FNB CORP/FL/
Form 10-K
February 28, 2014
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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, 2013

Commission file number 001-31940

F.N.B. CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**25-1255406**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One F.N.B. Boulevard, Hermitage, PA	**16148**
(Address of principal executive offices)	(Zip Code)
Registrant s telephone number, including area code:	**724-981-6000**

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. ¨

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, 2013, determined using a per share closing price on that date of $12.08, as quoted on the New York Stock Exchange, was $1,663,448,797.

As of February 18, 2014, the registrant had outstanding 165,681,400 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 21, 2014 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, 2014.

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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. In 2000, the Corporation elected to become and remains 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, 2013, the Corporation had 266 Community Banking offices in Pennsylvania, Ohio, Maryland and West Virginia and 72 Consumer Finance offices in Pennsylvania, Ohio, Tennessee and Kentucky.

The Corporation, through its subsidiaries, provides a full range of financial services, principally to consumers and small- to medium-sized businesses in its market areas. The Corporation s business strategy focuses primarily on providing quality, community-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, 2013, the Corporation had total assets of $13.6 billion, loans of $9.5 billion and deposits of $10.2 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.

Mergers and Acquisitions

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. As of December 31, 2013, BCSB had $605.9 million in assets, $326.3 million in loans and $531.6 million in deposits. The acquisition was valued at $81.2 million 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.

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 $738.5 million in assets, $512.6 million in loans and $627.0 million in deposits. The acquisition was valued at $110.3 million 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.

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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 fair values of ANNB included $430.2 million in assets, $256.2 million in loans and $349.4 million in deposits. The acquisition was valued at $56.3 million 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. Additionally, the Corporation paid $0.6 million, 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.

Parkvale Financial Corporation

On January 1, 2012, the Corporation completed its acquisition of Parkvale Financial Corporation (Parkvale), a unitary savings and loan holding company based in Monroeville, Pennsylvania. On the acquisition date, the fair values of Parkvale included $1.7 billion in assets, $919.5 million in loans and $1.5 billion in deposits. The acquisition was valued at $140.9 million and resulted in the Corporation issuing 12,159,312 shares of its common stock in exchange for 5,582,846 shares of Parkvale common stock.

For more detailed information concerning these acquisitions, see the Mergers and Acquisitions footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

Securities Offerings

On November 1, 2013, the Corporation closed the public offering of 4,000,000 depositary shares pursuant to an Underwriting Agreement, dated October 29, 2013, between the Corporation and Keefe, Bruyette & Woods, Inc. and RBC Capital Markets, LLC, as representatives for the underwriters listed therein. The Corporation additionally granted the underwriters an option to purchase up to an additional 600,000 depositary shares. The underwriters exercised their option and purchased 435,080 additional depositary shares, the sale of which closed on November 14, 2013. Each Depositary Share represents a 1/40th interest in a share of the Corporation s Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E (Series E Preferred Stock), with a liquidation preference of $1,000 per share (equivalent to $25 per depositary share). Dividends accrue and are payable on the liquidation amount of $1,000 per share of Series E Preferred Stock in arrears at 7.25% per annum only when, as, and if declared by the Board of Directors of the Corporation and to the extent the Corporation has legally available funds to pay dividends.

Also on November 1, 2013, the Corporation closed the public offering of 4,693,876 shares of its common stock pursuant to an Underwriting Agreement, dated October 29, 2013, between the Corporation and J.P. Morgan Securities, LLC, Keefe, Bruyette & Woods, Inc. and RBC Capital Markets, LLC, as representatives for the underwriters listed therein.

The Corporation received aggregate net proceeds of $161.3 million from these offerings and intends to use the proceeds to support future growth opportunities and proactively position the Corporation for Basel III implementation. See the Government Supervision and Regulation Basel III caption included in this section of this Report.

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, 2013, 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 offered 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.

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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.

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.

As of December 31, 2013, the Corporation operated its Community Banking business through a network of 266 branches in Pennsylvania, Ohio, Maryland and West Virginia. The Community Banking segment also has commercial real estate loans in Florida, which were originated from 2005 through 2009.

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, 2013, the fair value of trust assets under management was approximately $3.2 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 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.

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Insurance

The Corporation s Insurance segment operates principally through First National Insurance Agency, LLC (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 of the Corporation s subordinated notes at Regency s branch offices. 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), a merchant banking subsidiary, offered mezzanine financing options for small- to medium-sized businesses that need financial assistance beyond the parameters of typical commercial bank lending products. FNBCC has a 24.9% funding commitment in F.N.B. Capital Partners, L.P., a Small Business Investment Company licensed by the U.S. Small Business Administration. F.N.B. Statutory Trust II, Omega Financial Capital Trust I and Sun Bancorp Statutory Trust I issued trust preferred securities (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, a company established to issue, administer and repay the subordinated notes through which loans in the Consumer Finance segment are funded. Additionally, Bank Capital Services, LLC, a subsidiary of FNBPA, offers commercial leasing services 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 primarily operates in Pennsylvania, eastern Ohio, and northern West Virginia, which are areas with relatively stable markets and modest growth. Additionally, the Corporation operates in higher growth markets in Maryland. 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 deposits, loans and financial services business with a large number of other financial institutions, such as commercial banks, savings banks, savings and loan associations, credit life insurance companies, mortgage banking companies, consumer finance companies, credit unions and commercial finance and leasing companies, many of which have greater resources than the Corporation. 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 access and use technology is an increasingly 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.

Underwriting

Commercial Loans

The Corporation s Credit Policy Manual 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. 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 Manual. 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 Manual 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 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.

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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, 2014, the Corporation and its subsidiaries had 2,655 full-time and 448 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 securities and insurance activities 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. In addition, certain of the Corporation s public disclosure, internal control environment 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 and the New York Stock Exchange, Inc. (NYSE). 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 Corporation s common stock is listed on the NYSE under the trading symbol FNB and the Corporation is subject to the listed company rules of the NYSE.

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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, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, inter-affiliate transactions, 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 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. 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 and FNTC 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 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.

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, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds by September 30, 2020. Several of these provisions have increased 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 an interim final rule 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 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.

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, 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, 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 could limit its ability to expand into certain products and services.

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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. The Corporation s revenue earned from debit card interchange fees was $16.4 million for 2013, a decrease of $4.4 million from 2012. However, a July 31, 2013 ruling by the U.S. District Court of the District of Columbia in *NACS v. Board of Governors of the Federal Reserve System*, No. 11-cv-02075, could have the effect of further reducing the cap base on debit interchange fees. The court s decision, among other things, vacated the per-transaction interchange cap base of $0.21 established by the FRB. The decision has been stayed pending an appeal that has been filed in the U.S. Court of Appeals for the District of Columbia Circuit. If the District Court opinion is upheld, it could result in a significant reduction in the cap base below $0.21.

Increased Capital Standards and Enhanced Supervision. The Dodd-Frank Act requires the federal banking agencies to establish minimum leverage and risk-based capital requirements and stress testing requirements for banks and bank and financial holding companies. These new standards will be no less strict than existing regulatory capital and leverage standards applicable to insured depository institutions and may, in fact, become higher once the agencies analyze the new standards. 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.

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 the Dodd-Frank Act have been implemented there still remain a significant 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 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, 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 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 loan losses of up to 1.25 percent of risk-weighted assets. Tier 3 capital includes subordinated debt that is unsecured, fully paid, 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 or principal if the payment would cause the issuing bank s risk-based capital ratio to fall or remain below the required minimum.

The Corporation, like other bank holding companies, currently is required to maintain tier 1 capital and total capital (the sum of tier 1, tier 2 and tier 3 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, 2013, the Corporation s tier 1 and total capital ratios under these guidelines were 11.1% and 12.5%, respectively. At December 31, 2013, the Corporation had $74.0 million of capital securities that qualified as tier 1 capital and $27.6 million of 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, 2013 was 8.8%.

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. 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.

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 and systemically important non-bank financial companies, any regulatory capital deductions for debt or equity issued before May 19, 2010 will be 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. The ultimate impact of these new capital and liquidity standards on the Corporation cannot be determined at this time and will depend on a number of factors, including the treatment and implementation by the U.S. banking regulators.

Basel III

In July 2013, the FRB and the OCC published final rules to implement the Basel III capital framework and revise the framework for the risk-weighting of assets under Basel I. The Basel III rules, among other things, narrow the definition of regulatory capital and require the phase-out of TPS from capital. When fully phased in on January 1, 2019, Basel III will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. Basel III also provides for a countercyclical capital buffer, an additional capital requirement that generally is to be imposed when national regulators determine that excess aggregate credit growth has become associated with a buildup of systemic risk, in order to absorb losses during periods of economic stress. Banking institutions that maintain insufficient capital to comply with the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. Additionally, the Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests, including a liquidity coverage ratio (LCR) designed to ensure that the banking entity maintains a level of unencumbered high-quality liquid

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assets greater than or equal to the entity s expected net cash outflow for a 30-day time horizon under an acute liquidity stress scenario, and a net stable funding ratio (NSFR) designed to promote more medium- and long-term funding based on the liquidity characteristics of the assets and activities of banking entities over a one-year time horizon. In October 2013, the federal regulatory agencies proposed rules implementing the LCR for the largest, most systemically important advanced approach U.S. financial institutions and a modified version of the LCR for smaller U.S. banking institutions that are not advanced approach banking institutions but have at least $50 billion in total consolidated assets, neither of which would apply to the Corporation or FNBPA. The federal regulatory agencies have not yet proposed rules to implement the NSFR.

The final rules revise federal regulatory agencies risk-based and leverage capital requirements and their method for calculating risk-weighted assets to make them consistent with the Basel III framework. The final rules apply to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more, and top-tier savings and loan holding companies (banking organizations). Among other things, the proposed rules establish a new common equity tier 1 (CET1) minimum capital requirement (4.5% of risk-weighted assets) and a higher minimum tier 1 capital requirement (from 4.0% to 6.0% of risk-weighted assets), and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real property.

When fully phased in, Basel III requires financial institutions to maintain: (a) as a newly adopted international standard, 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 7.0%); (b) 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); (c) a minimum ratio of total (that is, tier 1 plus tier 2) capital 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 (d) as a newly adopted international standard, a minimum leverage ratio of 3.0%, calculated as the ratio of tier 1 capital balance sheet exposures plus certain off-balance sheet exposures (computed as the average for each quarter of the month-end ratios for the quarter). In addition, the proposed rules also limit a banking organization s capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer .

Under the final rules, compliance is required beginning January 1, 2015, for most banking organizations, including the Corporation and FNBPA, subject to a transition period for several aspects of the final rules, including the new minimum capital ratio requirements, the capital conservation buffer and the regulatory capital adjustments and deductions. Requirements to maintain higher levels of capital could adversely impact the Corporation s return on average equity. The Corporation is still in the process of assessing the impacts of these complex final rules; however, management believes that the Corporation will continue to exceed all estimated well-capitalized regulatory requirements on a fully phased-in basis. For further detail on capital and capital ratios see the Liquidity and Capital sections in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the Regulatory Matters footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

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 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

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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, 2013.

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.

On August 10, 2010, the FDIC created the new Office of Complex Financial Institutions to help implement its expanded responsibilities. Over the course of 2011, the FDIC adopted five major rules for the implementation of its new receivership authority.

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;

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- 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 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 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.

In January 2013, the CFPB issued a series of final rules related to mortgage loan origination and mortgage loan servicing. In particular, on January 10, 2013, the CFPB issued a final 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.

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 members of the FDIC may be assessed for the FDIC s loss, subject to certain exceptions.

In addition, if FNBPA were 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 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.

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.

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Bank or financial holding companies and banks seeking to engage in transactions authorized by the Interstate Banking Act must be well-capitalized and managed.

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, 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. The Corporation s investment advisory subsidiary 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.

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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 (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, 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 therefor, 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.

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.

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.

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Available Information

The Corporation makes available on 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 and activity. For example, every time FNBPA opens an account or approves a loan for a customer, processes a payment, 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 six major categories of risk: credit risk, market risk, liquidity risk, reputational risk, operational risk and regulatory compliance 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 found guilty of a crime. 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.

The Corporation s results of operations are significantly affected by the ability of its borrowers to repay their 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 and industry conditions;
- the duration of the loan; and
- in the case of a collateralized loan, uncertainties as to the future value of the collateral.

