FNB CORP/FL/
Form 10-Q
November 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2013

¨ **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 x No ¨

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	**Outstanding at November 1, 2013**
Common Stock, $0.01 Par Value	**158,867,441 Shares**

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F.N.B. CORPORATION

FORM 10-Q

September 30, 2013

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except par value

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and due from banks	$ 234,746	$ 216,233
Interest bearing deposits with banks	48,763	22,811
Cash and Cash Equivalents	283,509	239,044
Securities available for sale	1,115,558	1,172,683
Securities held to maturity (fair value of $1,181,652 and $1,143,213)	1,180,992	1,106,563
Residential mortgage loans held for sale	8,105	27,751
Loans, net of unearned income of $52,598 and $51,661	8,836,905	8,137,719
Allowance for loan losses	(110,052)	(104,374)
Net Loans	8,726,853	8,033,345
Premises and equipment, net	147,406	140,367
Goodwill	713,509	675,555
Core deposit and other intangible assets, net	35,400	37,851
Bank owned life insurance	263,781	246,088
Other assets	315,166	344,729
Total Assets	$ 12,790,279	$ 12,023,976
Liabilities		
Deposits:		
Non-interest bearing demand	$ 2,115,813	$ 1,738,195
Savings and NOW	5,247,922	4,808,121
Certificates and other time deposits	2,359,636	2,535,858
Total Deposits	9,723,371	9,082,174
Other liabilities	133,061	163,151
Short-term borrowings	1,166,180	1,083,138
Long-term debt	91,807	89,425
Junior subordinated debt	194,213	204,019

Total Liabilities	11,308,632	10,621,907
Stockholders Equity		
Common stock $0.01 par value		
Authorized 500,000,000 shares		
Issued 145,913,917 and 140,314,846 shares	1,455	1,398
Additional paid-in capital	1,440,779	1,376,601
Retained earnings	112,649	75,312
Accumulated other comprehensive loss	(66,171)	(46,224)
Treasury stock 650,482 and 385,604 shares at cost	(7,065)	(5,018)
Total Stockholders Equity	1,481,647	1,402,069
Total Liabilities and Stockholders Equity	$ 12,790,279	$ 12,023,976

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, except per share data

Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Interest Income				
Loans, including fees	$ 97,499	$ 94,545	$ 286,156	$ 282,720
Securities:				
Taxable	10,888	11,470	32,141	36,022
Nontaxable	1,377	1,682	4,336	5,083
Dividends	13	12	71	361
Other	13	47	45	142
Total Interest Income	109,790	107,756	322,749	324,328
Interest Expense				
Deposits	6,895	10,205	22,503	32,776
Short-term borrowings	1,122	1,182	3,304	3,961
Long-term debt	719	860	2,268	2,702
Junior subordinated debt	1,800	1,978	5,578	5,956
Total Interest Expense	10,536	14,225	33,653	45,395
Net Interest Income	99,254	93,531	289,096	278,933
Provision for loan losses	7,280	8,429	22,724	22,028
Net Interest Income After Provision for Loan Losses	91,974	85,102	266,372	256,905
Non-Interest Income				
Impairment losses on securities		(440)		(440)
Non-credit related losses on securities not expected to be sold (recognized in other comprehensive income)		321		321
Net impairment losses on securities		(119)		(119)
Service charges	16,512	17,666	51,703	52,419
Insurance commissions and fees	4,088	4,578	12,619	12,632
Securities commissions and fees	2,575	2,102	8,365	6,143
Trust fees	4,176	3,783	12,428	11,359
Net securities gains (losses)	5	(66)	757	302
Gain on sale of residential mortgage loans	899	1,176	2,942	2,696
Bank owned life insurance	1,635	1,671	5,161	4,809
Other	2,968	4,022	9,307	9,095

