UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

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

August 1, 2016
Date of Report (Date of earliest event reported)

HUNTINGTON BANCSHARES INCORPORATED
(Exact name of registrant as specified in its charter)

Commission file number : 1-34073

Maryland **(State of incorporation)**	**31-0724920** **(I.R.S. Employer Identification No.)**
Huntington Center **41 South High Street** **Columbus, Ohio** **(Address of principal executive offices)**	**43287** **(Zip Code)**

(614) 480-8300
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events

On January 26, 2016, Huntington Bancshares Incorporated (the "Company") announced its planned acquisition of FirstMerit Corporation ("FirstMerit"). In connection with the planned acquisition of FirstMerit, the following financial statements are provided:

- Consolidated balance sheet of FirstMerit as of March 31, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months ended March 31, 2016, and the notes related thereto; and
- Consolidated balance sheet of FirstMerit as of June 30, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months and six months ended June 30, 2016, and the notes related thereto.

The following unaudited pro forma condensed combined financial statements of the Company and FirstMerit are provided:

- Unaudited pro forma condensed combined balance sheet as of June 30, 2016.
- Unaudited pro forma condensed combined statement of income for the year ended December 31, 2015 and for the six months ended June 30, 2016.
- Notes to unaudited pro forma condensed combined financial statements.

The acquisition of FirstMerit has not yet been consummated and there can be no assurance that the transaction will be consummated as contemplated, or at all. For further information relating to the planned acquisition of FirstMerit, please see the Company's current report on Form 8-K filed on January 28, 2016.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business to be Acquired.

Consolidated balance sheet of FirstMerit as of March 31, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months ended March 31, 2016, and the notes related thereto are filed as Exhibit 99.1 hereto.

Consolidated balance sheet of FirstMerit as of June 30, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months and six months ended June 30, 2016, and the notes related thereto are filed as Exhibit 99.2 hereto.

(b) Pro Forma Financial Information.

The Company's and FirstMerit's unaudited pro forma condensed combined balance sheet as of June 30, 2016, unaudited pro forma condensed combined statement of income for the year ended December 31, 2015 and for the six months ended June 30, 2016, and the notes related thereto are filed as Exhibit 99.3 hereto.

(d) Exhibits.

Exhibit No.	Description of Exhibit
99.1	Consolidated balance sheet of FirstMerit Corporation as of March 31, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months ended March 31, 2016, and the notes related thereto.
99.2	Consolidated balance sheet of FirstMerit Corporation as of June 30, 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three months and six months ended June 30, 2016, and the notes related thereto.
99.3	Unaudited pro forma condensed combined balance sheet of Huntington Bancshares Incorporated and FirstMerit Corporation as of June 30, 2016, unaudited pro forma condensed combined statement of income of Huntington Bancshares Incorporated and FirstMerit Corporation for the year ended December 31, 2015 and for the six months ended June 30, 2016, and the notes related thereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HUNTINGTON BANCSHARES INCORPORATED

By: /s/ Richard A. Cheap
Richard A. Cheap
Secretary

Date: August 1, 2016

EXHIBIT INDEX

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CONSOLIDATED BALANCE SHEETS
FIRSTMERIT CORPORATION AND SUBSIDARIES

(In thousands) (Unaudited, except for December 31, 2015)	March 31, 2016	December 31, 2015	March 31, 2015
ASSETS			
Cash and due from banks	$ 331,049	$ 380,799	$ 426,247
Interest-bearing deposits in banks	428,848	83,018	106,178
Total cash and cash equivalents	759,897	463,817	532,425
Investment securities:			
Held-to-maturity	2,613,700	2,674,093	2,855,174
Available-for-sale	4,104,214	3,967,735	3,791,059
Other investments	148,159	148,172	148,475
Loans held for sale	5,249	5,472	3,568
Loans	16,225,450	16,076,945	15,490,889
Allowance for loan losses	(151,937)	(153,691)	(146,552)
Net loans	16,073,513	15,923,254	15,344,337
Premises and equipment, net	305,764	319,488	320,392
Goodwill	741,740	741,740	741,740
Intangible assets	58,324	60,628	68,422
Covered other real estate	783	2,134	40,231
Accrued interest receivable and other assets	1,251,306	1,218,071	1,272,297
Total assets	$26,062,649	$25,524,604	$25,118,120
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$ 6,055,569	$ 5,942,248	$ 5,666,752
Interest-bearing	3,641,216	3,476,729	3,277,118
Savings and money market accounts	9,231,829	8,450,123	8,610,553
Certificates and other time deposits	2,172,752	2,238,903	2,371,172
Total deposits	21,101,366	20,108,003	19,925,595
Federal funds purchased and securities sold under agreements to repurchase	719,850	1,037,075	1,113,371
Wholesale borrowings	378,996	580,648	316,628
Long-term debt	519,249	505,173	512,625
Accrued taxes, expenses and other liabilities	345,231	353,610	361,115
Total liabilities	23,064,692	22,584,509	22,229,334
Shareholders' equity:			
5.875% Non-Cumulative Perpetual Preferred Stock, Series A, without par value: authorized 115,000 shares; 100,000 issued	100,000	100,000	100,000
Common Stock warrant	—	—	3,000
Common Stock, without par value; authorized 300,000,000 shares; issued: March 31, 2016, December 31, 2015 and March 31, 2015 - 170,183,515 shares	127,937	127,937	127,937
Capital surplus	1,390,516	1,386,677	1,394,933
Accumulated other comprehensive loss	(48,341)	(79,274)	(49,267)
Retained earnings	1,543,976	1,519,438	1,433,926
Treasury stock, at cost: March 31, 2016 - 4,463,581; December 31, 2015 - 4,425,927; March 31, 2015 - 4,730,374 shares	(116,131)	(114,683)	(121,743)
Total shareholders' equity	2,997,957	2,940,095	2,888,786
Total liabilities and shareholders' equity	$26,062,649	$25,524,604	$25,118,120

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands, except per share amounts) (Unaudited)	Three Months Ended March 31, 2016	2015
Interest income:		
Loans and loans held for sale	$ 162,278	$ 161,539
Investment securities:		
Taxable	33,149	31,950
Tax-exempt	5,261	6,026
Total investment securities interest	38,410	37,976
Total interest income	200,688	199,515
Interest expense:		
Deposits:		
Interest bearing	929	767
Savings and money market accounts	5,652	5,547
Certificates and other time deposits	3,289	2,177
Federal funds purchased and securities sold under agreements to repurchase	265	243
Wholesale borrowings	1,234	1,160
Long-term debt	4,163	3,998
Total interest expense	15,532	13,892
Net interest income	185,156	185,623
Provision for loan losses	7,809	8,248
Net interest income after provision for loan losses	177,347	177,375
Noninterest income:		
Trust department income	10,284	10,149
Service charges on deposits	15,586	15,668
Credit card fees	13,578	12,649
ATM and other service fees	6,234	6,099
Bank owned life insurance income	3,696	3,592
Investment services and insurance	3,905	3,704
Investment securities gains/(losses), net	295	354
Loan sales and servicing income	1,852	1,600
Other operating income	11,964	12,032
Total noninterest income	67,394	65,847
Noninterest expense:		
Salaries, wages, pension and employee benefits	85,880	90,526
Net occupancy expense	14,774	15,954
Equipment expense	12,408	11,025
Stationery, supplies and postage	3,619	3,528
Bankcard, loan processing and other costs	11,008	11,139
Professional services	8,351	4,010
Amortization of intangibles	2,304	2,598
FDIC insurance expense	5,445	5,167
Other operating expense	23,174	16,705
Total noninterest expense	166,963	160,652
Income before income tax expense	77,778	82,570
Income tax expense	23,642	25,431
Net income	54,136	57,139
Less: Net income allocated to participating shareholders	387	407
Preferred Stock dividends	1,469	1,469
Net income attributable to common shareholders	$ 52,280	$ 55,263
Net income used in diluted EPS calculation	$ 52,280	$ 55,263
Weighted average number of common shares outstanding - basic	165,745	165,411
Weighted average number of common shares outstanding - diluted	166,239	166,003
Basic earnings per common share	$ 0.32	$ 0.33
Diluted earnings per common share	0.31	0.33
Cash dividend per common share	0.17	0.16

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Three Months Ended March 31, 2016		
	Pretax	Tax	After tax
Net Income	$ 77,778	$23,642	$54,136
Other comprehensive income/(loss)			
Unrealized gains and losses on securities available for sale:			
Changes in unrealized securities' holding gains/(losses)	48,379	17,562	30,817
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(1,441)	(147)	(1,294)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	295	107	188
Net change in unrealized gains/(losses) on securities available for sale	47,233	17,522	29,711
Pension plans and other postretirement benefits:			
Amortization of actuarial losses/(gains)	2,168	773	1,395
Amortization of prior service cost reclassified to other noninterest expense	(260)	(87)	(173)
Net change from defined benefit pension plans	1,908	686	1,222
Total other comprehensive gains/(losses)	49,141	18,208	30,933
Comprehensive income	$126,919	$41,850	$85,069

(In thousands) (Unaudited)	Three Months Ended March 31, 2015		
	Pretax	Tax	After tax
Net Income	$ 82,570	$25,431	$57,139
Other comprehensive income/(loss)			
Unrealized gains and losses on securities available for sale:			
Changes in unrealized securities' holding gains/(losses)	34,117	11,941	22,176
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(504)	(176)	(328)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(354)	(124)	(230)
Net change in unrealized gains/(losses) on securities available for sale	33,259	11,641	21,618
Pension plans and other postretirement benefits:			
Amortization of actuarial losses/(gains)	1,138	398	740
Amortization of prior service cost reclassified to other noninterest expense	410	143	267
Net change from defined benefit pension plans	1,548	541	1,007
Total other comprehensive gains/(losses)	34,807	12,182	22,625
Comprehensive income	$117,377	$37,613	$79,764

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Preferred Stock	Common Stock	Common Stock Warrant	Capital Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2014	$100,000	$127,937	$ 3,000	$1,393,090	$ (71,892)	$1,404,717	$(122,571)	$ 2,834,281
Net income	—	—	—	—	—	57,139	—	57,139
Other comprehensive income	—	—	—	—	22,625	—	—	22,625
Comprehensive income	—	—	—	—	22,625	57,139	—	79,764
Cash dividends - Preferred Stock	—	—	—	—	—	(1,469)	—	(1,469)
Cash dividends - Common Stock ($0.16 per share)	—	—	—	—	—	(26,461)	—	(26,461)
Nonvested (restricted) shares granted (129,444 shares)	—	—	—	(2,631)	—	—	2,631	—
Restricted stock activity (66,252 shares)	—	—	—	326	—	—	(1,296)	(970)
Deferred compensation trust (163,965 increase in shares)	—	—	—	507	—	—	(507)	—
Share-based compensation	—	—	—	3,641	—	—	—	3,641
Balance at March 31, 2015	$100,000	$127,937	$ 3,000	$1,394,933	$ (49,267)	$1,433,926	$(121,743)	$ 2,888,786
Balance at December 31, 2015	$100,000	$127,937	$ —	$1,386,677	$ (79,274)	$1,519,438	$(114,683)	$ 2,940,095
Net income	—	—	—	—	—	54,136	—	54,136
Other comprehensive income	—	—	—	—	30,933	—	—	30,933
Comprehensive income	—	—	—	—	30,933	54,136	—	85,069
Cash dividends - Preferred Stock	—	—	—	—	—	(1,469)	—	(1,469)
Cash dividends - Common Stock ($0.17 per share)	—	—	—	—	—	(28,129)	—	(28,129)
Nonvested (restricted) shares granted (17,107 shares)	—	—	—	(364)	—	—	364	—
Restricted stock activity (54,761 shares)	—	—	—	272	—	—	(1,160)	(888)
Deferred compensation trust (239,200 increase in shares)	—	—	—	652	—	—	(652)	—
Share-based compensation	—	—	—	3,279	—	—	—	3,279
Balance as of March 31, 2016	$100,000	$127,937	$ —	$1,390,516	$ (48,341)	$1,543,976	$(116,131)	$ 2,997,957

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Three Months Ended March 31, 2016	2015
Operating Activities		
Net income	$ 54,136	$ 57,139
Adjustments to reconcile net income to net cash provided and used by operating activities:		
Provision for loan losses	7,809	8,248
Provision/(benefit) for deferred income taxes	(292)	(1,663)
Depreciation and amortization	16,339	14,739
Benefit attributable to FDIC loss share	269	4,227
Accretion of acquired loans	(17,890)	(26,339)
Amortization and accretion of investment securities, net		
Available-for-sale	2,355	2,680
Held-to-maturity	744	814
Losses/(gains) on sales and calls of available-for-sale investment securities, net	—	(354)
Originations of loans held for sale	(7,493)	(40,442)
Proceeds from sales of loans, primarily mortgage loans sold in the secondary markets	7,920	50,868
Gains on sales of loans, net	(204)	(566)
Amortization of intangible assets	2,304	2,598
Change in unrealized securities' holdings/(losses)	—	—
Recognition of stock compensation expense	3,279	3,641
Net decrease/(increase) in other assets	(39,766)	(48,684)
Net increase/(decrease) in other liabilities	6,238	25,224
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,748	52,130
Investing Activities		
Proceeds from sale of investment securities		
Available-for-sale	—	39,302
Held-to-maturity	—	1,015
Proceeds from prepayments, calls, and maturities of investment securities		
Available-for-sale	150,299	129,296
Held-to-maturity	91,890	92,241
Other	—	166
Purchases of investment securities		
Available-for-sale	(249,424)	(404,163)
Held-to-maturity	(33,669)	(46,164)
Other	—	—
Net decrease/(increase) in loans and leases	(146,288)	(152,359)
Purchases of premises and equipment	(58)	(5,795)
Sales of premises and equipment	3,582	7,965
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(183,668)	(338,496)
Financing Activities		
Net increase in demand accounts	277,808	128,320
Net increase/(decrease) in savings and money market accounts	781,706	210,941
Net decrease in certificates and other time deposits	(66,151)	81,669
Net increase/(decrease) in securities sold under agreements to repurchase	(317,225)	(159,220)
Net increase/(decrease) in wholesale borrowings	(201,652)	(111,443)
Cash dividends - common	(28,129)	(26,461)
Cash dividends - preferred	(1,469)	(1,469)
Restricted stock activity	(888)	(970)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	444,000	121,367
Increase/(Decrease) in cash and cash equivalents	296,080	(164,999)
Cash and cash equivalents at beginning of year	463,817	697,424
Cash and cash equivalents at end of year	$ 759,897	$ 532,425
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	$ 16,197	$ 14,036
Federal income taxes	—	2,000

See accompanying Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIRSTMERIT CORPORATION AND SUBSIDIARIES

FirstMerit Corporation and subsidiaries (the "Corporation" or "we") is a diversified financial services company headquartered in Akron, Ohio with 368 banking offices in the Ohio, Michigan, Wisconsin, Illinois, and Pennsylvania areas. The Corporation provides a complete range of banking and other financial services to consumers and businesses through its core operations.

On January 26, 2016, the Corporation and Huntington Bancshares Incorporated ("Huntington") announced the signing of a definitive merger agreement under which the Corporation will merge into a subsidiary of Huntington in a stock and cash transaction. Based on the closing price of Huntington's common shares on January 25, 2016 of $8.80, the total transaction value is approximately $3.40 billion, including outstanding options and other equity-linked securities.

Under the terms of the definitive agreement, the Corporation will merge with a subsidiary of Huntington Bancshares, and FirstMerit Bank will merge with and into The Huntington National Bank. In conjunction with the closing of the transaction, four independent members of the Corporation's Board of Directors will join the Huntington Board, which will be expanded accordingly.

Shareholders of the Corporation will receive 1.72 shares of Huntington common stock, and $5.00 in cash, for each share of the Corporation common stock. The per share consideration is valued at $20.14 per share based on the closing price of Huntington Common Stock on January 25, 2016. The transaction is expected to be completed in the third quarter of 2016, subject to the satisfaction of customary closing conditions, including regulatory approvals and the approval of the shareholders of Huntington and the Corporation.

1. Summary of Significant Accounting Policies

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Acronyms and Abbreviations.

Basis of Presentation - FirstMerit Corporation is a BHC whose principal asset is the Common Stock of its wholly-owned subsidiary, FirstMerit Bank, N. A. The Parent Company's other subsidiaries include Citizens Savings Corporation of Stark County, FirstMerit Capital Trust I, and FirstMerit Risk Management, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The accounting and reporting policies of the Corporation conform to GAAP and to general practices within the financial services industry.

The Consolidated Balance Sheet at December 31, 2015 has been derived from the audited consolidated financial statements at that date. The accompanying unaudited interim financial statements reflect all

adjustments (consisting only of normally recurring adjustments) that are, in the opinion of Management, necessary for a fair statement of the results for the interim periods presented. Certain reclassifications of prior year's amounts have been made to conform to the current year presentation. Such reclassifications had no effect on net earnings or equity. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules of the SEC. The unaudited consolidated financial statements of the Corporation as of March 31, 2016 and 2015 are not necessarily indicative of the results that may be achieved for the full fiscal year or for any future period. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K"). There have been no significant changes in the current quarter to the Corporation's accounting policies as disclosed in the 2015 Form 10-K.

In preparing these accompanying unaudited interim consolidated financial statements, subsequent events were evaluated through the time the consolidated financial statements were issued.

Recently Adopted Accounting Standards

FASB ASU 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments.* The amendments in ASU 2015-16 require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this update will be applied prospectively to adjustments to provisional amounts that occur after the effective date of this update with earlier application permitted for financial statements that have not been issued. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2015-5*, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. In addition, the guidance in this update supersedes 350-40-25-16. Consequently, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The amendments are effective for public business entities for annual and interim periods within those annual periods, beginning after December 15, 2015. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and

reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2015-2, *Amendments to the Consolidation Analysis*. The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. These amendments modify the current accounting guidance to address limited partnerships and similar entities; certain investments funds, fees paid to a decision maker or service provider, and the impact of fee arrangements and related parties on the primary beneficiary determination. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2014 -12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period* — a consensus of the FASB Emerging Issues Task Force. The amendments in this update clarify that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. The ASU does not contain any new disclosure requirements. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. In addition, entities will have the option of applying the guidance either prospectively (i.e., only to awards granted or modified on or after the effective date) or retrospectively. Retrospective application would only apply to awards with performance targets outstanding at or after the beginning of the first annual period presented (i.e., the earliest presented comparative period). The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

Recently Issued Accounting Standards

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This update amends the new revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations. The amendments clarify how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will

determine whether it recognizes revenue over time or a point in time. The amendments also clarify when a promised good or service is separately identifiable, that is distinct within the context of the contract, and allow entities to disregard items that are immaterial in the context of a contract. The effective date and transition requirements for this update are the same as those of the new standard. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* The amendments in ASU 2016-09 simplify several aspects of accounting for employee share-based payments including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas of the simplification apply only to nonpublic entities. The new guidance will require all income tax effects of awards to be recognized as income tax expense or benefit in the income statement when the awards vest or are settled and additional paid in capital pools will be eliminated. The guidance requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. Companies will be required to account for forfeitures of share-based payments by recognizing forfeitures of awards as they occur or estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as currently required, through an accounting policy election. The guidance will increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's income tax withholding obligation. The guidance requires an employer to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on the statement of cash flows. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period for which financial statements have not yet been issued or have not been made available for issuance, however all of the guidance must be adopted in the same period. If early adoption is elected in an interim period, any adjustments should be reflected as of the beginning of the annual period that includes that interim period. The adoption of this guidance is not expected to have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).* The amendments in ASU 2016-08 are intended to improve the operability and understandability of the implementation guidance by clarifying the following: how an entity should identify the unit of accounting for the principal versus agent evaluation; how the control principle applies to transactions, such as service arrangements; reframes the indicators to focus on a principal rather than an agent, removes the credit risk and commission indicators and clarifies the relationship between the control principle and the indicators; and revises the existing illustrative examples and adds new illustrative examples. For public business entities, the amendments in this update are effective for annual reporting periods

beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-07, *Investments—Equity Method and Joint Ventures (Topic 323)*, The amendments in this update eliminate the requirement that when an investment qualifies for use of the equity method due to an increase in level of ownership or influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-06, *Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments*. The amendments in this update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity should apply the amendments in this update on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.* The amendments in ASU 2016-05 clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria (including those in paragraphs 815-20-35-14 through 35-18) continue to be met. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-02, *Leases (Topic 842).* The amendments in ASU 2016-02 increase transparency and comparability by requiring a lessee to recognize assets and liabilities for operating and capital leases with lease terms of more than 12 months. Additional qualitative and quantitative requirements disclosures are required to provide additional information to better understand the amount, timing, and uncertainty of cash flows arising from leases. Lessor accounting will remain largely unchanged from current GAAP. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity’s equity investments and reducing the number of items that are recognized in other comprehensive income. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The adoption of this guidance is not expected to have a material effect on the Corporation’s financial position or results of operations.