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Generally, commercial/industrial, construction and commercial real estate loans present a greater risk of non-payment by a borrower than other types of 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. In addition, consumer loans 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.

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

The Corporation funds its loan growth primarily through deposits. Deposits are a low cost and stable source of funding for the Corporation. However, the Corporation competes with banks and other financial services companies for deposits. To the extent that the Corporation is unable to attract and maintain sufficient levels of deposits to fund its loan growth, it would be required to raise additional funds through public or private financings. 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 its allowance for loan 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 loan 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 loan losses to provide for estimated losses inherent in its loan portfolio as of the reporting date. The Corporation periodically determines the amount of its allowance for loan 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 concentration;
- assessment of economic conditions and their effects on the Corporation s existing portfolio; and
- the amount and quality of collateral, including guarantees, securing loans.

The level of the allowance for loan 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 loan losses. In addition, bank regulatory agencies periodically review the Corporation s allowance and may require an increase in the provision for loan 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 loan 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 Loan Losses section of Management s Discussion and Analysis of Financial Condition and Results of Operations , which is included in Item 7 of this Report.

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The Corporation s results of operations may be adversely affected if asset valuations cause other-than-temporary impairment (OTTI) or goodwill impairment charges.

The Corporation may be required to record future impairment charges on its investment securities if they suffer declines in value that are considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators, or unanticipated changes in the competitive environment could have a negative effect on the Corporation s investment portfolio in future periods. Goodwill is assessed annually for impairment and declines in value could result in a future non-cash charge to earnings. If an impairment charge is significant enough it 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 stockholders and could also negatively impact its regulatory capital ratios and result in FNBPA not being classified as well-capitalized for regulatory purposes.

Interest rate volatility could significantly harm the Corporation s business.

The Corporation s results of operations are affected by the monetary and fiscal policies of the federal government. A significant component of the Corporation s earnings consists of its net interest income, which is the difference between the income from interest-earning assets, such as loans and investments, and the expense of interest-bearing liabilities, such as deposits and borrowings. A change in market interest rates could adversely affect the Corporation s earnings if market interest rates change such that the interest the Corporation pays on deposits and borrowings increase at a faster rate or decrease at a slower rate than the interest it collects on loans and investments. Consequently, the Corporation, along with other financial institutions, generally will be sensitive to interest rate fluctuations.

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 loan losses and may reduce the Corporation s net income.

Changes in national and regional economic conditions 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, have weakened the economies of the communities the Corporation serves. Weakness in the market areas served by the 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 loan 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 Regency note program;
- 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 the 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, 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 its shareholders, 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 valuation 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, 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 and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. 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 inactive 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 is subject to operational risk.

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 risk of the Corporation s and its subsidiary s 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. 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. Control weaknesses or failures or other operational risk could result in charges, increased operational costs, harm to the Corporation s reputation or foregone business opportunities.

The Corporation s business may continue to be adversely affected by downturns in the national and local economies 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 which are dependent upon their regional economies. A further deterioration or minimal improvement in economic 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.

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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 are subject to supervision and regulation by several governmental agencies, including the SEC, FRB, OCC, CFPB and FDIC. Regulations are generally intended to provide protection for shareholders, depositors, borrowers and other customers rather than for investors. 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;
- investments;
- loans and interest rates;
- assessments of fees, such as overdraft and electronic transfer interchange fees;
- the provision of securities, insurance or trust services; and
- the types of non-deposit activities in which the Corporation s financial institution subsidiaries may engage.

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.

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; and (xii) reform related to the regulation of credit rating agencies.

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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 is unclear, but 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 profits. 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 profits.

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 profits;
- changing the methodology for calculating deposit insurance premium rates will become more complex, less predictable and more pro-cyclical, adversely affecting its profits and diverting its resources;
- changing the procedures for liquidation may adversely impact its credit ratings and adversely impact its liquidity, profits, and its ability to fund itself;
- increases in requirements for regulatory capital while eliminating certain sources of capital may adversely affect its profits;
- 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. In addition, on November 12, 2009, the FDIC adopted a rule requiring banks to prepay three years worth of premiums to replenish the depleted insurance fund. With the enactment of the Dodd-Frank Act in July 2010, 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. As of January 1, 2012, the assets of FNBPA exceeded 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, in February 2011, 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.

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 or 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 new stress-testing requirements.

In October, 2012, the FRB, OCC and FDIC finalized regulations implementing the stress testing requirements under the Dodd-Frank Act. The newly imposed stress test rule stipulates 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.

The economic and financial market scenarios to be used in the annual company-run stress test include baseline, adverse and severely adverse scenarios. Each 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. The final rule pushed back the compliance date for model submission until March 31, 2014, and additionally delayed the public disclosure provisions until the completion of the 2014 data collection cycle. If the Corporation fails to meet these stress-test requirements, its financial condition could be materially and adversely affected.

Recently adopted rules regulating the imposition of debit card fees may adversely affect the operations of the Corporation.

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. There is an appeal pending of an August 2013 federal district court ruling that declared the interchange fee and network non-exclusivity provisions of the FRB debit card interchange fee rule to be invalid and indicated the per-transaction interchange cap base should be reduced. 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 will be required to comply with those rules no later than the immediately following July 1.

Following completion of the Parkvale acquisition on January 1, 2012, the Corporation s assets exceeded the $10 billion threshold. The Corporation became subject to the FRB rules concerning debit card interchange fees as of July 1, 2013. For the year ended December 31, 2013, the Corporation s revenues earned from interchange fees decreased by $4.4 million. The actual results would have shown a higher reduction in fees earned, but have been partially offset by the benefits of the additional accounts acquired in the ANNB and PVF mergers.

The Corporation s information systems may experience an interruption or breach in security.

The Corporation relies heavily on internal and outsourced digital technologies and communications and information systems in key aspects of its business. The Corporation uses those technologies and systems to manage its customer relationships, general ledger, deposits and loans. Although the Corporation has policies and procedures designed to prevent or limit the impact of systems failures, interruptions and security breaches and maintains cyber security insurance, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed.

The occurrence of any failures, interruptions, or security breaches of the Corporation s technology systems (internal or outsourced) could damage the Corporation s reputation, result in a loss of customer business, discourage customers from using mobile bill pay, mobile banking and online banking services, and result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of proprietary information, subject the Corporation to additional regulatory scrutiny, or expose the Corporation to civil litigation and possible financial liability, any of which could have a material adverse effect on the Corporation s financial condition, results of operations or stock price. As cyber threats continue to evolve and increase, the Corporation may also be required to spend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

The Corporation is dependent upon outside third parties for processing and handling of its records and data.

In addition, the Corporation outsources certain of its data-processing 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. If its third-party providers encounter difficulties, or if the Corporation has difficulty in communicating with them, the Corporation s ability to adequately process and account for customer transactions could be affected, and its business operations could be adversely impacted and result in a loss of customers and business, subject the Corporation to additional regulatory scrutiny, or expose the Corporation to civil litigation and possible financial liability. Any of these occurrences could have a material adverse effect on the Corporation s financial condition and results of operations.

The Corporation continually encounters technological change.

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 profit.

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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 in identifying financial institutions and branch acquisition candidates, integrating acquired institutions or preventing deposit erosion at acquired institutions or branches as it currently anticipates. Even if the Corporation is successful with this strategy, it cannot assure you 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 of banks and non-bank entities that the Corporation acquires;
- exposure to potential asset quality issues of acquired banks and non-bank entities;
- potential disruption to the Corporation s business;
- potential diversion of the time and attention of the Corporation s management; and
- the possible loss of key employees and customers of the banks and other businesses that the Corporation acquires.

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, 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

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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, merchant banking and corporate clients and employees is highly dependent upon external perceptions of its level of service, 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 maintain 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 s status as a holding company makes it 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.

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.

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The Corporation has outstanding securities senior to the common stock which may 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 a majority of the Corporation s stockholders 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.

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The success of the Corporation s acquisitions of PVF and BCSB will depend on a number of uncertain factors.

The success of the Corporation s recent acquisitions of PVF and BCSB will depend on a number of factors, including, without limitation:

- the Corporation s ability to successfully integrate the acquired companies into its current operations, including converting the acquired companies products and systems to FNBPA products and systems;
- the Corporation s ability to retain the acquired companies customers, and their loan, deposits and other businesses;
- the credit quality of loans and other acquired assets;
- the Corporation s ability to retain appropriate personnel from the acquired companies in connection with the acquisitions;
- the Corporation s ability to attract new deposits and to generate new interest earning assets in the new markets without incurring unacceptable credit or interest rate risk;
- the Corporation s ability to control non-interest expenses from the acquired companies in a manner that enables it to maintain a favorable overall efficiency ratio; and
- the Corporation s ability to earn acceptable levels of non-interest income, including fee income, from former customers of the acquired companies.

No assurance can be given that the Corporation will be able to integrate PVF and BCSB successfully, that the acquisitions will not expose the Corporation to unknown material liabilities, that the operation of the acquired companies former businesses will not adversely affect the Corporation s results of operations or cash flows, that the Corporation will be able to achieve results in the future similar to those achieved by its existing banking business, that the Corporation will be able to compete effectively in the acquired companies former market areas, or that the Corporation will be able to manage growth resulting from the acquisitions effectively. The Corporation may encounter difficulties in integrating the businesses of BCSB, which were acquired by the Corporation in February 2014 within a relatively short time period after commencing integration of the businesses of PVF, which were acquired by the Corporation in October 2013. The Corporation s current and planned operations, personnel, facility size and configuration, systems and internal procedures and controls might be inefficient or inadequate to support these efforts at the same time. As a result, the Corporation may encounter difficulties or costs in the integration that could materially and adversely affect it.

Deposit and loan run-off rates could be substantially different than what the Corporation projected in planning for the acquisitions and the integration of PVF and BCSB.

Deposit run-off is expected to occur following the closing of the Corporation s acquisitions of PVF and BCSB. While the Corporation believes it assumed a reasonable deposit run-off rate for purposes of valuing the transactions, actual run-off could be higher. Similarly, the Corporation may lose loan relationships acquired through these acquisitions.

The Corporation converted PVF and BCSB s products and systems to its products and systems. Problems or errors in the customer account conversion process, and customer interface required to replace certain products and services of the acquired companies with comparable products and services of FNBPA, could adversely affect customer relationships, increase run-off of deposit and loan customers and result in unexpected charges and costs. Similarly, run-off could increase if the Corporation is not able to cost-effectively service particular loans, deposits or other products or services with special features of the acquired companies. An unanticipated increase in customer run-off rates could increase the effective cost to the Corporation of these acquisitions.

The credit quality of the loans the Corporation acquires from PVF and BCSB may be poorer than expected, which would require the Corporation to increase its allowance for loan losses and negatively affect its earnings.

Pursuant to the Agreements and Plans of Merger between the Corporation and PVF and the Corporation and BCSB, the Corporation will acquire loans. As part of the Corporation s due diligence review of these acquired companies, it reviewed samples of loans and made estimated marks for credit and interest risks. The Corporation s examination of these loans was made using the same criteria, analyses and collateral evaluations that it has traditionally used in the ordinary course of its business. However, no assurance can be given as to the future performance of these acquired loans, which if poorer than expected would require the Corporation to increase its allowance for loan losses and negatively affect its earnings.

The Corporation will be exposed to risks related to lending funds as a result of its acquisitions of PVF and BCSB.

The Corporation s and FNBPA s strategic plan focuses on the continued development and growth of a diversified loan portfolio, with emphasis on commercial loans made to borrowers within FNBPA s market areas. Certain risks are inherent in the lending function, including a borrower s inability to pay, insufficient collateral coverage and changes in interest rates. Repayment risk on commercial loans arises from changing economic conditions in particular geographic areas, businesses or industries that impair the operating performance of commercial borrowers. Risks associated with commercial real estate loans and general business loans also include changes in general economic conditions that affect underlying collateral values. Consumer loans also are subject to repayment risk and undercollateralization (in the case of secured consumer loans) caused by changing economic conditions.

The Corporation has limited operating experience in Maryland, which may adversely impact its ability to compete successfully in this market area.

