. Indenture, dated as of May 15, 1992, by and among the Corporation, as Issuer, and The Bank of New York Mellon Trust Company, N.A. (as successor-in-interest to Northern Central Bank), as Trustee (Incorporated by reference to Exhibit 4.7 of the Corporation s Form S-2 Registration Statement (File No. 33-45888)).

4.14. First Supplemental Indenture, dated as of January 1, 1994, between the Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor-in-interest to Northern Central Bank), as Trustee (Incorporated by reference to Exhibit 4.4 of the Corporation s Form S-3 Registration Statement (File No. 33-61367)).

4.15. Second Supplemental Indenture, dated as of October 30, 2003, between the Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor-in-interest to J.P. Morgan Trust Company, National Association), as Trustee (Incorporated by reference to Exhibit 4.1 of the Corporation s Current Report on Form 8-K filed on October 31, 2003).

4.16. Second Officer s Certificate, dated March 18, 2003 (Incorporated by reference to Exhibit 4.8 of the Corporation s Form S-3 Registration Statement (File No. 333-103902)).

4.17. Specimen of Outstanding Term Note (Incorporated by reference to Exhibit 4.2 of the Corporation s Form S-3 Registration Statement (File No. 333-103902)).

10.1. Form of Deferred Compensation Agreement by and between First National Bank of Pennsylvania and four of its executive officers. (Incorporated by reference to Exhibit 10.3. of the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 000-08144)). *

10.2. Second Amended and Restated Consulting Agreement among F.N.B. Corporation, First National Bank of Pennsylvania, and F.N.B. Payroll Services, LLC and Stephen J. Gurgovits dated as of March 27, 2012. (Incorporated by reference to Exhibit 10.2. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.3.

Amendment to the Second Amended and Restated Consulting Agreement among F.N.B. Corporation, First National Bank of Pennsylvania, and F.N.B. Payroll Services, LLC and Stephen J. Gurgovits. (Incorporated by reference to Exhibit 10.1. of the Corporation s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014). *

10.4. Letter Agreement between F.N.B. Corporation and Stephen J. Gurgovits and Settlement Agreement and General Release among F.N.B. Corporation, First National Bank of Pennsylvania, and F.N.B. Payroll Services, LLC and Stephen J. Gurgovits. (Incorporated by reference to Exhibit 10.2. of the Corporation s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014). *

10.5. Amended Restricted Stock Award Agreement (long-term incentive award) for Stephen J. Gurgovits dated January 20, 2010 (pursuant to 2007 Incentive Compensation Plan). (Incorporated by reference to Exhibit 10.3. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.6. Amended Restricted Stock Award Agreement (annual incentive award) for Stephen J. Gurgovits dated January 20, 2010 (pursuant to 2007 Incentive Compensation Plan). (Incorporated by reference to Exhibit 10.4. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.7. Amended Restricted Stock Award Agreement for Stephen J. Gurgovits dated March 17, 2010 (pursuant to 2007 Incentive Compensation Plan). (Incorporated by reference to Exhibit 10.5. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.8. Amended Restricted Stock Award Agreement for Stephen J. Gurgovits dated March 16, 2011 (pursuant to 2007 Incentive Compensation Plan). (Incorporated by reference to Exhibit 10.6. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.9. Form of Restricted Stock Unit Agreement for Named Executive Officers (pursuant to 2007 Incentive Compensation Plan). (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on March 27, 2012). *

10.10. Amendment to Deferred Compensation Agreement of Stephen J. Gurgovits. (Incorporated by reference to Exhibit 10.2. of the Corporation s Current Report on Form 8-K filed on December 22, 2008). *

10.11. Basic Retirement Plan (formerly the Supplemental Executive Retirement Plan) of F.N.B. Corporation effective January 1, 1992. (Incorporated by reference to Exhibit 10.9. of the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (File No. 000-08144)). *

10.12. Form of Amendment to Employment Agreements of Vincent Calabrese, Jr. and Gary Guerrieri. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on December 22, 2008). *

10.13. F.N.B. Corporation 2007 Incentive Compensation Plan. (Incorporated by reference to Exhibit A of the Corporation s 2011 Proxy Statement filed on March 30, 2011). *

10.14. Restricted Stock Agreement. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on July 19, 2007). *

10.15. Performance Restricted Stock Award Agreement. (Incorporated by reference to Exhibit 10.2. of the Corporation s Current Report on Form 8-K filed on July 19, 2007). *

10.16. Form of Indemnification Agreement for directors. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on September 23, 2008). *

10.17. Form of Indemnification Agreement for officers. (Incorporated by reference to Exhibit 10.2. of the Corporation s Current Report on Form 8-K filed on September 23, 2008). *

10.18. Letter Agreement between the Corporation and the United States Department of Treasury, including Securities Purchase Agreement Standard Terms, incorporated by reference therein. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on January 14, 2009).

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10.19.	Employment Agreement between First National Bank of Pennsylvania and Timothy G. Rubritz. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on December 22, 2009). *
10.20.	Employment Agreement between F.N.B. Corporation, First National Bank of Pennsylvania and Vincent J. Delie, Jr. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on December 21, 2010). *
10.21.	Tax Indemnification Agreement between F.N.B. Corporation and Robert J. McCarthy, Jr. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on January 4, 2012).
10.22.	Employment Agreement between F.N.B. Corporation and Vincent J. Calabrese. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on February 26, 2013). *
10.23.	Employment Agreement between First National Bank of Pennsylvania and John C. Williams, Jr. (Incorporated by reference to Exhibit 10.2. of the Corporation s Current Report on Form 8-K filed on February 26, 2013). *
10.24.	Amendment to F.N.B. Corporation Restricted Stock Agreement dated March 20, 2013, between F.N.B. Corporation and John C. Williams, Jr. dated as of December 17, 2014. (Incorporated by reference to Exhibit 10.1. of the Corporation s Current Report on Form 8-K filed on December 22, 2014). *
10.25	Form of Restricted Stock Unit Award for Vincent J. Delie, Jr. and Vincent J. Calabrese, Jr. (Incorporated by reference to Exhibit 10.1 of the Corporation s Current Report on Form 8-K filed on December 22, 2015). *
11	Computation of Per Share Earnings **
12	Ratio of Earnings to Fixed Charges. (filed herewith).
14	Code of Ethics. (Incorporated by reference to Exhibit 99.3. of the Corporation s Annual Report on Form10-K for the fiscal year ended December 31, 2009). *
21	Subsidiaries of the Registrant. (filed herewith).
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. (filed herewith).
31.1.	Certification of Chief Executive Officer Sarbanes-Oxley Act Section 302. (filed herewith).
31.2.	Certification of Chief Financial Officer Sarbanes-Oxley Act Section 302. (filed herewith).
32.1.	Certification of Chief Executive Officer Sarbanes-Oxley Act Section 906. (furnished herewith).
32.2.	Certification of Chief Financial Officer Sarbanes-Oxley Act Section 906. (furnished herewith).
101.	The following materials from F.N.B. Corporation s Annual Report on Form 10-K for the period ended December 31, 2015, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements. (filed herewith).

* Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this Report.

** This information is provided in the Earnings Per Share footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 in this Report.