FASB ASU 2014-09, *Revenue from Contracts with Customers.* In May 2014, the FASB issued new accounting guidance that revises the criteria for determining when to recognize revenue from contracts with customers and expands disclosure requirements. The amendments in this update supersede virtually all existing GAAP revenue recognition guidance, including most industry-specific revenue recognition guidance. The core principle requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 applies to contracts with customers to provide goods and services, with certain exclusions such as lease contracts, financing arrangements, and financial instruments. On July 9, 2015, the FASB decided to delay, by one year, the effective dates, permitting public entities to apply this guidance to annual reporting periods beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. There are many aspects of this new accounting guidance that are still being interpreted, and the FASB has recently issued updates to certain aspects of the guidance as noted above. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

2. Investment Securities

The following tables provide the amortized cost and fair value for the major categories of held-to-maturity and available-for-sale securities. Held-to-maturity securities are carried at amortized cost, which reflects historical cost, adjusted for amortization of premiums and accretion of discounts. Available-for-sale securities are carried at fair value with net unrealized gains or losses reported on an after tax basis as a component of OCI in shareholders' equity.

(In thousands)	March 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. government agency debentures	$ 2,500	$ 20	$ —	$ 2,520
U.S. states and political subdivisions	169,281	3,894	(34)	173,141
Residential mortgage-backed securities:				
U.S. government agencies	889,511	18,398	(253)	907,656
Commercial mortgage-backed securities:				
U.S. government agencies	181,846	2,654	(252)	184,248
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,214,035	20,761	(8,059)	2,226,737
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	269,197	3,976	(291)	272,882
Asset-backed securities:				
Collateralized loan obligations	297,885	36	(12,524)	285,397
Corporate debt securities	61,724	—	(12,968)	48,756
Total debt securities	4,085,983	49,739	(34,381)	4,101,341
Equity securities				
Marketable equity securities	2,873	—	—	2,873
Total equity securities	2,873	—	—	2,873
Total securities available-for-sale	$4,088,856	$ 49,739	$ (34,381)	$4,104,214
Securities held-to-maturity				
Debt securities				
U.S. government agency debentures	$ 25,000	$ 26	$ —	$ 25,026
U.S. states and political subdivisions	558,795	17,285	(262)	575,818
Residential mortgage-backed securities:				
U.S. government agencies	88,314	1,280	(266)	89,328
Commercial mortgage-backed securities:				
U.S. government agencies	489,216	10,159	(212)	499,163
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,113,901	2,414	(14,257)	1,102,058
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	251,421	2,436	(934)	252,923
Corporate debt securities	87,053	905	—	87,958
Total securities held-to-maturity	$2,613,700	$ 34,505	$ (15,931)	$2,632,274

(In thousands)	December 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. treasury notes & bonds	$ 5,001	$ —	$ (1)	$ 5,000
U.S. government agency debentures	2,500	—	(2)	2,498
U.S. states and political subdivisions	188,829	4,170	(204)	192,795
Residential mortgage-backed securities:				
U.S. government agencies	900,358	11,325	(5,454)	906,229
Commercial mortgage-backed securities:				
U.S. government agencies	173,912	220	(2,023)	172,109
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,155,808	2,659	(30,147)	2,128,320
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	217,008	580	(1,269)	216,319
Asset-backed securities:				
Collateralized loan obligations	297,831	26	(8,446)	289,411
Corporate debt securities	61,710	—	(9,481)	52,229
Total debt securities	4,002,961	18,980	(57,027)	3,964,914
Equity securities				
Marketable equity securities	2,821	—	—	2,821
Total equity securities	2,821	—	—	2,821
Total securities available-for-sale	$4,005,782	$ 18,980	$ (57,027)	$3,967,735
Securities held-to-maturity				
Debt securities				
U.S. government agency debentures	25,000	19	—	25,019
U.S. states and political subdivisions	571,738	22,180	(262)	593,656
Residential mortgage-backed securities:				
U.S. government agencies	507,908	4,767	(2,999)	509,676
Commercial mortgage-backed securities:				
U.S. government agencies	64,951	294	(574)	64,671
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,161,340	75	(35,881)	1,125,534
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	255,359	676	(3,611)	252,424
Corporate debt securities	87,797	364	(22)	88,139
Total securities held-to-maturity	$2,674,093	$ 28,375	$ (43,349)	$2,659,119

(In thousands)	March 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. government agency debentures	$ 2,500	$ 13	$ —	$ 2,513
U.S. states and political subdivisions	208,800	6,750	(386)	215,164
Residential mortgage-backed securities:				
U.S. government agencies	924,453	24,799	(1,949)	947,303
Commercial mortgage-backed securities:				
U.S. government agencies	139,789	1,231	(661)	140,359
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,895,112	11,305	(13,857)	1,892,560
Non-agency	6	—	—	6
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	241,839	2,602	(382)	244,059
Asset-backed securities:				
Collateralized loan obligations	297,506	587	(4,131)	293,962
Corporate debt securities	61,668	—	(9,404)	52,264
Total debt securities	3,771,673	47,287	(30,770)	3,788,190
Equity Securities				
Marketable equity securities	2,869	—	—	2,869
Non-marketable equity securities	—	—	—	—
Total equity securities	2,869	—	—	2,869
Total securities available-for-sale	$3,774,542	$ 47,287	$ (30,770)	$3,791,059
Securities held-to-maturity				
Debt securities				
U.S. treasury notes & bonds	$ 5,000	$ —	$ —	$ 5,000
U.S. government agency debentures	25,000	—	(178)	24,822
U.S states and political subdivisions	523,501	8,864	(1,147)	531,218
Residential mortgage-backed securities:				
U.S. government agencies	577,278	10,745	(1,677)	586,346
Commercial mortgage-backed securities:				
U.S. government agencies	57,818	765	(108)	58,475
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,320,215	1,959	(24,846)	1,297,328
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	256,352	1,659	(3,377)	254,634
Corporate debt securities	90,010	1,079	—	91,089
Total securities held-to-maturity	$2,855,174	$ 25,071	$ (31,333)	$2,848,912

The Corporation's U.S. states and political subdivisions portfolio is composed of general obligation bonds issued by a highly diversified number of states, cities, counties, and school districts. The amortized cost and fair value of the Corporation's portfolio of general obligation bonds are summarized by U.S. state in the tables below. As illustrated in the tables below, the aggregate fair value of the Corporation's general obligation bonds was greater than $10.0 million in 11 of the 37 U.S. states in which it holds investments.

(Dollars in thousands)	March 31, 2016			
U.S. State	# of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	137	$ 1,364	$ 180,322	$ 186,935
Ohio	110	1,098	117,643	120,829
Wisconsin	61	615	36,369	37,528
Illinois	53	1,840	95,228	97,511
Texas	53	802	41,356	42,496
Pennsylvania	41	1,035	41,680	42,448
New Jersey	33	736	23,746	24,285
Washington	29	948	26,977	27,497
Minnesota	23	699	15,713	16,069
New York	18	617	10,819	11,104
Missouri	11	1,086	11,637	11,948
Other	107	756	79,847	80,899
Total general obligation bonds	676	$ 1,035	$ 681,337	$ 699,549

(Dollars in thousands)	December 31, 2015			
U.S. State	# of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	137	$ 1,381	$ 180,508	$ 189,259
Ohio	111	1,091	116,783	121,117
Illinois	55	1,870	99,524	102,867
Texas	58	807	45,818	46,805
Wisconsin	69	673	44,794	46,454
Pennsylvania	42	1,020	42,185	42,835
Washington	29	950	27,080	27,548
New Jersey	35	725	24,810	25,372
Minnesota	33	667	21,679	22,020
Missouri	15	1,078	15,878	16,174
New York	18	635	11,161	11,422
Other	110	759	81,815	83,477
Total general obligation bonds	712	$ 1,033	$ 712,035	$ 735,350

(Dollars in thousands)	March 31, 2015			
U.S. State	# of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	164	$ 857	$ 138,091	$ 140,620
Ohio	136	925	124,908	125,864
Illinois	62	1,841	111,649	114,150
Wisconsin	73	760	53,877	55,497
Texas	63	784	48,388	49,396
Pennsylvania	46	1,018	46,085	46,816
Washington	31	930	28,194	28,836
New Jersey	37	747	26,724	27,623
Minnesota	35	697	23,821	24,405
Missouri	15	1,098	16,032	16,472
New York	19	629	11,646	11,948
Other	121	639	76,127	77,365
Total general obligation bonds	802	$ 896	$ 705,542	$ 718,992

The Corporation's investment policy states that municipal securities purchased are to be investment grade and allows for a 20% maximum portfolio concentration in municipal securities with a combined individual state to total municipal outstanding equal to or less than 25%. A municipal security is investment grade if (1) the security has a low risk of default by the obligor and (2) the full and timely payment of principal and interest is expected over the anticipated life of the instrument. The fact that a municipal security is rated by one nationally recognized credit rating agency is indicative, but not sufficient evidence, that a municipal security is investment grade. In all cases, the Corporation considers and documents within a security pre-purchase analysis factors such as capacity to pay, market and economic data, and such other factors as are available and relevant to the security or issuer. Factors to be considered in the ongoing monitoring of municipal securities and in the pre-purchase analysis include soundness of budgetary position and sources of revenue, financial strength, and stability of tax or enterprise revenues. The Corporation also considers spreads to U.S. Treasuries on comparable bonds of similar credit quality, in addition to the above analysis, to assess whether municipal securities are investment grade. The Corporation performs a risk analysis for any security that is downgraded below investment grade to determine if the security should be retained or sold. This risk analysis includes, but is not limited to, discussions with the Corporation's credit department as well as third-party municipal credit analysts and review of the nationally recognized credit rating agency's analysis describing the downgrade.

The Corporation's evaluation of its municipal bond portfolio at March 31, 2016 did not uncover any facts or circumstances resulting in significantly different credit ratings than those assigned by a nationally recognized credit rating agency.

FRB and FHLB stock constitutes the majority of other investments on the Consolidated Balance Sheets.

(In thousands)	March 31, 2016	December 31, 2015	March 31, 2015
FRB stock	$ 56,083	$ 56,083	$ 55,681
FHLB stock	91,714	91,714	92,381
Other	362	375	413
Total other investments	$ 148,159	$ 148,172	$ 148,475

FRB and FHLB stock is classified as a restricted investment, carried at cost and valued based on the ultimate recoverability of par value. Cash and stock dividends received on the stock are reported as interest income. There are no identified events or changes in circumstances that may have a significant adverse effect on these investments carried at cost.

Securities with a carrying value of $3.4 billion, $2.9 billion, and $3.5 billion at March 31, 2016, December 31, 2015, and March 31, 2015, respectively, were pledged to secure trust and public deposits and securities sold under agreements to repurchase and for other purposes required or permitted by law.

Realized Gains and Losses

The following table presents the gross realized gains and losses on the sales of those securities that have been included in earnings as a result of those sales. Gains or losses on the sales of available-for-sale securities are recognized upon sale and are determined using the specific identification method.

(In thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Realized gains	$ 295	$ 392
Realized losses	—	(38)
Net securities (losses)/gains	$ 295	$ 354

Gross Unrealized Losses and Fair Value

The following table presents the gross unrealized losses and fair value of securities by length of time that individual securities had been in a continuous loss position by major categories of available-for-sale and held-to-maturity securities.

	March 31, 2016							
	Less than 12 months			12 months or longer			Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S. states and political subdivisions	$ 2,880	$ (14)	6	$ 1,899	$ (20)	4	$ 4,779	$ (34)
Residential mortgage-backed securities:								
U.S. government agencies	171	—	2	32,960	(253)	3	33,131	(253)
Commercial mortgage-backed securities:								
U.S. government agencies	—	—	0	12,595	(252)	1	12,595	(252)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	96,691	(568)	6	552,785	(7,491)	46	649,476	(8,059)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	32,200	(107)	5	22,464	(184)	2	54,664	(291)
Asset-backed securities:								
Collateralized loan obligations	149,999	(6,176)	27	121,596	(6,348)	15	271,595	(12,524)
Corporate debt securities	—	—	0	48,755	(12,968)	8	48,755	(12,968)
Total securities available-for-sale	$281,941	$ (6,865)	46	$ 793,054	$ (27,516)	79	$1,074,995	$ (34,381)
Securities held-to-maturity								
Debt securities								
U.S. government agency debentures	$ —	$ —	0	$ —	$ —	0	$ —	$ —
U.S. states and political subdivisions	4,491	(21)	9	7,793	(241)	10	12,284	(262)
Residential mortgage-backed securities:								
U.S. government agencies	—	—	0	62,997	(212)	4	62,997	(212)
Commercial mortgage-backed securities:								
U.S. government agencies	13,268	(263)	1	9,438	(3)	1	22,706	(266)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	—	—	0	873,299	(14,257)	52	873,299	(14,257)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	—	—	0	80,216	(934)	7	80,216	(934)
Total securities held-to-maturity	$ 17,759	$ (284)	10	$1,033,743	$ (15,647)	74	$1,051,502	$ (15,931)

(Dollars in thousands)	December 31, 2015							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S government agency debentures	$ 2,498	$ (2)	1	$ —	$ —	0	$ 2,498	$ (2)
U.S. treasury notes and bonds	5,000	(1)	1	—	—	0	5,000	(1)
U.S. states and political subdivisions	10,178	(37)	20	5,899	(167)	9	16,077	(204)
Residential mortgage-backed securities:								
U.S. government agencies	328,156	(3,026)	27	95,895	(2,428)	7	424,051	(5,454)
Commercial mortgage-backed securities:								
U.S. government agencies	107,074	(1,447)	15	12,401	(576)	1	119,475	(2,023)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	1,130,779	(10,587)	78	597,403	(19,560)	49	1,728,182	(30,147)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	113,825	(893)	12	23,400	(376)	2	137,225	(1,269)
Asset-backed securities:								
Collateralized loan obligations	151,810	(3,576)	26	126,422	(4,870)	15	278,232	(8,446)
Corporate debt securities	—	—	0	52,229	(9,481)	8	52,229	(9,481)
Total securities available-for-sale	$1,849,320	$ (19,569)	180	$ 913,649	$ (37,458)	91	$2,762,969	$ (57,027)
Securities held-to-maturity								
Debt securities								
U.S. states and political subdivisions	$ 18,465	$ (224)	21	$ 4,174	$ (38)	6	$ 22,639	$ (262)
Residential mortgage-backed securities:								
U.S. government agencies	85,738	(715)	6	97,880	(2,284)	6	183,618	(2,999)
Commercial mortgage-backed securities:								
U.S. government agencies	34,833	(346)	6	9,269	(228)	1	44,102	(574)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	140,514	(1,225)	12	941,982	(34,656)	55	1,082,496	(35,881)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	71,812	(384)	7	117,992	(3,227)	11	189,804	(3,611)
Corporate debt securities	19,243	(22)	6	—	—	0	19,243	(22)
Total securities held-to-maturity	$ 370,605	$ (2,916)	58	$1,171,297	$ (40,433)	79	$1,541,902	$ (43,349)

(Dollars in thousands)	March 31, 2015							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S. states and political subdivisions	$ 14,380	$ (117)	23	$ 6,004	$ (269)	10	$ 20,384	$ (386)
Residential mortgage-backed securities:								
U.S. government agencies	74,517	(360)	5	108,052	(1,589)	8	182,569	(1,949)
Commercial mortgage-backed securities:								
U.S. government agencies	49,129	(175)	7	17,690	(486)	2	66,819	(661)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	70,574	(762)	6	745,621	(13,095)	53	816,195	(13,857)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	13,206	(24)	2	61,132	(358)	6	74,338	(382)
Asset-backed securities:								
Collateralized loan obligations	24,087	(209)	3	181,498	(3,922)	27	205,585	(4,131)
Corporate debt securities	—	—	0	52,263	(9,404)	8	52,263	(9,404)
Total securities available-for-sale	$245,893	$ (1,647)	46	$1,172,260	$ (29,123)	114	$1,418,153	$ (30,770)
Securities held-to-maturity								
Debt securities								
U.S. treasury notes & bonds	$ 5,000	$ —	1	$ —	$ —	0	$ 5,000	$ —
U.S. government agency debentures	—	—	0	24,822	(178)	1	24,822	(178)
U.S. states and political subdivisions	38,202	(1,093)	26	4,448	(54)	6	42,650	(1,147)
Residential mortgage-backed securities:								
U.S. government agencies	28,386	(123)	2	110,329	(1,554)	6	138,715	(1,677)
Commercial mortgage-backed securities:								
U.S. government agencies	—	—	0	9,554	(108)	1	9,554	(108)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	19,016	(71)	1	1,095,375	(24,775)	56	1,114,391	(24,846)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	—	—	0	144,970	(3,377)	13	144,970	(3,377)
Corporate debt securities	—	—	0	—	—	0	—	—
Total securities held-to-maturity	$ 90,604	$ (1,287)	30	$1,389,498	$ (30,046)	83	$1,480,102	$ (31,333)

At least quarterly, the Corporation conducts a comprehensive security-level impairment assessment on all securities in an unrealized loss position to determine if OTTI exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. An OTTI loss must be recognized for a debt security in an unrealized loss position if the Corporation intends to sell the security or it is more likely than not that the Corporation will be required to sell the security before recovery of its amortized cost basis. In this situation, the amount of loss recognized in income is equal to the difference between the fair value and the amortized cost basis of the security. Even if the Corporation does not expect to sell the security, the Corporation must evaluate the expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. The portion of the unrealized loss relating to other factors, such as liquidity conditions in the market or changes in market interest rates, is recorded in OCI. Equity securities are also evaluated to determine whether

the unrealized loss is expected to be recoverable based on whether evidence exists to support a realizable value equal to or greater than the amortized cost basis. If it is probable that the Corporation will not recover the amortized cost basis, taking into consideration the estimated recovery period and its ability to hold the equity security until recovery, OTTI is recognized.

The security-level assessment is performed on each security, regardless of the classification of the security as available-for-sale or held-to-maturity. The assessments are based on the nature of the securities, the financial condition of the issuer, the extent and duration of the securities, the extent and duration of the loss and whether Management intends to sell or it is more likely than not that it will be required to sell a security before recovery of its amortized cost basis, which may be maturity. For those securities which the assessment shows the Corporation will recover the entire cost basis, Management does not intend to sell these securities and it is not more likely than not that the Corporation will be required to sell them before the anticipated recovery of the amortized cost basis, the gross unrealized losses are recognized in OCI, net of tax.

The investment securities portfolio was in a net unrealized gain position of $33.9 million at March 31, 2016, compared to a net unrealized loss position of $53.0 million at December 31, 2015 and a net unrealized gain position of $10.3 million at March 31, 2015. Gross unrealized losses were $50.3 million as of March 31, 2016, compared to $100.4 million at December 31, 2015, and $62.1 million at March 31, 2015. As of March 31, 2016, gross unrealized losses are concentrated within agency MBS, CLOs, and corporate debt securities. Securities classified as corporate debt would include eight, single issuer, trust preferred securities with stated maturities. Such investments are only 1% of the fair value of the available-for-sale investment portfolio. None of the corporate issuers have deferred paying dividends on their issued trust preferred shares in which the Corporation is invested. The fair values of these investments have been impacted by the market conditions which have caused risk premiums to increase, resulting in the decline in the fair value of the trust preferred securities.

Management believes the Corporation will fully recover the cost of these agency MBSs, CLOs, and corporate debt securities, and it does not intend to sell these securities and it is not more likely than not that it will be required to sell them before the anticipated recovery of the remaining amortized cost basis, which may be maturity. As a result, Management concluded that these securities were not other-than-temporarily impaired at March 31, 2016 and has recognized the total amount of the impairment in OCI, net of tax.

The new Volcker Rule, as originally adopted, may affect the Corporation’s ability to hold CLOs. As of March 31, 2016, the Corporation holds $285.4 million of CLOs with a gross unrealized loss position of $12.5 million. Management believes that its holdings of CLOs are not ownership interests in covered funds prohibited by the Volcker Rule regulations and, therefore, expects to be able to hold these investments until their stated maturities. Management seeks to maintain a CLO portfolio consistent with the requirements of the Volcker Rule, and new CLO investments are being made in accordance with the strategy.