Total Non-Interest Income	32,858	34,813	103,282	99,336
Non-Interest Expense				
Salaries and employee benefits	45,155	41,579	132,261	127,255
Net occupancy	6,132	5,840	19,669	18,624
Equipment	6,415	5,728	18,013	16,598
Amortization of intangibles	2,115	2,242	6,226	6,892
Outside services	7,565	7,048	23,332	20,725
FDIC insurance	3,161	2,014	8,197	6,172
Merger related	913	88	4,211	7,399
Other	11,765	12,543	34,356	38,572
Total Non-Interest Expense	83,221	77,082	246,265	242,237
Income Before Income Taxes	41,611	42,833	123,389	114,004
Income taxes	9,977	12,090	34,024	32,549
Net Income	$ 31,634	$ 30,743	$ 89,365	$ 81,455
Net Income per Share Basic	$ 0.22	$ 0.22	$ 0.63	$ 0.59
Net Income per Share Diluted	0.22	0.22	0.62	0.58
Cash Dividends per Share	0.12	0.12	0.36	0.36
Comprehensive Income	$ 27,540	$ 33,132	$ 69,418	$ 87,631

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, except per share data

Unaudited

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2013	$ 1,398	$ 1,376,601	$ 75,312	$ (46,224)	$ (5,018)	$ 1,402,069
Net income			89,365			89,365
Change in other comprehensive income, net of tax				(19,947)		(19,947)
Common stock dividends ($0.36/share)			(52,028)			(52,028)
Issuance of common stock	57	59,561			(2,047)	57,571
Restricted stock compensation		3,339				3,339
Tax expense of stock-based compensation		1,278				1,278
Balance at September 30, 2013	$ 1,455	$ 1,440,779	$ 112,649	$ (66,171)	$ (7,065)	$ 1,481,647
Balance at January 1, 2012	$ 1,268	$ 1,224,572	$ 32,925	$ (45,148)	$ (3,418)	$ 1,210,199
Net income			81,455			81,455
Change in other comprehensive income, net of tax				6,176		6,176
Common stock dividends ($0.36/share)			(50,705)			(50,705)
Issuance of common stock	129	145,833	(377)		(1,548)	144,037
Restricted stock compensation		3,451				3,451
Tax expense of stock-based compensation		385				385
Balance at September 30, 2012	$ 1,397	$ 1,374,241	$ 63,298	$ (38,972)	$ (4,966)	$ 1,394,998

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

	Nine Months Ended September 30, 2013	2012
Operating Activities		
Net income	$ 89,365	$ 81,455
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	21,845	21,989
Provision for loan losses	22,724	22,028
Deferred tax expenses	12,246	29,549
Net securities gains	(757)	(302)
Other-than-temporary impairment losses on securities		119
Tax benefit of stock-based compensation	(1,278)	(385)
Net change in:		
Interest receivable	(1,568)	(3,248)
Interest payable	(2,836)	(3,506)
Trading securities	88,052	331,972
Residential mortgage loans held for sale	19,647	(7,300)
Bank owned life insurance	(1,808)	(4,475)
Other, net	18,610	12,036
Net cash flows provided by operating activities	264,242	479,932
Investing Activities		
Net change in loans	(473,933)	(238,978)
Securities available for sale:		
Purchases	(250,724)	(780,185)
Sales	21,919	87,101
Maturities	269,330	367,025
Securities held to maturity:		
Purchases	(335,533)	(468,780)
Sales	17,429	2,903
Maturities	239,942	240,059
Purchase of bank owned life insurance	(10,016)	(20,024)
Withdrawal/surrender of bank owned life insurance		20,701
Increase in premises and equipment	(7,745)	(7,940)
Net cash received in business combinations	41,986	203,538

Net cash flows used in investing activities	(487,345)	(594,580)
Financing Activities		
Net change in:		
Non-interest bearing deposits, savings and NOW accounts	536,442	567,788
Time deposits	(240,111)	(249,764)
Short-term borrowings	68,643	155,177
Increase in long-term debt	37,602	26,961
Decrease in long-term debt	(73,867)	(183,139)
Decrease in junior subordinated debt	(15,000)	
Net proceeds from issuance of common stock	4,609	6,586
Tax benefit of stock-based compensation	1,278	385
Cash dividends paid	(52,028)	(50,705)
Net cash flows provided by financing activities	267,568	273,289
Net Increase in Cash and Cash Equivalents	44,465	158,641
Cash and cash equivalents at beginning of period	239,044	208,953
Cash and Cash Equivalents at End of Period	$ 283,509	$ 367,594