The Corporation first entered the Baltimore, Maryland market in April 2013 with its acquisition of ANNB. The Baltimore, Maryland market is outside of the markets in which most members of the Corporation s senior management have extensive knowledge and experience. The Corporation may not be able to retain existing customers of Baltimore County Savings Bank or adequately address the Baltimore market in terms of the products and services that it proposes to offer, or otherwise compete successfully against institutions already established within this market area. The Corporation s success in the Baltimore market will depend, in large part, on its ability to identify, attract and retain qualified and experienced personnel with local expertise and relationships in the Baltimore market to supplement the existing management team. The newness of the Corporation s brand in the Maryland markets may adversely affect its ability to attract and retain qualified personnel as well as its overall ability to compete for customers in this market area.

ITEM 1B. UNRESOLVED STAFF COMMENTS

NONE.

ITEM 2. PROPERTIES

The Corporation owns a six-story building in Hermitage, Pennsylvania that serves as its headquarters, executive and administrative offices, and is also occupied by Community Banking and Wealth Management staff. The Corporation also leases office space in Pittsburgh, Pennsylvania that serves as its regional headquarters for that market. This space is also occupied by Community Banking, Wealth Management and Insurance employees. Additionally, the Corporation owns a two-story building in Hermitage, Pennsylvania that serves as its data processing and technology center. During 2013, the Corporation established regional headquarters in Cleveland, Ohio and Baltimore, Maryland. The office space for both of these regional headquarters is leased by the Corporation.

As of December 31, 2013, the Community Banking segment had 266 offices, located in 37 counties in Pennsylvania, 11 counties in Ohio, 2 counties in Maryland and one county in West Virginia, of which 162 were owned and 104 were leased. As of December 31, 2013, the Consumer Finance segment had 72 offices, located in 19 counties in Pennsylvania, 17 counties in Tennessee, 12 counties in Ohio and 14 counties in Kentucky, all of which were leased. The operating leases for the Community Banking and Consumer Finance offices expire at

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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

Annapolis Bancorp, Inc. Stockholder Litigation

On November 8, 2012, a purported stockholder of ANNB filed a derivative complaint on behalf of ANNB in the Circuit Court for Anne Arundel County, Maryland, captioned *Andera v. Lerner, et al.*, Case no. 02C12173766, and naming as defendants ANNB, its board of directors and the Corporation. The lawsuit makes various allegations against the defendants, including that the merger consideration is inadequate and undervalues the company, that the director defendants breached their fiduciary duties to ANNB in approving the merger, and that the Corporation aided and abetted those alleged breaches. The lawsuit generally seeks an injunction barring the defendants from consummating the merger. In addition, the lawsuit seeks rescission of the merger agreement to the extent already implemented or, in the alternative, award of rescissory damages, an accounting to plaintiff for all damages caused by the defendants and for all profits and special benefits obtained as a result of the defendants alleged breaches of fiduciary duties, and an award of the costs and expenses incurred in the action, including a reasonable allowance for counsel fees and expert fees.

On February 7, 2013, the plaintiff filed an amended complaint with additional allegations regarding certain purported non-disclosures relating to the proxy statement/prospectus for the pending merger filed with the SEC on January 23, 2013. On February 22, 2013, ANNB, the ANNB board of directors, the Corporation and the plaintiff reached an agreement in principle to settle the action, and executed a Stipulation of Settlement on June 28, 2013, that memorialized the agreement in writing. As part of the agreement to settle the action, the Corporation and ANNB agreed to disclose additional information in the proxy statement/prospectus filed on February 25, 2013. No substantive term of the merger agreement was modified as part of this settlement. On July 3, 2013, the plaintiff filed a motion for preliminary approval of the settlement, and on September 18, 2013, the court entered an order preliminarily approving the settlement. On November 25, 2013, the plaintiff filed a motion for final approval of the settlement. On December 10, 2013, the court held a final fairness hearing and, at the conclusion of the hearing, granted final approval of the settlement.

BCSB Bancorp Stockholder Litigation

On December 9, 2013, a purported stockholder of BCSB filed a putative class action and derivative complaint in the Circuit Court for Baltimore County, Maryland, captioned *Darr v. BCSB Bancorp, Inc., et al.*, at Case No. 03-C-13-014034, and naming as defendants BCSB, its board of directors and the Corporation. The lawsuit makes various allegations against the defendants relating to the Corporation s proposed acquisition of BCSB, including that the Registration Statement on Form S-4 filed on November 19, 2013 in connection with the proposed acquisition omits certain information allegedly necessary for BCSB s stockholders to make an informed vote on the proposed transaction, that the director defendants breached their fiduciary duties to BCSB in approving the proposed transaction and that the Corporation aided and abetted those alleged breaches. The lawsuit generally sought an injunction barring the defendants from consummating the merger transaction. Alternatively, if the companies were to complete the transaction before the court entered judgment, the lawsuit sought rescission of the merger or, in the alternative, rescissory damages, an accounting for all resulting damages and for all profits and any special benefits defendants obtained as a result of the alleged breaches of fiduciary duty, and an award for the costs and expenses incurred in the lawsuit, including attorneys fees and costs. On January 30, 2014, the plaintiff voluntarily dismissed its complaint.

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 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.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age and principal occupation for each of the executive officers of the Corporation as of January 31, 2014 is set forth below:

Name	Age	Principal Occupation
Vincent J. Delie, Jr.	49	President and Chief Executive Officer of the Corporation; Chief Executive Officer of FNBPA
Vincent J. Calabrese, Jr.	51	Chief Financial Officer of the Corporation; Executive Vice President of FNBPA
Gary L. Guerrieri	53	Chief Credit Officer of the Corporation; Executive Vice President of FNBPA
Timothy G. Rubritz	59	Corporate Controller and Senior Vice President of the Corporation
John C. Williams, Jr.	67	President 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.

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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 2013 and 2012. The table also shows dividends per share paid on the outstanding common stock during those periods. As of January 31, 2014, there were 11,774 holders of record of the Corporation s common stock.

	Low	High	Dividends
Quarter Ended 2013			
March 31	$ 10.70	$ 12.12	$ 0.12
June 30	11.01	12.12	0.12
September 30	11.80	13.35	0.12
December 31	11.73	13.04	0.12
Quarter Ended 2012			
March 31	$ 11.31	$ 12.56	$ 0.12
June 30	9.89	12.36	0.12
September 30	10.55	12.05	0.12
December 31	10.20	11.53	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 2013.

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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, 2008, 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	2013 (1)	2012 (2)	2011 (3)	2010	2009
Total interest income	$ 440,386	$ 431,906	$ 391,125	$ 373,721	$ 388,218
Total interest expense	44,344	59,055	74,617	88,731	121,179
Net interest income	396,042	372,851	316,508	284,990	267,039
Provision for loan losses	31,090	31,302	33,641	47,323	66,802
Total non-interest income	135,778	131,252	119,730	115,915	105,397
Total non-interest expense	338,170	318,618	283,546	251,046	255,254
Net income	117,804	110,410	87,047	74,652	41,111
Net income available to common stockholders	117,804	110,410	87,047	74,652	32,803
At Year-End					
Total assets	$ 13,563,405	$ 12,023,976	$ 9,786,483	$ 8,959,915	$ 8,709,077
Net loans	9,395,310	8,033,345	6,756,005	5,982,035	5,744,706
Deposits	10,198,232	9,082,174	7,289,768	6,646,143	6,380,223
Short-term borrowings	1,241,239	1,083,138	851,294	753,603	669,167
Long-term debt	143,928	89,425	88,016	192,058	324,877
Junior subordinated debt	75,205	204,019	203,967	204,036	204,711
Total stockholders equity	1,774,383	1,402,069	1,210,199	1,066,124	1,043,302
Per Common Share					
Basic earnings per share	$ 0.81	$ 0.79	$ 0.70	$ 0.66	$ 0.32
Diluted earnings per share	0.80	0.79	0.70	0.65	0.32
Cash dividends declared	0.48	0.48	0.48	0.48	0.48
Book value	10.49	10.02	9.51	9.29	9.14
Ratios					
Return on average assets	0.93%	0.94%	0.88%	0.84%	0.48%
Return on average tangible assets	1.04	1.05	0.99	0.95	0.57
Return on average equity	7.78	8.02	7.36	7.06	3.87
Return on average tangible common equity	16.58	17.62	15.74	16.01	8.72
Dividend payout ratio	60.48	61.27	69.72	74.02	149.50
Average equity to average assets	11.98	11.68	11.97	11.88	12.35

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

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

(3) 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 2013	Dec. 31	Sept. 30	June 30	Mar. 31
Total interest income	$ 117,637	$ 109,790	$ 107,841	$ 105,118
Total interest expense	10,691	10,536	11,095	12,022
Net interest income	106,946	99,254	96,746	93,096
Provision for loan losses	8,366	7,280	7,903	7,541
Gain on sale of securities	51	5	68	684
Impairment loss on securities	(27)			
Other non-interest income	32,635	32,805	36,629	32,928
Total non-interest expense	92,068	83,173	84,127	78,802
Net income	28,439	31,634	29,193	28,538
Net income available to common stockholders	28,439	31,634	29,193	28,538
Per Common Share				
Basic earnings per common share	$ 0.18	$ 0.22	$ 0.20	$ 0.20
Diluted earnings per common share	0.18	0.22	0.20	0.20
Cash dividends declared	0.12	0.12	0.12	0.12

Quarter Ended 2012	Dec. 31	Sept. 30	June 30	Mar. 31
Total interest income	$ 107,578	$ 107,756	$ 109,285	$ 107,287
Total interest expense	13,660	14,225	14,804	16,366
Net interest income	93,918	93,531	94,481	90,921
Provision for loan losses	9,274	8,429	7,027	6,572
Gain on sale of securities	3	(66)	260	108
Impairment loss on securities	(93)	(119)		
Other non-interest income	32,157	34,947	32,465	31,590
Total non-interest expense	76,532	77,031	78,429	86,626
Net income	28,955	30,743	29,130	21,582
Net income available to common stockholders	28,955	30,743	29,130	21,582
Per Common Share				
Basic earnings per common share	$ 0.21	$ 0.22	$ 0.21	$ 0.16
Diluted earnings per common share	0.21	0.22	0.21	0.15
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, p forecast, estimate, goal, will, should and other similar words and expressions. Forward-looking statements are subject to numerous assumpti 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 regulated agencies that have oversight or review of the Corporation s business and securities activities.
  - Actions by the FRB, UST and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customers , suppliers and other counterparties performance and creditworthiness which adversely affect loan utilization rates, delinquencies, defaults and counterparty ability to meet credit and other obligations.
  - Slowing or reversal of the current moderate economic recovery and persistence or worsening levels of unemployment.
  - 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 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.

- The impact on fee income opportunities resulting from the limit imposed under the Durbin Amendment of the Dodd-Frank Act on the maximum permissible interchange fee that banks may collect from merchants for debit card transactions and federal court determinations that may impose further restrictions on interchange fee opportunities.
- Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act, Volcker rule and Basel III initiatives.
- Changes to the consumer protection and fair lending laws as implemented or applied by the CFPB which may limit product and service offerings and adversely effect fee income opportunities.
- 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 rapid technological developments and changes. 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 are affected by the Corporation s 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.

Increased competition, whether due to consolidation among financial institutions; realignments or consolidation of branch offices, legal and regulatory developments, industry restructuring or other causes, 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.

As demonstrated by the ANNB, PVF and BCSB acquisitions, 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 and extent of deposit attrition; and the potential dilutive effect to current shareholders. In addition, with respect to the ANNB, PVF and BCSB acquisitions, the Corporation may experience difficulties in expanding into a new market area, including retention of customers and key personnel of ANNB, PVF and BCSB.

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 some of 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 in 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.

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 loan losses, accounting for acquired loans, securities valuation, goodwill and other intangible assets and income taxes to be critical accounting policies.

Allowance for Loan Losses

The allowance for loan 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 loan losses, with recoveries of amounts previously charged off credited to the allowance for loan losses. Provisions for loan losses are charged to operations based on management s periodic evaluation of the adequacy of the allowance for loan losses.

Estimating the amount of the allowance for loan 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 based on historical loss experience and consideration of current economic trends and conditions, all of which may be susceptible to significant change.

