FNB CORP/FL/
Form 10-Q
November 08, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2011

¨ **Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the transition period from to

Commission file number 001-31940

F.N.B. CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**25-1255406**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
One F.N.B. Boulevard, Hermitage, PA	**16148**
(Address of principal executive offices)	**(Zip Code)**

724-981-6000

Registrant s telephone number, including area code:

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

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

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

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

Large Accelerated Filer x	Accelerated Filer ¨
Non-accelerated Filer ¨	Smaller reporting company ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at October 31, 2011
Common Stock, $0.01 Par Value	**127,135,221 Shares**

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F.N.B. CORPORATION

FORM 10-Q

September 30, 2011

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F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except par value

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 197,753	$ 115,556
Interest bearing deposits with banks	34,982	16,015
Cash and Cash Equivalents	232,735	131,571
Securities available for sale	802,455	738,125
Securities held to maturity (fair value of $1,020,643 and $959,414)	984,201	940,481
Residential mortgage loans held for sale	10,307	12,700
Loans, net of unearned income of $45,145 and $42,183	6,788,540	6,088,155
Allowance for loan losses	(108,813)	(106,120)
Net Loans	6,679,727	5,982,035
Premises and equipment, net	125,748	115,956
Goodwill	567,511	528,720
Core deposit and other intangible assets, net	32,772	32,428
Bank owned life insurance	207,600	208,051
Other assets	308,288	269,848
Total Assets	$ 9,951,344	$ 8,959,915
Liabilities		
Deposits:		
Non-interest bearing demand	$ 1,335,417	$ 1,093,230
Savings and NOW	3,794,127	3,423,844
Certificates and other time deposits	2,238,745	2,129,069
Total Deposits	7,368,289	6,646,143
Other liabilities	124,479	97,951
Short-term borrowings	817,343	753,603
Long-term debt	222,788	192,058
Junior subordinated debt	203,954	204,036
Total Liabilities	8,736,853	7,893,791
Stockholders Equity		
Common stock $0.01 par value		
Authorized 500,000,000 shares		
Issued 127,342,749 and 114,902,454 shares	1,268	1,143
Additional paid-in capital	1,222,123	1,094,713
Retained earnings	24,760	6,564
Accumulated other comprehensive loss	(30,248)	(33,732)
Treasury stock 215,150 and 155,369 shares at cost	(3,412)	(2,564)
Total Stockholders Equity	1,214,491	1,066,124
Total Liabilities and Stockholders Equity	$ 9,951,344	$ 8,959,915

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

Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Interest Income				
Loans, including fees	$ 86,038	$ 81,507	$ 255,937	$ 241,885
Securities:				
Taxable	10,744	10,524	32,233	33,100
Nontaxable	1,847	1,779	5,676	5,489
Dividends	13	17	144	54
Other	60	120	238	326
Total Interest Income	98,702	93,947	294,228	280,854
Interest Expense				
Deposits	13,078	15,742	41,727	50,072
Short-term borrowings	1,644	2,029	5,111	6,191
Long-term debt	1,698	1,825	4,981	6,462
Junior subordinated debt	1,880	2,092	6,030	5,984
Total Interest Expense	18,300	21,688	57,849	68,709
Net Interest Income	80,402	72,259	236,379	212,145
Provision for loan losses	8,573	12,313	25,352	36,516
Net Interest Income After Provision for Loan Losses	71,829	59,946	211,027	175,629
Non-Interest Income				
Impairment losses on securities	(473)		(473)	(9,539)
Non-credit related losses on securities not expected to be sold (recognized in other comprehensive income)	436		436	7,251
Net impairment losses on securities	(37)		(37)	(2,288)
Service charges	16,057	14,250	46,058	42,634
Insurance commissions and fees	4,002	3,921	11,812	12,094
Securities commissions and fees	1,858	1,794	5,960	5,122
Trust fees	3,565	3,084	11,222	9,430
Gain on sale of securities	49	80	141	2,517
Gain on sale of residential mortgage loans	657	964	1,800	2,339
Bank owned life insurance	1,309	1,448	3,913	3,760
Other	2,170	2,213	6,451	10,864
Total Non-Interest Income	29,630	27,754	87,320	86,472
Non-Interest Expense				
Salaries and employee benefits	37,149	33,831	112,059	100,348
Net occupancy	5,514	4,781	16,484	15,159
Equipment	4,749	4,486	14,149	13,625
Amortization of intangibles	1,808	1,675	5,409	5,041
Outside services	5,447	5,737	16,024	17,144