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except share data

(Unaudited)

September 30, 2013

BUSINESS

F.N.B. Corporation (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. The Corporation has more than 250 banking offices throughout Pennsylvania, Ohio, West Virginia and Maryland. The Corporation provides a full range of commercial banking, consumer banking and wealth management solutions through its subsidiary network which is led by its largest affiliate, First National Bank of Pennsylvania (FNBPA). Commercial banking solutions include corporate banking, small business banking, investment real estate financing, 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 Finance Company (Regency), which has more than 70 consumer finance offices in Pennsylvania, Ohio, Kentucky 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 FNBPA, First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency, F.N.B. Capital Corporation, LLC and Bank Capital Services, LLC, and includes results for each of these entities in the accompanying consolidated financial statements.

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

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The interim operating results are not necessarily indicative of operating results the Corporation expects for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation s Annual Report on Form 10-K filed with the SEC on February 28, 2013.

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.

SECURITIES OFFERINGS

On November 1, 2013, the Corporation completed a public offering of 4,693,876 shares of common stock at a price of $12.25 per share, including 612,244 shares of common stock purchased by the underwriters pursuant to an over-allotment option, which the underwriters exercised in full. On November 1, 2013, the Corporation also completed a public offering of 4,000,000 Depositary Shares, each representing a 1/40th interest in the Non-Cumulative Perpetual Preferred Stock, Series E, of the Corporation, at a price of $25.00 per share. The net proceeds of the combined offerings after deducting underwriting discounts and commissions and estimated offering expenses were $151,175. The Corporation intends to use the proceeds from the offerings to proactively position itself for Basel III implementation, as discussed in the Enhanced Regulatory Capital Standards section of this Report, and to support future growth opportunities.

MERGERS AND ACQUISITIONS

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 $714,126 in assets, $500,000 in loans and $620,000 in deposits. The acquisition was valued at $110,280 and resulted in the Corporation issuing 8,893,598 shares of its common stock in exchange for 26,119,398 shares of PVF common stock. The assets and liabilities of PVF were recorded on the Corporation s balance sheet at their preliminary estimated fair values as of October 12, 2013, the acquisition date, and PVF s results of operations have been included in the Corporation s consolidated statements of income and comprehensive income since that date. The operations of PVF are not included in the accompanying financial statements dated September 30, 2013. PVF s banking affiliate, Park View Federal Savings Bank, was merged into FNBPA on October 12, 2013. Based on a preliminary purchase price allocation, during October 2013 the Corporation recorded $50,898 in goodwill and $4,400 in core deposit intangibles as a result of the acquisition. These fair value estimates are provisional amounts based on third party valuations that are currently under review. None of the goodwill is deductible for income tax purposes.

On April 6, 2013, the Corporation completed its acquisition of Annapolis Bancorp, Inc. (ANNB), a bank holding company based in Annapolis, Maryland. On the acquisition date, the estimated fair values of ANNB included $429,358 in assets, $254,911 in loans and $349,370 in deposits. The acquisition was valued at $56,300 and resulted in the Corporation issuing 4,641,412 shares of its common stock in exchange for 4,060,802 shares of ANNB common stock. Additionally, the Corporation paid $609, or $0.15 per share, to the holders of ANNB common stock as cash consideration due to the collection of a certain loan, as designated in the merger agreement. The assets and liabilities of ANNB were recorded on the Corporation s balance sheet at their preliminary estimated fair values as of April 6, 2013, the acquisition date, and ANNB s results of operations have been included in the Corporation s consolidated statements of income and comprehensive income since that date. ANNB s banking affiliate, BankAnnapolis, was merged into FNBPA on April 6, 2013. In conjunction with the acquisition, a warrant issued by ANNB to the U.S. Department of the Treasury (UST) under the Capital Purchase Program (CPP) was assumed by the Corporation and converted into a warrant to purchase up to 342,564 shares of the Corporation s common stock. The warrant expires January 30, 2019 and has an exercise price of $3.57 per share. Based on a preliminary purchase price allocation, the Corporation has recorded $37,954 in goodwill and $3,775 in core deposit intangibles as a result of the acquisition. These fair value estimates are provisional amounts based on third party valuations that are currently under review. None of the goodwill is deductible for income tax purposes.

