FNB CORP/FL/
Form 10-Q
August 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2010

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

Commission file number 001-31940
F.N.B. CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

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

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 þ No o

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

Large Accelerated Filer þ	Accelerated Filer o	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at July 31, 2010
Common Stock, $0.01 Par Value	114,532,890 Shares

F.N.B. CORPORATION
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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Dollars in thousands, except par value

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Cash and due from banks	$ 140,629	$ 160,845
Interest bearing deposits with banks	60,238	149,705
Cash and Cash Equivalents	200,867	310,550
Securities available for sale	758,325	715,349
Securities held to maturity (fair value of $888,290 and $796,537)	853,698	775,281
Residential mortgage loans held for sale	7,232	12,754
Loans, net of unearned income of $39,574 and $38,173	5,967,570	5,849,361
Allowance for loan losses	(114,040)	(104,655)
Net Loans	5,853,530	5,744,706
Premises and equipment, net	115,323	117,921
Goodwill	528,720	528,710
Core deposit and other intangible assets, net	35,775	39,141
Bank owned life insurance	207,093	205,447
Other assets	272,497	259,218
Total Assets	$ 8,833,060	$ 8,709,077
Liabilities		
Deposits:		
Non-interest bearing demand	$ 1,039,630	$ 992,298
Savings and NOW	3,280,076	3,182,909
Certificates and other time deposits	2,214,952	2,205,016
Total Deposits	6,534,658	6,380,223
Other liabilities	94,749	86,797
Short-term borrowings	735,442	669,167
Long-term debt	205,834	324,877
Junior subordinated debt	204,373	204,711
Total Liabilities	7,775,056	7,665,775
Stockholders Equity		
Common stock $0.01 par value		
Authorized 500,000,000 shares		
Issued 114,684,308 and 114,214,951 shares	1,141	1,138
Additional paid-in capital	1,091,253	1,087,369
Retained earnings	(6,515)	(12,833)

Accumulated other comprehensive loss	(25,358)	(30,633)
Treasury stock 151,418 and 103,256 shares at cost	(2,517)	(1,739)
Total Stockholders Equity	1,058,004	1,043,302
Total Liabilities and Stockholders Equity	$ 8,833,060	$ 8,709,077

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Dollars in thousands, except per share data
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Interest Income				
Loans, including fees	$ 81,092	$ 82,674	$ 160,378	$ 165,914
Securities:				
Taxable	11,323	12,546	22,576	25,577
Nontaxable	1,819	1,659	3,710	3,428
Dividends	18	42	37	87
Other	109	113	206	130
Total Interest Income	94,361	97,034	186,907	195,136
Interest Expense				
Deposits	16,776	22,533	34,330	46,772
Short-term borrowings	2,031	2,011	4,162	4,297
Long-term debt	2,091	4,564	4,637	9,412
Junior subordinated debt	1,982	2,594	3,892	5,241
Total Interest Expense	22,880	31,702	47,021	65,722
Net Interest Income	71,481	65,332	139,886	129,414
Provision for loan losses	12,239	13,909	24,203	24,423
Net Interest Income After Provision for Loan Losses	59,242	51,423	115,683	104,991
Non-Interest Income				
Impairment losses on securities	(1,313)	(1,429)	(9,539)	(1,632)
Non-credit related losses on securities not expected to be sold (recognized in other comprehensive income)	711	689	7,251	689
Net impairment losses on securities	(602)	(740)	(2,288)	(943)
Service charges	14,662	14,596	28,384	28,195
Insurance commissions and fees	3,849	3,837	8,173	8,918
Securities commissions and fees	1,771	2,008	3,328	3,796
Trust fees	3,188	3,013	6,346	5,930
Gain on sale of securities	47	66	2,437	344
Gain on sale of residential mortgage loans	808	1,139	1,375	1,675
Bank owned life insurance	1,247	1,444	2,312	3,046
Other	3,473	3,087	8,651	5,668
Total Non-Interest Income	28,443	28,450	58,718	56,629

Non-Interest Expense				
Salaries and employee benefits	33,392	31,617	66,517	63,719
Net occupancy	4,840	5,051	10,378	10,777
Equipment	4,606	4,406	9,139	8,771
Amortization of intangibles	1,679	1,813	3,366	3,628
Outside services	5,885	6,415	11,407	11,819
FDIC insurance	2,641	6,643	5,263	8,588
Other	10,041	10,320	22,457	19,935
Total Non-Interest Expense	63,084	66,265	128,527	127,237
Income Before Income Taxes	24,601	13,608	45,874	34,383
Income taxes	6,679	3,010	11,972	8,134
Net Income	17,922	10,598	33,902	26,249
Preferred stock dividends and discount amortization		1,469		2,812
Net Income Available to Common Stockholders	$ 17,922	$ 9,129	$ 33,902	$ 23,437

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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (continued)
Dollars in thousands, except per share data
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Net Income per Common Share				
Basic	$ 0.16	$ 0.10	$ 0.30	$ 0.26
Diluted	0.16	0.10	0.30	0.26
Cash Dividends per Common Share	0.12	0.12	0.24	0.24