FDIC insurance	1,699	2,627	6,288	7,890
Merger related	282	72	4,589	72
Other	12,569	11,038	37,141	33,495
Total Non-Interest Expense	69,217	64,247	212,143	192,774
Income Before Income Taxes	32,242	23,453	86,204	69,327
Income taxes	8,469	6,236	22,894	18,208
Net Income	$ 23,773	$ 17,217	$ 63,310	$ 51,119
Net Income per Share Basic	$ 0.19	$ 0.15	$ 0.51	$ 0.45
Net Income per Share Diluted	0.19	0.15	0.51	0.45
Cash Dividends per Share	0.12	0.12	0.36	0.36

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Dollars in thousands, except per share data

Unaudited

	Compre-hensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2011		$ 1,143	$ 1,094,713	$ 6,564	$ (33,732)	$ (2,564)	$ 1,066,124
Net income	$ 63,310			63,310			63,310
Change in other comprehensive income, net of tax	3,484				3,484		3,484
Comprehensive income	$ 66,794						
Common stock dividends ($0.36/share)				(45,114)			(45,114)
Issuance of common stock		125	124,100			(848)	123,377
Restricted stock compensation			3,371				3,371
Tax expense of stock-based compensation			(61)				(61)
Balance at September 30, 2011		$ 1,268	$ 1,222,123	$ 24,760	$ (30,248)	$ (3,412)	$ 1,214,491
Balance at January 1, 2010		$ 1,138	$ 1,087,369	$ (12,833)	$ (30,633)	$ (1,739)	$ 1,043,302
Net income	$ 51,119			51,119			51,119
Change in other comprehensive income, net of tax	7,152				7,152		7,152
Comprehensive income	$ 58,271						
Common stock dividends ($0.36/share)				(41,412)			(41,412)
Issuance of common stock		4	3,604			(778)	2,830
Restricted stock compensation			2,060				2,060
Tax expense of stock-based compensation			(205)				(205)
Balance at September 30, 2010		$ 1,142	$ 1,092,828	$ (3,126)	$ (23,481)	$ (2,517)	$ 1,064,846

See accompanying Notes to Consolidated Financial Statements

F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in thousands

Unaudited

	Nine Months Ended September 30, 2011	2010
Operating Activities		
Net income	$ 63,310	$ 51,119
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	16,990	21,558
Provision for loan losses	25,352	36,516
Deferred taxes	6,892	(3,137)
Gain on sale of securities	(141)	(2,517)
Other-than-temporary impairment losses on securities	37	2,288
Tax expense of stock-based compensation	61	205
Net change in:		
Interest receivable	883	275
Interest payable	(1,519)	(1,685)
Trading securities	110,490	
Residential mortgage loans held for sale	2,393	(3,975)
Bank owned life insurance	476	(2,289)
Other, net	26,806	14,145
Net cash flows provided by operating activities	252,030	112,503
Investing Activities		
Net change in loans	(323,897)	(204,584)
Securities available for sale:		
Purchases	(250,558)	(335,865)
Sales	10,883	59,459
Maturities	292,247	259,191
Securities held to maturity:		
Purchases	(332,870)	(278,089)
Maturities	176,009	181,662
Purchase of bank owned life insurance	(26)	(27)
Withdrawal/surrender of bank owned life insurance		360
Increase in premises and equipment	(9,648)	(5,305)
Net cash received in business combinations	23,374	
Net cash flows used in investing activities	(414,486)	(323,198)
Financing Activities		
Net change in:		
Non-interest bearing deposits, savings and NOW accounts	297,049	235,883
Time deposits	(116,864)	(18,278)
Short-term borrowings	38,629	148,415
Increase in long-term debt	46,569	108,871
Decrease in long-term debt	(25,114)	(230,492)
Decrease in junior subordinated debt	(82)	(506)