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 $1,743,885 in assets, $919,480 in loans and $1,525,253 in deposits. The acquisition was valued at $140,900 and resulted in the Corporation issuing 12,159,312 shares of its common stock in exchange for 5,582,846 shares of Parkvale common stock. The assets and liabilities of Parkvale were recorded on the Corporation s balance sheet at their fair values as of January 1, 2012, the acquisition date, and Parkvale s results of operations have been included in the Corporation s consolidated statements of income and comprehensive income since that date. Parkvale s banking affiliate, Parkvale Bank, was merged into FNBPA on January 1, 2012. The warrant issued by Parkvale to the UST under the CPP was assumed by the Corporation and converted into a warrant to purchase up to 819,640 shares of the Corporation s common stock. The warrant expires December 23, 2018 and has an exercise price of $5.81. Based on the purchase price allocation, which was completed in the fourth quarter of 2012, the Corporation recorded $106,602 in goodwill and $16,033 in core deposit intangibles as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

Pending Acquisition

On June 14, 2013, the Corporation announced the signing of a definitive merger agreement to acquire BCSB Bancorp, Inc. (BCSB), a bank holding company based in Baltimore, Maryland with approximately $640,000 in total assets. The transaction is valued at approximately $79,000. Under the terms of the merger agreement, BCSB shareholders will be entitled to receive 2.08 shares of the Corporation s common stock for each share of BCSB common stock. BCSB s banking affiliate, Baltimore County Savings Bank, will be merged into FNBPA. The transaction is expected to be completed in the first quarter of 2014, pending regulatory approvals, the approval of BCSB shareholders and the satisfaction of other closing conditions.

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NEW ACCOUNTING STANDARDS

Income Taxes

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, to provide guidance on the financial statement presentation of certain unrecognized tax benefits. An unrecognized tax benefit or a portion of an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward with certain exceptions related to availability. The requirements of ASU 2013-11 are effective prospectively for reporting periods beginning after December 15, 2013, with early adoption permitted. The adoption of this update is not expected to have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Derivatives and Hedging

In July 2013, the FASB issued ASU No. 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*, which establishes the Fed Funds Effective Swap Rate as an acceptable U.S. benchmark interest rate, in addition to the UST and LIBOR swap rates, to provide risk managers with a more comprehensive spectrum of interest rate resets to utilize as the designated benchmark interest rate risk component under the hedge accounting guidance. The requirements of ASU 2013-10 are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this update did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Comprehensive Income

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,* that requires an entity to report the effects of significant reclassifications out of each component of accumulated other comprehensive income on the respective line item in net income if the amount being reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For amounts not required to be reclassified in their entirety in the same reporting period, an entity shall add a cross reference to the related footnote where additional information about the effect of the reclassification is disclosed. The requirements of ASU 2013-02 were effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this update did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

Disclosures about Offsetting Assets and Liabilities

In January 2013, the FASB issued ASU No. 2013-01, *Scope Clarification of Disclosures about Offsetting Assets and Liabilities,* that clarifies the scope of its previously issued guidance, limiting the disclosure requirements to derivative instruments, repurchase agreements and reverse repurchase agreements and securities borrowing and lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. The requirements of ASU 2013-01 are effective on January 1, 2013. The adoption of this update did not have a material effect on the financial statements, results of operations or liquidity of the Corporation.