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
Unaudited

	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2010		$	$ 1,138	$ 1,087,369	$ (12,833)	$ (30,633)	$ (1,739)	$ 1,043,302
Net income	$ 33,902				33,902			33,902
Change in other comprehensive income, net of tax	5,275					5,275		5,275
Comprehensive income	$ 39,177							
Common stock dividends ($0.24/share)					(27,584)			(27,584)
Issuance of common stock			3	2,671			(778)	1,896
Restricted stock compensation				1,418				1,418
Tax expense of stock-based compensation				(205)				(205)
Balance at June 30, 2010		$	$ 1,141	$ 1,091,253	$ (6,515)	$ (25,358)	$ (2,517)	$ 1,058,004
Balance at January 1, 2009		$	$ 894	$ 953,200	$ (1,143)	$ (26,505)	$ (462)	$ 925,984
Net income	$ 26,249				26,249			26,249
Change in other comprehensive income, net of tax	(8,243)					(8,243)		(8,243)
Comprehensive income	$ 18,006							
Common stock dividends ($0.24/share)					(21,595)			(21,595)
Preferred stock dividends and		437			(2,812)			(2,375)

amortization of discount							
Issuance of preferred stock and common stock warrant	95,025		4,723				99,748
Issuance of common stock		243	126,745			(1,151)	125,837
Restricted stock compensation			1,137				1,137
Tax expense of stock-based compensation			(158)				(158)
Cumulative effect of applying FSP 115-2 and 124-2				4,563			4,563
Balance at June 30, 2009	$ 95,462	$ 1,137	$ 1,085,647	$ 5,262	$ (34,748)	$ (1,613)	$ 1,151,147

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands
Unaudited

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Activities		
Net income	$ 33,902	$ 26,249
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	15,238	14,340
Provision for loan losses	24,203	24,423
Deferred taxes	(1,457)	(11,570)
Gain on sale of securities	(2,437)	(344)
Other-than-temporary impairment losses on securities	2,288	943
Tax expense of stock-based compensation	205	158
Net change in:		
Interest receivable	866	1,625
Interest payable	(923)	(1,380)
Residential mortgage loans held for sale	5,522	(15,999)
Bank owned life insurance	(1,624)	(453)
Other, net	4,735	18,084
Net cash flows provided by operating activities	80,518	56,076
Investing Activities		
Net change in:		
Federal funds sold		
Loans	(145,861)	10,343
Securities available for sale:		
Purchases	(261,012)	(334,496)
Sales	59,455	272
Maturities	163,233	172,741
Securities held to maturity:		
Purchases	(195,733)	(53,066)
Maturities	116,277	129,873
Purchase of bank owned life insurance	(22)	(8)
Withdrawal/surrender of bank owned life insurance		13,700
Increase in premises and equipment	(3,393)	(4,375)
Acquisitions, net of cash acquired		11
Net cash flows used in investing activities	(267,056)	(65,005)
Financing Activities		
Net change in:		

Non-interest bearing deposits, savings and NOW accounts	144,500	289,849
Time deposits	9,936	(55,779)
Short-term borrowings	66,275	(55,690)
Increase in long-term debt	64,795	16,596
Decrease in long-term debt	(183,838)	(70,251)
Decrease in junior subordinated debt	(338)	(338)
Issuance of preferred stock and common stock warrant		99,748
Net proceeds from issuance of common stock	3,314	131,198
Tax expense of stock-based compensation	(205)	(158)
Cash dividends paid	(27,584)	(23,970)
Net cash flows provided by financing activities	76,855	331,205
Net Increase in Cash and Cash Equivalents	(109,683)	322,276
Cash and cash equivalents at beginning of period	310,550	172,203
Cash and Cash Equivalents at End of Period	$ 200,867	$ 494,479

See accompanying Notes to Consolidated Financial Statements

F.N.B. CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2010

BUSINESS

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

BASIS OF PRESENTATION

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

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

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the SEC. The interim operating results are not necessarily indicative of operating results the Corporation expects for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation s Annual Report on Form 10-K filed with the SEC on February 26, 2010.

USE OF ESTIMATES

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

CAPITAL

On January 9, 2009, in conjunction with the U.S. Department of the Treasury (UST) Capital Purchase Program (CPP), the Corporation issued to the UST 100,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series C (Series C Preferred Stock) and a warrant to purchase up to 1,302,083 shares of the Corporation s common stock for an aggregate purchase price of $100.0 million. The warrant has a ten-year term and an exercise price of $11.52 per share.

On June 16, 2009, the Corporation completed a public offering of 24,150,000 shares of common stock at a price of $5.50 per share. The net proceeds of the offering after deducting underwriting discounts and commissions and offering expenses were $125.8 million. As a result of the completion of the public stock offering, the number of shares of the Corporation s common stock purchasable upon exercise of the warrant issued to the UST has been reduced in half to 651,042 shares and the exercise price was unchanged.

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On September 9, 2009, the Corporation utilized a portion of the proceeds of its public offering to redeem all of the Series C Preferred Stock issued to the UST under the CPP and to pay the related final accrued dividend. Since receiving the CPP funds on January 9, 2009, the Corporation paid the UST $3.3 million in cash dividends. Upon redemption, the remaining difference of $4.3 million between the Series C Preferred Stock redemption amount and the recorded amount was charged to retained earnings as non-cash deemed preferred stock dividends. The non-cash deemed preferred stock dividends had no impact on total equity, but reduced earnings per diluted common share by $0.04.

The remaining offering proceeds were used for general corporate purposes and to enhance capital levels.