Net proceeds from issuance of common stock	68,608	4,890
Tax expense of stock-based compensation	(61)	(205)
Cash dividends paid	(45,114)	(41,412)
Net cash flows provided by financing activities	263,620	207,166
Net Increase in Cash and Cash Equivalents	101,164	(3,529)
Cash and cash equivalents at beginning of period	131,571	310,550
Cash and Cash Equivalents at End of Period	$ 232,735	$ 307,021

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except share data

(Unaudited)

September 30, 2011

BUSINESS

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

BASIS OF PRESENTATION

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

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

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The interim operating results are not necessarily indicative of operating results the Corporation expects for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation s Annual Report on Form 10-K filed with the SEC on February 25, 2011.

USE OF ESTIMATES

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

COMMON STOCK

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

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MERGERS AND ACQUISITIONS

On January 1, 2011, the Corporation completed its acquisition of Comm Bancorp, Inc. (CBI), a bank holding company based in Clarks Summit, Pennsylvania. On the acquisition date, CBI had $625,570 in assets, which included $445,271 in loans, and $561,796 in deposits. The transaction, valued at $75,547, resulted in the Corporation paying $17,202 in cash and issuing 5,940,742 shares of its common stock in exchange for 1,719,820 shares of CBI common stock. The assets and liabilities of CBI were recorded on the Corporation s balance sheet at their fair values as of January 1, 2011, the acquisition date, and CBI s results of operations have been included in the Corporation s consolidated statement of income since that date. CBI s banking affiliate, Community Bank and Trust Company, was merged into FNBPA on January 1, 2011. Based on a preliminary purchase price allocation, the Corporation recorded $38,790 in goodwill and $4,785 in core deposit intangible as a result of the acquisition. The Corporation has not yet finalized its determination of the fair values of certain acquired assets and liabilities and will adjust goodwill upon completion of the valuation process. None of the goodwill is deductible for income tax purposes.

Pending Acquisition

On June 15, 2011, the Corporation announced the signing of a definitive merger agreement to acquire Parkvale Financial Corporation (PFC), a savings and loan holding company with approximately $1,800,000 in assets based in Monroeville, Pennsylvania. The transaction is valued at approximately $130,000. Under the terms of the merger agreement, PFC shareholders will be entitled to receive 2.178 shares of F.N.B. Corporation common stock for each share of PFC common stock. PFC s banking affiliate, Parkvale Savings Bank, will be merged into FNBPA. The transaction is expected to be completed in the first quarter of 2012, pending regulatory approvals, the approval of shareholders of PFC and the satisfaction of other closing conditions.

Acquired Loans

All loans acquired in acquisitions after December 31, 2010 are recorded at fair value with no carryover of the related allowance for loan losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

The excess of gross expected cash flows at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the expected cash flows to be collected at acquisition is referred to as the non-accretable yield. The non-accretable yield represents estimated future credit losses expected to be incurred over the life of the loan. Subsequent decreases in expected cash flows that are attributable, at least in part, to credit quality are recognized as impairments through a charge to the provision for loan losses resulting in an increase in the allowance for loan losses. Subsequent improvements in expected cash flows result in an increase to the accretable yield that is recognized into interest income over the remaining life of the loan using the interest method. The Corporation s evaluation of the amount of future cash flows that it expects to collect is performed in a similar manner as that used to determine its allowance for loan losses. Charge-offs of the principal amount on acquired loans would be first applied to the non-accretable discount portion of the fair value adjustment.

Acquired loans that met the criteria for non-accrual of interest prior to acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if the Corporation can reasonably estimate the timing and amount of the expected cash flows on such loans and if the Corporation expects to fully collect the new carrying value of the loans. As such, the Corporation may no longer consider the loan to be non-accrual or non-performing and may accrue interest on these loans.