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SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
September 30, 2013				
U.S. government-sponsored entities	$ 336,126	$ 412	$ (4,386)	$ 332,152
Residential mortgage-backed securities:				
Agency mortgage-backed securities	223,125	4,641	(128)	227,638
Agency collateralized mortgage obligations	506,672	405	(18,030)	489,047
Non-agency collateralized mortgage obligations	1,818	28		1,846
States of the U.S. and political subdivisions	17,472	542	(139)	17,875
Collateralized debt obligations	36,451	2,452	(10,199)	28,704
Other debt securities	16,478	564	(914)	16,128
Total debt securities	1,138,142	9,044	(33,796)	1,113,390
Equity securities	1,554	645	(31)	2,168
	$ 1,139,696	$ 9,689	$ (33,827)	$ 1,115,558
December 31, 2012				
U.S. government-sponsored entities	$ 352,910	$ 1,676	$ (129)	$ 354,457
Residential mortgage-backed securities:				
Agency mortgage-backed securities	267,575	7,575		275,150
Agency collateralized mortgage obligations	465,574	4,201	(228)	469,547
Non-agency collateralized mortgage obligations	2,679	50		2,729
States of the U.S. and political subdivisions	23,592	1,232		24,824
Collateralized debt obligations	34,765	967	(13,276)	22,456
Other debt securities	21,790	695	(972)	21,513
Total debt securities	1,168,885	16,396	(14,605)	1,170,676
Equity securities	1,554	462	(9)	2,007
	$ 1,170,439	$ 16,858	$ (14,614)	$ 1,172,683
Securities Held to Maturity:				
September 30, 2013				
U.S. Treasury	$ 503	$ 122	$	$ 625
U.S. government-sponsored entities	43,403	191	(1,019)	42,575
Residential mortgage-backed securities:				
Agency mortgage-backed securities	650,732	14,679	(2,414)	662,997
Agency collateralized mortgage obligations	341,743	759	(12,788)	329,714

Non-agency collateralized mortgage obligations	7,317	53		7,370
Commercial mortgage-backed securities	2,247	134	(31)	2,350
States of the U.S. and political subdivisions	135,047	2,641	(1,667)	136,021
	$ 1,180,992	$ 18,579	$ (17,919)	$ 1,181,652
December 31, 2012				
U.S. Treasury	$ 503	$ 188	$	$ 691
U.S. government-sponsored entities	28,731	280	(99)	28,912
Residential mortgage-backed securities:				
Agency mortgage-backed securities	780,022	28,783	(1)	808,804
Agency collateralized mortgage obligations	133,976	1,266		135,242
Non-agency collateralized mortgage obligations	14,082	130		14,212
Commercial mortgage-backed securities	1,024	39		1,063
States of the U.S. and political subdivisions	147,713	6,099		153,812
Collateralized debt obligations	512		(35)	477
	$ 1,106,563	$ 36,785	$ (135)	$ 1,143,213

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The Corporation classifies securities as trading securities when management intends to sell such securities in the near term. Such securities are carried at fair value, with unrealized gains (losses) reflected through the consolidated statements of comprehensive income. The Corporation classified certain securities acquired in conjunction with the ANNB and Parkvale acquisitions as trading securities. The Corporation both acquired and sold these trading securities during the quarters in which the acquisitions occurred. As of September 30, 2013 and December 31, 2012, the Corporation did not hold any trading securities.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Gross gains	$ 5	$ 355	$ 1,120	$ 1,151
Gross losses		(421)	(363)	(849)
	$ 5	$ (66)	$ 757	$ 302

As of September 30, 2013, the amortized cost and fair value of securities, by contractual maturities, were as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$	$	$ 2,461	$ 2,483
Due from one to five years	209,474	209,523	34,366	34,162
Due from five to ten years	150,871	147,783	65,749	66,086
Due after ten years	46,182	37,553	76,377	76,490
	406,527	394,859	178,953	179,221