Management s assessment of the adequacy of the allowance for loan 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 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 loan 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 primarily based on loan type and internal risk rating. There is considerable judgment involved in setting internal risk ratings, including an evaluation of the borrower s current financial condition and ability to repay the loan. A loss migration and historical charge-off analysis is performed quarterly and loss factors are updated regularly based on actual experience. This analysis examines historical loss experience, the related internal ratings of loans charged off and considers inherent but undetected losses within the portfolio. 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 also evaluates the impact of various qualitative factors which pose additional risks that may not adequately be addressed in the analyses described above. Historical loss rates for each loan category may be adjusted for levels of and trends in loan volumes, large exposures, charge-offs, recoveries, delinquency, non-performing and other impaired 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; mergers and acquisitions; weighted average risk ratings; 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 loan losses include uncertainty of the labor markets in the regions the Corporation serves and a contracting labor force due, in part, to productivity growth and industry consolidations. The determination of this component of the allowance for loan losses is particularly dependent on the judgment of management.

There are many factors affecting the allowance for loan losses; some are quantitative, while others require qualitative judgment. Although management believes its process for determining the allowance for loan 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 loan losses could be required that may adversely affect the Corporation s earnings or financial position in future periods.

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

Accounting for Acquired Loans

The Corporation accounts for its acquisitions under Accounting Standards Codification (ASC) 805, *Business Combinations*, which requires the use of the purchase method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. No allowance for loan losses related to the acquired loans is recorded on the acquisition date as the fair value of the loans acquired incorporates assumptions regarding credit risk. Loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in ASC 820. Fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of undiscounted expected principal, interest and other cash flows.

Over the life of the acquired loans, the Corporation continues to estimate cash flows expected to be collected on individual loans or on pools of loans sharing common risk characteristics. The Corporation evaluates at each balance sheet date whether the estimated cash flows and corresponding present value of its loans determined using the effective interest rates has decreased and if so, recognizes a provision for loan loss in its consolidated statement of income. For any increases in cash flows expected to be collected, the Corporation adjusts the amount of accretable yield recognized on a prospective basis over the loan s or pool s remaining life.

Securities Valuation and Impairment

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.

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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 and customer and renewal lists are amortized over their estimated useful lives.

The Corporation performs a qualitative 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 qualitative 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, 2013 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 2013 and the expected impact of accounting pronouncements recently issued or proposed but not yet required to be adopted.

Overview

The Corporation, headquartered in Hermitage, Pennsylvania, is a regional 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, 2013, the Corporation had 266 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, FNBPA. 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. Wealth management services include asset management, private banking and insurance. The Corporation also operates Regency, which had 72 consumer finance offices in Pennsylvania, Ohio, Kentucky and Tennessee as of December 31, 2013.

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Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net income for 2013 was $117.8 million or $0.80 per diluted share compared to net income of $110.4 million or $0.79 per diluted share for 2012. The increase in net income is a result of an increase of $23.2 million in net interest income, combined with an increase of $4.5 million in non-interest income and a decrease of $0.2 million in the provision for loan losses, partially offset by a $19.6 million increase in non-interest expense. The results for 2013 were impacted by the ANNB and PVF acquisitions that closed on April 6, 2013 and October 12, 2013, respectively, and included a total of $8.2 million in merger costs, while the results for 2012 were impacted by the Parkvale acquisition that closed on January 1, 2012 and included $7.4 million in merger costs.

The Corporation s return on average equity was 7.78% and its return on average assets was 0.93% for 2013, compared to 8.02% and 0.94%, respectively, for 2012. The Corporation s return on average tangible equity was 16.19% and its return on average tangible assets was 1.04% for 2013, compared to 17.62% and 1.05%, respectively, for 2012.

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 equity and return on average tangible assets. The Corporation believes these non-GAAP financial measures provide information useful to investors in understanding the Corporation s operating performance and trends, and facilitates comparisons with the performance of the Corporation s peers. The non-GAAP financial measures the Corporation uses may differ from the non-GAAP financial measures other financial institutions use to measure their results of operations.

The following tables summarize the Corporation s non-GAAP financial measures for 2013 and 2012 derived from amounts reported in the Corporation s financial statements (dollars in thousands):

Year Ended December 31	**2013**	**2012**
Return on average tangible equity:		
Net income	$ 117,804	$ 110,410
Amortization of intangibles, net of tax	5,465	5,801
	$ 123,269	$ 116,211
Average total stockholders equity	$ 1,514,471	$ 1,376,494
Less: Average intangibles	(752,894)	(717,031)
	$ 761,577	$ 659,463
Return on average tangible equity	16.19%	17.62%
Return on average tangible assets:		
Net income	$ 117,804	$ 110,410
Amortization of intangibles, net of tax	5,465	5,801
	$ 123,269	$ 116,211
Average total assets	$ 12,640,685	$ 11,782,821
Less: Average intangibles	(752,894)	(717,031)
	$ 11,887,791	$ 11,065,790
Return on average tangible assets	1.04%	1.05%

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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								
	2013			2012			2011		
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	$ 57,605	$ 129	0.22%	$ 94,719	$ 210	0.22%	$ 118,731	$ 275	0.23%
Taxable investment securities (1)	2,125,001	43,551	2.00	2,031,289	47,161	2.27	1,555,939	42,061	2.65
Non-taxable investment securities (1) (2)	160,601	8,737	5.44	183,558	10,253	5.59	198,197	11,402	5.75
Residential mortgage loans held for sale	17,772	720	4.05	16,645	713	4.28	12,358	588	4.76
Loans (2) (3)	8,688,030	394,218	4.54	7,880,254	380,951	4.83	6,676,010	344,694	5.16
Total interest earning assets	11,049,009	447,355	4.05	10,206,465	439,288	4.30	8,561,235	399,020	4.66
Cash and due from banks	183,656			187,095			166,809		
Allowance for loan losses	(109,050)			(103,590)			(109,754)		
Premises and equipment	147,009			146,757			127,017		
Other assets	1,370,061			1,346,094			1,125,857		
	$ 12,640,685			$ 11,782,821			$ 9,871,164		
Liabilities									
Interest bearing liabilities:									
Deposits:									
Interest bearing demand	$ 3,844,865	5,825	0.15	$ 3,497,352	7,636	0.22	$ 2,889,720	9,912	0.34
Savings	1,358,386	656	0.05	1,194,071	1,124	0.09	945,673	1,683	0.18
Certificates and other time	2,489,129	22,960	0.92	2,691,597	33,753	1.25	2,278,133	41,940	1.84
Customer repurchase agreements	794,436	1,850	0.23	792,131	2,506	0.31	637,351	3,185	0.49
Other short-term borrowings	231,326	2,573	1.10	158,875	2,656	1.64	154,228	3,526	2.26
Long-term debt	103,772	3,115	3.00	90,652	3,492	3.85	200,158	6,403	3.20
Junior subordinated debt	199,296	7,365	3.70	203,471	7,888	3.88	203,950	7,968	3.91
Total interest bearing liabilities	9,021,210	44,344	0.49	8,628,149	59,055	0.68	7,309,213	74,617	1.02
Non-interest bearing demand	1,963,431			1,615,419			1,266,392		
Other liabilities	141,573			162,759			113,618		
	11,126,214			10,406,327			8,689,223		
Stockholders equity	1,514,471			1,376,494			1,181,941		
	$ 12,640,685			$ 11,782,821			$ 9,871,164		
Excess of interest earning assets over interest bearing liabilities	$ 2,027,799			$ 1,578,316			$ 1,252,022		
Net interest income (FTE)		403,011			380,233			324,403	
Tax-equivalent adjustment		(6,969)			(7,382)			(7,895)	
Net interest income		$ 396,042			$ 372,851			$ 316,508	
Net interest spread			3.56%			3.62%			3.64%
Net interest margin (2)			3.65%			3.73%			3.79%

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

(2) The interest income amounts are reflected on a fully taxable equivalent (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 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 2013, net interest income, which comprised 74.5% of net revenue (net interest income plus non-interest income) compared to 74.0% in 2012, was affected by the general level of interest rates, changes in interest rates and 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 $22.8 million or 6.0% from $380.2 million for 2012 to $403.0 million for 2013. Average earning assets increased $842.5 million or 8.3% and average interest bearing liabilities increased $393.1 million or 4.6% from 2012 due to the acquisitions of ANNB and PVF, combined with organic growth in loans, deposits and customer repurchase agreements. The Corporation s net interest margin was 3.65% for 2013 compared to 3.73% for 2012 as loan yields declined faster than deposit rates primarily reflecting the acquisitions of ANNB and PVF as well as the impact of the current low interest rate environment. Additionally, 3 basis points of the narrowing of the net interest margin was attributable to a lower amount of accretable yield during 2013, compared to 6 basis points for 2012. Details on changes in tax equivalent net interest income attributed 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):

	2013 vs 2012			2012 vs 2011		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest Income						
Interest bearing deposits with banks	$ (82)	$ 1	$ (81)	$ (54)	$ (11)	$ (65)
Securities	(2,580)	(2,546)	(5,126)	11,701	(7,750)	3,951
Residential mortgage loans held for sale	47	(40)	7	189	(64)	125
Loans	38,957	(25,690)	13,267	57,654	(21,397)	36,257
	36,342	(28,275)	8,067	69,490	(29,222)	40,268
Interest Expense						
Deposits:						
Interest bearing demand	988	(2,799)	(1,811)	1,504	(3,780)	(2,276)
Savings	138	(606)	(468)	387	(946)	(559)
Certificates and other time	(2,378)	(8,415)	(10,793)	6,715	(14,902)	(8,187)
Customer repurchase agreements	7	(663)	(656)	665	(1,344)	(679)
Other short-term borrowings	54	(137)	(83)	(90)	(780)	(870)
Long-term debt	462	(839)	(377)	(4,024)	1,113	(2,911)
Junior subordinated debt	(160)	(363)	(523)	(19)	(61)	(80)
	(889)	(13,822)	(14,711)	5,138	(20,700)	(15,562)
Net Change	$ 37,231	$ (14,453)	$ 22,778	$ 64,352	$ (8,522)	$ 55,830

(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 $447.4 million for 2013 increased $8.1 million or 1.8% from 2012, primarily due to increased earning assets, partially offset by lower yields. Additionally, during 2013, the Corporation recognized $3.3 million in accretable yield as a result of better than expected cash flows on acquired portfolios compared to original estimates, which compares to $5.9 million for 2012. The increase in earning assets was primarily driven by an $807.8 million or 10.3% increase in average loans, including $498.9 million or 6.3% of organic growth, $190.1 million in average loans added in the ANNB acquisition and $118.7 million in average loans added in the PVF acquisition. The yield on earning assets decreased 25 basis points from 2012 to 4.05% for 2013, reflecting the decreases in market interest rates and competitive pressure and the above-mentioned changes in accretable yield.

Interest expense of $44.3 million for 2013 decreased $14.7 million or 24.9% from 2012 due to lower rates paid, partially offset by growth in interest-bearing liabilities. The rate paid on interest-bearing liabilities decreased 19 basis points to 0.49% during 2013, compared to 2012, 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 deposits and customer repurchase agreements, which increased by $659.7 million or 6.7% for 2013 compared to 2012, including $238.3 million or 2.4% of organic growth, $263.1 million added in the ANNB acquisition and $158.3 million added in the PVF acquisition.

Provision for Loan Losses

The provision for loan losses is determined based on management s estimates of the appropriate level of allowance for loan 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 loan losses of $31.1 million during 2013 decreased $0.2 million from 2012, primarily due to a decrease of $1.0 million in the provision for the originated portfolio, partially offset by an increase of $0.8 million in the provision for the acquired portfolio. During 2013, net charge-offs were $24.7 million, or 0.28% of average loans, compared to $27.6 million, or 0.35% of average loans, for 2012, reflecting consistent, solid performance in the Corporation s loan portfolio. The ratio of the allowance for loan losses to total loans equaled 1.17% and 1.28% at December 31, 2013 and 2012, respectively, which reflects the Corporation s overall favorable credit quality performance along with the addition of loans acquired in the ANNB and PVF acquisitions without a corresponding allowance for loan losses. For additional information relating to the allowance and provision for loan losses, refer to the Allowance and Provision for Loan Losses section of this Management s Discussion and Analysis.

Non-Interest Income

Total non-interest income of $135.8 million for 2013 increased $4.5 million or 3.4% from 2012. The variances in significant individual non-interest income items are further explained in the following paragraphs.

Service charges of $68.2 million for 2013 decreased $1.3 million or 1.9% from 2012, primarily due to a decrease of $4.4 million in interchange fees as the Corporation became subject to the rules regarding debit card interchange fees imposed by the Durbin Amendment of the Dodd-Frank Act effective July 1, 2013. Partially offsetting this decrease, overdraft fees increased $0.2 million and other service charges increased $2.9 million over this same period reflecting the impact of organic growth and the expanded customer base due to the ANNB and PVF acquisitions. For information relating to the impact of the new regulations on the Corporation s income from interchange fees, refer to the Dodd-Frank Act section included in the Item 1, Business section of this Report.