NEW ACCOUNTING STANDARDS

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

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

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

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

Modification of a Loan That is Part of a Pool That is Accounted for as a Single Asset

In April 2010, the FASB issued ASU No. 2010-18, *Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset.* ASU No. 2010-18 provides that modifications of acquired loans with deteriorated credit quality that are accounted for within a pool do not result in removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled asset restructuring. ASU No. 2010-18 is effective for modifications occurring in the first interim or annual reporting period ending on or after July 15, 2010. The adoption of this standard is not anticipated to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Fair Value Disclosures

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements.* The ASU clarifies existing disclosure requirements and requires additional disclosures regarding fair value measurements. This standard clarifies that an entity should provide fair value disclosures by class rather than major category of assets and liabilities, resulting in a greater level of disaggregated information presented in all fair value disclosures. ASU 2010-06 also clarifies that, for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3), an entity is required to describe valuation techniques and the inputs used in determining the fair values of each class of assets and liabilities and to disclose a change in valuation technique and the reason for making that change. Additionally, the ASU requires an entity to discuss the reasons for transfers in or out of Level 3 and, if significant, to disclose these transfers on a gross basis, to disclose on a gross basis the amounts and reasons for significant transfers between Level 2 and Level 3 of the fair value hierarchy, and to disclose its policy for determining when transfers between Levels are recognized. This standard is effective for interim and annual reporting periods that begin after December 15, 2009. The adoption of this standard did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

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Accounting Standards Codification (the Codification or ASC)

In June 2009, the FASB issued an accounting standard which established the Codification as the sole source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities, with the exception of guidance issued by the SEC and its staff. Adoption of this standard as of September 30, 2009 had no impact on the Corporation s consolidated financial position or results of operations as it does not alter existing GAAP.

Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In June 2009, the FASB issued an accounting standard which amends current GAAP related to the accounting for transfers and servicing of financial assets and extinguishments of liabilities, including the removal of the concept of a qualifying special-purpose entity from GAAP. This accounting standard also clarifies that a transferor must evaluate whether it has maintained effective control of a financial asset by considering its continuing involvement with the transferred financial asset. This accounting standard is effective for interim and annual reporting periods that begin after November 15, 2009. The adoption of this standard did not have a material effect on the financial condition, results of operations or liquidity of the Corporation.

Variable Interest Entities

In June 2009, the FASB issued an accounting standard which requires a qualitative rather than a quantitative analysis to establish the primary beneficiary for determining whether the consolidation of a variable interest entity (VIE) is required. The primary beneficiary of a VIE is the enterprise that has: (a) the power to direct the activities of the VIE that most significantly impact its economic performance, and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. This accounting standard is effective for interim and annual reporting periods that begin after November 15, 2009. The adoption of this standard did not have a material effect on the financial condition, results of operations or liquidity of the Corporation.

SECURITIES

The amortized cost and fair value of securities are as follows (in thousands):

Securities Available For Sale:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2010				
U.S. Treasury and other U.S. government agencies and corporations	$ 285,273	$ 2,147	$	$ 287,420
Residential mortgage-backed securities:				
Agency mortgage-backed securities	235,085	6,013		241,098
Agency collateralized mortgage obligations	148,090	1,182	(367)	148,905
Non-agency collateralized mortgage obligations	40	1		41
States of the U.S. and political subdivisions	60,897	1,927	(4)	62,820
Collateralized debt obligations	19,288		(14,627)	4,661
Other debt securities	12,994	174	(1,868)	11,300
Total debt securities	761,667	11,444	(16,866)	756,245
Equity securities	1,921	240	(81)	2,080
	$ 763,588	$ 11,684	$ (16,947)	$ 758,325

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2009				
U.S. Treasury and other U.S. government agencies and corporations	$ 251,192	$ 1,563	$ (299)	$ 252,456
Residential mortgage-backed securities:				
Agency mortgage-backed securities	319,902	6,035	(166)	325,771
Agency collateralized mortgage obligations	43,985	54	(531)	43,508
Non-agency collateralized mortgage obligations	47		(2)	45
States of the U.S. and political subdivisions	74,177	1,495	(89)	75,583
Collateralized debt obligations	21,590		(16,766)	4,824
Other debt securities	12,999		(2,569)	10,430
Total debt securities	723,892	9,147	(20,422)	712,617
Equity securities	2,656	224	(148)	2,732
	$ 726,548	$ 9,371	$ (20,570)	$ 715,349

Securities Held To Maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2010				
U.S. Treasury and other U.S. government agencies and corporations	$ 5,033	$ 198	$	$ 5,231
Residential mortgage-backed securities:				
Agency mortgage-backed securities	644,967	32,981		677,948
Agency collateralized mortgage obligations	38,192	540		38,732
Non-agency collateralized mortgage obligations	42,013	205	(1,615)	40,603
States of the U.S. and political subdivisions	118,413	3,296	(271)	121,438
Collateralized debt obligations	3,477		(747)	2,730
Other debt securities	1,603	22	(17)	1,608
	$ 853,698	$ 37,242	$ (2,650)	$ 888,290
December 31, 2009				
U.S. Treasury and other U.S. government agencies and corporations	$ 5,386	$ 81	$	$ 5,467
Residential mortgage-backed securities:				
Agency mortgage-backed securities	566,876	23,141	(261)	589,756
Agency collateralized mortgage obligations	27,263	406		27,669
Non-agency collateralized mortgage obligations	49,000		(3,245)	45,755
States of the U.S. and political subdivisions	121,548	2,477	(399)	123,626

Collateralized debt obligations	3,590		(812)	2,778
Other debt securities	1,618	11	(143)	1,486
	$ 775,281	$ 26,116	$ (4,860)	$ 796,537

The Corporation classifies securities as trading securities when management intends to resell such securities in the near term and are carried at fair value, with unrealized gains (losses) reflected through the consolidated statement of income. As of June 30, 2010 and December 31, 2009, the Corporation did not hold any trading securities.

The Corporation recognized a gain of $2.3 million for the six months ended June 30, 2010 relating to the sale of a $6.0 million U.S. government agency security and $53.8 million of mortgage backed securities. These securities were sold to better position the balance sheet for the remainder of 2010. Additionally, the Corporation recognized a gain of $0.1 million for the six months ended June 30, 2010 relating to other securities sold during the first half of 2010. The Corporation recognized a gain of $0.2 million for the six months ended June 30, 2009 relating to the acquisition of a company in which the Corporation owned stock. Also, the Corporation sold $0.2 million of securities at a gain of $0.1 million for the six months ended June 30, 2009. No security sales were at a loss.