Contractual Maturity of Debt Securities

The following table shows the remaining contractual maturities and contractual yields of debt securities held-to-maturity and available-for-sale as of March 31, 2016. Estimated lives on MBSs may differ from contractual maturities as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	U.S. Government agency debentures	U.S. States and political subdivisions	Residential mortgage-backed securities - U.S. govt. agencies	Commercial mortgage-backed securities - U.S. govt. agencies	Residential collateralized mortgage obligations - U.S. govt. agencies	Residential collateralized mortgage obligations - non-agency	Commercial collateralized mortgage obligations - U.S. govt. agencies	Asset backed securities - collateralized loan obligations	Corporate debt securities	Total	Weighted Average Yield
Securities Available-for-Sale											
Remaining maturity:											
One year or less	$ —	$ 7,120	$ 119	$ —	$ —	$ —	$ —	$ —	$ —	$ 7,239	3.29%
Over one year through five years	2,520	79,686	61,444	32,937	16,015	3	15,653	—	—	208,258	3.80%
Over five years through ten years	—	66,049	52,312	122,070	11,655	—	110,696	204,643	—	567,425	3.06%
Over ten years	—	20,286	793,781	29,241	2,199,067	1	146,533	80,754	48,756	3,318,419	2.11%
Fair Value	$ 2,520	$ 173,141	$ 907,656	$ 184,248	$ 2,226,737	$ 4	$ 272,882	$ 285,397	$ 48,756	$4,101,341	2.33%
Amortized Cost	$ 2,500	$ 169,281	$ 889,511	$ 181,846	$ 2,214,035	$ 4	$ 269,197	$ 297,885	$ 61,724	$4,085,983	
Weighted-Average Yield	1.25%	5.17%	2.40%	2.15%	2.04%	2.60%	2.21%	3.07%	1.34%	2.33%	
Weighted-Average Maturity (in years)	2.17	1.96	3.38	4.24	3.44	0.60	4.09	6.51	11.56	3.79	
Securities Held-to-Maturity											
Remaining maturity:											
One year or less	$ —	$ 65,484	$ —	$ —	$ —	$ —	$ —	$ —	$ 22,609	$ 88,093	2.21%
Over one year through five years	25,026	157,086	36,437	—	—	—	81,282	—	65,349	365,180	2.45%
Over five years through ten years	—	202,251	52,891	22,567	—	—	40,984	—	—	318,693	3.83%
Over ten years	—	150,997	—	476,596	1,102,058	—	130,657	—	—	1,860,308	2.07%
Fair Value	$ 25,026	$ 575,818	$ 89,328	$ 499,163	$ 1,102,058	$ —	$ 252,923	$ —	$ 87,958	$2,632,274	2.34%
Amortized Cost	$ 25,000	$ 558,795	$ 88,314	$ 489,216	$ 1,113,901	$ —	$ 251,421	$ —	$ 87,053	$2,613,700	
Weighted-Average Yield	1.43%	4.22%	2.02%	2.15%	1.60%	— %	2.00%	— %	2.26%	2.34%	
Weighted-Average Maturity (in years)	0.08	4.61	3.36	3.57	3.45	—	3.85	—	1.77	3.67	

3. Loans

Loans outstanding as of March 31, 2016, December 31, 2015, and March 31, 2015, net of unearned income, consisted of the following:

(In thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Originated loans:			
Commercial	$ 9,100,731	$ 9,007,830	$ 8,420,765
Residential mortgage	700,138	689,045	639,980
Installment	3,154,912	2,990,349	2,500,288
Home equity	1,254,709	1,248,438	1,134,238
Credit cards	179,023	182,843	160,766
Total originated loans	14,389,513	14,118,505	12,856,037
Allowance for originated loan losses	(102,915)	(105,135)	(97,545)
Net originated loans	$ 14,286,598	$ 14,013,370	$ 12,758,492
Acquired loans:			
Commercial	$ 628,030	$ 677,149	$ 1,011,170
Residential mortgage	308,618	324,008	378,192
Installment	539,313	573,372	717,693
Home equity	157,745	168,542	217,824
Total acquired loans	1,633,706	1,743,071	2,324,879
Allowance for acquired loan losses	(4,423)	(3,877)	(7,493)
Net acquired loans	$ 1,629,283	$ 1,739,194	$ 2,317,386
FDIC acquired loans:			
Commercial	$ 122,123	$ 129,109	$ 179,547
Residential mortgage	34,594	35,568	40,470
Installment	1,942	2,077	4,781
Home equity	34,136	38,668	65,170
Loss share receivable	9,436	9,947	20,005
Total FDIC acquired loans	202,231	215,369	309,973
Allowance for FDIC acquired loan losses	(44,599)	(44,679)	(41,514)
Net FDIC acquired loans	$ 157,632	$ 170,690	$ 268,459
Total loans:			
Commercial	$ 9,850,884	$ 9,814,088	$ 9,611,482
Residential mortgage	1,043,350	1,048,621	1,058,642
Installment	3,696,167	3,565,798	3,222,762
Home equity	1,446,590	1,455,648	1,417,232
Credit cards	179,023	182,843	160,766
Loss share receivable	9,436	9,947	20,005
Total loans	16,225,450	16,076,945	15,490,889
Total allowance for loan losses	(151,937)	(153,691)	(146,552)
Total Net loans	$ 16,073,513	$ 15,923,254	$ 15,344,337

The following describes the distinction between originated, acquired and FDIC acquired loan portfolios and certain significant accounting policies relevant to each of these portfolios.

Originated Loans

Loans originated for investment are stated at their principal amount outstanding adjusted for partial charge-offs, and net deferred loan fees and costs. Interest income on loans is accrued over the term of the loans primarily using the "simple-interest" method based on the principal balance outstanding. Interest is not accrued on loans where collectability is uncertain. Accrued interest is presented separately in the consolidated balance sheet, except for accrued interest on credit card loans, which is included in the outstanding loan balance. Loan origination fees and certain direct costs incurred to extend credit are deferred and amortized over the term of the loan or loan commitment period as an adjustment to the related loan yield. Net deferred loan origination fees and costs amounted to $4.9 million, $4.1 million, and $4.6 million at March 31, 2016, December 31, 2015, and March 31, 2015, respectively.

Acquired Loans

Acquired loans are those purchased in the Citizens acquisition. These loans were recorded at estimated fair value at the Acquisition Date with no carryover of the related ALL. The acquired loans were segregated as of the Acquisition Date between those considered to be performing (acquired nonimpaired loans) and those with evidence of credit deterioration (acquired impaired loans). Acquired loans are considered impaired if there is evidence of credit deterioration and if it is probable, at acquisition, all contractually required payments will not be collected. Revolving loans, including lines of credit, are excluded from acquired impaired loan accounting.

Total outstanding acquired impaired loans as of March 31, 2016 and 2015 were $370.6 million and $548.2 million, respectively. The outstanding balance of these loans is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loans, owed at the reporting date, whether or not currently due and whether or not any such amounts have been charged off. Changes in the carrying amount and accretable yield for acquired impaired loans were as follows for the three months ended March 31, 2016 and 2015:

Acquired Impaired Loans	**Three Months Ended March 31,**			
	2016		**2015**	
(In thousands)	**Accretable Yield**	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**
Balance at beginning of period	$ 89,823	$284,709	$ 119,450	$423,209
Accretion	(8,902)	8,902	(11,218)	11,218
Net reclassifications from nonaccretable to accretable	7,753	—	12,995	—
Payments received, net	—	(36,459)	—	(46,114)
Disposals	(3,230)	—	(2,471)	—
Balance at end of period	$ 85,444	$257,152	$ 118,756	$388,313

Cash flows expected to be collected on acquired impaired loans are estimated quarterly by incorporating several key assumptions similar to the initial estimate of fair value. These key assumptions include probability of default, and the amount of actual prepayments after the acquisition date. Prepayments affect the estimated life of the loans and could change the amount of interest income, and possibly principal expected to be collected. In reforecasting future estimated cash flows, credit loss expectations are adjusted as necessary.

Improved cash flow expectations for loans or pools that were impaired in prior periods are recorded first as a reversal of previously recorded impairment and then as an increase in prospective yield when all previously recorded impairment has been recaptured. Decreases in expected cash flows are recognized as an impairment through a provision for loan loss and an increase to the allowance for acquired impaired loans.

During the quarter ended March 31, 2016, there was an overall improvement in cash flow expectations, which resulted in the net reclassification of $7.8 million from the nonaccretable difference to accretable yield. This reclassification was $13.0 million for the three months ended March 31, 2015. The reclassification from the nonaccretable difference to the accretable yield results in prospective yield adjustments on the loan pools.

FDIC Acquired Loans and Related Loss Share Receivable

FDIC acquired loans include loans purchased in the 2010 FDIC-assisted acquisitions of George Washington and Midwest. George Washington and Midwest non-single family loss share agreements with the FDIC expired at March 31, 2015 and June 30, 2015, respectively, resulting in $122.1 million of loans no longer being covered as of March 31, 2016. As of March 31, 2016, $70.7 million remained covered by single family loss share agreements.

Changes in the loss share receivable for the three months ended March 31, 2016 and 2015 were as follows:

Loss Share Receivable (In thousands)	**Three Months Ended March 31, 2016**	**2015**
Balance at beginning of period	$ 9,947	$ 22,033
Amortization	(348)	(2,187)
Increase/(decrease) due to impairment (recapture) on FDIC acquired loans	269	4,227
FDIC reimbursement	(192)	(4,013)
FDIC acquired loans paid in full	(240)	(55)
Balance at end of the period (1)	$ 9,436	$ 20,005

(1) As of March 31, 2016, the loss share receivable of $9.4 million was related to single family covered loans.

Total outstanding FDIC acquired impaired loans were $306.6 million and $404.4 million as of March 31, 2016 and 2015, respectively. The outstanding balance of these loans is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loans, owed at the reporting date, whether or not currently due and whether or not any such amounts have been charged off. Changes in the carrying amount and accretable yield for FDIC acquired impaired loans were as follows for the three months ended March 31, 2016 and 2015:

FDIC Acquired Impaired Loans	**Three Months Ended March 31,**			
	2016		**2015**	
(In thousands)	**Accretable Yield**	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**
Balance at beginning of period	$ 22,908	$130,648	$ 37,511	$232,452
Accretion	(2,297)	2,297	(5,567)	5,567
Net reclassifications between non-accretable and accretable	1,673	—	(56)	—
Payments received, net	—	(10,811)	—	(38,794)
(Disposals)/Additions	(158)	—	(2,021)	—
Balance at end of period	$ 22,126	$122,134	$ 29,867	$199,225

The cash flows expected to be collected on covered impaired loans are estimated quarterly in a similar manner as described above for acquired impaired loans. During the quarter ended March 31, 2016, the re-estimation process resulted in a net reclassification of $1.7 million from the nonaccretable difference to accretable yield. This reclassification was $0.1 million for the three months ended March 31, 2015. The reclassification from the nonaccretable difference to the accretable yield results in prospective yield adjustments on the loan pools.

Credit Quality Disclosures

The credit quality of the Corporation's loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Corporation. These credit quality ratings are an important part of the Corporation's overall credit risk management process and evaluation of the allowance for credit losses.

Generally, loans, except for certain commercial, credit card and mortgage loans, and leases on which payments are past due for 90 days are placed on nonaccrual status, unless those loans are in the process of collection and, in Management's opinion, are fully secured. Credit card loans on which payments are past due for 120 days are placed on nonaccrual status. Acquired and FDIC acquired impaired loans are considered to be accruing and performing even though collection of contractual payments may be in doubt because income continues to be accreted on the loan pool as long as expected cash flows are reasonably estimable.

When a loan is placed on nonaccrual status, interest deemed uncollectible which had been accrued in prior years is charged against the ALL and interest deemed uncollectible accrued in the current year is reversed against interest income. Interest on mortgage loans is accrued until Management deems it uncollectible based upon the specific identification method. Payments subsequently received on nonaccrual loans are generally

applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable. This generally requires timely principal and interest payments for a minimum of six consecutive payment cycles. Loans are generally written off when deemed uncollectible or when they reach a predetermined number of days past due depending upon loan product, terms and other factors.

The following tables provide a summary of loans by portfolio type, including the delinquency status of those loans that continue to accrue interest and those loans that are nonaccrual:

As of March 31, 2016

(In thousands)

Originated Loans	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (1)	Nonaccrual Loans
Commercial								
C&I	$ 2,485	$ 3,464	$ 8,627	$14,576	$ 5,822,739	$ 5,837,315	$ 274	$ 35,500
CRE	3,211	1,137	17,024	21,372	2,058,290	2,079,662	2,420	18,216
Construction	6,891	—	485	7,376	663,449	670,825	—	3,010
Leases	—	—	—	—	512,929	512,929	—	—
Consumer								
Installment	13,150	2,591	3,567	19,308	3,135,604	3,154,912	3,178	2,554
Home Equity Lines	1,100	897	1,757	3,754	1,250,955	1,254,709	274	2,267
Credit Cards	857	483	843	2,183	176,840	179,023	339	554
Residential Mortgages	11,278	1,544	6,801	19,623	680,515	700,138	2,876	11,600
Total	$38,972	$10,116	$39,104	$88,192	$14,301,321	$14,389,513	$ 9,361	$ 73,701

Acquired Loans	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ 1,092	$ 75	$ 1,729	$ 2,896	$ 227,804	$ 230,700	$ 145	$ 766
CRE	2,580	918	10,561	14,059	377,804	391,863	—	4,332
Construction	—	—	718	718	4,749	5,467	—	—
Consumer								
Installment	3,869	793	633	5,295	534,018	539,313	289	600
Home Equity Lines	1,002	120	470	1,592	156,153	157,745	260	320
Residential Mortgages	9,244	49	4,515	13,808	294,810	308,618	1,018	980
Total	$17,787	$ 1,955	$18,626	$38,368	$ 1,595,338	$ 1,633,706	$ 1,712	$ 6,998

FDIC Acquired Loans (2)	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ —	$ —	$ 949	$ 949	$ 30,981	$ 31,930	n/a	n/a
CRE	288	344	27,699	28,331	56,973	85,304	n/a	n/a
Construction	—	—	3,133	3,133	1,756	4,889	n/a	n/a
Consumer								
Installment	—	—	—	—	1,942	1,942	n/a	n/a
Home Equity Lines	1,969	46	1,693	3,708	30,428	34,136	n/a	n/a
Residential Mortgages	4,490	167	2,582	7,239	27,355	34,594	n/a	n/a
Total	$ 6,747	$ 557	$36,056	$43,360	$ 149,435	$ 192,795	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.3 million of loans guaranteed by the U.S. government as of March 31, 2016.

(2) Excludes loss share receivable of $9.4 million as of March 31, 2016.

(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at March 31, 2016 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

As of December 31, 2015

(In thousands)

Originated Loans	Days Past Due 30-59	60-89	³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (1)	Nonaccrual Loans
Commercial								
C&I	$ 4,684	$ 115	$ 8,824	$13,623	$ 5,779,785	$ 5,793,408	$ 236	$ 23,123
CRE	12,880	—	2,260	15,140	2,062,204	2,077,344	153	4,503
Construction	1,360	—	486	1,846	643,491	645,337	—	482
Leases	—	—	—	—	491,741	491,741	—	—
Consumer								
Installment	17,934	4,828	3,920	26,682	2,963,667	2,990,349	3,519	2,178
Home Equity Lines	1,952	913	1,478	4,343	1,244,095	1,248,438	513	1,674
Credit Cards	1,449	494	632	2,575	180,268	182,843	725	545
Residential Mortgages	11,099	1,519	6,693	19,311	669,734	689,045	2,876	11,600
Total	$51,358	$7,869	$24,293	$83,520	$14,034,985	$14,118,505	$ 8,022	$ 44,105

Acquired Loans	Days Past Due 30-59	60-89	³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ 311	$ 31	$ 3,336	$ 3,678	$ 236,467	$ 240,145	$ 13	$ 782
CRE	3,192	1,681	9,657	14,530	416,361	430,891	522	4,948
Construction	—	—	733	733	5,380	6,113	—	—
Consumer								
Installment	5,059	1,329	974	7,362	566,010	573,372	236	835
Home Equity Lines	1,365	660	1,260	3,285	165,257	168,542	644	514
Residential Mortgages	8,760	567	6,792	16,119	307,889	324,008	1,681	1,166
Total	$18,687	$4,268	$22,752	$45,707	$ 1,697,364	$ 1,743,071	$ 3,096	$ 8,245

FDIC Acquired Loans (2)	Days Past Due 30-59	60-89	³ 90	Total Past Due	Current	Total Loans	³ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ —	$ —	$ 1,054	$ 1,054	$ 34,412	$ 35,466	n/a	n/a
CRE	296	354	28,501	29,151	58,623	87,774	n/a	n/a
Construction	—	—	3,761	3,761	2,108	5,869	n/a	n/a
Consumer								
Installment	—	—	—	—	2,077	2,077	n/a	n/a
Home Equity Lines	2,230	52	1,917	4,199	34,469	38,668	n/a	n/a
Residential Mortgages	4,616	172	2,655	7,443	28,125	35,568	n/a	n/a
Total	$ 7,142	$ 578	$37,888	$45,608	$ 159,814	$ 205,422	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.3 million of loans guaranteed by the U.S. government as of December 31, 2015.

(2) Excludes loss share receivable of $9.9 million as of December 31, 2015.

(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at December 31, 2015 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

As of March 31, 2015

(In thousands)	Days Past Due			Total		Total	≥ 90 Days Past Due and	Nonaccrual
Originated Loans	**30-59**	**60-89**	**≥ 90**	**Past Due**	**Current**	**Loans**	**Accruing (1)**	**Loans**
Commercial								
C&I	$ 525	$ 515	$ 5,846	$ 6,886	$ 5,311,011	$ 5,317,897	$ 498	$ 18,838
CRE	4,401	1,177	3,481	9,059	2,123,958	2,133,017	150	9,640
Construction	—	—	—	—	580,978	580,978	—	—
Leases	255	—	—	255	388,618	388,873	—	—
Consumer								
Installment	11,294	3,215	4,157	18,666	2,481,622	2,500,288	3,332	3,016
Home Equity Lines	1,480	323	1,395	3,198	1,131,040	1,134,238	622	1,780
Credit Cards	654	301	637	1,592	159,174	160,766	312	523
Residential Mortgages	9,236	2,515	7,402	19,153	620,827	639,980	3,000	12,288
Total	$27,845	$8,046	$22,918	$58,809	$12,797,228	$12,856,037	$ 7,914	$ 46,085

	Days Past Due			Total		Total	≥ 90 Days Past Due and	Nonaccrual
Acquired Loans	**30-59**	**60-89**	**≥ 90**	**Past Due**	**Current**	**Loans**	**Accruing (3)**	**Loans (3)**
Commercial								
C&I	$ 66	$ 131	$ 5,366	$ 5,563	$ 415,247	$ 420,810	$ 44	$ 700
CRE	4,507	1,380	23,420	29,307	554,765	584,072	252	4,172
Construction	—	—	676	676	5,612	6,288	—	—
Consumer								
Installment	4,859	1,322	1,121	7,302	710,391	717,693	521	746
Home Equity Lines	2,850	1,544	1,172	5,566	212,258	217,824	462	639
Residential Mortgages	9,894	590	5,250	15,734	362,458	378,192	425	997
Total	$22,176	$4,967	$37,005	$64,148	$ 2,260,731	$ 2,324,879	$ 1,704	$ 7,254

	Days Past Due			Total		Total	≥ 90 Days Past Due and	Nonaccrual
FDIC Acquired Loans (2)	**30-59**	**60-89**	**≥ 90**	**Past Due**	**Current**	**Loans**	**Accruing (3)**	**Loans (3)**
Commercial								
C&I	$ 815	$ 144	$ 4,566	$ 5,525	$ 37,289	$ 42,814	n/a	n/a
CRE	413	5,218	44,023	49,654	78,254	127,908	n/a	n/a
Construction	—	—	6,906	6,906	1,919	8,825	n/a	n/a
Consumer								
Installment	—	110	—	110	4,671	4,781	n/a	n/a
Home Equity Lines	2,291	564	3,651	6,506	58,664	65,170	n/a	n/a
Residential Mortgages	5,714	163	3,684	9,561	30,909	40,470	n/a	n/a
Total	$ 9,233	$6,199	$62,830	$78,262	$ 211,706	$ 289,968	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.4 million of loans guaranteed by the U.S. government as of March 31, 2015.

(2) Excludes loss share receivable of $20.0 million as of March 31, 2015.

(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at March 31, 2015 as the loans are considered to be performing under ASC 310-30. As a result interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

Individual commercial loans are assigned credit risk grades based on an internal assessment of conditions that affect a borrower's ability to meet its contractual obligation under the loan agreement. The assessment process includes reviewing a borrower's current financial information, historical payment experience, credit documentation, public information, and other information specific to each borrower. Commercial loans are reviewed on an annual, quarterly or rotational basis or as Management becomes aware of information about a borrower's ability to fulfill its obligation. For consumer loans, Management evaluates credit quality based on the aging status of the loan as well as by payment activity, which is presented in the above tables.

The credit-risk grading process for commercial loans is summarized as follows:

"Pass" Loans (Grades 1, 2, 3, 4) are not considered a greater than normal credit risk. Generally, the borrowers have the apparent ability to satisfy obligations to the bank, and the Corporation anticipates insignificant uncollectible amounts based on its individual loan review.