Trust fees of $16.8 million for 2013 increased $1.5 million or 9.9% from 2012, primarily driven by cross-selling efforts collaborating with internal business partners, added sales professionals and improved market conditions. The market value of assets under management increased $433.5 million or 15.7% to $3.2 billion over this same period as a result of organic growth and improved market conditions.

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Insurance commissions and fees of $16.6 million for 2013 increased $0.2 million or 1.0% from 2012, primarily due to the implementation of revenue-enhancing strategies and initiatives.

Securities commissions of $11.3 million for 2013 increased $2.9 million or 34.4% from 2012 primarily due to positive results from new initiatives generating new customer relationships, combined with added sales professionals and improved market conditions.

Mortgage banking revenue, which is primarily derived from the gain on sale of loans, was $3.5 million for 2013 and decreased $0.7 million or 16.9% from 2012 due to an increase in the amortization of mortgage servicing rights. During 2013, the Corporation sold $243.8 million of residential mortgage loans, compared to $245.5 million for 2012, as part of its ongoing strategy of generally selling 30-year residential mortgage loans.

Gain on sale of securities of $0.8 million for 2013 increased $0.3 million from 2012 primarily due to increased volume of securities sold to reduce risk and improve positioning on the balance sheet.

Income from BOLI of $6.9 million for 2013 increased $0.4 million or 6.0% from 2012, primarily as a result of continued management actions designed to improve performance, along with additional policies acquired in the 2013 mergers.

Other non-interest income was $11.8 million for 2013 compared to $10.9 million for 2012. During 2013, the Corporation recognized a $1.9 million gain related to a debt extinguishment in which $15.0 million of the Corporation- issued TPS were repurchased at a discount and the related debt extinguished. 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. During 2013, the Corporation also recognized a $0.3 million gain on the sale of a former branch building. Additionally during 2013, the Corporation received $0.4 million more in dividends on non-marketable equity securities, recognized $1.0 million less in recoveries of impaired loans acquired in previous acquisitions and recorded $1.1 million less in fees earned through the its commercial loan interest rate swap program, which was impacted by a lower interest rate environment combined with the impact of the Dodd-Frank Act that restricts the eligibility of smaller commercial customers. During 2012, the Corporation recognized a $1.4 million gain on the sale of the former headquarters building of a previously acquired bank and a $1.7 million loss relating to expected losses on asset disposals related to branch consolidations.

Non-Interest Expense

Total non-interest expense of $338.2 million for 2013 increased $19.6 million or 6.1% from 2012. The variances in the individual non-interest expense items are further explained in the following paragraphs with an overriding theme of the expense increases primarily related to the branch offices and operations acquired from ANNB and PVF.

Salaries and employee benefits of $180.0 million for 2013 increased $11.8 million or 7.0% from 2012. This increase primarily relates to the ANNB and PVF acquisitions, combined with new hires, merit increases and higher medical insurance costs in 2013, partially offset by the reduction of staff related to the branches consolidated in 2012.

Occupancy and equipment expense of $51.7 million for 2013 increased $4.8 million or 10.2% from 2012, primarily resulting from the ANNB and PVF acquisitions, combined with an increase in equipment depreciation expense due to upgrades to incorporate new technology, primarily relating to online and mobile banking upgrades.

Amortization of intangibles expense of $8.4 million for 2013 decreased $0.5 million or 5.8% from 2012 due to lower amortization expense due to accelerated amortization methods consistent with prior practices.

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Outside services expense of $30.3 million for 2013 increased $2.2 million or 7.9% from 2012, primarily resulting from the ANNB and PVF acquisitions and costs related to compliance with new regulations, as the Corporation recognized increases of $1.4 million related to consulting fees, $0.3 million related to audits and exams and $1.4 million related to other outside services. These increases were partially offset by decreases of $1.0 million in legal expenses and $0.2 million in licenses, fees and dues.

FDIC insurance of $10.2 million for 2013 increased $2.1 million or 26.2% from 2012 primarily due to revised assessment methodologies, combined with an increased asset base resulting from the ANNB and PVF acquisitions and a higher assessment rate due to FNBPA exceeding $10.0 billion in total assets.

Supplies expense of $6.9 million for 2013 increased $0.4 million or 6.9% from 2012 resulting from the higher expenses associated with the ANNB and PVF locations.

State tax expense of $4.3 million for 2013 decreased $1.9 million or 30.9% from 2012, primarily due to utilizing state tax credits, along with corporate reorganization strategies.

Loan-related expense of $6.3 million for 2013 decreased $0.6 million or 17.3% from 2012, primarily due to lower expenses resulting from the reduction of the Florida commercial real estate loan portfolio.

OREO expense of $3.2 million for 2013 decreased slightly from $3.3 million for 2012, primarily due to lower costs associated with the Florida commercial real estate loan portfolio.

Telephone expense of $5.1 million for 2013 decreased $0.6 million or 11.1% from 2012, as the Corporation continues to focus on controlling expenses through the use of technology upgrades.

Advertising and promotional expense of $6.3 million for 2013 increased $1.4 million or 27.2% from 2012, primarily due to higher expenses associated with the ANNB and PVF acquisitions related to promotional efforts to support expansion in the metropolitan markets in Cleveland, Ohio and Baltimore, Maryland.

The Corporation recorded $8.2 million in merger-related costs associated with the ANNB and PVF acquisitions and the pending BCSB acquisition during 2013. Merger-related costs recorded during 2012 in conjunction with the Parkvale acquisition were $7.4 million.

Other non-interest expense decreased to $19.7 million for 2013 from $21.1 million for 2012. During 2013, the Corporation recognized a $2.2 million charge related to a debt extinguishment in which $115.0 million of the Corporation- issued TPS were redeemed and the related debt extinguished. This $115.0 million was redeemed with funds generated from the November 2013 capital raise, as the Corporation positions itself for Basel III implementation. Additionally during 2013, miscellaneous losses decreased $0.7 million due to lower fraud losses and business development expense increased $0.3 million. During 2012, the Corporation recorded $3.0 million in litigation costs to establish a settlement fund to resolve a class action matter.

Income Taxes

The Corporation s income tax expense of $44.8 million for 2013 increased $1.0 million or 2.2% from 2012. The effective tax rate of 27.5% for 2013 decreased from 28.4% for 2012, reflecting the benefit of $1.4 million of tax credits realized on the prior year tax return. Both periods tax rates are lower than the 35.0% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt income on investments, loans and BOLI, as well as tax credits.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net income for 2012 was $110.4 million or $0.79 per diluted share compared to net income of $87.0 million or $0.70 per diluted share for 2011. The increase in net income is a result of an increase of $56.3 million in net interest income, combined with an increase of $11.5 million in non-interest income and a decrease of $2.3 million in the provision for loan losses, partially offset by a $35.1 million increase in non-interest expense. The results for 2012 were impacted by merger costs totaling $7.4 million and the full-year effect of the Parkvale acquisition that closed on January 1, 2012.

The Corporation s return on average equity was 8.02% and its return on average assets was 0.94% for 2012, an improvement compared to 7.36% and 0.88%, respectively, for 2011. The Corporation s return on average tangible equity was 17.62% and its return on average tangible assets was 1.05% for 2012, both improvements from 15.74% and 0.99%, respectively, for 2012.

Net Interest Income

Net interest income, which is the Corporation s major source of revenue, is the difference between interest income from earning assets and interest expense paid on liabilities. In 2012, net interest income, which comprised 74.0% of net revenue compared to 72.6% in 2011, was affected by the general level of interest rates, changes in interest rates and 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 $55.8 million or 17.2% from $324.4 million for 2011 to $380.2 million for 2012. Average earning assets increased $1.6 billion or 19.2% and average interest bearing liabilities increased $1.3 billion or 18.0% from 2011 due to the acquisition of Parkvale, combined with organic growth in loans, deposits and customer repurchase agreements. The Corporation s net interest margin was 3.73% for 2012 compared to 3.79% for 2011 as loan yields declined faster than deposit rates primarily reflecting the acquisition of Parkvale as well as the impact of the current low interest rate environment.

Interest income, on an FTE basis, of $439.3 million for 2012 increased $40.3 million or 10.1% from 2011, primarily due to increased earning assets resulting from a combination of organic growth and the Parkvale acquisition, partially offset by lower yields. Additionally, during 2012, the Corporation recognized $5.9 million in additional accretable yield as a result of improved cash flows on acquired loan portfolios compared to original estimates for both Comm Bancorp, Inc. (CBI), acquired on January 1, 2011, and Parkvale and $2.1 million in accretable yield relating to TPS. The increase in earning assets was primarily driven by a $1.2 billion or 18.1% increase in average loans. Loans acquired from Parkvale totaled $922.1 million on the acquisition date. The yield on earning assets decreased 36 basis points from 2011 to 4.30% for 2012, reflecting the decreases in market interest rates and competitive pressure along with the Parkvale acquired loans that carried lower yields than the Corporation s existing loan portfolio.

Interest expense of $59.1 million for 2012 decreased $15.6 million or 20.9% from the same period of 2011 due to lower rates paid, partially offset by growth in interest bearing liabilities resulting from a combination of organic growth and the acquisition of Parkvale. The rate paid on interest bearing liabilities decreased 34 basis points to 0.68% during 2012 compared to 2011, reflecting changes in interest rates, the Parkvale acquisition and a favorable shift in mix. The growth in average interest bearing liabilities was primarily attributable to growth in deposits and customer repurchase agreements, which increased $1.8 billion or 22.1% for 2012 compared to 2011. Deposits acquired from Parkvale totaled $1.5 billion on the acquisition date. This growth was partially offset by a $109.5 million or 54.7% reduction in average long-term debt primarily associated with the prepayment of certain higher-cost borrowings during the fourth quarter of 2011.

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Provision for Loan Losses

The provision for loan losses of $31.3 million during 2012 decreased $2.3 million from 2011, primarily due to a lower provision in the Florida portfolio, partially offset by $4.2 million in provision for the acquired portfolio. During 2012, net charge-offs were $27.6 million, or 0.35% of average loans, compared to $39.1 million, or 0.58% of average loans, for 2011, reflecting consistent, solid performance in the Corporation s loan portfolio. The ratio of the allowance for loan losses to total loans equaled 1.28% at December 31, 2012, compared to 1.47% at December 31, 2011, with the decline directionally consistent with the overall favorable credit quality performance as well as reserves to support the solid loan growth experienced in 2012. For additional information relating to the allowance and provision for loan losses, refer to the Allowance and Provision for Loan Losses section of this Management s Discussion and Analysis.

Non-Interest Income

Total non-interest income of $131.3 million for 2012 increased $11.5 million or 9.6% from 2011. The variances in the individual non-interest income items are further explained in the following paragraphs.

Net impairment losses on securities for 2012 were $0.2 million, relating to one non-agency collateralized mortgage obligation (CMO), compared to $0.1 million for 2011, primarily related to pooled TPS.

Service charges on loans and deposits of $70.1 million for 2012 increased $8.2 million or 13.2% from 2011, reflecting increases of $3.3 million in income from interchange fees, $1.7 million in overdraft fees and $3.2 million in other service charges due to a combination of higher volume, organic growth and the expanded customer base due to the Parkvale acquisition.

Trust fees of $15.2 million for 2012 increased $0.5 million or 3.1% from 2011. The market value of assets under management increased by $344.2 million or 14.3% to $2.8 billion over this same period as a result of organic growth, primarily in the fourth quarter, and improved market conditions.

Insurance commissions and fees of $16.4 million for 2012 increased $1.2 million or 8.2% from 2011, primarily as a result of increased policies for new business, including a large new account.

Securities commissions of $8.4 million for 2012 increased $0.8 million or 11.0% from 2011 primarily due to positive results from new initiatives, combined with increased volume and the Parkvale acquisition.

Mortgage banking revenue of $4.2 million for 2012 increased $1.1 million or 33.9% from 2011 due to additional sales volume. For 2012, the Corporation sold $245.5 million of residential mortgage loans, compared to $167.3 million for 2011, as part of its ongoing strategy of generally selling 30-year residential mortgage loans.