Gross gains and gross losses were realized on sales of securities as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Gross gains	$ 47	$ 66	$ 2,437	$ 344
Gross losses				
	$ 47	$ 66	$ 2,437	$ 344

As of June 30, 2010, the amortized cost and fair value of securities, by contractual maturities, were as follows (in thousands):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 12,969	$ 12,989	$ 6,916	$ 6,977
Due from one to five years	269,737	271,981	22,944	23,914
Due from five to ten years	18,148	18,827	22,041	22,696
Due after ten years	77,598	62,404	76,625	77,420
	378,452	366,201	128,526	131,007
Residential mortgage-backed securities:				
Agency mortgage-backed securities	235,085	241,098	644,967	677,948
Agency collateralized mortgage obligations	148,090	148,905	38,192	38,732
Non-agency collateralized mortgage obligations	40	41	42,013	40,603
Equity securities	1,921	2,080		
	$ 763,588	$ 758,325	$ 853,698	$ 888,290

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

At June 30, 2010 and December 31, 2009, securities with a carrying value of $651.5 million and $598.1 million, respectively, were pledged to secure public deposits, trust deposits and for other purposes as required by law. Securities with a carrying value of $686.2 million and $616.0 million at June 30, 2010 and December 31, 2009, respectively, were pledged as collateral for short-term borrowings.

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

Securities available for sale:

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2010						
Residential mortgage-backed securities:						
	$ 14,612	$ (367)	$	$	$ 14,612	$ (367)

Agency collateralized mortgage obligations						
States of the U.S. and political subdivisions			1,190	(4)	1,190	(4)
Collateralized debt obligations			4,661	(14,627)	4,661	(14,627)
Other debt securities			7,035	(1,868)	7,035	(1,868)
Equity securities	153	(42)	704	(39)	857	(81)
	$ 14,765	$ (409)	$ 13,590	$ (16,538)	$ 28,355	$ (16,947)

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	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2009						
U.S. Treasury and other U.S. government agencies and corporations	$ 46,501	$ (299)	$	$	$ 46,501	$ (299)
Residential mortgage-backed securities:						
Agency mortgage-backed securities	68,313	(166)			68,313	(166)
Agency collateralized mortgage obligations	29,516	(531)			29,516	(531)
Non-agency collateralized mortgage obligations	45	(2)			45	(2)
States of the U.S. and political subdivisions	12,357	(89)			12,357	(89)
Collateralized debt obligations	3,755	(12,023)	1,069	(4,743)	4,824	(16,766)
Other debt securities			10,430	(2,569)	10,430	(2,569)
Equity securities	789	(99)	721	(49)	1,510	(148)
	$ 161,276	$ (13,209)	$ 12,220	$ (7,361)	$ 173,496	$ (20,570)

Securities held to maturity:

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2010						
Residential mortgage-backed securities:						
Non-agency collateralized mortgage obligations	$ 8,036	$ (240)	$ 14,405	$ (1,375)	$ 22,441	$ (1,615)
States of the U.S. and political subdivisions	9,025	(267)	2,001	(4)	11,026	(271)
Collateralized debt obligations			2,730	(747)	2,730	(747)
Other debt securities			1,316	(17)	1,316	(17)
	$ 17,061	$ (507)	$ 20,452	$ (2,143)	$ 37,513	$ (2,650)

December 31, 2009

Residential mortgage-backed securities:										
Agency mortgage-backed securities	$ 20,650	$	(261)	$		$		$ 20,650	$	(261)
Non-agency collateralized mortgage obligations	15,534		(80)	30,221			(3,165)	45,755		(3,245)
States of the U.S. and political subdivisions	13,055		(362)	1,968			(37)	15,023		(399)
Collateralized debt obligations				2,778			(812)	2,778		(812)
Other debt securities				1,192			(143)	1,192		(143)
	$ 49,239	$	(703)	$ 36,159		$	(4,157)	$ 85,398	$	(4,860)

As of June 30, 2010, securities with unrealized losses for less than 12 months include 3 investments in residential mortgage-backed securities (1 investment in agency collateralized mortgage obligations (CMOs) and 2 investments in non-agency CMOs), 5 investments in states of the U.S. and political subdivision securities and 4 investments in equity securities. Securities with unrealized losses of greater than 12 months include 3 investments in residential mortgage-backed securities (non-agency CMOs), 4 investments in states of the U.S. and political subdivisions, 13 investments in collateralized debt obligations (CDOs), 6 investments in other debt securities and 2 investments in equity securities. The unrealized losses relating to the residential mortgage-backed securities and states of the U.S. and political subdivisions are considered temporary resulting primarily from changes in interest rates.

The Corporation s unrealized losses on CDOs primarily relate to investments in trust preferred securities (TPS). The Corporation s portfolio of TPS consists of single-issuer and pooled securities. The single-issuer securities are primarily from money-center and large regional banks. The pooled securities consist of securities issued primarily by banks, with some of the pools including a limited number of insurance companies. The non-credit portion of unrealized losses on investments in TPS is attributable to temporary illiquidity and the uncertainty affecting these markets, as well as changes in interest rates.

Other-Than-Temporary Impairment

The Corporation evaluates its investment securities portfolio for other-than-temporary impairment (OTTI) on a quarterly basis. Impairment is assessed at the individual security level. The Corporation considers an investment security impaired if the fair value of the security is less than its cost or amortized cost basis.

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

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

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

The Corporation performs its OTTI evaluation process in a consistent and systematic manner and includes an evaluation of all available evidence. Documentation of the process is as extensive as necessary to support a conclusion as to whether a decline in fair value below cost or amortized cost is other-than-temporary and includes documentation supporting both observable and unobservable inputs and a rationale for the conclusions reached. In making these determinations for pooled TPS, the Corporation consults with third-party advisory firms to provide additional valuation assistance.