"Special Mention" Loans (Grade 5) are commercial loans that have identified potential weaknesses that deserve Management's close attention. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the institution's credit position.

"Substandard" Loans (Grade 6) are inadequately protected by the current financial condition and paying capacity of the obligor or by any collateral pledged. Loans so classified have a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt pursuant to the contractual principal and interest terms. Such loans are characterized by the distinct possibility that the Corporation may sustain some loss if the deficiencies are not corrected.

"Doubtful" Loans (Grade 7) have all the weaknesses inherent in those classified as substandard, with the added characteristic that existing facts, conditions, and values make collection or liquidation in full highly improbable. Such loans are currently managed separately to determine the highest recovery alternatives.

The following tables provide a summary of commercial loans by portfolio type and the Corporation's internal credit quality rating:

As of March 31, 2016

(In thousands)

Originated Loans	**C&I**	**CRE**	**Commercial Construction**	**Leases**	**Total**
Grade 1	$ 68,185	$ 757	$ —	$ 12,613	$ 81,555
Grade 2	397,855	818	—	43,507	442,180
Grade 3	1,317,058	310,816	52,039	80,042	1,759,955
Grade 4	3,762,793	1,719,833	597,571	336,402	6,416,599
Grade 5	141,456	9,924	2,401	32,416	186,197
Grade 6	146,380	37,514	18,814	7,949	210,657
Grade 7	3,588	—	—	—	3,588
Total	$5,837,315	$2,079,662	$ 670,825	$512,929	$9,100,731

Acquired Loans	**C&I**	**CRE**	**Commercial Construction**	**Leases**	**Total**
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	596	615	—	—	1,211
Grade 3	27,818	23,221	—	—	51,039
Grade 4	169,906	327,406	4,749	—	502,061
Grade 5	24,577	11,663	—	—	36,240
Grade 6	7,803	28,958	718	—	37,479
Grade 7	—	—	—	—	—
Total	$ 230,700	$ 391,863	$ 5,467	$ —	$ 628,030

FDIC Acquired Loans	**C&I**	**CRE**	**Commercial Construction**	**Leases**	**Total**
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	965	—	—	—	965
Grade 3	—	6,807	—	—	6,807
Grade 4	28,483	48,512	682	—	77,677
Grade 5	266	—	—	—	266
Grade 6	2,216	29,985	4,207	—	36,408
Grade 7	—	—	—	—	—
Total	$ 31,930	$ 85,304	$ 4,889	$ —	$ 122,123

As of December 31, 2015

(In thousands)

Originated Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 60,440	$ 773	$ —	$ 12,732	$ 73,945
Grade 2	353,581	831	—	69,258	423,670
Grade 3	1,371,850	319,987	59,182	49,956	1,800,975
Grade 4	3,756,333	1,697,261	569,098	344,763	6,367,455
Grade 5	124,140	18,388	7,193	7,858	157,579
Grade 6	124,483	40,105	9,864	7,174	181,626
Grade 7	2,581	(1)	—	—	2,580
Total	$5,793,408	$2,077,344	$ 645,337	$491,741	$9,007,830

Acquired Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 346	$ —	$ —	$ —	$ 346
Grade 2	—	—	—	—	—
Grade 3	15,548	27,387	—	—	42,935
Grade 4	200,736	361,518	5,380	—	567,634
Grade 5	11,735	12,546	—	—	24,281
Grade 6	11,780	29,440	733	—	41,953
Grade 7	—	—	—	—	—
Total	$ 240,145	$ 430,891	$ 6,113	$ —	$ 677,149

FDIC Acquired Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	1,072	—	—	—	1,072
Grade 3	—	7,004	—	—	7,004
Grade 4	31,637	49,917	819	—	82,373
Grade 5	295	—	—	—	295
Grade 6	2,462	30,853	5,050	—	38,365
Grade 7	—	—	—	—	—
Total	$ 35,466	$ 87,774	$ 5,869	$ —	$ 129,109

As of March 31, 2015

(In thousands)

Originated Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 59,380	$ 667	$ —	$ 13,052	$ 73,099
Grade 2	191,008	3,368	—	5,782	200,158
Grade 3	1,405,007	339,027	62,821	69,686	1,876,541
Grade 4	3,504,600	1,724,516	516,852	297,790	6,043,758
Grade 5	103,432	29,034	942	1,307	134,715
Grade 6	54,470	36,405	363	1,256	92,494
Grade 7	—	—	—	—	—
Total	$5,317,897	$2,133,017	$ 580,978	$388,873	$8,420,765

Acquired Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 1,069	$ —	$ —	$ —	$ 1,069
Grade 2	—	—	—	—	—
Grade 3	22,875	24,834	—	—	47,709
Grade 4	359,751	496,213	5,612	—	861,576
Grade 5	15,363	21,487	—	—	36,850
Grade 6	21,752	41,538	676	—	63,966
Grade 7	—	—	—	—	—
Total	$ 420,810	$ 584,072	$ 6,288	$ —	$1,011,170

FDIC Acquired Loans	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	1,040	—	—	—	1,040
Grade 3	—	—	—	—	—
Grade 4	33,352	74,128	579	—	108,059
Grade 5	39	2,134	—	—	2,173
Grade 6	8,383	51,646	8,246	—	68,275
Grade 7	—	—	—	—	—
Total	$ 42,814	$ 127,908	$ 8,825	$ —	$ 179,547

4. Allowance for Loan Losses

The Corporation’s Credit Policy Division manages credit risk by establishing common credit policies for its subsidiary bank, participating in approval of its loans, conducting reviews of loan portfolios, providing centralized consumer underwriting, collections and loan operation services, and overseeing loan workouts. The Corporation’s objective is to minimize losses from its commercial lending activities and to maintain consumer losses at acceptable levels that are stable and consistent with growth and profitability objectives.

The ALL is Management’s estimate of the amount of probable credit losses inherent in a loan portfolio at the balance sheet date. The following describes the distinctions in methodology used to estimate the ALL of originated, acquired and FDIC acquired loan portfolios as well as certain significant accounting policies relevant to each category.

Allowance for Originated Loan Losses

Management estimates credit losses based on originated individual loans determined to be impaired and on all other loans grouped based on similar risk characteristics. Management also considers internal and external factors such as economic conditions, loan management practices, portfolio monitoring, and other risks, collectively known as qualitative factors, or Q-factors, to estimate credit losses in the loan portfolio. Q-factors are used to reflect changes in the portfolio's collectability characteristics not captured by historical loss data.

The Corporation's historical loss component is the most significant of the ALL components and is based on historical loss experience by credit-risk grade (for commercial loan pools) and payment status (for mortgage and consumer loan pools). The historical loss experience component of the ALL represents the results of migration analysis of historical net charge-offs for portfolios of loans (including groups of commercial loans within each credit-risk grade and groups of consumer loans by payment status). For measuring loss exposure in a pool of loans, the historical net charge-off or migration experience is utilized to estimate expected losses to be realized from the pool of loans.

If a nonperforming, substandard loan has an outstanding balance of $0.3 million or greater or if a doubtful loan has an outstanding balance of $0.1 million or greater, as determined by the Corporation's credit-risk grading process, further analysis is performed to determine the probable loss content and assign a specific allowance to the loan, if deemed appropriate. The ALL relating to originated loans that have become impaired is based on either expected cash flows discounted using the original effective interest rate, the observable market price, or the fair value of the collateral for certain collateral dependent loans.

The following tables show activity in the originated ALL, by portfolio segment for the three months ended March 31, 2016 and 2015, as well as the corresponding recorded investment in originated loans at the end of the period:

As of March 31, 2016

(In thousands)

Originated Loans	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Three Months Ended									
Allowance for originated loan losses, beginning balance	$ 44,760	$ 9,631	$ 1,594	$ 1,313	$ 14,183	$ 20,094	$ 8,831	$ 4,729	$ 105,135
Charge-offs	(3,209)	(109)	—	—	(6,769)	(1,027)	(1,450)	(450)	(13,014)
Recoveries	532	24	2	19	3,806	624	357	20	5,384
Provision for loan losses	2,406	(2,302)	(59)	167	3,444	(163)	853	1,064	5,410
Allowance for originated loan losses, ending balance	$ 44,489	$ 7,244	$ 1,537	$ 1,499	$ 14,664	$ 19,528	$ 8,591	$ 5,363	$ 102,915
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 6,194	$ 567	$ —	$ —	$ 1,081	$ 185	$ 225	$ 1,038	$ 9,290
Collectively evaluated for impairment	38,295	6,677	1,537	1,499	13,583	19,343	8,366	4,325	93,625
Total ending allowance for originated loan losses balance	$ 44,489	$ 7,244	$ 1,537	$ 1,499	$ 14,664	$ 19,528	$ 8,591	$ 5,363	$ 102,915
Originated loans:									
Originated loans individually evaluated for impairment	$ 46,996	$ 24,013	$ —	$ —	$ 40,134	$ 7,720	$ 687	$ 23,105	$ 142,655
Originated loans collectively evaluated for impairment	5,790,319	2,055,649	670,825	512,929	3,114,778	1,246,989	178,336	677,033	14,246,858
Total ending originated loan balance	$5,837,315	$2,079,662	$ 670,825	$512,929	$3,154,912	$1,254,709	$179,023	$700,138	$14,389,513

As of March 31, 2015

(In thousands)

Originated Loans	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Three Months Ended									
Allowance for originated loan losses, beginning balance	$ 37,375	$ 10,492	$ 2,202	$ 674	$ 12,918	$ 19,324	$ 7,966	$ 4,745	$ 95,696
Charge-offs	(510)	(215)	—	—	(5,055)	(911)	(1,452)	(424)	(8,567)
Recoveries	341	—	1	4	3,020	613	366	35	4,380
Provision for loan losses	2,632	(1,464)	(451)	(49)	2,475	407	921	1,565	6,036
Allowance for originated loan losses, ending balance	$ 39,838	$ 8,813	$ 1,752	$ 629	$ 13,358	$ 19,433	$ 7,801	$ 5,921	$ 97,545
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 10,042	$ 317	$ —	$ —	$ 1,005	$ 254	$ 263	$ 1,416	$ 13,297
Collectively evaluated for impairment	29,796	8,496	1,752	629	12,353	19,179	7,538	4,505	84,248
Total ending allowance for originated loan losses balance	$ 39,838	$ 8,813	$ 1,752	$ 629	$ 13,358	$ 19,433	$ 7,801	$ 5,921	$ 97,545
Originated loans:									
Originated loans individually evaluated for impairment	$ 35,792	$ 15,000	$ —	$ —	$ 26,882	$ 7,632	$ 815	$ 24,822	$ 110,943
Originated loans collectively evaluated for impairment	5,282,105	2,118,017	580,978	388,873	2,473,406	1,126,606	159,951	615,158	12,745,094
Total ending originated loan balance	$5,317,897	$2,133,017	$ 580,978	$388,873	$2,500,288	$1,134,238	$160,766	$639,980	$12,856,037

The following table presents the originated ALL and the recorded investment as of December 31, 2015:

Originated Loans (In thousands) As of December 31, 2015	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 11,837	$ 128	$ —	$ —	$ 1,009	$ 188	$ 243	$ 944	$ 14,349
Collectively evaluated for impairment	32,923	9,503	1,594	1,313	13,174	19,906	8,588	3,785	90,786
Total ending allowance for originated loan losses balance	$ 44,760	$ 9,631	$ 1,594	$ 1,313	$ 14,183	$ 20,094	$ 8,831	$ 4,729	$ 105,135
Originated loans:									
Loans individually evaluated for impairment	$ 43,818	$ 16,614	$ —	$ —	$ 36,904	$ 7,080	$ 717	$ 23,905	$ 129,038
Loans collectively evaluated for impairment	5,749,590	2,060,730	645,337	491,741	2,953,445	1,241,358	182,126	665,140	13,989,467
Total ending originated loan balance	$5,793,408	$2,077,344	$ 645,337	$491,741	$2,990,349	$1,248,438	$182,843	$689,045	$14,118,505

Allowance for Acquired Loan Losses

The Citizens' loans were recorded at their fair value as of the Acquisition Date and the prior ALL was eliminated. An ALL for acquired nonimpaired loans is estimated using a methodology similar to that used for originated loans. The allowance determined for each acquired nonimpaired loan is compared to the remaining fair value adjustment for that loan. If the computed allowance is greater, the excess is added to the allowance through a provision for loan losses. If the computed allowance is less, no additional allowance is recognized. As of March 31, 2016, the computed ALL was less than the remaining fair value discount; therefore, no ALL for acquired nonimpaired loans was recorded.

Charge-offs and actual losses on an acquired nonimpaired loan first reduce any remaining fair value discount for that loan. Once a loan's discount is depleted, charge-offs and actual losses are applied against the acquired ALL. During the three months ended March 31, 2016 and 2015, provision for loan losses, equal to net charge-offs, of $0.6 million and $2.2 million, respectively, were recorded. Charge-offs on acquired nonimpaired loans were mainly related to consumer loans that were written off in accordance with the Corporation's credit policies based on a predetermined number of days past due.

The ALL for acquired impaired loans is determined by comparing the present value of the cash flows expected to be collected to the carrying amount for a given pool of loans. Management reforecasts the estimated cash flows expected to be collected on acquired impaired loans on a quarterly basis. If the present value of expected cash flows for a pool is less than its carrying value, impairment is recognized by an increase in the ALL and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established ALL is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. See Note 3 (Loans) for further information on changes in accretable yield.

The following table presents activity in the allowance for acquired impaired loan losses for the three months ended March 31, 2016 and 2015:

Allowance for Acquired Impaired Loan Losses	Three Months Ended March 31,	
(In thousands)	2016	2015
Balance at beginning of the period	$ 3,877	$ 7,457
Charge-offs	—	—
Recoveries	—	—
Provision/(recapture) for loan losses	546	36
Balance at end of the period	$ 4,423	$ 7,493

Allowance for FDIC Acquired Loan Losses

The ALL on FDIC acquired nonimpaired loans is estimated similar to acquired loans as described above except any increase to the ALL and provision for loan losses is partially offset by an increase in the loss share receivable for the portion of the losses recoverable under the loss share agreements with the FDIC. As of March 31, 2016, the computed ALL was less than the remaining fair value discount; therefore, no ALL for FDIC acquired nonimpaired loans was recorded.

The following table presents activity in the allowance for FDIC acquired impaired loan losses for the three months ended March 31, 2016 and 2015:

Allowance for FDIC acquired Impaired Loan Losses	Three Months Ended March 31,	
(In thousands)	2016	2015
Balance at beginning of the period	$ 44,679	$ 40,496
Net provision/(recapture) of loan losses before benefit attributable to FDIC loss share agreements	1,537	4,225
Net (benefit)/recapture attributable to FDIC loss share agreements	(269)	(4,227)
Net provision/(recapture) for loan losses	1,268	(2)
Increase/(decrease) in loss share receivable	269	4,227
Loans charged-off	(1,617)	(3,207)
Balance at end of the period	$ 44,599	$ 41,514

An acquired or FDIC acquired loan may be resolved either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party, or foreclosure of the collateral. In the period of resolution of a nonimpaired loan, any remaining unamortized fair value adjustment is recognized as interest income. In the period of resolution of an impaired loan accounted for on an individual basis, the difference between the carrying amount of the loan and the proceeds received is recognized as a gain or loss within noninterest income. The majority of impaired loans are accounted for within a pool of loans which results in any difference between the proceeds received and the loan carrying amount being deferred as part of the carrying amount of the pool. The accretable amount of the pool remains unaffected from the resolution until the subsequent quarterly cash flow re-estimation. Favorable results from removal of the resolved loan from the pool increase the future accretable yield of the pool, while unfavorable results are recorded as impairment in the quarter of the cash flow

re-estimation. Acquired or FDIC acquired impaired loans subject to modification are not removed from a pool even if those loans would otherwise be deemed TDRs as the pool, and not the individual loan, represents the unit of account.

Credit Quality

A loan is considered to be impaired when, based on current events or information, it is probable the Corporation will be unable to collect all amounts due (principal and interest) per the contractual terms of the loan agreement.

Interest income recognized on impaired loans was $0.2 million for the three months ended March 31, 2016, compared to $118.0 thousand for the three months ended March 31, 2015. Interest income which would have been earned in accordance with the original terms was $1.2 million for the three months ended March 31, 2016, compared to $0.9 million for the three months ended March 31, 2015.

Loan impairment is measured based on either the present value of expected future cash flows discounted at the loan’s effective interest rate, at the observable market price of the loan, or the fair value of the collateral for certain collateral dependent loans. Impaired loans include all nonaccrual commercial, agricultural, construction, and commercial real estate loans, and loans modified as a TDR, regardless of nonperforming status. Acquired and FDIC acquired impaired loans are not considered or reported as impaired loans. Nonimpaired acquired loans that are subsequently placed on nonaccrual status are reported as impaired loans and included in the Troubled Debt Restructurings section below. Acquired loans restructured after acquisition are not considered or reported as TDRs if the loans evidenced credit deterioration as of the date of acquisition and are accounted for in pools.

The following tables provide further detail on impaired loans individually evaluated for impairment and the associated ALL. Certain impaired loans do not have a related ALL as the valuation of these impaired loans exceeded the recorded investment.

As of March 31, 2016

Originated Loans (In thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**
Impaired loans with no related allowance				
Commercial				
C&I	$ 32,520	$ 38,568	$ —	$ 30,827
CRE	20,598	22,604	—	13,776
Construction	—	—	—	—
Leases	—	—	—	—
Consumer				
Installment	1,236	1,493	—	1,162
Home equity line	481	738	—	751
Credit card	13	13	—	20
Residential mortgages	11,184	13,562	—	11,775
Subtotal	66,032	76,978	—	58,311
Impaired loans with a related allowance				
Commercial				
C&I	14,476	14,617	6,194	14,117
CRE	3,415	3,447	567	2,435
Construction	—	—	—	—
Leases	—	—	—	—
Consumer				
Installment	38,898	39,013	1,081	32,499
Home equity line	7,239	7,239	185	6,699
Credit card	674	674	225	725
Residential mortgages	11,921	12,036	1,038	12,394
Subtotal	76,623	77,026	9,290	68,869
Total impaired loans	$ 142,655	$154,004	$ 9,290	$ 127,180

Note 1: These tables exclude loans fully charged off.

Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

As of December 31, 2015

Originated Loans (In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no related allowance				
Commercial				
C&I	$ 21,066	$ 23,854	$ —	$ 27,215
CRE	15,465	17,456	—	13,031
Construction	—	—	—	—
Consumer				
Installment	1,369	1,658	—	1,807
Home equity line	670	919	—	999
Credit card	21	21	—	20
Residential mortgages	11,550	13,901	—	11,979
Subtotal	50,141	57,809	—	55,051
Impaired loans with a related allowance				
Commercial				
C&I	22,752	28,881	11,837	11,284
CRE	1,149	1,173	128	3,037
Construction	—	—	—	—
Consumer				
Installment	35,535	35,592	1,009	28,808
Home equity line	6,410	6,411	188	6,382
Credit card	696	696	243	757
Residential mortgages	12,355	12,458	944	12,619
Subtotal	78,897	85,211	14,349	62,887
Total impaired loans	$ 129,038	$143,020	$ 14,349	$ 117,938

Note 1: These tables exclude loans fully charged off.

Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

As of March 31, 2015				
Originated Loans (In thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**
Impaired loans with no related allowance				
Commercial				
C&I	$ 28,513	$ 35,307	$ —	$ 25,006
CRE	9,343	15,478	—	9,634
Construction	—	—	—	—
Consumer				
Installment	1,846	2,428	—	1,881
Home equity line	977	1,222	—	987
Credit card	21	21	—	23
Residential mortgages	12,424	15,125	—	12,488
Subtotal	53,124	69,581	—	50,019
Impaired loans with a related allowance				
Commercial				
C&I	7,279	7,350	10,042	5,984
CRE	5,657	5,664	317	5,668
Construction	—	—	—	—
Consumer				
Installment	25,036	25,100	1,005	24,181
Home equity line	6,655	6,655	254	6,715
Credit card	794	794	263	823
Residential mortgages	12,398	12,487	1,416	12,414
Subtotal	57,819	58,050	13,297	55,785
Total impaired loans	$ 110,943	$127,631	$ 13,297	$ 105,804

Note 1: These tables exclude loans fully charged off.

Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

Troubled Debt Restructurings

In certain circumstances, the Corporation may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near term. In most cases, the modification is either a concessionary reduction in interest rate, extension of the maturity date or modification of the adjustable rate provisions of the loan that would otherwise not be considered; however, forgiveness of principal is rarely granted. Concessionary modifications are classified as TDRs unless the modification is short-term, typically less than 90 days. TDRs accrue interest if the borrower complies with the revised terms and conditions and has demonstrated repayment performance at a level commensurate with the modified terms for a minimum of six consecutive payment cycles after the restructuring date. Acquired loans restructured after acquisition are not considered TDRs if the loans evidenced credit deterioration as of the Acquisition Date and are accounted for in pools.