Gains on sales of securities of $0.3 million for 2012 decreased from $3.7 million for 2011. During 2011, the Corporation recognized a $3.4 million gain relating to the sale of a $3.9 million U.S. government agency security and $83.7 million of mortgage-backed securities. These sales were made in conjunction with debt prepayments that were completed to better position the balance sheet.

Income from BOLI of $6.5 million for 2012 increased $1.3 million or 24.9% from 2011 as a result of policies acquired from Parkvale and management actions designed to improve performance.

Other income was $10.9 million for 2012 compared to $9.0 million for 2011. During 2012, the Corporation recognized a $0.7 million gain relating to the successful harvesting of mezzanine financing relationships by the Corporation s merchant banking subsidiary. Also during 2012, the Corporation recognized $0.5 million more in dividends on non-marketable equity securities and $0.7 million more in recoveries on impaired loans acquired in acquisitions prior to 2009. Additionally, the Corporation recognized $0.3 million more swap-related revenue during 2012. The Corporation s interest rate swap program is designed for larger commercial customers who desire fixed rate loans while the Corporation benefits from a variable rate asset, thereby helping to reduce volatility in its net interest income. During 2012, the Corporation recognized a $1.7 million loss on the sale of branches as part of accelerating its branch consolidation project, partially offset by a $1.4 million gain on sale of the former headquarters building of a previously acquired bank.

Non-Interest Expense

Total non-interest expense of $318.6 million for 2012 increased $35.1 million or 12.4% from 2011. 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 branch offices and operations acquired from Parkvale.

Salaries and employee benefits of $168.2 million for 2012 increased $18.4 million or 12.3% from 2011. This increase was primarily attributable to the Parkvale acquisition as well as merit increases and higher profitability and performance-based accruals for incentive compensation given increased financial results. Additionally, the Corporation recorded a net charge of $0.6 million in 2012 for severance and other items relating to a former executive.

Occupancy and equipment expense of $46.9 million for 2012 increased $6.1 million or 14.8% from 2011, resulting from higher expenses associated with the Parkvale locations.

Amortization of intangibles expense of $8.9 million for 2012 increased $1.9 million or 26.8% from 2011 due to additional intangible balances from the Parkvale acquisition.

Outside services expense of $28.0 million for 2012 increased $6.2 million or 28.4% from 2011, primarily resulting from increases of $1.5 million related to legal expense, $1.4 million related to check card expenses, $1.1 related to data processing services, $0.4 million related to director fees and $1.0 million relating to other services. These increases were primarily due to the Parkvale acquisition.

FDIC insurance of $8.1 million for 2012 increased slightly from $8.0 million for 2011 primarily due the increased assessment asset base from the Parkvale acquisition.

Supplies expense of $6.4 million for 2012 increased $1.5 million or 30.4% from 2011 resulting from the higher expenses associated with the Parkvale locations.

State tax expense of $6.2 million for 2012 decreased $0.8 million or 11.7% from 2011, primarily due to utilizing state tax credits.

Loan-related expense of $3.4 million for 2012 decreased $2.0 million or 37.2% from 2011, primarily due to lower expenses resulting from the reduction of the Florida commercial real estate loan portfolio.

OREO expense of $3.3 million for 2012 decreased $1.9 million or 37.4% from 2011 primarily due to a $1.5 million recovery on a Florida property sale combined with higher property maintenance costs during 2011 associated with the Florida commercial real estate portfolio.

Telephone expense of $5.7 million for 2012 increased $0.7 million or 14.9% from 2011, primarily due to additional locations from the Parkvale acquisition.

Advertising and promotional expense of $5.0 million for 2012 decreased $1.4 million or 21.7% from 2011, primarily due to continued expense control.

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The Corporation recorded $7.4 million in merger-related costs associated with the Parkvale acquisition, including related branch consolidation costs, during 2012. Merger-related costs recorded during 2011 in conjunction with the Parkvale and CBI acquisitions were $5.0 million.

Other non-interest expense increased to $21.1 million for 2012 from $17.2 million for 2011. During 2012, the Corporation recorded $3.0 million in litigation costs to establish a settlement fund to resolve a class action matter. The Corporation also recognized $0.5 million more in postage, primarily resulting from the Parkvale acquisition. Additionally, miscellaneous losses increased $0.5 million due to check losses, donations increased $0.5 million due to the timing of annual contributions to support corporate causes, insurance benefit expense increased $0.6 million as a result of an adjustment related to Regency and business development expense increased $0.4 million. During 2011, the Corporation recorded a charge of $3.3 million associated with the prepayment of certain higher-cost borrowings to better position the balance sheet.

Income Taxes

The Corporation s income tax expense of $43.8 million for 2012 increased $11.8 million or 36.8% from 2011. The effective tax rate of 28.4% for 2012 increased from 26.9% for 2011, reflecting the impact of higher pre-tax income. Both periods tax rates are lower than the 35.0% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt income on investments, loans and BOLI, as well as tax credits.

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 at December 31, 2013 was $145.9 million compared to $114.7 million at December 31, 2012. Cash on hand increased during 2013 primarily as a result of the capital offering, raising net proceeds of $161.3 million by issuing preferred and common equity. This was offset as $115.0 million of Corporation-issued TPS were redeemed by the Corporation and $15.0 million of Corporation-issued TPS were repurchased at a discount by the Corporation, and the related debt extinguished. The $115.0 million redemption was completed in conjunction with the preferred and common capital raises during the fourth quarter of 2013. The $15.0 million repurchase was opportunistically purchased at auction in the second quarter and represents a portion of the underlying collateral of a pooled TPS that was liquidated by the trustee.

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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 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 cash outflows over the next 12 months. The LCR was 2.2 times at December 31, 2013 and 2.5 times at December 31, 2012. 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 15.2 months at December 31, 2013 and 16.2 months at December 31, 2012. 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 $1.1 million or 0.5% during 2013 to $214.1 million at December 31, 2013.

The liquidity position of the Corporation continues to be strong as evidenced by its ability to generate growth in relationship-based accounts. Average transaction deposits and customer repurchase agreements organically grew $562.2 million, or 7.9% for 2013, and represent 76.4% of total deposits and customer repurchase agreements at December 31, 2013. Average total deposits and customer repurchase agreements organically increased $238.3 million or 2.4% for 2013 as the solid growth in lower cost, relationship-based accounts was offset by a continued planned decline in time deposits. Average time deposits declined $323.9 million or 12.0%, reflecting the plan to reduce these accounts due to the Corporation s strong liquidity position and customers shifting to lower cost transactional products.

FNBPA had unused wholesale credit availability of $4.8 billion or 35.6% of bank assets at December 31, 2013 and $4.0 billion or 34.1% of bank assets at December 31, 2012. These sources include the availability to borrow from the Federal Home Loan Bank (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 sold to meet funding needs. These securities totaled $533.1 million, or 4.0% of total assets and $729.9 million, or 6.2% of total assets as of December 31, 2013 and 2012, respectively. The ALCO Policy minimum level is 3.0%.

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, 2013 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 the additional funding needs during a potential liquidity crisis. The twelve-month cumulative gap to total assets was (1.1)% and 2.6% as of December 31, 2013 and 2012, respectively.

	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Assets					
Loans	$ 264,538	$ 448,137	$ 573,025	$ 1,028,978	$ 2,314,678
Investments	41,327	53,253	80,041	186,616	361,237
	305,865	501,390	653,066	1,215,594	2,675,915
Liabilities					
Non-maturity deposits	69,144	138,288	207,432	414,864	829,728
Time deposits	140,056	294,488	414,164	617,195	1,465,903
Borrowings	297,872	54,934	59,534	118,425	530,765
	507,072	487,710	681,130	1,150,484	2,826,396
Period Gap (Assets - Liabilities)	$ (201,207)	$ 13,680	$ (28,064)	$ 65,110	$ (150,481)
Cumulative Gap	$ (201,207)	$ (187,527)	$ (215,591)	$ (150,481)	
Cumulative Gap to Total Assets	(1.5)%	(1.4)%	(1.6)%	(1.1)%	

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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 (also, for additional discussion of risks associated with changes in economic conditions and market rates, refer to the Risk Factors section included in Item 1A of this Report). 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.

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.

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The following repricing gap analysis (in thousands) as of December 31, 2013 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	$ 3,181,304	$ 947,159	$ 517,424	$ 874,247	$ 5,520,134
Investments	105,980	55,425	98,835	194,885	455,125
	3,287,284	1,002,584	616,259	1,069,132	5,975,259
Liabilities					
Non-maturity deposits	2,372,986				2,372,986
Time deposits	147,878	296,106	414,755	617,629	1,476,368
Borrowings	1,096,709	44,491	11,620	22,596	1,175,416
	3,617,573	340,597	426,375	640,225	5,024,770
Off-balance sheet	(200,000)				(200,000)
Period Gap (assets liabilities + off-balance sheet)	$ (530,289)	$ 661,987	$ 189,884	$ 428,907	$ 750,489
Cumulative Gap	$ (530,289)	$ 131,698	$ 321,582	$ 750,489	
Cumulative Gap to Assets	(3.9)%	1.0%	2.4%	5.5%	

The twelve-month cumulative repricing gap to total assets was 5.5% and 9.4% as of December 31, 2013 and 2012, 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, 2013.

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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, 2013	December 31, 2012	ALCO Limits
Net interest income change (12 months):			
+ 300 basis points	3.5%	6.1%	n/a
+ 200 basis points	2.5%	4.7%	(5.0)%
+ 100 basis points	1.1%	2.5%	(5.0)%
100 basis points	(2.1)%	(2.8)%	(5.0)%
Economic value of equity:			
+ 300 basis points	(2.5)%	4.5%	(25.0)%
+ 200 basis points	(1.5)%	4.5%	(15.0)%
+ 100 basis points	(0.5)%	3.3%	(10.0)%
100 basis points	(4.3)%	(10.2)%	(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 2.5% at December 31, 2013 and 4.6% at December 31, 2012.

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 an 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 Corporation has maintained a relatively stable net interest margin over the last five years despite market rate volatility.

The ALCO utilized several tactics to manage the Corporation s current 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 58.7% and 59.6% of total loans as of December 31, 2013 and 2012, respectively. This decrease was mainly due to the acquisitions of ANNB and PVF. 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 to be slightly longer given the asset sensitive nature of its balance sheet. At December 31, 2013, the portfolio duration was 3.3 versus a 2.7 level at December 31, 2012. 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. The commercial swaps currently total $827.3 million of notional principal, with $147.8 million in notional swap principal originated during 2013. The success of the aforementioned tactics has resulted in an asset-sensitive position. During the second and third quarters of 2013, long-term interest rates increased substantially causing cash flows from certain mortgage-related portfolios to lengthen, which contributed to a reduction in the asset-sensitive interest rate risk position during the fourth quarter of 2013. The addition of ANNB and PVF also contributed to the change in the interest rate risk position as well as a slight increase in the use of overnight borrowings. In order to manage the interest rate risk position and generate incremental earnings, between December 2012 and August 2013 the Corporation entered into four separate interest rate derivative agreements totaling $200.0 million of notional principal in swaps which pay a variable interest rate and receive a fixed interest rate. For additional information regarding interest rate swaps, see the Derivative Instruments footnote in the Notes to Consolidated Financial Statements, which is included in Item 8 of this Report.

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 management have identified six major categories of risk: credit risk, market risk, liquidity risk, reputational risk, operational risk and regulatory compliance 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, accepting and managing risks so as to optimize total shareholder value, while balancing prudent business considerations and safety and soundness.

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 profile. 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 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 FNBPA Risk Management Committee, which is the senior management level committee responsible for FNBPA s risk management.

As noted above, the Corporation s principal subsidiary, FNBPA, has a Risk Management Committee 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. The FNBPA Risk Management Committee 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. FNBPA s Compliance Department, which reports to the Chief Risk Officer, is responsible for developing policies and procedures and monitoring FNBPA s compliance with applicable laws and regulations. Further, the Corporation s audit function performs an independent assessment of the Corporation s internal control environment and plays an integral role in testing the operation of internal control systems and reporting findings to management and the Corporation s Audit Committee. Both the Corporation s Risk Committee and Audit Committee regularly report on risk-related matters to the Corporation s Board of Directors. In addition, both the Corporation s Risk Committee and FNBPA s Risk Management Committee regularly assess the Corporation s enterprise-wide risk profile and provide guidance on actions needed to address key and emerging risk issues.