NEW ACCOUNTING STANDARDS

Intangibles Goodwill and Other

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles Goodwill and Other,* which simplifies how entities test goodwill for impairment. Under the amendments in this ASU, an entity has the option to perform a qualitative 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 qualitative factors, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not have to perform the current two-step goodwill impairment test. These amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Corporation intends to adopt this standard during the fourth quarter of 2011. Adoption of this standard is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income,* with the intention of increasing the prominence of other comprehensive income in the financial statements. The FASB has eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders equity and will require it be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The single continuous statement format would include the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income as well as the total comprehensive income. In the two statement approach, the first statement would be the traditional income statement which would immediately be followed by a separate statement which includes the components of other comprehensive income, total other comprehensive income and total comprehensive income. These requirements should be applied retrospectively and are effective for the first interim or annual period beginning after December 15, 2011. Adoption of this standard is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Amendments to Fair Value Measurements

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurements,* to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards (IFRSs). The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices. The amendments result in common fair value measurement and disclosure requirements in GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements and others change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. Many of the previous fair value requirements are not changed by this standard. The amendments in this standard are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. Adoption of this standard is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Troubled Debt Restructurings

In April 2011, the FASB issued ASU No. 2011-02, *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring,* to address diversity in practice concerning determining whether a restructuring constitutes a troubled debt restructuring. This update specifies that in evaluating whether a restructuring is a troubled debt restructuring (TDR), a creditor must separately conclude both that a concession has been granted by the creditor and that the debtor is experiencing financial difficulties. Also, ASU No. 2011-02 provides clarifying guidance in determining whether a concession has been granted and whether a debtor is experiencing financial difficulties. In addition, the update precludes a creditor from using the effective interest rate test in the debtor s guidance on restructuring of payables when evaluating whether a restructuring is a TDR. These requirements are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to restructurings made during the period from the beginning of the annual period of adoption to the date of adoption. Adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Disclosure of Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued ASU No. 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations,* to address diversity in practice concerning pro forma revenue and earnings disclosure requirements for business combinations. This update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount

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of material, nonrecurring pro forma adjustments directly attributable to the business combination(s) included in the reported pro forma revenue and earnings. These requirements are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* to provide financial statement users with greater transparency about credit quality of financing receivables and allowance for credit losses. This update requires additional disclosures as of the end of a reporting period and additional disclosures about activity that occurs during a reporting period that will assist financial statement users in assessing credit risk exposures and evaluating the adequacy of the allowance for credit losses.

The additional disclosures are required to be provided on a disaggregated basis. ASU No. 2010-20 defines two levels of disaggregation and provides additional implementation guidance to determine the appropriate level of disaggregation of information. The disclosures should facilitate evaluation of the nature of the credit risk inherent in a portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses.

The disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010 and are included in this Report. Adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

SECURITIES

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

Securities Available For Sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011				
U.S. Treasury and other U.S. government agencies and corporations	$ 307,769	$ 1,079	$ (59)	$ 308,789
Residential mortgage-backed securities:				
Agency mortgage-backed securities	225,184	8,000		233,184
Agency collateralized mortgage obligations	203,014	3,298		206,312
Non-agency collateralized mortgage obligations	32		(1)	31
States of the U.S. and political subdivisions	40,310	1,437		41,747
Collateralized debt obligations	19,224		(13,539)	5,685
Other debt securities	6,860		(1,887)	4,973
Total debt securities	802,393	13,814	(15,486)	800,721
Equity securities	1,593	196	(55)	1,734
	$ 803,986	$ 14,010	$ (15,541)	$ 802,455

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
U.S. Treasury and other U.S. government agencies and corporations	$ 299,861	$ 1,395	$ (688)	$ 300,568
Residential mortgage-backed securities:				
Agency mortgage-backed securities	205,443	6,064		211,507
Agency collateralized mortgage obligations	146,977	1,081	(192)	147,866
Non-agency collateralized mortgage obligations	37	1		38
States of the U.S. and political subdivisions	57,830	934	(26)	58,738
Collateralized debt obligations	19,288		(13,314)	5,974
Other debt securities	12,989		(1,744)	11,245
Total debt securities	742,425	9,475	(15,964)	735,936
Equity securities	1,867	381	(59)	2,189
	$ 744,292	$ 9,856	$ (16,023)	$ 738,125