The substantial majority of the Corporation's residential mortgage TDRs involve reducing the client's loan payment through an interest rate reduction for a set period of time based on the borrower's ability to service the modified loan payment. Modifications of mortgages retained in portfolio are handled using proprietary modification guidelines, or the FDIC's Modification Program for residential first mortgages covered by loss share agreements (agreements between the Bank and the FDIC that afford the Bank significant protection against future losses). The Corporation participates in the U.S. Treasury's Home Affordable Modification Program for originated mortgages sold to and serviced for FNMA and FHLMC.

Commercial and industrial loans modified in a TDR often involve temporary interest-only payments, term extensions and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested. Commercial real estate and construction loans modified in a TDR often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a TDR may also involve extending the interest-only payment period. The Corporation has modified certain loans according to provisions in loss share agreements. Losses associated with modifications on these loans, including the economic impact of interest rate reductions, are generally eligible for reimbursement under the loss share agreements.

The following tables provide the number of loans modified in a TDR and the recorded investment and unpaid principal balance by loan portfolio as of March 31, 2016, December 31, 2015, and March 31, 2015.

	As of March 31, 2016		
(Dollars in thousands)	Number of Loans	Recorded Investment	Unpaid Principal Balance
Originated loans			
Commercial			
C&I	27	$ 28,160	$ 28,980
CRE	22	14,175	16,141
Construction	—	—	—
Total originated commercial	49	42,335	45,121
Consumer			
Installment	1,224	40,134	40,506
Home equity lines	253	7,720	7,977
Credit card	201	687	687
Residential mortgages	307	23,105	25,598
Total originated consumer	1,985	71,646	74,768
Total originated loans	2,034	$ 113,981	$ 119,889
Acquired loans			
Commercial			
C&I	—	$ —	$ —
CRE	5	3,525	3,827
Construction	—	—	—
Total acquired commercial	5	3,525	3,827
Consumer			
Installment	50	1,317	1,384
Home equity lines	171	7,508	7,572
Residential mortgages	31	2,050	2,277
Total acquired consumer	252	10,875	11,233
Total acquired loans	257	$ 14,400	$ 15,060
FDIC acquired loans			
Commercial			
C&I	—	$ —	$ —
CRE	3	13,176	11,466
Construction	1	580	677
Total FDIC acquired commercial	4	13,756	12,143
Consumer			
Home equity lines	76	9,627	9,642
Residential mortgages	—	—	—
Total FDIC acquired consumer	76	9,627	9,642
Total FDIC acquired loans	80	$ 23,383	$ 21,785
Total loans			
Commercial			
C&I	27	$ 28,160	$ 28,980
CRE	30	30,876	31,434
Construction	1	580	677
Total commercial	58	59,616	61,091
Consumer			
Installment	1,274	41,451	41,890
Home equity lines	500	24,855	25,191
Credit card	201	687	687
Residential mortgages	338	25,155	27,875
Total consumer	2,313	92,148	95,643
Total loans	2,371	$ 151,764	$ 156,734

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs and remaining purchase discount.

(Dollars in thousands)	As of December 31, 2015 Number of Loans	Recorded Investment	Unpaid Principal Balance
Originated loans			
Commercial			
C&I	26	$ 33,087	$ 33,740
CRE	24	14,671	16,648
Construction	—	—	—
Total originated commercial	50	47,758	50,388
Consumer			
Installment	1,223	36,904	37,250
Home equity lines	257	7,080	7,330
Credit card	212	717	717
Residential mortgages	312	23,905	26,359
Total originated consumer	2,004	68,606	71,656
Total originated loans	2,054	$ 116,364	$ 122,044
Acquired loans			
Commercial			
C&I	1	7,611	7,611
CRE	3	918	1,044
Total acquired commercial	4	8,529	8,655
Consumer			
Installment	51	1,117	1,211
Home equity lines	176	7,718	7,778
Residential mortgages	31	2,154	2,382
Total acquired consumer	258	10,989	11,371
Total acquired loans	262	$ 19,518	$ 20,026
FDIC acquired loans			
Commercial			
C&I	—	$ —	$ —
CRE	3	14,056	12,479
Construction	1	593	682
Total FDIC acquired commercial	4	14,649	13,161
Consumer			
Home equity lines	81	10,215	10,281
Residential Mortgages	1	182	182
Total FDIC acquired consumer	82	10,397	10,463
Total FDIC acquired loans	86	$ 25,046	$ 23,624
Total loans			
Commercial			
C&I	27	$ 40,698	$ 41,351
CRE	30	29,645	30,171
Construction	1	593	682
Total commercial	58	70,936	72,204
Consumer			
Installment	1,274	38,021	38,461
Home equity lines	514	25,013	25,389
Credit card	212	717	717
Residential mortgages	344	26,241	28,923
Total consumer	2,344	89,992	93,490
Total loans	2,402	$ 160,928	$ 165,694

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs and remaining purchase discount.

(Dollars in thousands)	As of March 31, 2015 Number of Loans	Recorded Investment	Unpaid Principal Balance
Originated loans			
Commercial			
C&I	47	$ 16,923	$ 23,666
CRE	64	12,076	17,325
Construction	31	—	—
Total originated commercial	142	28,999	40,991
Consumer			
Installment	1,186	26,882	27,528
Home equity lines	276	7,632	7,877
Credit card	230	815	815
Residential mortgages	316	24,822	27,612
Total originated consumer	2,008	60,151	63,832
Total originated loans	2,150	$ 89,150	$ 104,823
Acquired loans			
Commercial			
C&I	1	2	3
CRE	3	2,453	2,635
Total acquired commercial	4	2,455	2,638
Consumer			
Installment	51	1,195	1,281
Home equity lines	162	7,310	7,370
Residential mortgages	30	2,186	2,403
Total acquired consumer	243	10,691	11,054
Total acquired loans	247	$ 13,146	$ 13,692
FDIC acquired loans			
Commercial			
C&I	8	$ —	$ 1,355
CRE	24	23,895	39,596
Construction	9	346	9,552
Total FDIC acquired commercial	41	24,241	50,503
Consumer			
Home equity lines	70	8,909	8,914
Residential mortgages	1	185	185
Total FDIC acquired consumer	71	9,094	9,099
Total FDIC acquired loans	112	$ 33,335	$ 59,602
Total loans			
Commercial			
C&I	56	$ 16,925	$ 25,024
CRE	91	38,424	59,556
Construction	40	346	9,552
Total commercial	187	55,695	94,132
Consumer			
Installment	1,237	28,077	28,809
Home equity lines	508	23,851	24,161
Credit card	230	815	815
Residential mortgages	347	27,193	30,200
Total consumer	2,322	79,936	83,985
Total loans	2,509	$ 135,631	$ 178,117

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge offs and remaining purchase discount.

The pre-modification and post-modification outstanding recorded investments of loans modified as TDRs during the three months ended March 31, 2016 and 2015 were not materially different. Post-modification balances may include capitalization of unpaid accrued interest and fees associated with the modification as well as forgiveness of principal. Loans modified as TDRs during the three months ended March 31, 2016 and 2015 did not involve the forgiveness of principal; accordingly, the Corporation did not record a charge-off at the modification date. Additionally, capitalization of any unpaid accrued interest and fees assessed to loans modified in the three months ended March 31, 2016 and 2015 were not material to the accompanying consolidated financial statements. Specific allowances for loan losses are established for loans whose terms have been modified in a TDR. Specific reserve allocations are generally assessed prior to loans being modified in a TDR, as most of these loans migrate from the Corporation's internal watch list and have been specifically allocated for as part of the Corporation's normal loan loss provisioning methodology. At March 31, 2016, December 31, 2015, and March 31, 2015, the Corporation had $8.3 million, $7.0 million, and $6.1 million, respectively, in commitments to lend additional funds to debtors owing receivables whose terms have been modified in a TDR.

The following tables provide a summary of the delinquency status of TDRs along with the specific allowance for loan loss, by loan type, as of March 31, 2016, December 31, 2015, and March 31, 2015, including TDRs that continue to accrue interest and TDRs included in nonperforming assets.

As of March 31, 2016	Accruing TDRs			Nonaccruing TDRs			Total	Total
(In thousands)	Current	Delinquent	Total	Current	Delinquent	Total	TDRs	Allowance
Originated loans								
Commercial								
C&I	$13,306	$ 1,168	$ 14,474	$ 7,741	$ 5,945	$13,686	$ 28,160	$ 6,194
CRE	273	2,247	2,520	765	10,890	11,655	14,175	20
Construction	—	—	—	—	—	—	—	—
Total originated commercial	13,579	3,415	16,994	8,506	16,835	25,341	42,335	6,214
Consumer								
Installment	38,153	600	38,753	1,342	39	1,381	40,134	1,081
Home equity lines	6,891	101	6,992	713	15	728	7,720	185
Credit card	554	111	665	—	22	22	687	225
Residential mortgages	13,707	1,517	15,224	5,395	2,486	7,881	23,105	1,038
Total originated consumer	59,305	2,329	61,634	7,450	2,562	10,012	71,646	2,529
Total originated TDRs	**$72,884**	**$ 5,744**	**$ 78,628**	**$15,956**	**$ 19,397**	**$35,353**	**$113,981**	**$ 8,743**
Acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	2,758	—	2,758	665	102	767	3,525	29
Construction	—	—	—	—	—	—	—	—
Total acquired commercial	2,758	—	2,758	665	102	767	3,525	29
Consumer								
Installment	1,230	—	1,230	87	—	87	1,317	42
Home equity lines	7,281	108	7,389	119	—	119	7,508	59
Residential mortgages	1,156	247	1,403	623	24	647	2,050	—
Total acquired consumer	9,667	355	10,022	829	24	853	10,875	101
Total acquired TDRs	**$12,425**	**$ 355**	**$ 12,780**	**$ 1,494**	**$ 126**	**$ 1,620**	**$ 14,400**	**$ 130**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	—	—	—	13,176	13,176	13,176	2,302
Construction	—	—	—	580	—	580	580	42
Total FDIC acquired commercial	—	—	—	580	13,176	13,756	13,756	2,344
Consumer								
Home equity lines	9,395	181	9,576	51	—	51	9,627	26
Residential mortgages	—	—	—	—	—	—	—	—
Total FDIC acquired consumer	9,395	181	9,576	51	—	51	9,627	26
Total FDIC acquired TDRs	**$ 9,395**	**$ 181**	**$ 9,576**	**$ 631**	**$ 13,176**	**$13,807**	**$ 23,383**	**$ 2,370**
Total loans								
Commercial								
C&I	$13,306	$ 1,168	$ 14,474	$ 7,741	$ 5,945	$13,686	$ 28,160	$ 6,194
CRE	3,031	2,247	5,278	1,430	24,168	25,598	30,876	2,351
Construction	—	—	—	580	—	580	580	42
Total commercial	16,337	3,415	19,752	9,751	30,113	39,864	59,616	8,587
Consumer								
Installment	39,383	600	39,983	1,429	39	1,468	41,451	1,123
Home equity lines	23,567	390	23,957	883	15	898	24,855	270
Credit card	554	111	665	—	22	22	687	225
Residential mortgages	14,863	1,764	16,627	6,018	2,510	8,528	25,155	1,038
Total consumer	78,367	2,865	81,232	8,330	2,586	10,916	92,148	2,656
Total TDRs	**$94,704**	**$ 6,280**	**$100,984**	**$18,081**	**$ 32,699**	**$50,780**	**$151,764**	**$ 11,243**

As of December 31, 2015								
	Accruing TDRs			Nonaccruing TDRs			Total	Total
(In thousands)	Current	Delinquent	Total	Current	Delinquent	Total	TDRs	Allowance
Originated loans								
Commercial								
C&I	$ 22,566	$ 107	$ 22,673	$ 4,229	$ 6,185	$10,414	$ 33,087	$ 6,052
CRE	10,271	2,247	12,518	746	1,407	2,153	14,671	20
Construction	—	—	—	—	—	—	—	—
Total originated commercial	32,837	2,354	35,191	4,975	7,592	12,567	47,758	6,072
Consumer								
Installment	34,902	794	35,696	1,125	83	1,208	36,904	1,009
Home equity lines	6,511	114	6,625	399	56	455	7,080	188
Credit card	575	140	715	—	2	2	717	243
Residential mortgages	12,869	2,896	15,765	4,611	3,529	8,140	23,905	944
Total originated consumer	54,857	3,944	58,801	6,135	3,670	9,805	68,606	2,384
Total originated TDRs	**$ 87,694**	**$ 6,298**	**$ 93,992**	**$11,110**	**$ 11,262**	**$22,372**	**$116,364**	**$ 8,456**
Acquired loans								
Commercial								
C&I	$ 7,611	$ —	$ 7,611	$ —	$ —	$ —	$ 7,611	$ —
CRE	—	—	—	659	259	918	918	201
Total acquired commercial	7,611	—	7,611	659	259	918	8,529	201
Consumer								
Installment	967	126	1,093	14	10	24	1,117	45
Home equity lines	6,941	655	7,596	122	—	122	7,718	70
Residential mortgages	1,096	256	1,352	802	—	802	2,154	—
Total acquired consumer	9,004	1,037	10,041	938	10	948	10,989	115
Total acquired TDRs	**$ 16,615**	**$ 1,037**	**$ 17,652**	**$ 1,597**	**$ 269**	**$ 1,866**	**$ 19,518**	**$ 316**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	14,056	14,056	—	—	—	14,056	2,333
Construction	593	—	593	—	—	—	593	—
Total FDIC acquired commercial	593	14,056	14,649	—	—	—	14,649	2,333
Consumer								
Home equity lines	10,065	70	10,135	6	74	80	10,215	23
Residential mortgages	182	—	182	—	—	—	182	—
Total FDIC acquired consumer	10,247	70	10,317	6	74	80	10,397	23
Total FDIC acquired TDRs	**$ 10,840**	**$ 14,126**	**$ 24,966**	**$ 6**	**$ 74**	**$ 80**	**$ 25,046**	**$ 2,356**
Total Loans								
Commercial								
C&I	$ 30,177	$ 107	$ 30,284	$ 4,229	$ 6,185	$10,414	$ 40,698	$ 6,052
CRE	10,271	16,303	26,574	1,405	1,666	3,071	29,645	2,554
Construction	593	—	593	—	—	—	593	—
Total commercial	41,041	16,410	57,451	5,634	7,851	13,485	70,936	8,606
Consumer								
Installment	35,869	920	36,789	1,139	93	1,232	38,021	1,054
Home equity lines	23,517	839	24,356	527	130	657	25,013	281
Credit card	575	140	715	—	2	2	717	243
Residential mortgages	14,147	3,152	17,299	5,413	3,529	8,942	26,241	944
Total consumer	74,108	5,051	79,159	7,079	3,754	10,833	89,992	2,522
Total TDRs	**$115,149**	**$ 21,461**	**$136,610**	**$12,713**	**$ 11,605**	**$24,318**	**$160,928**	**$ 11,128**

As of March 31, 2015

(In thousands)	Accruing TDRs Current	Accruing TDRs Delinquent	Accruing TDRs Total	Nonaccruing TDRs Current	Nonaccruing TDRs Delinquent	Nonaccruing TDRs Total	Total TDRs	Total Allowance
Originated loans								
Commercial								
C&I	$16,558	$ —	$ 16,558	$ —	$ 365	$ 365	$ 16,923	$ 124
CRE	6,031	1,493	7,524	3,724	828	4,552	12,076	71
Construction	—	—	—	—	—	—	—	—
Total originated commercial	22,589	1,493	24,082	3,724	1,193	4,917	28,999	195
Consumer								
Installment	24,701	409	25,110	1,528	244	1,772	26,882	1,005
Home equity lines	6,680	113	6,793	811	28	839	7,632	254
Credit card	721	77	798	—	17	17	815	263
Residential mortgages	14,299	2,286	16,585	5,020	3,217	8,237	24,822	1,416
Total originated consumer	46,401	2,885	49,286	7,359	3,506	10,865	60,151	2,938
Total originated TDRs	**$68,990**	**$ 4,378**	**$ 73,368**	**$11,083**	**$ 4,699**	**$15,782**	**$ 89,150**	**$ 3,133**
Acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ 2	$ —	$ 2	$ 2	$ 2
CRE	—	—	—	954	1,499	2,453	2,453	135
Total acquired commercial	—	—	—	956	1,499	2,455	2,455	137
Consumer								
Installment	1,139	33	1,172	23	—	23	1,195	48
Home equity lines	6,610	564	7,174	136	—	136	7,310	—
Residential mortgages	1,335	—	1,335	616	235	851	2,186	—
Total acquired consumer	9,084	597	9,681	775	235	1,010	10,691	48
Total acquired TDRs	**$ 9,084**	**$ 597**	**$ 9,681**	**$ 1,731**	**$ 1,734**	**$ 3,465**	**$ 13,146**	**$ 185**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	23,895	23,895	—	—	—	23,895	2,026
Construction	—	346	346	—	—	—	346	293
Total FDIC acquired commercial	—	24,241	24,241	—	—	—	24,241	2,319
Consumer								
Home equity lines	7,703	939	8,642	267	—	267	8,909	24
Residential mortgages	185	—	185	—	—	—	185	—
Total FDIC acquired consumer	7,888	939	8,827	267	—	267	9,094	24
Total FDIC acquired TDRs	**$ 7,888**	**$ 25,180**	**$ 33,068**	**$ 267**	**$ —**	**$ 267**	**$ 33,335**	**$ 2,343**
Total loans								
Commercial								
C&I	$16,558	$ —	$ 16,558	$ 2	$ 365	$ 367	$ 16,925	$ 126
CRE	6,031	25,388	31,419	4,678	2,327	7,005	38,424	2,232
Construction	—	346	346	—	—	—	346	293
Total commercial	22,589	25,734	48,323	4,680	2,692	7,372	55,695	2,651
Consumer								
Installment	25,840	442	26,282	1,551	244	1,795	28,077	1,053
Home equity lines	20,993	1,616	22,609	1,214	28	1,242	23,851	278
Credit card	721	77	798	—	17	17	815	263
Residential mortgages	15,819	2,286	18,105	5,636	3,452	9,088	27,193	1,416
Total consumer	63,373	4,421	67,794	8,401	3,741	12,142	79,936	3,010
Total TDRs	**$85,962**	**$ 30,155**	**$116,117**	**$13,081**	**$ 6,433**	**$19,514**	**$135,631**	**$ 5,661**

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, the Corporation evaluates the loan for possible further impairment. The ALL may be increased, adjustments may be made in the allocation of the ALL, or partial charge-offs may be taken to further write-down the carrying value of the loan.

On an ongoing basis, the Corporation monitors the performance of modified loans to their restructured terms. In the event of a subsequent default, the ALL continues to be reassessed on the basis of an individual evaluation of the loan.

The following tables provide the number of loans modified in a TDR within the previous 12 months that subsequently defaulted during the three months ended March 31, 2016 and March 31, 2015, as well as the amount defaulted in these restructured loans.

(Dollars in thousands)	Three Months Ended March 31, 2016	
	Number of Loans	Amount Defaulted
Originated loans		
Commercial		
C&I	—	$ —
CRE	—	—
Construction	—	—
Total originated commercial	—	—
Consumer		
Installment	8	83
Home equity lines	—	—
Credit card	3	2
Residential mortgages	1	76
Total originated consumer	12	$ 161
FDIC acquired loans		
Commercial		
C&I	—	$ —
CRE	—	—
Construction	—	—
Total FDIC acquired commercial	—	$ —
Acquired loans		
Commercial		
C&I	—	$ —
CRE	1	255
Construction	—	—
Total acquired commercial	1	$ 255
Consumer		
Installment	2	31
Home equity lines	1	14
Residential mortgages	—	—
Total acquired consumer	3	$ 45
Total loans		
Commercial		
C&I	—	$ —
CRE	1	255
Construction	—	—
Total commercial	1	255
Consumer		
Installment	10	114
Home equity lines	1	14
Credit card	3	2
Residential mortgages	1	76
Total consumer	15	206
Total	16	$ 461

(Dollars in thousands)	Three Months Ended March 31, 2015	
	Number of Loans	Recorded Investment
Originated loans		
Commercial		
C&I	—	$ —
CRE	—	—
Construction	—	—
Total originated commercial	—	—
Consumer		
Installment	2	—
Home equity lines	—	—
Credit card	2	17
Residential mortgages	—	—
Total originated consumer	4	$ 17
FDIC acquired loans		
Commercial		
C&I	1	$ 427
CRE	—	—
Construction	—	—
Total FDIC acquired commercial	1	$ 427
Acquired loans		
Commercial		
C&I	1	$ 55
CRE	—	—
Construction	—	—
Total acquired commercial	1	$ 55
Total loans		
Commercial		
C&I	2	$ 482
CRE	—	—
Construction	—	—
Total commercial	2	482
Consumer		
Installment	2	—
Home equity lines	—	—
Credit card	2	17
Residential mortgages	—	—
Total consumer	4	17
Total	6	$ 499

5. Goodwill and Other Intangible Assets

Goodwill

Goodwill totaled $741.7 million as of March 31, 2016, December 31, 2015, and March 31, 2015. Goodwill is not amortized but is evaluated for impairment on an annual basis at November 30 of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. No events or circumstances since the November 30, 2015 annual impairment test were noted that would indicate it was more likely than not a goodwill impairment exists.