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

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

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

The Corporation invested in TPS issued by special purpose vehicles (SPVs) which hold pools of collateral consisting of trust preferred and subordinated debt securities issued by banks, bank holding companies and insurance companies. The securities issued by the SPVs are generally segregated into several classes known as tranches. Typically, the structure includes senior, mezzanine and equity tranches. The equity tranche represents the first loss position. The Corporation generally holds interests in mezzanine tranches. Interest and principal collected from the collateral held by the SPVs are distributed with a priority that provides the highest level of protection to the senior-most

tranches. In order to provide a high level of protection to the senior tranches, cash flows are diverted to higher-level tranches if the principal and interest coverage tests are not met.

The Corporation prices its holdings of TPS using Level 3 inputs in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, and guidance issued by the SEC. In this regard, the Corporation evaluates current available information in estimating the future cash flows of these securities and determines whether there have been favorable or adverse changes in estimated cash flows from the cash flows previously projected. The Corporation considers the structure and term of the pool and the financial condition of the underlying issuers. Specifically, the evaluation incorporates factors such as over-collateralization and interest coverage tests, interest rates and appropriate risk premiums, the timing and amount of interest and principal payments and the allocation of payments to the various tranches. Current estimates of cash flows are based on the most recent trustee reports, announcements of deferrals or defaults, and assumptions regarding expected future default rates, prepayment and recovery rates and other relevant information. In constructing these assumptions, the Corporation considers the following:

- that current defaults would have no recovery;

- that some individually analyzed deferrals will cure at a 50% rate after five years, while others are expected to exhibit minimal recovery;

- recent historical performance metrics, including profitability, capital ratios, loan charge-offs and loan reserve ratios, for the underlying institutions that would indicate a higher probability of default by the institution;

- that institutions identified as possessing a higher probability of default would recover at a rate of 10% for banks and 15% for insurance companies;

- that financial performance of the financial sector continues to be affected by the economic environment resulting in an expectation of additional deferrals and defaults in the future;

- whether the security is currently deferring interest; and

- the external rating of the security and recent changes to its external rating.

The primary evidence utilized by the Corporation is the level of current deferrals and defaults, the level of excess subordination that allows for receipt of full principal and interest, the credit rating for each security and the likelihood that future deferrals and defaults will occur at a level that will fully erode the excess subordination based on an assessment of the underlying collateral. The Corporation combines the results of these factors considered in estimating the future cash flows of these securities to determine whether there has been an adverse change in estimated cash flows from the cash flows previously projected.

The Corporation s portfolio of trust preferred CDOs consists of 13 pooled issues and seven single issue securities. One of the pooled issues is a senior tranche; the remaining 12 are mezzanine tranches. At June 30, 2010, the 13 pooled TPS had an estimated fair value of $7.4 million while the single-issuer TPS had an estimated fair value of $12.6 million. The Corporation has concluded from the analysis performed at June 30, 2010 that it is probable that the Corporation will collect all contractual principal and interest payments on all of its single-issuer and pooled TPS, except for those on which OTTI was recognized.

Upon adoption of ASC Topic 320, the Corporation determined that $7.0 million of OTTI charges previously recorded were non-credit related. As such, a $4.6 million (net of $2.4 million of taxes) increase to retained earnings and a corresponding decrease to accumulated other comprehensive income were recorded as the cumulative effect of adopting ASC Topic 320 as of April 1, 2009.

The Corporation recognized net impairment losses on securities of $2.3 million and $0.9 million for the six months ended June 30, 2010 and 2009, respectively, due to the write-down of securities that the Corporation deemed to be other-than-temporarily impaired. Impairment losses related to bank stocks for the six months ended June 30, 2009 amounted to $0.6 million. The Corporation did not recognize any material impairment losses related to bank stocks for the six months ended June 30, 2010. For the six months ended June 30, 2010, impairment losses on pooled

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TPS amounted to $9.5 million, which includes $7.2 million ($4.7 million, net of tax) for non-credit related impairment losses recognized directly in other comprehensive income and $2.3 million of credit-related impairment losses recognized in earnings.

The $0.6 million in impairment losses on bank stocks during the first six months of 2009 relate to securities that were in an unrealized loss position for an extended period of time or the percentage of unrealized loss was such that management believes it would be unlikely to recover in the near term. In accordance with GAAP, management has deemed these impairments to be other-than-temporary given the low likelihood that they will recover in value in the foreseeable future. At June 30, 2010, the Corporation held 15 bank stocks with an adjusted cost basis of $1.9 million and fair value of $2.1 million.

At June 30, 2010, all 12 of the pooled trust preferred security investments on which OTTI has been recognized are classified as non-performing investments.

The following table presents a summary of the cumulative credit-related OTTI charges recognized as components of earnings for securities for which a portion of an OTTI is recognized in other comprehensive income (in thousands):

	June 30, 2010	December 31, 2009
Beginning balance of the amount related to credit loss for which a portion of OTTI was recognized in other comprehensive income	$ (16,051)	$
Amount of OTTI related to credit loss on April 1, 2009 (1)		(8,953)
Additions related to credit loss for securities with previously recognized OTTI	(2,235)	(2,315)
Additions related to credit loss for securities with initial OTTI	(46)	(4,783)
Ending balance of the amount related to credit loss for which a portion of OTTI was recognized in other comprehensive income	$ (18,332)	$ (16,051)

(1) Amount represents the OTTI charges recorded for pooled trust preferred securities, net of the Corporation s cumulative effect adjustment upon adoption of ASC Topic 320, effective April 1, 2009.