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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, 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, 2013 (in thousands):

	Within 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Deposits without a stated maturity	$ 7,592,159	$	$	$	$ 7,592,159
Certificates and other time deposits	1,499,828	765,472	305,129	35,644	2,606,073
Operating leases	9,994	16,512	12,676	26,873	66,055
Long-term debt	28,546	98,432	13,522	34,28	143,928
	$ 9,130,527	$ 880,416	$ 331,327	$ 65,945	$ 10,408,215

The following table sets forth the amounts and expected maturities of commitments to extend credit and standby letters of credit as of December 31, 2013 (in thousands):

	Within 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Commitments to extend credit	$ 2,617,006	$ 60,538	$ 72,336	$ 147,868	$ 2,897,748
Standby letters of credit	35,435	24,301	356	54,205	114,298
	$ 2,652,442	$ 84,839	$ 72,692	$ 202,073	$ 3,012,046

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 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 commercial real estate portfolio also includes run-off loans in Florida, which totaled $39.4 million or 0.4% of total loans at December 31, 2013, compared to $68.6 million or 0.8% of total loans at December 31, 2012. Additionally, the total loan portfolio contains consumer finance loans to individuals in Pennsylvania, Ohio, Tennessee and Kentucky, which totaled $180.0 million or 1.9% of total loans at December 31, 2013, compared to $171.0 million or 2.1% of total loans at December 31, 2012. Due to the relative size of the consumer finance loan portfolio, they are not segregated from other consumer loans.

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Following is a summary of loans (in thousands):

December 31	2013	2012	2011	2010	2009
Commercial real estate	$ 3,245,209	$ 2,707,046	$ 2,495,727	$ 2,256,400	$ 2,303,126
Commercial and industrial	1,881,474	1,602,314	1,363,692	1,081,592	931,612
Commercial leases	158,895	130,133	110,795	79,429	57,255
Commercial loans and leases	5,285,578	4,439,493	3,970,214	3,417,421	3,291,993
Direct installment	1,467,236	1,178,530	1,029,187	1,002,725	985,746
Residential mortgages	1,086,739	1,092,228	670,936	622,242	605,219
Indirect installment	655,587	582,037	540,789	514,369	527,818
Consumer lines of credit	965,771	805,494	607,280	493,881	408,469
Other	45,183	39,937	38,261	37,517	30,116
	$ 9,506,094	$ 8,137,719	$ 6,856,667	$ 6,088,155	$ 5,849,361

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 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 mezzanine loans and student loans.

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

Total loans increased $1,368.4 million or 16.8% to $9.5 billion at December 31, 2013, compared to $8.1 billion at December 31, 2012. This increase was due to a combination of $256.2 million and $512.6 million in loans from the ANNB and PVF acquisitions, respectively, and solid organic growth, particularly commercial loans and leases, direct installment and consumer lines of credit.

Total loans increased $1,281.1 million or 18.7% to $8.1 billion at December 31, 2012, compared to $6.9 billion at December 31, 2011. This increase was due to a combination of $919.5 million in loans from the Parkvale acquisition and solid organic growth, particularly in commercial loans and leases and consumer lines of credit.

Total loans increased $768.5 million or 12.6% to $6.9 billion at December 31, 2011, compared to $6.1 billion at December 31, 2010. This increase was due to a combination of $445.3 million in loans from the CBI acquisition and solid organic growth in all loan classes, particularly in commercial loans and leases and consumer lines of credit.

As of December 31, 2013, 43.1% of the commercial real estate loans were owner-occupied, while the remaining 56.9% were non-owner-occupied, compared to 46.5% and 53.5%, respectively, as of December 31, 2012. As of December 31, 2013 and 2012, the Corporation had commercial construction loans of $252.8 million and $190.2 million, respectively, representing 2.7% and 2.3% of total loans, respectively. As of December 31, 2013 and 2012, there were no concentrations of loans 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, 2013 (in thousands):

	Within 1 Year	1-5 Years	Over 5 Years	Total
Commercial loans and leases	$ 407,987	$ 1,867,981	$ 3,009,610	$ 5,285,578
Residential mortgages	5,857	30,931	1,049,951	1,086,739
	$ 413,844	$ 1,898,912	$ 4,059,561	$ 6,372,317

The total amount of loans due after one year includes $4.3 billion with floating or adjustable rates of interest and $1.6 billion with fixed rates of interest.

For additional information relating to lending activity, see the Loans and Allowance for Loan Losses 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 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	2013	2012	2011	2010	2009
Non-accrual loans	$ 58,756	$ 66,004	$ 94,335	$ 115,589	$ 133,891
Troubled debt restructurings	18,698	14,876	11,893	19,705	11,624
Total non-performing loans	77,453	80,880	106,228	135,294	145,515
Other real estate owned (OREO)	40,681	35,257	34,719	32,702	21,367
Total non-performing loans and OREO	118,134	116,137	140,947	167,996	166,882
Non-performing investments	797	2,809	8,972	5,974	4,825
Total non-performing assets	$ 118,931	$ 118,946	$ 149,919	$ 173,970	$ 171,707
Non-performing loans/total loans	0.81%	0.99%	1.55%	2.22%	2.49%
Non-performing loans + OREO/total loans + OREO	1.24%	1.42%	2.05%	2.74%	2.84%
Non-performing assets/total assets	0.88%	0.99%	1.53%	1.94%	1.97%

During 2013, non-performing loans and OREO increased $2.0 million, from $116.1 million at December 31, 2012 to $118.1 million at December 31, 2013. This increase reflects increases of $3.8 million and $5.4 million in TDRs and OREO, respectively, partially offset by a decrease of $7.2 million in non-accrual loans. The increase in TDRs was primarily attributed to loans secured by residential mortgages. The increase in OREO was primarily due to the PVF acquisition. The decrease in non-accrual loans was primarily due to commercial real estate and other loans.

During 2012, non-performing loans and OREO decreased $24.8 million, from $140.9 million at December 31, 2011 to $116.1 million at December 31, 2012. The total decrease reflects a $28.3 million reduction in non-accrual loans, which was partially offset by a $3.0 million increase in TDRs. Non-accrual loans decreased from $94.3 million at December 31, 2011 to $66.0 million at December 31, 2012, with the decrease primarily attributable to two non-accrual accounts in the Corporation s Florida commercial real estate portfolio making significant principal payments during the year totaling $21.9 million.

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

December 31	2013	2012	2011	2010
Commercial real estate	$ 43,648	$ 48,483	$ 76,256	$ 98,557
Commercial and industrial	6,683	6,099	6,956	9,808
Commercial leases	734	965	1,084	970
Total commercial loans and leases	51,065	55,547	84,296	109,335
Direct installment	10,577	8,541	7,163	10,734
Residential mortgages	14,012	11,415	9,544	13,600
Indirect installment	1,202	1,131	979	820
Consumer lines of credit	597	746	746	805
Other		3,500	3,500	
	$ 77,453	$ 80,880	$ 106,228	$ 135,294

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 result in potential incremental losses which are factored into the allowance for loan losses estimate. Additional information related to the Corporation s TDRs is included in the Loans and Allowance for Loan Losses 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, 2013				
Commercial real estate	$ 24	$ 2,688	$ 10,435	$ 13,147
Commercial and industrial	749	40	237	1,026
Commercial leases				
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	22
Consumer lines of credit	300	185		485
Other				
	$ 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
Commercial leases				
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
Other				
	$ 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
Commercial leases				
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
Other				
	$ 10,131	$ 11,893	$ 10,827	$ 32,851
December 31, 2010				
Commercial real estate		$ 822	$ 19,333	$ 20,155
Commercial and industrial		819	39	858
Commercial leases				

Total commercial loans and leases	1,641	19,372	21,013
Direct installment	7,449	100	7,549
Residential mortgages	10,328	155	10,483
Indirect installment	70		70
Consumer lines of credit	217		217
Other			
	$ 19,705	$ 19,627	$ 39,332

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

December 31	2013	2012	2011	2010	2009
Loans 90 days or more past due	$ 53,794	$ 43,291	$ 18,131	$ 8,634	$ 12,471
As a percentage of total loans	0.57%	0.53%	0.26%	0.14%	0.21%

The annual increases in loans 90 days or more past due and accruing were primarily the result of acquisitions. Acquired loans that are 90 days or more past due were 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	2013	2012	2011	2010	2009
Gross interest income:					
Per contractual terms	$ 9,221	$ 8,646	$ 13,540	$ 7,827	$ 8,788
Recorded during the year	559	369	351	337	364

Allowance and Provision for Loan Losses

The allowance for loan 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 loan losses through both periodic provisions charged to income and recoveries of losses previously recorded. Reductions to the allowance for loan losses occur as loans are charged off. Additional information related to the Corporation s policy for its allowance for loan 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 loan losses related to loans (dollars in thousands):

Year Ended December 31	2013	2012	2011	2010	2009
Balance at beginning of period	$ 104,374	$ 100,662	$ 106,120	$ 104,655	$ 104,730
Additions due to acquisitions					16
Charge-offs:					
Commercial loans and leases	(11,021)	(17,295)	(25,227)	(30,315)	(52,850)
Direct installment	(9,059)	(7,875)	(8,874)	(10,431)	(8,907)
Residential mortgages	(1,345)	(1,050)	(1,261)	(1,387)	(1,288)
Indirect installment	(3,337)	(2,926)	(2,957)	(3,345)	(3,881)
Consumer lines of credit	(1,974)	(2,137)	(2,110)	(1,841)	(1,444)
Other	(965)	(1,039)	(1,194)	(1,270)	(1,297)
Purchased impaired loans	(299)		(208)		
Other acquired loans	(2,530)	(254)			
Total charge-offs	(30,530)	(32,576)	(41,831)	(48,589)	(69,667)
Recoveries:					
Commercial loans and leases	4,086	2,682	1,037	808	912
Direct installment	931	942	876	1,015	1,024
Residential mortgages	162	194	67	99	69
Indirect installment	773	605	501	640	625
Consumer lines of credit	274	534	213	160	122
Other		14	31	9	22
Purchased impaired loans			7		
Other acquired loans	(376)	315			
Total recoveries	5,850	4,986	2,732	2,731	2,774
Net charge-offs	(24,680)	(27,590)	(39,099)	(45,858)	(66,893)
Provision for loan losses	31,090	31,302	33,641	47,323	66,802
Balance at end of period	$ 110,784	$ 104,374	$ 100,662	$ 106,120	$ 104,655
Net loan charge-offs/average loans	0.28%	0.35%	0.58%	0.77%	1.15%
Allowance for loan losses/total loans	1.17%	1.28%	1.47%	1.74%	1.79%
Allowance for loan losses/ non-performing loans	135.42%	123.88%	94.76%	78.44%	71.92%

The allowance for loan 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 covered net charge-offs of $24.7 million, with the remainder supporting loan growth and incurred losses in the originated loan and acquired portfolios.

The allowance for loan losses at December 31, 2012 increased $3.7 million or 3.7% from December 31, 2011 as the provision for loan losses for 2012 of $31.3 million exceeded net charge-offs of $27.6 million, with the remainder of the provision supporting loan growth. The allowance for loan 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 loan losses of $33.6 million as a result of the Corporation utilizing previously established reserves. The allowance for loan losses at December 31, 2010 increased $1.5 million or 1.4% from December 31, 2009 as the provision for loan losses for 2010 of $47.3 million exceeded net charge-offs of $45.9 million.

The Corporation s commercial portfolio experienced significant losses from 2009 through 2011 related to its Florida portfolio due to continued declines in the real estate values and unstable economic conditions in that market during that time. The Corporation continues to conduct annual independent third-party property appraisals on all Florida loans secured by vacant land or land development projects as part of its ongoing monitoring of the trends in the Florida real estate market. Throughout the year, management monitors the real estate values in Florida through financial statement review, the review of property appraisals and monitoring real estate transactions in the market, and charge-offs are taken on specific loans based on the updated valuations in the normal course of business. The commercial real estate portfolio in Florida totaled $39.4 million or 0.4% of total loans at December 31, 2013, compared to $68.6 million or 0.8% of total loans at December 31, 2012.