Other Intangible Assets

The Corporation has other intangible assets that are amortized, consisting of core deposit intangibles, lease intangibles and trust relationship intangibles. The following tables show the gross carrying amount, accumulated amortization, and net carrying amount of these intangible assets.

	March 31, 2016		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (30,194)	$ 52,129
Lease intangible	238	(220)	18
Trust Relationships (2)	14,000	(7,823)	6,177
	$ 96,561	(38,237)	$ 58,324

	December 31, 2015		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (28,304)	$ 54,019
Lease intangible	238	(212)	26
Trust Relationships (2)	14,000	(7,417)	6,583
	$ 96,561	(35,933)	$ 60,628

	March 31, 2015		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (22,073)	$ 60,250
Lease intangible	238	(185)	53
Trust relationships (2)	14,000	(5,881)	8,119
	$ 96,561	(28,139)	$ 68,422

(1) Core deposit intangibles are amortized on an accelerated basis over their estimated useful lives, which range from 10-15 years.
(2) Trust relationship intangibles are amortized on an accelerated basis on their estimated useful lives of 12 years.

Amortization expense for intangible assets was $2.3 million in the three months ended March 31, 2016, compared to $2.6 million in the three months ended March 31, 2015. Estimated amortization expense for each of the next five years is as follows: remainder of 2016 - $6.9 million; 2017 - $8.2 million; 2018 - $7.3 million; and 2019 - $6.5 million; 2020 - $5.2 million.

6. Shareholders' Equity

Common Stock Warrant

On May 13, 2015, the Corporation repurchased a warrant previously issued by Citizens to the U.S. Treasury. The warrant, which entitled the U.S. Treasury to purchase 2,571,998 shares of FirstMerit Common Stock at an adjusted strike price of $17.50, was purchased for $12.2 million. In accordance with GAAP, the Corporation recorded a reduction to capital surplus in the amount of $9.2 million in conjunction with this warrant repurchase that reflected the excess amount paid over the previously stated amount.

Preferred Stock

The Corporation has 7,000,000 shares of authorized Preferred Stock and has designated 115,000 shares of its Preferred Stock as 5.875% Non-Cumulative Perpetual Preferred Stock, Series A. On February 4, 2013, the Corporation issued 100,000 shares of its Non-Cumulative Perpetual Preferred Stock, Series A, which began paying cash dividends on May 4, 2013, quarterly in arrears on the 4th day of February, May, August, and November.

Earnings Per Share

Basic net income per common share is calculated using the two-class method to determine income attributable to common shareholders. Net income attributable to Common Stock is then divided by the weighted-average number of Common Stock outstanding during the period.

Diluted net income per common share is calculated under the more dilutive of either the treasury method or two-class method. Adjustments to the weighted-average number of shares of Common Stock outstanding are made only when such adjustments will dilute earnings per common share. Net income attributable to Common Stock is then divided by the weighted-average number of Common Stock and Common Stock equivalents outstanding during the period.

The reconciliation between basic and diluted EPS using the two-class method and treasury stock method is presented as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended March 31, 2016	2015
Basic EPS:		
Net income	$ 54,136	$ 57,139
Less:		
Cash dividends on 5.875% non-cumulative perpetual series A, Preferred Stock	1,469	1,469
Income allocated to participating securities	387	407
Net income attributable to common shareholders	$ 52,280	$ 55,263
Weighted average Common Stock outstanding used in basic EPS	165,745	165,411
Basic net income per common share	$ 0.32	$ 0.33
Diluted EPS:		
Income used in diluted earnings per common share calculation	$ 52,280	$ 55,263
Weighted average Common Stock outstanding used in basic EPS	165,745	165,411
Add: Common Stock equivalents		
Employee stock award plans	494	592
Weighted average Common and Common Stock equivalent shares outstanding	166,239	166,003
Diluted net income per common share	$ 0.31	$ 0.33

Common Stock equivalents consist of employee stock award plans. These Common Stock equivalents do not enter into the calculation of diluted EPS if the impact would be anti-dilutive, that is, increase EPS or reduce a loss per share. Antidilutive potential Common Stock for the three months ended March 31, 2016 and 2015 totaled 0.5 million and 0.8 million, respectively.

7. Segment Information

Management monitors the Corporation’s results by an internal performance measurement system, which provides lines of business results and key performance measures. The profitability measurement system is based on internal financial management practices designed to produce consistent results and reflect the underlying economics of the businesses. The development and application of these methodologies is a dynamic process. Accordingly, these measurement tools and assumptions may be revised periodically to reflect methodological, product, and/or management organizational changes. Further, these tools measure financial results that support the strategic objectives and internal organizational structure of the Corporation. Consequently, the information presented is not necessarily comparable with similar information for other financial institutions.

A description of each business, selected financial performance, and the methodologies used to measure financial performance are presented below.

- *Commercial* – The commercial line of business provides a full range of lending, depository, and related financial services to middle-market corporate, industrial, financial, core business banking, public entities, and leasing clients. Commercial also includes personal business from commercial loan clients in coordination with the Wealth Management segment. Products and services offered include commercial term loans, revolving credit arrangements, asset-based lending, leasing, commercial mortgages, real estate construction lending, letters of credit, treasury management, government banking, international banking, merchant card and other depository products and services.
- *Retail* – The retail line of business includes consumer lending and deposit gathering, residential mortgage loan origination and servicing, and branch-based small business banking. Retail offers a variety of retail financial products and services including consumer direct and indirect installment loans, debit and credit cards, residential mortgage loans, home equity loans and lines of credit, deposit products, fixed and variable annuities and ATM network services. Deposit products include checking, savings, money market accounts and certificates of deposit.
- *Wealth* – The wealth line of business offers a broad array of asset management, private banking, financial planning, estate settlement and administration, credit and deposit products and services. Trust and investment services include personal trust and planning, investment management, estate settlement and administration services. Retirement plan services focus on investment management and fiduciary activities. Brokerage and insurance delivers retail mutual funds, other securities, variable and fixed annuities, personal disability and life insurance products and brokerage services. Private banking provides credit, deposit and asset management solutions for affluent clients.
- *Other* – The other line of business includes activities that are not directly attributable to one of the three principal lines of business. Included in the Other category are the Parent Company, eliminating companies, community development operations, the treasury group, which includes the securities

portfolio, wholesale funding and asset liability management activities, and the economic impact of certain assets, capital and support functions not specifically identifiable with the three primary lines of business.

The accounting policies of the lines of businesses are the same as those of the Corporation described in Note 1 (Summary of Significant Accounting Policies) to the 2015 Form 10-K. Funds transfer pricing is used in the determination of net interest income by assigning a cost for funds used or credit for funds provided to assets and liabilities within each business unit. Assets and liabilities are match-funded based on their maturity, prepayment and/or repricing characteristics. As a result, the three primary lines of business are generally insulated from changes in interest rates. Changes in net interest income due to changes in rates are reported in Other by the treasury group. Capital has been allocated on an economic risk basis. Loans and lines of credit have been allocated capital based upon their respective credit risk. Asset management holdings in the Wealth segment have been allocated capital based upon their respective market risk related to assets under management. Normal business operating risk has been allocated to each line of business by the level of noninterest expense. Mismatches between asset and liability cash flows as well as interest rate risk for mortgage servicing rights and mortgage origination business have been allocated capital based upon their respective asset/liability management risk. The provision for loan loss is allocated based upon the actual net charge-offs of each respective line of business, adjusted for loan growth and changes in risk profile. Noninterest income and expenses directly attributable to a line of business are assigned to that line of business. Expenses for centrally provided services are allocated to the business line by various activity based cost formulas.

Substantially all of the Corporation's business is conducted in the United States of America. The following tables present a summary of financial results as of and for the three months ended March 31, 2016 and March 31, 2015:

(In thousands) March 31, 2016	Commercial QTD	Retail QTD	Wealth QTD	Other QTD	FirstMerit Consolidated QTD
OPERATIONS:					
Net interest income/(loss)	$ 102,619	$ 94,728	$ 6,552	$ (18,743)	$ 185,156
Provision/(recapture) for loan losses	5,772	4,047	(155)	(1,855)	7,809
Noninterest income	21,179	23,594	14,309	8,312	67,394
Noninterest expense	61,020	88,694	13,353	3,896	166,963
Net income/(loss)	37,054	16,628	4,981	(4,527)	54,136
AVERAGES:					
Assets	$ 9,592,202	$ 6,232,255	$ 305,566	$9,640,834	$25,770,857
Loans	9,709,788	6,020,757	297,143	51,759	16,079,447
Earning assets	10,074,234	6,027,689	297,143	6,491,016	22,890,082
Deposits	7,478,489	11,025,256	1,319,711	812,209	20,635,665
Economic capital	1,252,294	872,762	131,588	713,523	2,970,167

(In thousands) March 31, 2015	Commercial QTD	Retail QTD	Wealth QTD	Other QTD	FirstMerit Consolidated QTD
OPERATIONS:					
Net interest income/(loss)	$ 99,844	$ 91,095	$ 5,353	$ (10,669)	$ 185,623
Provision/ (recapture) for loan losses	(526)	7,533	(170)	1,411	8,248
Noninterest income	22,490	21,737	13,976	7,644	65,847
Noninterest expense	61,653	88,271	13,719	(2,991)	160,652
Net income/(loss)	39,785	11,068	3,756	2,530	57,139
AVERAGES:					
Assets	$9,454,218	$ 5,845,417	$ 302,186	$9,303,273	$24,905,094
Loans	9,506,529	5,570,590	292,016	58,046	15,427,181
Earning assets	9,794,483	5,582,849	292,016	6,431,069	22,100,417
Deposits	6,886,945	11,124,158	1,240,960	536,862	19,788,925
Economic capital	848,890	479,188	55,187	1,483,097	2,866,362

8. Derivatives and Hedging Activities

The Corporation, through its mortgage banking and risk management operations, is party to various derivative instruments that are used for asset and liability management and customers' financing needs. Derivative instruments are contracts between two or more parties that have a notional amount and underlying variable, require no net investment and allow for the net settlement of positions. The notional amount serves as the basis for the payment provision of the contract and takes the form of units, such as shares or dollars. The underlying variable represents a specified interest rate, index or other component. The interaction between the notional amount and the underlying variable determines the number of units to be exchanged between the parties and influences the market value of the derivative contract.

The predominant derivative and hedging activities include interest rate swaps and certain mortgage banking activities. Generally, these instruments help the Corporation manage exposure to market risk, and meet customer financing needs. Market risk represents the possibility that economic value or net interest income will be adversely affected by fluctuations in external factors, such as interest rates, market-driven rates and prices or other economic factors. Foreign exchange contracts are entered into to accommodate the needs of customers.

Derivatives Designated in Hedge Relationships

The Corporation's fixed rate loans result in exposure to losses in value as interest rates change. The risk management objective for hedging fixed rate loans is to convert the fixed rate received to a floating rate. The Corporation hedges exposure to changes in the fair value of fixed rate loans through the use of swaps. For a qualifying fair value hedge, changes in the value of the derivatives that have been highly effective as hedges are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged.

At March 31, 2016, December 31, 2015, and March 31, 2015, the notional values or contractual amounts and fair value of the Corporation's derivatives designated in hedge relationships were as follows:

	Asset Derivatives						Liability Derivatives					
	March 31, 2016		December 31, 2015		March 31, 2015		March 31, 2016		December 31, 2015		March 31, 2015	
(In thousands)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)
Interest rate swaps:												
Commercial loan swaps (FRAPS)	$ —	$ —	$ —	$ —	$ —	$ —	$52,821	$ 3,238	$55,689	$ 3,536	$89,591	$ 6,063
Sub debt swap	250,000	22,718	250,000	8,739	250,000	12,688	—	—	—	—	—	—
Fair value hedges	$250,000	$22,718	$250,000	$ 8,739	$250,000	$12,688	$52,821	$ 3,238	$55,689	$ 3,536	$89,591	$ 6,063

(1) Included in "Other assets" on the Consolidated Balance Sheets
(2) Included in "Other liabilities" on the Consolidated Balance Sheets

Commercial Loan Swaps. Prior to 2008, the Corporation entered into interest rate swaps with dealer counterparties to convert certain fixed rate loans to variable rate instruments over the terms of the loans (termed by the Corporation as the FRAP Program). These interest rate swaps are designated as fair value hedges and met the criteria to qualify for the short cut method of accounting. Based on this shortcut method of accounting treatment, no ineffectiveness is assumed. The Corporation discontinued originating interest rate swaps under the FRAP Program in February 2008.

Sub Debt Swap. During the fourth quarter of 2014, the Corporation entered into a $250.0 million interest rate swap simultaneously with its long-term debt issuance for interest rate risk management purposes. This interest rate swap effectively modifies the receipt of fixed-rate interest amounts in exchange for floating-rate interest payments over the life of the swap, without an exchange of the underlying principal amount. This interest rate swap was designated as a fair value hedge, and through application of the "shortcut method of accounting", there is an assumption that the hedge is effective in offsetting changes in the fair value of the long-term debt due to changes in the U.S. LIBOR swap rate (the designated benchmark interest rate).

Derivatives Not Designated in Hedge Relationships

As of March 31, 2016, December 31, 2015, and March 31, 2015, the notional values or contractual amounts and fair value of the Corporation's derivatives not designated in hedge relationships were as follows:

	Asset Derivatives						Liability Derivatives					
	March 31, 2016		December 31, 2015		March 31, 2015		March 31, 2016		December 31, 2015		March 31, 2015	
(In thousands)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)
Interest rate swaps	$1,850,414	$75,139	$1,824,576	$48,920	$1,718,850	$59,147	$1,850,414	$75,139	$1,824,576	$48,920	$1,718,850	$59,147
Mortgage loan commitments	40,904	240	20,635	149	51,937	388	—	—	—	—	—	—
Forward sales contracts			—	—	—	—	7,527	82	9,659	5	11,758	68
Credit contracts	—	—	—	—	—	—	74,315	8	73,715	—	80,047	—
Foreign exchange	15,467	452	13,671	299	40,537	350	8,641	154	11,706	284	10,052	169
Equity swap	—	—	—	—	—	—	36,125	—	36,631	—	30,896	—
Total	$1,906,785	$75,831	$1,858,882	$49,368	$1,811,324	$59,885	$1,977,022	$75,383	$1,956,287	$49,209	$1,851,603	$59,384

(1) Included in "Other assets" on the Consolidated Balance Sheets
(2) Included in "Other liabilities" on the Consolidated Balance Sheets

Interest Rate Swaps. The Corporation's Back-to-Back Program is an interest rate swap program for commercial loan customers that provides the customer with a fixed rate loan while creating a variable rate asset for the Corporation through the customer entering into an interest rate swap with the Corporation on terms that match the loan. The Corporation offsets its risk exposure by entering into an offsetting interest rate swap with a dealer counterparty. These swaps do not qualify as designated hedges; therefore, each swap is accounted for as a standalone derivative.

Mortgage banking. In the normal course of business, the Corporation sells originated mortgage loans into the secondary mortgage loan markets. During the period of loan origination and prior to the sale of the loans in the secondary market, the Corporation has exposure to movements in interest rates associated with mortgage loans that are in the "mortgage pipeline" and the "mortgage warehouse". A pipeline loan is one in which the Corporation has entered into a written mortgage loan commitment with a potential borrower that will be held for resale. Once a mortgage loan is closed and funded, it is included within the mortgage warehouse of loans awaiting sale and delivery into the secondary market.

Written loan commitments that relate to the origination of mortgage loans that will be held for resale are considered free-standing derivatives and do not qualify for hedge accounting. Written loan commitments generally have a term of up to 60 days before the closing of the loan. The loan commitment does not bind the potential borrower to entering into the loan, nor does it guarantee that the Corporation will approve the potential borrower for the loan. Therefore, when determining fair value, the Corporation makes estimates of expected "fallout" (loan commitments not expected to close), using models which consider cumulative historical fallout rates and other factors. In addition, expected net future cash flows related to loan servicing activities are included in the fair value measurement of a written loan commitment.

Written loan commitments in which the borrower has locked in an interest rate result in market risk to the Corporation to the extent market interest rates change from the rate quoted to the borrower. The Corporation economically hedges the risk of changing interest rates associated with its interest rate lock commitments by entering into forward sales contracts.

The Corporation's warehouse (mortgage loans held for sale) is subject to changes in fair value, due to fluctuations in interest rates from the loan's closing date through the date of sale of the loan into the secondary market. Typically, the fair value of the warehouse declines in value when interest rates increase and rises in value when interest rates decrease. To mitigate this risk, the Corporation enters into forward sales contracts on a significant portion of the warehouse to provide an economic hedge against those changes in fair value. Mortgage loans held for sale and the forward sales contracts were recorded at fair value with ineffective changes in value recorded in current earnings as Loan sales and servicing income.

Credit contracts. The Corporation has bought and sold credit protection in the form of participations in interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business. Credit derivatives, whereby the Corporation has purchased credit protection, entitles the Corporation to receive a payment from the counterparty when the

customer fails to make payment on any amounts due to the Corporation. Swap participations whereby the Corporation has purchased credit protection have maturities that range between two to seven years. For swap participations where the Corporation sold credit protection, the Corporation has guaranteed payment in the event that the counterparty experiences a loss on the swap due to a failure to pay by the Corporation's commercial loan customer. The Corporation simultaneously entered into reimbursement agreements with the commercial loan customers obligating the customers to reimburse the Corporation for any payments it makes under the swap participations. The Corporation monitors its payment risk on its swap participations by monitoring the creditworthiness of its commercial loan customers, which is based on the normal credit review process the Corporation would have performed had it entered into these derivative instruments directly with the commercial loan customers. Credit derivatives whereby the Corporation has sold credit protection have maturities ranging from less than one year to nine years. The Corporation's maximum estimated exposure to sold swap participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was approximately $6.4 million as of March 31, 2016. The fair values of the written swap participations were not material at March 31, 2016, December 31, 2015, and March 31, 2015.

Gains and losses recognized in income on non-designated hedging instruments for the three months ended March 31, 2016 and 2015 are as follows:

		Amount of Gain / (Loss) Recognized in Income on Derivatives (In thousands)	
		Three Months Ended March 31,	
Derivatives not designated as hedging instruments	**Location of Gain/(Loss) Recognized in Income on Derivative**	**2016**	**2015**
Mortgage loan commitments	Loan sales and servicing income	$ 92	$ (1,020)
Forward sales contracts	Loan sales and servicing income	(77)	204
Foreign exchange contracts	Other operating income	819	(877)
Equity swap	Other operating expense	—	—
Total		$ 834	$ (1,693)

Counterparty Credit Risk

Like other financial instruments, derivatives contain an element of "credit risk" or the possibility that the Corporation will incur a loss because a counterparty, which may be a bank, a broker-dealer, a derivative clearing organization, or a customer, fails to meet its contractual obligations. This risk is measured as the expected positive replacement value of contracts. All derivative contracts may be executed only with exchanges or counterparties approved by the Corporation's Board of Directors. Where contracts have been created for customers, the Corporation enters into derivatives with dealers to offset its risk exposure. To manage the credit exposure to exchanges and counterparties, the Corporation generally enters into bilateral collateral agreements with collateral delivery thresholds on all bilateral derivatives. Beyond the threshold levels, collateral in the form of securities made available from the investment portfolio or other forms of collateral acceptable under the bilateral collateral agreements are provided. The threshold levels for each counterparty are approved by the Corporation's Board of Directors. The Corporation generally posts collateral in the form of highly rated Government Agency issued bonds or MBS.

The majority of the Corporation's over-the-counter derivative transactions are cleared through a recognized derivative clearing organization ("Clearinghouse"). For cleared derivatives, the Clearinghouse is the Corporation's counterparty. The Clearinghouse notifies the clearing agent of the required initial and variation margin and the clearing agent notifies the Corporation of the required initial and variation margin. The requirement that the Corporation post initial and variation margin through the clearing agent to the Clearinghouse exposes the Corporation to institutional credit risk if the clearing agent or the Clearinghouse fails to meet its obligations. The use of cleared derivatives is intended to mitigate credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily through a clearing agent for changes in the value of cleared derivatives.