Securities Held To Maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011				
U.S. Treasury and other U.S. government agencies and corporations	$ 4,605	$ 351	$	$ 4,956
Residential mortgage-backed securities:				
Agency mortgage-backed securities	739,501	31,714		771,215
Agency collateralized mortgage obligations	58,610	750	(172)	59,188
Non-agency collateralized mortgage obligations	27,006	197	(1,135)	26,068
States of the U.S. and political subdivisions	150,419	5,305	(6)	155,718
Collateralized debt obligations	2,477		(434)	2,043
Other debt securities	1,583	31	(159)	1,455
	$ 984,201	$ 38,348	$ (1,906)	$ 1,020,643
December 31, 2010				
U.S. Treasury and other U.S. government agencies and corporations	$ 4,925	$ 212	$	$ 5,137
Residential mortgage-backed securities:				
Agency mortgage-backed securities	688,575	23,878	(3,079)	709,374
Agency collateralized mortgage obligations	71,102	511	(889)	70,724
Non-agency collateralized mortgage obligations	33,950	328	(1,331)	32,947
States of the U.S. and political subdivisions	137,210	1,735	(1,630)	137,315
Collateralized debt obligations	3,132		(778)	2,354
Other debt securities	1,587	18	(42)	1,563
	$ 940,481	$ 26,682	$ (7,749)	$ 959,414

The Corporation classifies securities as trading securities when management intends to sell such securities in the near term. Such securities are carried at fair value, with unrealized gains (losses) reflected through the consolidated statement of income. The Corporation acquired securities in conjunction with the CBI acquisition that the Corporation classified as trading securities. The Corporation both acquired and sold these trading securities during the first quarter of 2011. As of September 30, 2011 and December 31, 2010, the Corporation did not hold any trading securities.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross gains	$ 49	$ 80	$ 337	$ 2,517
Gross losses			(196)	
	$ 49	$ 80	$ 141	$ 2,517

The gross gains for the nine months ended September 30, 2010 included a gain of $2,291 relating to the sale of a $6,016 U.S. government agency security and $52,625 of mortgage backed securities. These securities were sold to better position the balance sheet.

As of September 30, 2011, 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	$ 40,077	$ 40,384	$ 6,708	$ 6,769
Due from one to five years	264,448	265,085	14,500	15,185
Due from five to ten years	10,883	11,260	37,817	39,193
Due after ten years	58,755	44,465	100,059	103,025
	374,163	361,194	159,084	164,172
Residential mortgage-backed securities:				
Agency mortgage-backed securities	225,184	233,184	739,501	771,215
Agency collateralized mortgage obligations	203,014	206,312	58,610	59,188
Non-agency collateralized mortgage obligations	32	31	27,006	26,068
Equity securities	1,593	1,734		
	$ 803,986	$ 802,455	$ 984,201	$ 1,020,643

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

At September 30, 2011 and December 31, 2010, securities with a carrying value of $651,077 and $651,299, respectively, were pledged to secure public deposits, trust deposits and for other purposes as required by law. Securities with a carrying value of $681,225 and $676,083 at September 30, 2011 and December 31, 2010, 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:

Securities available for sale:

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011						
U.S. Treasury and other U.S. government agencies and corporations	$ 38,449	$ (59)	$	$	$ 38,449	$ (59)
Residential mortgage-backed securities:						
Non-agency collateralized mortgage obligations	31	(1)			31	(1)
Collateralized debt obligations			5,685	(13,539)	5,685	(13,539)
Other debt securities			4,973	(1,887)	4,973	(1,887)
Equity securities	288	(18)	636	(37)	924	(55)
	$ 38,768	$ (78)	$ 11,294	$ (15,463)	$ 50,062	$ (15,541)
December 31, 2010						
U.S. Treasury and other U.S. government agencies and corporations	$ 117,140	$ (688)	$			