TPS continue to experience price volatility as the secondary market for such securities remains limited. Write-downs were based on the individual securities credit performance and its ability to make its contractual principal and interest payments. Should credit quality deteriorate to a greater extent than projected, it is possible that additional write-downs may be required. The Corporation monitors actual deferrals and defaults as well as expected future deferrals and defaults to determine if there is a high probability for expected losses and contractual shortfalls of interest or principal, which could warrant further impairment. The Corporation evaluates its entire portfolio each quarter to determine if additional write-downs are warranted.

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The following table provides information relating to the Corporation s TPS as of June 30, 2010 (dollars in thousands):

Deal Name	Class	Current Par Value	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Ratings	Number of Issuers Currently Performing	Actual Defaults (as a percent of original collateral)	Actual Deferrals (as a percent of original collateral)	Projected Recovery Rates on Current Deferrals (1)	Expected Defaults (2)
Pooled TPS:											
P1	C1	$ 5,500	$ 2,266	$ 535	$ (1,731)	C	47	19%	14%	29%	13%
P2	C1	4,889	2,746	446	(2,300)	C	44	14	16	35	15
P3	C1	5,561	4,218	1,158	(3,060)	C	55	11	7	15	16
P4	C1	3,994	2,852	552	(2,300)	C	53	14	11	28	16
P5	MEZ	483	358	219	(139)	C	26	15	8	58	13
P6	MEZ	1,909	1,087	530	(557)	C	24	17	14	38	12
P7	B3	2,000	726	208	(518)	C	23	28	9	60	14
P8	B1	3,028	2,386	658	(1,728)	C	55	12	15	28	16
P9	C	5,048	756	45	(711)	C	39	13	22	21	15
P10	C	507	461	75	(386)	C	53	12	11	24	14
P11	C	2,011	787	163	(624)	C	49	14	13	16	14
P12	A4L	2,000	645	72	(573)	C	28	13	20	32	16
Total OTTI		36,930	19,288	4,661	(14,627)		496	15	13	29	15
P13 (3)	SNR	3,304	3,477	2,730	(747)	A3	21	7	14	37	13
Total Not OTTI		3,304	3,477	2,730	(747)		21	7	14	37	13
Total Pooled TPS		$40,234	$22,765	$ 7,391	$(15,374)		517	14%	13%	29%	15%
Single Issuer TPS:											
S1		$ 2,000	$ 1,945	$ 1,368	$ (577)	BB	1				
S2		2,000	1,906	1,455	(451)	BBB+	1				
S3		2,000	2,053	1,931	(122)	B+	1				
S4		2,000	2,000	1,559	(441)	B+	1				
S5		4,000	4,091	4,265	174	Baa2	1				
S6		1,000	999	722	(277)	BB	1				
S7		1,300	1,333	1,316	(17)	BB	1				

Total Single Issuer TPS	$14,300	$14,327	$12,616	$ (1,711)	7
Total TPS	$54,534	$37,092	$20,007	$(17,085)	524

(1) Some current deferrals are projected to cure at a 50% rate after five years, while others are projected to exhibit minimal recovery.

(2) Expected future defaults as a percent of remaining performing collateral. Future deferrals and defaults are generally assumed to have recovery rates of 10% for banks and 15% for insurance companies.

(3) Excess subordination represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences any credit impairment. The P13 security had excess

subordination as
a percent of
current
collateral of
27.79% as of
June 30, 2010.

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Non-Agency CMOs

The Corporation purchased $161.2 million of non-agency CMOs from 2003 through 2005. These securities, which are classified as held to maturity, have paid down to a balance of $42.0 million at June 30, 2010, including $7.0 million of paydowns during the first six months of 2010. At the time of purchase, these securities were all rated AAA, with an original average loan-to-value (LTV) ratio of 66.1% and original credit score of 724. At origination, the credit support, or the amount of loss the collateral pool could absorb before the AAA securities would incur a credit loss, ranged from 1.3% to 7.0%. This credit support has grown to a range of 4.7% to 18.9%, due to paydowns and good credit performance through the first half of 2008. Beginning in the second half of 2008, national delinquencies, an early warning sign of potential default, began to accelerate on the collateral pools. It appears the rate of delinquencies has remained flat this quarter.

The rating agencies monitor these non-agency CMOs and the underlying collateral performance for delinquencies, foreclosures and defaults. They also factor in trends in bankruptcies and housing values to ultimately arrive at an expected loss for a given item of defaulted collateral. Based on deteriorating performance of the collateral, many of these types of securities have been downgraded by the rating agencies. For the Corporation s portfolio, four of the twelve non-agency CMOs have been downgraded from AAA.

The Corporation determines its credit related losses by running scenario analysis on the underlying collateral. This analysis applies default assumptions to delinquencies already in the pipeline, projects future defaults based in part on the historical trends for the collateral, applies a rate of severity and estimates prepayment rates. Because of the limited historical trends for the collateral, multiple default scenarios were analyzed including scenarios that significantly elevate defaults over the next 20 months. Based on the results of the analysis, the Corporation s management has concluded that there are currently no credit-related losses in its non-agency CMO portfolio.