The fair value of investment securities posted as collateral against derivative liabilities was $45.1 million, $47.2 million, and $53.6 million as of March 31, 2016, December 31, 2015, and March 31, 2015, respectively.

Derivative assets and liabilities are recorded at fair value on the balance sheet and do not take into account the effects of master netting agreements the Corporation has with its financial institution counterparties. These master netting agreements allow the Corporation to settle all derivative contracts held with a single financial institution counterparty on a net basis, and to offset net derivative positions with related collateral, where applicable. Collateral, usually in the form of investment securities, is posted by the counterparty in the net liability position in accordance with contract thresholds. The following tables illustrate the potential effect of the Corporation's derivative master netting arrangements, by type of financial instrument, on the Corporation's statement of financial position as of March 31, 2016, December 31, 2015, and March 31, 2015. The swap agreements the Corporation has in place with its commercial customers are not subject to enforceable master netting arrangements, and, therefore, are excluded from these tables.

	As of March 31, 2016					
				Gross amounts not offset in the consolidated balance sheet		
(In thousands)	Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Financial instruments (1)	Collateral (2)	Net amount
Derivative Assets						
Interest rate swaps - designated	$ 22,718	$ —	$ 22,718	$ —	$ —	$ 22,718
Interest rate swaps - non-designated	20	$ —	20	(20)	—	—
Foreign exchange	27	—	27	(27)	—	—
Total derivative assets	$ 22,765	$ —	$ 22,765	$ (47)	$ —	$ 22,718
Derivative liabilities						
Interest rate swaps - designated	$ 3,238	$ —	$ 3,238	$ —	$ (3,238)	$ —
Interest rate swaps - non-designated	75,119	—	75,119	(20)	(75,099)	—
Foreign exchange	121	—	121	(27)	(94)	—
Total derivative liabilities	$ 78,478	$ —	$ 78,478	$ (47)	$ (78,431)	$ —

(In thousands)	As of December 31, 2015 Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet Financial instruments (1)	Collateral (2)	Net amount
Derivative assets						
Interest rate swaps - designated	$ 8,739	$ —	$ 8,739	$ —	$ —	$ 8,739
Interest rate swaps - non-designated	155	—	155	(155)	—	—
Foreign exchange	270	—	270	(32)	(238)	—
Total derivative assets	$ 9,164	$ —	$ 9,164	$ (187)	$ (238)	$ 8,739
Derivative liabilities						
Interest rate swaps - designated	$ 3,536	$ —	$ 3,536	$ —	$ (3,536)	$ —
Interest rate swaps - non-designated	48,765	—	48,765	(155)	(48,610)	—
Foreign exchange	32	—	32	(32)	—	—
Total derivative liabilities	$ 52,333	$ —	$ 52,333	$ (187)	$ (52,146)	$ —

(In thousands)	As of March 31, 2015 Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet Financial instruments (1)	Collateral (2)	Net amount
Derivative assets						
Interest rate swaps - designated	12,688	—	12,688	—	—	12,688
Interest rate swaps - non-designated	$ 67	$ —	$ 67	$ (67)	$ —	$ —
Foreign exchange	219	—	219	(47)	(172)	—
Total derivative assets	$ 12,974	$ —	$ 12,974	$ (114)	$ (172)	$ 12,688
Derivative liabilities						
Interest rate swaps - designated	$ 6,063	$ —	$ 6,063	$ —	$ (6,063)	$ —
Interest rate swaps - non-designated	59,080	—	59,080	(67)	(59,013)	—
Foreign exchange	47	—	47	(47)	—	—
Total derivative liabilities	$ 65,190	$ —	$ 65,190	$ (114)	$ (65,076)	$ —

(1) For derivative assets, this includes any derivative liability fair values that could be offset in the event of counterparty default. For derivative liabilities, this includes any derivative asset fair values that could be offset in the event of counterparty default.

(2) For derivate assets, this includes the fair value of collateral received by the Corporation from the counterparty. Securities received as collateral are not included in the Consolidated Balance Sheets unless the counterparty defaults. For derivative liabilities, this includes the fair value of securities pledged by the Corporation to the counterparty. These securities are included in the Consolidated Balance Sheets unless the Corporation defaults.

9. Benefit Plans

The Corporation sponsors several qualified and nonqualified pension and other postretirement plans for certain of its employees. The net periodic pension cost is based on estimated values provided by an outside actuary. The components of net periodic benefit cost are as follows:

	Pension Benefits	
	Three Months Ended March 31,	
(In thousands)	2016	2015
Service cost	$ 198	$ 207
Interest cost	3,649	3,517
Expected return on assets	(3,788)	(3,902)
Amortization of unrecognized prior service costs	75	570
Amortization of actuarial losses/(gains)	830	1,057
Net periodic pension cost	$ 964	$ 1,449

	Postretirement Benefits	
	Three Months Ended March 31,	
(In thousands)	2016	2015
Service cost	$ 26	$ 41
Interest cost	64	144
Amortization of unrecognized prior service costs	(636)	(160)
Amortization of actuarial losses/(gains)	245	81
Net periodic postretirement cost	$ (301)	$ 106

For further information on the Corporation's employee benefit plans, refer to Note 13 (Benefit Plans) to the consolidated financial statements in the 2015 Form 10-K.

10. Fair Value Measurement

As defined in ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market for the asset or liability. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, Management determines the fair value of the Corporation's assets and liabilities using valuation models or third-party pricing services. Both of these approaches rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads, or unobservable inputs. Unobservable inputs may be based on Management's judgment, assumptions and estimates related to credit quality, liquidity, interest rates and other relevant inputs.

GAAP establishes a three-level valuation hierarchy for determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy, highest ranking to lowest, are as follows:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The level in the fair value hierarchy ascribed to a fair value measurement in its entirety is based on the lowest level input that is significant to the overall fair value measurement.

Valuation adjustments, such as those pertaining to counterparty and the Corporation's own credit quality and liquidity, may be necessary to ensure that assets and liabilities are recorded at fair value. Credit valuation adjustments are made when market pricing does not accurately reflect the counterparty's credit quality. As determined by Management, liquidity valuation adjustments may be made to the fair value of certain assets to reflect the uncertainty in the pricing and trading of the instruments when Management is unable to observe recent market transactions for identical or similar instruments. Liquidity valuation adjustments are based on the following factors:

- the amount of time since the last relevant valuation;
- whether there is an actual trade or relevant external quote available at the measurement date; and
- volatility associated with the primary pricing components.

Management ensures that fair value measurements are accurate and appropriate by relying upon various controls, including:

- an independent review and approval of valuation models;
- recurring detailed reviews of profit and loss; and
- a validation of valuation model components against benchmark data and similar products, where possible.

Management reviews any changes to its valuation methodologies to ensure they are appropriate and justified, and refines valuation methodologies as more market-based data becomes available. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period.

Additional information regarding the Corporation's accounting policies for determining fair value is provided in Note 1 (Summary of Significant Accounting Policies) under the heading "Fair Value Measurements".

The following tables present the balance of assets and liabilities measured at fair value on a recurring and nonrecurring basis as of March 31, 2016, December 31, 2015, and March 31, 2015:

(In thousands)	March 31, 2016	Fair Value by Hierarchy Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,873	$2,873	$ —	$ —
U.S. government agency debentures	2,520	—	2,520	—
U.S. States and political subdivisions	173,141	—	173,141	—
Residential mortgage-backed securities:				
U.S. government agencies	907,656	—	907,656	—
Commercial mortgage-backed securities:				
U.S. government agencies	184,248	—	184,248	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,226,737	—	2,226,737	—
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	272,882	—	272,882	—
Corporate debt securities	48,756	—	—	48,756
Asset-backed securities:				
Collateralized loan obligations	285,397	—	—	285,397
Total available for sale securities	4,104,214	2,873	3,767,184	334,157
Residential loans held for sale	5,249	—	5,249	—
Derivative assets:				
Interest rate swaps - fair value hedges	22,718	—	22,718	—
Interest rate swaps - nondesignated	75,139	—	75,139	—
Mortgage loan commitments	240	—	240	—
Foreign exchange	452	—	452	—
Total derivative assets	98,549	—	98,549	—
Total fair value of assets (1)	$ 4,208,012	$2,873	$3,870,982	$334,157
Derivative liabilities:				
Interest rate swaps - fair value hedges	$ 3,238	$ —	$ 3,238	$ —
Interest rate swaps - nondesignated	75,139	—	75,139	—
Forward sales contracts	82	—	82	—
Credit contracts	8	—	8	—
Foreign exchange	154	—	154	—
Total derivative liabilities	78,621	—	78,621	—
True-up liability	15,115	—	—	15,115
Total fair value of liabilities (1)	$ 93,736	$ —	$ 78,621	$ 15,115
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 17,460	$ —	$ —	$ 17,460
Impaired loans (3)	86,315	—	—	86,315
Other property (4)	13,629	—	—	13,629
Total nonrecurring fair value	$ 117,404	$ —	$ —	$117,404

(1) There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the three months ended March 31, 2016.

(2) MSRs with a recorded investment of $18.1 million were reduced by a specific valuation allowance totaling $0.9 million to a reported carrying value of $17.3 million resulting in recognition of $0.5 million in expense included in loan sales and servicing income in the three months ended March 31, 2016.

(3) At March 31, 2016, collateral dependent impaired loans with a recorded investment of $94.1 million were reduced by specific valuation allowance allocations totaling $7.8 million to a reported net carrying value of $86.3 million.

(4) Amounts do not include assets held at cost at March 31, 2016. During the three months ended March 31, 2016, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $2.0 million included in noninterest expense.

(In thousands)	December 31, 2015	Fair Value by Hierarchy Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,821	$2,821	$ —	$ —
U.S treasury notes & bonds	5,000	—	5,000	—
U.S. government agency debentures	2,498	—	2,498	—
U.S. States and political subdivisions	192,795	—	192,795	—
Residential mortgage-backed securities:				
U.S. government agencies	906,229	—	906,229	—
Commercial mortgage-backed securities:				
U.S. government agencies	172,109	—	172,109	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,128,320	—	2,128,320	—
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	216,319	—	216,319	—
Corporate debt securities	52,229	—	—	52,229
Asset-backed securities				
Collateralized loan obligations	289,411	—	—	289,411
Total available-for-sale securities	3,967,735	2,821	3,623,270	341,644
Residential loans held for sale	5,472	—	5,472	—
Derivative assets:				
Interest rate swaps - fair value hedges	8,739	—	8,739	—
Interest rate swaps - nondesignated	48,920	—	48,920	—
Mortgage loan commitments	149	—	149	—
Foreign exchange	299	—	299	—
Total derivative assets	58,107	—	58,107	—
Total fair value of assets (1)	$ 4,031,314	$2,821	$3,686,849	$341,644
Derivative liabilities:				
Interest rate swaps - fair value hedges	$ 3,536	$ —	$ 3,536	$ —
Interest rate swaps - nondesignated	48,920	—	48,920	—
Forward sale contracts	5	—	5	—
Foreign exchange	284	—	284	—
Total derivative liabilities	52,745	—	52,745	—
True-up liability	14,750	—	—	14,750
Total fair value of liabilities (1)	$ 67,495	$ —	$ 52,745	$ 14,750
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 19,149	$ —	$ —	$ 19,149
Impaired loans (3)	71,428	—	—	71,428
Other property (4)	18,576	—	—	18,576
Other real estate covered by loss share (5)	365	—	—	365
Total nonrecurring fair value	$ 109,518	$ —	$ —	$109,518

(1) There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the year ended December 31, 2015.

(2) MSRs with a recorded investment of $18.9 million were reduced by a specific valuation allowance totaling $0.4 million to a reported carrying value of $18.5 million resulting in a recovery of previously recognized expense of $0.6 million in recoveries included in loans sales and servicing income in the year ended December 31, 2015.

(3) At December 31, 2015, collateral dependent impaired loans with a recorded investment of $84.3 million were reduced by specific valuation allowance allocations totaling $12.9 million to a reported net carrying value of $71.4 million.

(4) Amounts do not include assets held at cost at December 31, 2015. During the year ended December 31, 2015, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $4.5 million included in noninterest expense.

(5) Amounts do not include assets held at cost at December 31, 2015. During the year ended December 31, 2015, the re-measurement of covered foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.6 million included in noninterest expense.

(In thousands)	March 31, 2015	Fair Value by Hierarchy		
		Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,869	$2,869	$ —	$ —
U.S. government agency debentures	2,513	—	2,513	—
U.S. States and political subdivisions	215,164	—	215,164	—
Residential mortgage-backed securities:				
U.S. government agencies	947,303	—	947,303	—
Commercial mortgage-backed securities:				
U.S. government agencies	140,359	—	140,359	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,892,560	—	1,892,560	—
Non-agency	6	—	1	5
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	244,059	—	244,059	—
Corporate debt securities	52,264	—	—	52,264
Asset-backed securities:				
Collateralized loan obligations	293,962	—	—	293,962
Total available-for-sale securities	3,791,059	2,869	3,441,959	346,231
Residential loans held for sale	3,568	—	3,568	—
Derivative assets:				
Interest rate swaps - fair value hedges	12,688	—	12,688	—
Interest rate swaps - nondesignated	59,147	—	59,147	—
Mortgage loan commitments	388	—	388	—
Foreign exchange	350	—	350	—
Total derivative assets	72,573	—	72,573	—
Total fair value of assets (1)	$ 3,867,200	$2,869	$3,518,100	$346,231
Derivative liabilities:				
Interest rate swaps - fair value hedges	$ 6,063	$ —	$ 6,063	$ —
Interest rate swaps - nondesignated	59,147	—	59,147	—
Forward sale contracts	68	—	68	—
Foreign exchange	169	—	169	—
Total derivative liabilities	65,447	—	65,447	—
True-up liability	13,707	—	—	13,707
Total fair value of liabilities (1)	$ 79,154	$ —	$ 65,447	$ 13,707
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 20,526	$ —	$ —	$ 20,526
Impaired loans (3)	63,839	—	—	63,839
Other property (4)	16,956	—	—	16,956
Other real estate covered by loss share (5)	7,293	—	—	7,293
Total nonrecurring fair value	$ 108,614	$ —	$ —	$108,614

(1) There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the three months ended March 31, 2015.

(2) MSRs with a recorded investment of $21.5 million were reduced by a specific valuation allowance totaling $1.1 million to a reported carrying value of $20.4 million resulting in recovery of a previously recognized expense of $0.2 million in the three months ended March 31, 2015.

(3) At March 31, 2015, collateral dependent impaired loans with a recorded investment of $75.6 million were reduced by specific valuation allowance allocations totaling $11.8 million to a reported net carrying value of $63.8 million.

(4) Amounts do not include assets held at cost at March 31, 2015. During the three months ended March 31, 2015, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.9 million included in noninterest expense.

(5) Amounts do not include assets held at cost at March 31, 2015. During the three months ended March 31, 2015, the re-measurement of covered foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.3 million included in noninterest expense.

The following section describes the valuation methodologies used by the Corporation to measure financial assets and liabilities at fair value. During the three months ended March 31, 2016 and 2015, there were no significant changes to the valuation techniques used by the Corporation to measure fair value.

Available-for-sale securities. When quoted prices are available in an active market, securities are valued using the quoted price and are classified as Level 1. The quoted prices are not adjusted. Level 1 instruments include money market mutual funds.

Securities are classified as Level 2 if quoted prices for identical securities are not available, and fair value is determined using pricing models by a third-party pricing service. Approximately 92% of the available-for-sale portfolio is Level 2. For the majority of available-for sale securities, the Corporation obtains fair value measurements from an independent third party pricing service. These instruments include: municipal bonds; bonds backed by the U.S. government; corporate bonds; MBS; securities issued by the U.S. Treasury; and certain agency CMOs. The independent pricing service uses industry-standard models to price U.S. government agencies and MBS that consider various assumptions, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Obligations of state and political subdivisions are valued using a matrix, or grid, pricing in which securities are benchmarked against the treasury rate based on credit rating. For collateralized mortgage securities, depending on the characteristics of a given tranche, a volatility driven multidimensional static model or Option-Adjusted Spread model is generally used. Substantially all assumptions used by the independent pricing service for securities classified as Level 2 are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Securities are classified as Level 3 when there is limited activity in the market for a particular instrument and fair value is determined by obtaining broker quotes. As of March 31, 2016, 8% of the available-for-sale portfolio is Level 3, which consists of single issuer trust preferred securities and CLOs.

The single issuer trust preferred securities are measured at unadjusted prices obtained from the independent pricing service. The independent pricing service prices these instruments through a broker quote when sufficient information, such as cash flows or other security structure or market information, is not available to produce an evaluation. Broker-quoted securities are adjusted by the independent pricing service based solely on the receipt of updated quotes from market makers or broker-dealers recognized as market participants. A list of such issues is compiled by the independent pricing service daily. For broker-quoted issues, the independent pricing service applies a zero spread relationship to the bid-side valuation, resulting in the same values for the mean and ask.

CLO are securitized products where payments from multiple middle-sized and large business loans are pooled together and segregated into different classes of bonds with payments on these bonds based on their

priority within the overall deal structure. The markets for such securities are generally characterized by low trading volumes and wide bid-ask spreads, all driven by more limited market participants. Although estimated prices are generally obtained for such securities, the level of market observable assumptions used is limited in the valuation. Specifically, market assumptions regarding credit adjusted cash flows and liquidity influences on discount rates were difficult to observe at the individual bond level. Accordingly, the securities are currently valued by a third party that primarily utilizes dealer or pricing service prices and, subsequently, verifies this pricing through a disciplined process to ensure proper valuations and to highlight differences in cash flow modeling or other risks to determine if the market perception of the risk of a CLO is beginning to deviate from other similar tranches. This is done by establishing ranges for appropriate pricing yields for each CLO tranche and, using a standardized cash flow scenario, ensuring yields are consistent with expectations.

On a monthly basis, Management validates the pricing methodologies utilized by our independent pricing service to ensure the fair-value determination is consistent with the applicable accounting guidance and that the investments are properly classified in the fair value hierarchy. Management substantiates the fair values determined for a sample of securities held in portfolio by reviewing the key assumptions used by the independent pricing service to value the securities and comparing the fair values to prices from other independent sources for the same and similar securities. Management analyzes variances and conducts additional research with the independent pricing service, if necessary, and takes appropriate action based on its findings.

Loans held for sale. These loans are regularly traded in active markets through programs offered by FHLMC and FNMA, and observable pricing information is available from market participants. The prices are adjusted as necessary to include any embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans. These adjustments represent unobservable inputs to the valuation but are not considered significant to the fair value of the loans. Accordingly, residential real estate loans held for sale are classified as Level 2.

Impaired loans. Certain impaired collateral dependent loans are reported at fair value less costs to sell the collateral. Collateral values are estimated using Level 3 inputs, consisting of third-party appraisals or price opinions and internal adjustments necessary in the judgment of Management to reflect current market conditions and current operating results for the specific collateral. Collateral may be in the form of real estate or personal property including equipment and inventory. The vast majority of the collateral is real estate. When impaired collateral dependent loans are individually re-measured and reported at fair value of the collateral, less costs to sell, a direct loan charge off to the ALL and/or a specific valuation allowance allocation is recorded.

Other Property. Certain other property which consists of foreclosed assets and properties securing residential and commercial loans, upon initial recognition and transfer from loans, are re-measured and reported at fair value less costs to sell to the property through a charge-off to the ALL based on the fair value of the foreclosed assets. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 3 inputs, consisting of third-party appraisals or price opinions and internal adjustments necessary in the judgment of Management to reflect current market conditions and current operating results for the specific collateral. Subsequent to foreclosure, valuations are updated periodically, and the assets may be written down further through a charge to noninterest expense.

Mortgage Servicing Rights. The Corporation carries its MSRs at lower of cost or fair value, and, therefore, they are subject to fair value measurements on a nonrecurring basis. Since sales of MSRs tend to occur in private transactions and the precise terms and conditions of the sales are typically not readily available, there is a limited market to refer to in determining the fair value of MSRs. As such, like other participants in the mortgage banking business, the Corporation relies primarily on a discounted cash flow model, incorporating assumptions about loan prepayment rates, discount rates, servicing costs and other economic factors, to estimate the fair value of its mortgage servicing rights. Since the valuation model uses significant unobservable inputs, the Corporation classifies MSRs within Level 3.

The Corporation utilizes a third-party vendor to perform the modeling to estimate the fair value of its MSRs. The Corporation reviews the estimated fair values and assumptions used by the third party in the model on a quarterly basis. The Corporation also compares the estimates of fair value and assumptions to recent market activity and against its own experience. See Note 11 (Mortgage Servicing Rights and Mortgage Servicing Activity) for further information on MSRs valuation assumptions.