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

	Dec 31, 2013	% of Loans in each Category to Total Loans	Dec 31, 2012	% of Loans in each Category to Total Loans	Dec 31, 2011	% of Loans in each Category to Total Loans	Dec 31, 2010	% of Loans in each Category to Total Loans	Dec. 31, 2009	% of Loans in each Category to Total Loans
Commercial loans and leases	$ 67,054	48%	$ 68,403	51%	$ 70,315	58%	$ 75,676	56%	$ 74,934	56%
Direct installment	17,824	15	15,130	14	14,814	15	14,941	17	14,707	17
Residential mortgages	5,836	7	5,155	8	4,436	10	4,578	10	4,204	10
Indirect installment	6,409	7	5,449	7	5,503	8	5,941	8	6,204	9
Consumer lines of credit	7,231	9	6,057	9	5,448	9	4,743	8	4,176	7
Other	530				146		241	1	430	1
Total originated loans	104,884	86	100,194	89	100,662	100	106,120	100	104,655	100
Purchased credit- impaired loans	1,000		759							
Other acquired loans	4,900	14	3,421	11						
	$ 110,784	100%	$ 104,374	100%	$ 100,662	100%	$ 106,120	100%	$ 104,655	100%

During 2013, the allowance for loan losses allocated to residential mortgages and consumer loans (direct installment, indirect installment and consumer lines of credit) 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 loan losses allocated to that portfolio to decrease. The amount of the allowance for loan losses related to acquired loans increased during the year primarily as a result of some deterioration in a few small business pools within the CBI and Parkvale portfolios.

During 2012, the allowance for loan 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 amount of the allowance for loan losses allocated to acquired loan activities increased during the year as a result of the addition of the Parkvale portfolio.

During 2011, the allowance for loan losses allocated to commercial loans decreased primarily due to the utilization of reserves held for the Florida portfolio following charge-offs of $14.1 million during the year. Additionally, the allowance for loan losses allocated to consumer lines of credit increased during 2011 in relation to growth in the Corporation s HELOC portfolio.

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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, 2013, securities totaling $1.1 billion and $1.2 billion were classified as available for sale and held to maturity, respectively. During 2013, securities available for sale decreased by $33.0 million and securities held to maturity increased by $92.6 million from December 31, 2012. The Corporation classified certain securities acquired in conjunction with the Parkvale, ANNB and PVF 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, 2013 and 2012, the Corporation did not hold any trading securities.

The following table indicates the respective maturities and weighted-average yields of securities as of December 31, 2013 (dollars in thousands):

	Amount	Weighted Average Yield
Obligations of U.S. Treasury:		
Maturing after ten years	$ 503	5.61%
Obligations of U.S. government-sponsored entities:		
Maturing after one year but within five years	307,499	1.11
Maturing after five years but within ten years	63,528	1.42
Maturing after ten years	3,280	2.16
States of the U.S. and political subdivisions:		
Maturing within one year	3,376	4.66
Maturing after one year but within five years	8,850	4.58
Maturing after five years but within ten years	64,704	5.39
Maturing after ten years	72,234	5.51
Collateralized debt obligations:		
Maturing after ten years	31,595	9.78
Other debt securities:		
Maturing after one year but within five years	10,150	3.30
Maturing after ten years	5,950	2.59
Residential mortgage-backed securities:		
Agency mortgage-backed securities	879,562	2.58
Agency collateralized mortgage obligations	876,607	1.68
Non-agency collateralized mortgage obligations	8,614	4.43
Commercial mortgage-backed securities	2,241	3.75
Equity securities	2,126	4.77
Total	$ 2,340,819	2.31

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.

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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 $1.1 billion to $10.2 billion at December 31, 2013, compared to December 31, 2012, primarily as a result of the ANNB and PVF acquisitions combined with 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.

Short-term borrowings, made up of customer repurchase agreements (also referred to as securities sold under repurchase agreements), federal funds purchased and subordinated notes, increased $158.1 million to $1.2 billion at December 31, 2013, compared to $1.1 billion at December 31, 2012. This increase is primarily the result of increases of $33.9 million and $130.0 million in customer repurchase agreements and federal funds purchased, respectively, partially offset by a decrease of $5.8 million in other short-term borrowings. The increase in customer repurchase agreements is the result of the Corporation s continued growth in new commercial client relationships.

Customer repurchase agreements are the largest component of short-term borrowings. The customer repurchase agreements, which have next day maturities, are sweep accounts utilized by larger commercial customers to earn interest on their funds. At December 31, 2013 and 2012, customer repurchase agreements represented 67.8% and 74.6%, respectively, of total short-term borrowings.

Following is a summary of selected information relating to customer repurchase agreements (dollars in thousands):

At or For the Year Ended December 31	**2013**	**2012**	**2011**
Balance at year-end	$ 841,741	$ 807,820	$ 646,660
Maximum month-end balance	907,406	925,219	715,714
Average balance during year	794,436	792,131	637,351
Weighted average interest rates:			
At year-end	0.23%	0.28%	0.39%
During the year	0.23	0.32	0.50

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.

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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 combination of common stock, preferred stock, debt securities or TPS. 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 intends to use the proceeds from the offerings to proactively position itself for Basel III implementation, as discussed in the Business section of this Report, and to support future growth opportunities.

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 or common stock 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 28, 2014

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 effective internal control over financial reporting. Management assessed the effectiveness of the Corporation s internal control over financial reporting as of December 31, 2013 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (1992 framework). Based on that assessment, management concluded that, as of December 31, 2013, the Corporation s internal control over financial reporting is effective based on the criteria established in *Internal Control - Integrated Framework* (1992 framework). Ernst & Young LLP, independent registered public accounting firm, has issued an audit 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, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

February 28, 2014

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, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 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, 2013, 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, 2013 and 2012, 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, 2013 of F.N.B. Corporation and subsidiaries and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania

February 28, 2014

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F.N.B. Corporation and Subsidiaries

Consolidated Balance Sheets

Dollars in thousands, except par values

	December 31	
	2013	**2012**
Assets		
Cash and due from banks	$ 197,534	$ 216,233
Interest bearing deposits with banks	16,447	22,811
Cash and Cash Equivalents	213,981	239,044
Securities available for sale	1,141,650	1,172,683
Securities held to maturity (fair value of $1,189,563 and $1,143,213)	1,199,169	1,106,563
Residential mortgage loans held for sale	7,138	27,751
Loans, net of unearned income of $55,051 and $51,661	9,506,094	8,137,719
Allowance for loan losses	(110,784)	(104,374)
Net Loans	9,395,310	8,033,345
Premises and equipment, net	154,032	140,367
Goodwill	764,248	675,555
Core deposit and other intangible assets, net	47,608	37,851
Bank owned life insurance	289,402	246,088
Other assets	350,867	344,729
Total Assets	$ 13,563,405	$ 12,023,976
Liabilities		
Deposits:		
Non-interest bearing demand	$ 2,200,081	$ 1,738,195
Savings and NOW	5,392,078	4,808,121
Certificates and other time deposits	2,606,073	2,535,858
Total Deposits	10,198,232	9,082,174
Other liabilities	130,418	163,151
Short-term borrowings	1,241,239	1,083,138
Long-term debt	143,928	89,425
Junior subordinated debt	75,205	204,019
Total Liabilities	11,789,022	10,621,907
Stockholders Equity		
Preferred stock $0.01 par value		
Authorized 20,000,000 shares		
Issued 110,877 and 0 shares	106,882	
Common stock $0.01 par value		
Authorized 500,000,000 shares		
Issued 159,624,796 and 140,314,846 shares	1,592	1,398
Additional paid-in capital	1,608,117	1,376,601
Retained earnings	121,870	75,312
Accumulated other comprehensive loss	(56,924)	(46,224)
Treasury stock 657,585 and 385,604 shares at cost	(7,154)	(5,018)
Total Stockholders Equity	1,774,383	1,402,069

Total Liabilities and Stockholders Equity	$ 13,563,405	$ 12,023,976

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		
	2013	**2012**	**2011**
Interest Income			
Loans, including fees	$ 390,983	$ 377,802	$ 341,268
Securities:			
Taxable	43,504	46,839	41,956
Nontaxable	5,667	6,680	7,469
Dividends	103	375	157
Other	129	210	275
Total Interest Income	440,386	431,906	391,125
Interest Expense			
Deposits	29,441	42,513	53,535
Short-term borrowings	4,423	5,162	6,711
Long-term debt	3,115	3,492	6,403
Junior subordinated debt	7,365	7,888	7,968
Total Interest Expense	44,344	59,055	74,617
Net Interest Income	396,042	372,851	316,508
Provision for loan losses	31,090	31,302	33,641
Net Interest Income After Provision for Loan Losses	364,952	341,549	282,867
Non-Interest Income			
Impairment losses on securities	(27)	(626)	(895)
Non-credit related losses on securities not expected to be sold (recognized in other comprehensive income)		414	829
Net impairment losses on securities	(27)	(212)	(66)
Service charges	68,221	69,546	61,358
Trust	16,751	15,239	14,782
Insurance commissions and fees	16,598	16,426	15,185
Securities commissions and fees	11,286	8,395	7,562
Bank owned life insurance	6,874	6,485	5,191
Mortgage banking	3,452	4,153	3,101
Gain on sale of securities	808	305	3,652
Other	11,815	10,915	8,965
Total Non-Interest Income	135,778	131,252	119,730
Non-Interest Expense			
Salaries and employee benefits	179,971	168,219	149,817
Net occupancy	26,474	24,578	21,805
Equipment	25,214	22,320	19,033
Amortization of intangibles	8,407	8,924	7,040
Outside services	30,257	28,038	21,840
FDIC insurance	10,192	8,077	8,025
Supplies	6,887	6,441	4,938
State taxes	4,256	6,162	6,975
Telephone	5,063	5,697	4,957
Advertising and promotional	6,349	4,991	6,375
Loan related	3,945	3,363	5,353
Other real estate owned	3,215	3,268	5,218
Merger related	8,210	7,394	4,982
Other	19,730	21,146	17,188

Total Non-Interest Expense	338,170	318,618	283,546
Income Before Income Taxes	162,560	154,183	119,051
Income taxes	44,756	43,773	32,004
Net Income	117,804	110,410	87,047
Preferred stock dividends			
Net Income Available to Common Stockholders	$ 117,804	$ 110,410	$ 87,047
Net Income per Common Share			
Basic	$ 0.81	$ 0.79	$ 0.70
Diluted	$ 0.80	$ 0.79	$ 0.70
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		
	2013	**2012**	**2011**
Net income	$ 117,804	$ 110,410	$ 87,047
Other comprehensive loss:			
Unrealized (losses) gains on securities:			
Arising during the period, net of tax (benefit) expense of $(10,121), $2,760 and $1,467	(18,796)	5,125	2,725
Less: reclassification adjustment for gains included in net income, net of tax expense of $269, $216 and $1,257	(500)	(400)	(2,334)
Unrealized losses on derivative instruments, net of tax benefit of $3,454 and $92	(6,415)	(171)	
Unrealized gains (losses) associated with pension and postretirement benefits, net of tax expense (benefit) of $8,083, $(3,031) and $(6,358)	15,011	(5,630)	(11,807)
Other comprehensive loss	(10,700)	(1,076)	(11,416)
Comprehensive income	$ 107,104	$ 109,334	$ 75,631

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, 2011	$	$ 1,143	$ 1,094,713	$ 6,564	$ (33,732)	$ (2,564)	$ 1,066,124
Net income				87,047			87,047
Change in other comprehensive income (loss), net of tax					(11,416)		(11,416)
Common dividends declared: $0.48/share				(60,686)			(60,686)
Issuance of common stock		125	125,107			(854)	124,378
Restricted stock compensation			4,813				4,813
Tax expense of stock-based compensation			(61)				(61)
Balance at December 31, 2011		1,268	1,224,572	32,925	(45,148)	(3,418)	1,210,199
Net income				110,410			110,410
Change in other comprehensive income (loss), net of tax					(1,076)		(1,076)
Common dividends declared: $0.48/share				(67,646)			(67,646)
Issuance of common stock		130	147,885	(377)		(1,600)	146,038
Restricted stock compensation			3,758				3,758
Tax benefit of stock-based compensation			386				386
Balance at December 31, 2012		1,398	1,376,601	75,312	(46,224)	(5,018)	1,402,069
Net income				117,804			117,804
Change in other comprehensive income (loss), net of tax					(10,700)		(10,700)
Common dividends declared: $0.48/share				(71,246)			(71,246)
Issuance of preferred stock	106,882						106,882
Issuance of common stock		194	224,948			(2,136)	223,006
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				