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The following table provides information relating to the Corporation s non-agency CMOs as of June 30, 2010 (dollars in thousands):

											Subordination Data				
			Credit Rating		Credit Support %		Delinquency %			%	%	%	Total		Credit
	Original	Book					30	60	90						
Security	Year	Value	S&P	Moody's	Original	Current	Day	Day	Day	Foreclosure	OREO	Bankruptcy	Delinquency	LTV	Score
1	2003	$ 5,404	AAA	n/a	2.5	4.7	0.6	0.1	0.7	0.4	0.2	0.2	2.1	53.1%	741
2	2003	2,909	AAA	n/a	4.3	15.4	2.3	1.6	3.1	2.2	0.2	0.8	10.2	57.2	712
3	2003	2,638	AAA	n/a	2.0	5.5	0.9	0.0	1.0	1.5	0.0	0.0	3.3	48.7	743
4	2003	2,357	AAA	n/a	2.7	16.1	1.2	0.1	1.4	0.9	0.0	0.2	3.7	51.9	n/a
5	2003	1,518	AAA	n/a	2.4	9.1	0.6	0.0	1.6	1.6	0.0	0.0	3.8	52.1	737
6	2003	1,063	AAA	Aaa	1.4	7.6	0.8	0.7	0.7	0.6	0.0	0.0	2.7	32.2	740
7	2004	4,820	AAA	Aa3	7.0	18.9	2.2	1.2	3.4	5.4	0.4	1.7	14.2	56.8	693
8	2004	3,457	AA+	n/a	5.3	10.4	0.9	0.0	1.1	1.4	0.0	0.9	4.3	48.6	737
9	2004	2,433	n/a	Aaa	2.5	6.9	1.4	0.0	0.0	2.3	0.0	0.0	3.7	57.0	742
10	2004	2,543	AAA	Aaa	4.4	9.0	1.7	0.7	0.6	1.7	0.6	0.8	6.1	56.2	733
11	2005	7,686	CCC	Caa1	5.1	6.0	4.4	1.9	8.1	5.6	1.4	2.0	23.4	65.8	708
12	2005	5,185	CCC	B2	4.7	4.9	3.7	2.0	4.3	6.1	1.4	1.1	18.5	66.7	728
		$ 42,013			3.8	9.1								56.9%	724

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FEDERAL HOME LOAN BANK STOCK

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

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

At both June 30, 2010 and December 31, 2009, the Corporation s FHLB stock totaled $28.0 million and is included in other assets on the balance sheet. The Corporation accounts for the stock in accordance with ASC Topic 325, which requires the investment to be carried at cost and evaluated for impairment based on the ultimate recoverability of the par value.

The Corporation periodically evaluates its FHLB investment for possible impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. The Federal Housing Finance Agency, the regulator of the FHLB, requires it to maintain a total capital-to-assets ratio of at least 4.0%. At March 31, 2010, the FHLB s capital ratio of 7.6% exceeded the regulatory requirement. Failure by the FHLB to meet this regulatory capital requirement would require an in-depth analysis of other factors including:

- the member s ability to access liquidity from the FHLB;
- the member s funding cost advantage with the FHLB compared to alternative sources of funds;
- a decline in the market value of FHLB s net assets relative to book value which may or may not affect future financial performance or cash flow;
- the FHLB s ability to obtain credit and source liquidity, for which one indicator is the credit rating of the FHLB;
- the FHLB s commitment to make payments taking into account its ability to meet statutory and regulatory payment obligations and the level of such payments in relation to the FHLB s operating performance; and
- the prospects of amendments to laws that affect the rights and obligations of the FHLB.

At June 30, 2010, the Corporation believes its holdings in the stock are ultimately recoverable at par value and, therefore, determined that FHLB stock was not other-than-temporarily impaired. In addition, the Corporation has ample liquidity and does not require redemption of its FHLB stock in the foreseeable future.

BORROWINGS

Following is a summary of short-term borrowings (in thousands):

	June 30, 2010	December 31, 2009
Securities sold under repurchase agreements	$ 606,552	$ 536,784
Subordinated notes	118,660	121,938
Other short-term borrowings	10,230	10,445
	$ 735,442	$ 669,167

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Securities sold under repurchase agreements is comprised of treasury management accounts, which are borrowings from commercial customers of FNBPA which are generally renewable on a daily basis. Securities are pledged to these customers in an amount equal to the outstanding balance.

Following is a summary of long-term debt (in thousands):

	June 30, 2010	December 31, 2009
Federal Home Loan Bank advances	$ 136,489	$ 256,921
Subordinated notes	68,732	67,343
Convertible debt	613	613
	$ 205,834	$ 324,877

The Corporation s banking affiliate has available credit with the FHLB of $1.9 billion, of which $136.5 million was used as of June 30, 2010. These advances are secured by loans collateralized by 1-4 family mortgages and FHLB stock and are scheduled to mature in various amounts periodically through the year 2019. Effective interest rates paid on these advances range from 2.00% to 4.85% for the six months ended June 30, 2010 and 2.28% to 5.54% for the year ended December 31, 2009. During the first six months of 2010, the Corporation prepaid $59.0 million of FHLB advances yielding 3.93% and incurred a prepayment penalty of $2.3 million.

JUNIOR SUBORDINATED DEBT

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

Distributions on the subordinated debt issued to the Trusts are recorded as interest expense by the Corporation. The TPS are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debt. The subordinated debt, net of the Corporation s investment in the Trusts, qualifies as Tier 1 capital under the Board of Governors of the Federal Reserve System (FRB) guidelines subject to certain limitations beginning March 31, 2011. The Corporation has entered into agreements which, when taken collectively, fully and unconditionally guarantee the obligations under the TPS subject to the terms of each of the guarantees.

The following table provides information relating to the Trusts as of June 30, 2010 (dollars in thousands):

	F.N.B. Statutory Trust I	F.N.B. Statutory Trust II	Omega Financial Capital Trust I	Sun Bancorp Statutory Trust I
Trust preferred securities	$ 125,000	$ 21,500	$ 36,000	$ 16,500
Common securities	3,866	665	1,114	511
Junior subordinated debt	128,866	22,165	35,846	17,496
Stated maturity date	3/31/33	6/15/36	10/18/34	2/22/31
Optional redemption date	3/31/08	6/15/11	10/18/09	2/22/11

Interest rate	3.54% variable; LIBOR plus 325 basis points	7.17% fixed until 6/15/11; then LIBOR plus 165 basis points	2.49% variable; LIBOR plus 219 basis points	10.20%

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DERIVATIVE INSTRUMENTS

The Corporation is exposed to certain risks arising from both its business operations and economic conditions. The Corporation principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Corporation manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. The Corporation s existing interest rate derivatives result from a service provided to certain qualifying customers. The Corporation manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

The Corporation periodically enters into interest rate swap agreements to meet the financing, interest rate and equity risk management needs of its commercial loan customers. These agreements provide the customer the ability to convert from variable to fixed interest rates. The Corporation then enters into positions with a derivative counterparty in order to offset its exposure on the variable and fixed components of the customer agreements. These agreements meet the definition of derivatives, but are not designated as hedging instruments under ASC Topic 815, *Derivatives and Hedging*. These instruments and their offsetting positions are reported at fair value in other assets and other liabilities on the consolidated balance sheet with any resulting gain or loss recorded in current period earnings as other income.

At June 30, 2010, the Corporation was party to 109 swaps with notional amounts totaling approximately $426.0 million with customers, and 109 swaps with notional amounts totaling approximately $426.0 million with derivative counterparties. The following table presents the fair value of the Corporation s derivative financial instruments as well as their classification on the balance sheet (in thousands):

	Balance Sheet Location	**June 30, 2010**	**December 31, 2009**
Interest Rate Products:			
Asset derivatives	Other assets	$28,432	$ 13,305
Liability derivatives	Other liabilities	27,912	12,497

The following table presents the effect of the Corporation s derivative financial instruments on the income statement (in thousands):

	Income Statement Location	**Six Months Ended June 30, 2010**	**2009**
Interest rate products	Other income	$(288)	$297

The Corporation has agreements with each of its derivative counterparties that contain a provision where if the Corporation defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Corporation could also be declared in default on its derivative obligations. The Corporation also has agreements with certain of its derivative counterparties that contain a provision if the Corporation fails to maintain its status as a well capitalized institution, then the counterparty could terminate the derivative positions and the Corporation would be required to settle its obligations under the agreements. Certain of the Corporation s agreements with its derivative counterparties contain provisions where if a material or adverse change occurs that materially changes the Corporation s creditworthiness in an adverse manner the Corporation may be required to fully collateralize its obligations under the derivative instrument.

Interest rate swap agreements generally require posting of collateral by either party under certain conditions. As of June 30, 2010, the fair value of counterparty derivatives in a net liability position, which includes accrued interest but excludes any adjustment for non-performance risk related to these agreements, was $29.2 million. At June 30, 2010, the Corporation has posted collateral with derivative counterparties with a fair value of $17.6 million, of which $3.3 million is cash collateral. Additionally, if the Corporation had breached its agreements with its derivative counterparties it would be required to settle its obligations under the agreements at the termination value and would be required to pay an additional $11.6 million in excess of amounts previously posted as collateral with the respective counterparties.

The Corporation has entered into interest rate lock commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans to secondary market investors. These arrangements are considered derivative instruments. The fair values of the Corporation s rate lock commitments to customers and commitments with investors at June 30, 2010 are not material.

COMMITMENTS, CREDIT RISK AND CONTINGENCIES

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

Following is a summary of off-balance sheet credit risk information (in thousands):

	June 30, 2010	December 31, 2009
Commitments to extend credit	$1,471,683	$1,411,865
Standby letters of credit	98,596	87,917

At June 30, 2010, funding of approximately 79.5% of the commitments to extend credit was dependent on the financial condition of the customer. The Corporation has the ability to withdraw such commitments at its discretion. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Based on management s credit evaluation of the customer, collateral may be deemed necessary. Collateral requirements vary and may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation that may require payment at a future date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The obligations are not recorded in the Corporation s consolidated financial statements. The Corporation s exposure to credit loss in the event the customer does not satisfy the terms of the agreement equals the notional amount of the obligation less the value of any collateral.

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.

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STOCK INCENTIVE PLANS

Restricted Stock

The Corporation issues restricted stock awards, consisting of both restricted stock and restricted stock units, to key employees under its Incentive Compensation Plans (Plans). The grant date fair value of the restricted stock awards is equal to the price of the Corporation s common stock on the grant date. For the six months ended June 30, 2010 and 2009, the Corporation issued 500,707 and 367,308 restricted stock awards with aggregate weighted average grant date fair values of $3.9 million and $2.8 million, respectively, under these Plans. The Corporation has available up to 2,536,289 shares of common stock to issue under these Plans.

Under the Plans, more than half of the restricted stock awards granted to management are earned if the Corporation meets or exceeds certain financial performance results when compared to its peers. These performance-related awards are expensed ratably from the date that the likelihood of meeting the performance measure is probable through the end of a four-year vesting period. The service-based awards are expensed ratably over a three-year vesting period. The Corporation also issues discretionary service-based awards to certain employees that vest over five years.

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

Share-based compensation expense related to restricted stock awards was $1.4 million and $1.1 million for the six months ended June 30, 2010 and 2009, the tax benefit of which was $0.5 million and $0.4 million, respectively.

The following table summarizes certain information concerning restricted stock awards:

	Six Months Ended June 30,			
	2010		2009	
	Awards	Weighted Average Grant Price	Awards	Weighted Average Grant Price
Unvested awards outstanding at beginning of period	854,440	$10.57	527,101	$15.34
Granted	500,707	7.77	367,308	7.65
Vested	(95,281)	15.05	(98,695)	17.66
Forfeited	(32,008)	9.21	(66,630)	15.00
Dividend reinvestment	32,427			