Derivatives. The Corporation's derivatives include interest rate swaps and written loan commitments and forward sales contracts related to residential mortgage loan origination activity. Valuations for interest rate swaps are derived from third-party models whose significant inputs are readily observable market parameters, primarily yield curves, with appropriate adjustments for liquidity and credit risk. These fair value measurements are classified as Level 2. The fair values of written loan commitments and forward sales contracts on the associated loans are based on quoted prices for similar loans in the secondary market, consistent with the valuation of residential mortgage loans held for sale. Expected net future cash flows related to loan servicing activities are included in the fair value measurement of written loan commitments. A written loan commitment does not bind the potential borrower to entering into the loan, nor does it guarantee that the Corporation will approve the potential borrower for the loan. Therefore, when determining fair value, the Corporation makes estimates of expected "fallout" (interest rate locked pipeline loans not expected to close), using models, which consider cumulative historical fallout rates and other factors. Fallout can occur for a variety of reasons including falling rate environments when a borrower will abandon a fixed rate loan commitment at one lender and enter into a new lower fixed rate loan commitment at another, when a borrower is not approved as an acceptable credit by the lender or for a variety of other non-economic reasons. Fallout is not a significant input to the fair value of the written loan commitments in their entirety. These measurements are classified as Level 2.

Derivative assets are typically secured through securities with financial counterparties or cross collateralization with a borrowing customer. Derivative liabilities are typically secured through the Corporation pledging securities to financial counterparties or, in the case of a borrowing customer, by the right of setoff. The Corporation considers factors such as the likelihood of default by itself and its counterparties, right of setoff, and remaining maturities in determining the appropriate fair value adjustments. All derivative counterparties approved by the Bank's Board are regularly reviewed, and appropriate business action is taken to adjust the

exposure to certain counterparties, as necessary. Counterparty exposure is evaluated by netting positions that are subject to master netting agreements, as well as considering the amount of marketable collateral securing the position. This approach used to estimate impacted exposures to counterparties is also used by the Corporation to estimate its own credit risk on derivative liability positions. To date, no material losses have been incurred due to a counterparty's inability to pay any uncollateralized position. There was no significant change in value of derivative assets and liabilities attributed to credit risk for the three months ended March 31, 2016.

True-up liability. In connection with the George Washington and Midwest FDIC assisted acquisitions in 2010, the Bank has agreed to pay the FDIC should the estimated losses on the acquired loan portfolios as well as servicing fees earned on the acquired loan portfolios not meet thresholds as stated in the loss share agreements (the "true-up liability"). This contingent consideration is classified as a liability within accrued taxes, expenses and other liabilities on the consolidated balance sheets and is remeasured at fair value each reporting date until the contingency is resolved. The changes in fair value are recognized in earnings in the current period.

An expected value methodology is used as a starting point for determining the fair value of the true-up liability based on the contractual terms prescribed in the loss share agreements. The resulting values under both calculations are discounted over 10 years (the period defined in the loss share agreements) to reflect the uncertainty in the timing and payment of the true-up liability by the Bank to arrive at a net present value. The discount rate used to value the true-up liability was 3.46% and 3.05% as of March 31, 2016 and 2015, respectively. Increasing or decreasing the discount rate by one percentage point would change the liability by approximately $0.6 million and $0.6 million, respectively, as of March 31, 2016.

In accordance with the loss share agreements governing the Midwest acquisition, on July 15, 2020 (the "Midwest True-Up Measurement Date"), the Bank has agreed to pay to the FDIC half of the amount, if positive, calculated as: (1) 20% of the intrinsic loss estimate of the FDIC (approximately $152 million); minus (2) the sum of (A) 25% of the asset premium paid in connection with the Midwest acquisition (approximately $21 million); plus (B) 25% of the cumulative shared-loss payments (as defined below) plus (C) the cumulative servicing amount (as defined below). The fair value of the true-up liability associated with the Midwest acquisition was $9.6 million, $9.3 million, and $8.6 million as of March 31, 2016, December 31, 2015, and March 31, 2015, respectively.

In accordance with the loss share agreements governing the George Washington acquisition, on April 14, 2020 (the "George Washington True-Up Measurement Date"), the Bank has agreed to pay to the FDIC 50% of the excess, if any, of (1) 20% of the stated threshold (approximately $34.4 million) less (2) the sum of (A) 25% of the asset discount (approximately $12 million) received in connection with the George Washington acquisition plus (B) 25% of the cumulative shared-loss payments (as defined below) plus (C) the cumulative servicing amount (as defined below). The fair value of the true-up liability associated with the George Washington acquisition was $5.5 million, $5.5 million, and $5.1 million as of March 31, 2016, December 31, 2015, and March 31, 2015, respectively.

For the purposes of the above calculations, cumulative shared-loss payments means: (i) the aggregate of all of the payments made or payable to the Bank under the loss share agreements minus (ii) the aggregate of all of the payments made or payable to the FDIC. The cumulative servicing amount means the period servicing amounts (as defined in the loss share agreements) for every consecutive twelve-month period prior to and ending on the Midwest and George Washington True-Up Measurement Dates. The cumulative loss share payments and cumulative service amounts are components of the true-up calculations and are estimated each period end based on the expected amount and timing of cash flows of the acquired loan portfolios. See Note 3 (Loans) and Note 4 (Allowance for Loan Losses) for additional information on the estimated cash flows of the acquired loan portfolios.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2016 and 2015 are summarized as follows:

	Three Months Ended March 31,			
	2016		2015	
(In thousands)	Available-for-sale securities	True-up liability	Available-for-sale securities	True-up liability
Balance at beginning of period	$341,644	$14,750	$339,187	$13,294
(Gains) losses included in earnings (1)	—	365	—	413
Unrealized gains (losses) (2)	(7,556)	—	6,682	—
Purchases	—	—	—	—
Sales	—	—		
Settlements	69	—	362	—
Balance at ending of period	$334,157	$15,115	$346,231	$13,707

(1) Reported in “Other expense”
(2) Reported in “Other comprehensive income (loss)”

Fair Value Option

Residential mortgage loans held for sale are recorded at fair value under fair value option accounting guidance. The election of the fair value option aligns the accounting for these loans with the related hedges. It also eliminates the requirements of the hedge accounting under GAAP.

Interest income on loans held for sale is accrued on the principal outstanding primarily using the “simple-interest” method. None of these loans were 90 days or more past due, nor were any on nonaccrual as of March 31, 2016, December 31, 2015, and March 31, 2015. The aggregate fair value, contractual balance and gain or loss on loans held for sale was as follows:

(In thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Aggregate fair value carrying amount	$ 5,249	$ 5,472	$ 3,568
Aggregate unpaid principal / contractual balance	5,084	5,320	3,400
Carrying amount over aggregate unpaid principal (1)	$ 165	$ 152	$ 168

(1) These changes are included in “Loan sales and servicing income” in the Consolidated Statements of Income.

Disclosures about Fair Value of Financial Instruments

The carrying amount and estimated fair value of the Corporation's financial instruments that are carried at either fair value or cost as of March 31, 2016, December 31, 2015, and March 31, 2015 are shown in the tables below.

	March 31, 2016				
	Carrying	Fair Value			
(In thousands)	Amount	Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 759,897	$ 759,897	$759,897	$ —	$ —
Available-for-sale securities	4,104,214	4,104,214	2,873	3,767,184	334,157
Held-to-maturity securities	2,613,700	2,632,274	—	2,632,274	—
Other securities	148,159	148,159	—	148,159	—
Loans held for sale	5,249	5,249	—	5,249	—
Net originated loans	14,286,598	14,069,307	—	—	14,069,307
Net acquired loans	1,629,283	1,681,087	—	—	1,681,087
Net FDIC acquired loans and loss share receivable	157,632	157,632	—	—	157,632
Accrued interest receivable	70,280	70,280	—	70,280	—
Derivatives	98,549	98,549	—	98,549	—
Financial liabilities:					
Deposits	$21,101,366	$21,109,594	$ —	$21,109,594	$ —
Federal funds purchased and securities sold under agreements to repurchase	719,850	719,850	—	719,850	—
Wholesale borrowings	378,996	383,432	—	383,432	—
Long-term debt	519,249	504,468	—	504,468	—
Accrued interest payable	10,093	10,093	—	10,093	—
Derivatives	78,621	78,621	—	78,621	—

(In thousands)	December 31, 2015				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 463,817	$ 463,817	$463,817	$ —	$ —
Available-for-sale securities	3,967,735	3,967,735	2,821	3,623,270	341,644
Held-to-maturity securities	2,674,093	2,659,119	—	2,659,119	—
Other securities	148,172	148,172	—	148,172	—
Loans held for sale	5,472	5,472	—	5,472	—
Net originated loans	14,013,370	13,795,058	—	—	13,795,058
Net acquired loans	1,739,194	1,796,314	—	—	1,796,314
Net FDIC acquired loans and loss share receivable	170,690	170,690	—	—	170,690
Accrued interest receivable	67,887	67,887	—	67,887	—
Derivatives	58,107	58,107	—	58,107	—
Financial liabilities:					
Deposits	$20,108,003	$20,116,298	$ —	$20,116,298	$ —
Federal funds purchased and securities sold under agreements to repurchase	1,037,075	1,037,075	—	1,037,075	—
Wholesale borrowings	580,648	582,120	—	582,120	—
Long-term debt	505,173	503,675	—	503,675	—
Accrued interest payable	10,758	10,758	—	10,758	—
Derivatives	52,745	52,745	—	52,745	—

(In thousands)	March 31, 2015				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 532,425	$ 532,425	$532,425	$ —	$ —
Available-for-sale securities	3,791,059	3,791,059	2,869	3,441,959	346,231
Held-to-maturity securities	2,855,174	2,848,912	—	2,848,912	—
Other securities	148,475	148,475	—	148,475	—
Loans held for sale	3,568	3,568	—	3,568	—
Net originated loans	12,758,492	12,588,147	—	—	12,588,147
Net acquired loans	2,317,386	2,393,942	—	—	2,393,942
Net FDIC acquired loans and loss share receivable	268,459	268,459	—	—	268,459
Accrued interest receivable	69,086	69,086	—	69,086	—
Derivatives	72,573	72,573	—	72,573	—
Financial liabilities:					
Deposits	$19,925,595	$19,932,571	$ —	$19,932,571	$ —
Federal funds purchased and securities sold under agreements to repurchase	1,113,371	1,113,371	—	1,113,371	—
Wholesale borrowings	316,628	320,180	—	320,180	—
Long-term debt	512,625	527,018	—	527,018	—
Accrued interest payable	9,620	9,620	—	9,620	—
Derivatives	65,447	65,447	—	65,447	—

The following methods and assumptions were used to estimate the fair values of each class of financial instrument presented:

Cash and cash equivalents – Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value.

Investment securities – See Financial Instruments Measured at Fair Value above.

Loans held for sale – The majority of loans held for sale are residential mortgage loans which are recorded at fair value. All other loans held for sale are recorded at the lower of cost or market, less costs to sell. See Financial Instruments Measured at Fair Value above.

Net originated loans – The originated loan portfolio was segmented based on loan type and repricing characteristics. Carrying values are used to estimate fair values of variable rate loans. A discounted cash flow method was used to estimate the fair value of fixed-rate loans. Discounting was based on the contractual cash flows, and discount rates are based on the quarter-end yield curve plus a spread that reflects current pricing on loans with similar characteristics. If applicable, prepayment assumptions are factored into the fair value determination based on historical experience and current economic conditions.

Net acquired and FDIC acquired loans – Fair values for acquired and FDIC acquired loans were estimated based on a discounted projected cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included in the estimated cash flows.

Loss share receivable – This loss sharing asset is measured separately from the related covered assets as it is not contractually embedded in the covered assets and is not transferable with the covered assets should the Bank choose to dispose of them. Fair value was estimated using discounted projected cash flows related to the FDIC loss share agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt from the FDIC.

Accrued interest receivable – The carrying amount is considered a reasonable estimate of fair value.

Mortgage servicing rights – See Financial Instruments Measured at Fair Value above.

Deposits – The estimated fair value of deposits with no stated maturity, which includes demand deposits, money market accounts and other savings accounts, are established at carrying value because of the customers' ability to withdraw funds immediately. A discounted cash flow method is used to estimate the fair value of fixed rate time deposits. Discounting was based on the contractual cash flows and the current rates at which similar deposits with similar remaining maturities would be issued.

Federal funds purchased and securities sold under agreements to repurchase, wholesale borrowings and long-term debt– The carrying amount of variable rate borrowings including federal funds purchased approximates the estimated fair value. Quoted market prices or the discounted cash flow method was used to estimate the fair value of the Corporation's long-term debt. Discounting was based on the contractual cash flows and the current rate at which debt with similar terms could be issued.

Accrued interest payable – The carrying amount is considered a reasonable estimate of fair value.

Derivative assets and liabilities – See Financial Instruments Measured at Fair Value above.

True-up liability – See Financial Instruments Measured at Fair Value above.

11. Mortgage Servicing Rights and Mortgage Servicing Activity

In the three months ended March 31, 2016 and 2015, the Corporation sold residential mortgage loans from the held for sale portfolio with unpaid principal balances of $7.7 million and $50.3 million, respectively, and recognized pretax gains of $0.2 million and $0.6 million, respectively, which are included as a component of loan sales and servicing income. As of March 31, 2016 and 2015, the Corporation retained the related MSRs, for which it receives servicing fees, on $3.3 million and $45.2 million, respectively, of the loans sold.

The Corporation serviced for third parties approximately $2.3 billion of residential mortgage loans at March 31, 2016 and $2.6 billion at March 31, 2015. Loan servicing fees, not including valuation changes included in loan sales and servicing income, were $1.4 million and $1.6 million, respectively, for the three months ended March 31, 2016 and 2015.

Servicing rights are presented within other assets on the accompanying Consolidated Balance Sheets. The retained servicing rights are initially valued at fair value. Since MSRs do not trade in an active market with readily observable prices, the Corporation relies primarily on a discounted cash flow analysis model to estimate the fair value of its MSRs. Additional information can be found in Note 10 (Fair Value Measurement). MSRs are subsequently measured using the amortization method. Accordingly, the MSRs are amortized over the period of, and in proportion to, the estimated net servicing income and is recorded in loan sales and servicing income.

Changes in the carrying amount of MSRs and MSRs valuation allowance are as follows:

	Three Months Ended March 31,	
(In thousands)	2016	2015
Carrying amount of MSRs		
Beginning balance	$ 18,938	$ 22,011
Additions	28	470
Amortization	(839)	(991)
Ending balance	18,127	21,490
Valuation Allowance:		
Beginning balance	(399)	(955)
Recoveries/(Additions)	(469)	(176)
Ending balance	(868)	(1,131)
MSRs, net carrying balance	$ 17,259	$ 20,359
Fair value at end of period	$ 17,460	$ 20,526

On a quarterly basis, the Corporation assesses its capitalized servicing rights for impairment based on their current fair value. For purposes of the impairment, the servicing rights are disaggregated based on loan type and interest rate which are the predominant risk characteristics of the underlying loans. A valuation allowance is established through a charge to earnings to the extent the amortized cost of the MSRs exceeds the estimated fair value by stratification. If it is later determined that all or a portion of the temporary impairment no longer exists for the stratification, the valuation is reduced through a recovery to earnings. No permanent impairment losses were written off against the allowance during the three months ended March 31, 2016 and 2015.

Key economic assumptions and the sensitivity of the current fair value of the MSRs related to immediate 10% and 25% adverse changes in those assumptions at March 31, 2016 are presented in the following table below. These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in the fair value based on 10% variation in the prepayment speed assumption generally cannot be extrapolated because the relationship of the change in the prepayment speed assumption to the change in fair value may not be linear. Also, in the below table, the effect of a variation in the discount rate assumption on the fair value of the MSRs is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in the discount rates), which might magnify or counteract the sensitivities.

(Dollars in thousands)	
Prepayment speed assumption (annual CPR)	13.30%
Decrease in fair value from 10% adverse change	$ 691
Decrease in fair value from 25% adverse change	$1,342
Discount rate assumption	9.39%
Decrease in fair value from 100 basis point adverse change	$ 528
Decrease in fair value from 200 basis point adverse change	$1,022
Expected weighted-average life (in months)	90

12. Commitments and Guarantees

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Loan commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded on the consolidated balance sheets. Additional information is provided in Note 10 (Fair Value Measurement). Commitments generally are extended at the then-prevailing interest rates, have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Loan commitments involve credit risk not reflected on the balance sheet. The Corporation mitigates exposure to credit risk with internal controls that guide how applications for credit are reviewed and approved, how credit limits are established and, when necessary, how demands for collateral are made. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Management evaluates the creditworthiness of each prospective borrower on a case-by-case basis and, when appropriate, adjusts the allowance for probable credit losses inherent in all commitments. The reserve for unfunded lending commitments at March 31, 2016, December 31, 2015, and March 31, 2015, included in “accrued expenses and other liabilities” on the Consolidated Balance Sheets, was $4.9 million, $4.1 million, and $4.3 million, respectively.

The Corporation's credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

Unused commitments to extend credit

(In thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Commercial	$ 3,609,266	$ 3,992,089	$ 3,691,193
Consumer	2,458,973	2,393,058	2,343,677
Total unused commitments to extend credit	$ 6,068,239	$ 6,385,147	$ 6,034,870

Unused Commitments to Extend Credit. Commitments to extend credit are legally binding agreements to lend to a customer, provided there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Since many commitments expire without being drawn upon, the total contractual amount of commitments does not necessarily represent future cash requirements of the Corporation.

Loan commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded on the consolidated balance sheets. Additional information is provided in Note 8 (Derivatives and Hedging Activities).

Guarantees

The Corporation is a guarantor in certain agreements with third parties. The Corporation's maximum credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

Financial guarantees

(In thousands)	March 31, 2016	December 31, 2015	March 31, 2015
Standby letters of credit	$ 236,642	$ 254,703	$ 275,736
Loans sold with recourse	11,781	12,902	39,996
Total financial guarantees	$ 248,423	$ 267,605	$ 315,732

Standby Letters of Credit. Standby letters of credit obligate the Corporation to pay a specified third party when a customer fails to repay an outstanding loan or debt instrument, or fails to perform some contractual nonfinancial obligation. The Corporation has recourse against the customer for any amount required to be paid to a third party under a standby letter of credit. Collateral held varies, but may include marketable securities, equipment, inventory, and real estate. Except for short-term guarantees of $118.2 million at March 31, 2016, the remaining guarantees extend in varying amounts through 2024.

Loans Sold with Recourse. The Corporation regularly sells service retained residential mortgage loans to GSEs as part of its mortgage banking activities. The Corporation provides customary representation and warranties to the GSEs in conjunction with these sales. These representations and warranties generally require the Corporation to repurchase assets if it is subsequently determined that a loan did not meet specified criteria, such as a documentation deficiency or rescission of mortgage insurance. If the Corporation is unable to cure or refute a repurchase request, the Corporation is generally obligated to repurchase the loan or otherwise reimburse the counterparty for losses. The Corporation also sells service released residential mortgage loans to other investors which contain early payment default recourse provisions. As of March 31, 2016, December 31, 2015, and March 31, 2015, the Corporation had sold $9.2 million, $10.1 million, and $33.1 million, respectively, of outstanding residential mortgage loans to GSEs and other investors with recourse provisions. The Corporation had reserved $2.6 million, $2.7 million, and $6.7 million as of March 31, 2016, December 31, 2015, and March 31, 2015, respectively, for estimated losses from representation and warranty obligations and early payment default recourse provisions.

The reserve associated with loans sold with recourse is included in accrued taxes, expenses and other liabilities on the Consolidated Balance Sheets. The Corporation's reserve reflects Management's best estimate of losses. The Corporation's reserving methodology uses current information about investor repurchase requests, and assumptions about repurchase mix and loss severity, based upon the Corporation's most recent loss trends. The Corporation also considers qualitative factors that may result in anticipated losses differing from historical loss trends, such as loan vintage, underwriting characteristics and macroeconomic trends.

Changes in the repurchase reserves for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
(In thousands)	**2016**	**2015**
Balance at beginning of period	$ 2,725	$ 7,250
Net increase/(decrease) to reserve	(53)	(402)
Net realized (losses)/gains	(47)	(198)
Balance at end of period	$ 2,625	$ 6,650

Litigation

In the normal course of business, the Corporation and its subsidiaries are at all times subject to pending and threatened legal actions, some for which the relief or damages sought are substantial. Based on information currently available, consultation with counsel, available insurance coverage and established reserves, Management believes that the eventual outcome of all claims against the Corporation and its subsidiaries will not, individually or in the aggregate, have a material adverse effect on its consolidated financial position or results of operations. However, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations for a particular period. The Corporation has not established any reserves with respect to any of this disclosed litigation because it is not possible to determine (i) whether a liability has been incurred; or (ii) an estimate of the ultimate or minimum amount of such liability.

Reserves are established for legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. In many lawsuits and arbitrations, including almost all of the class action lawsuits, it is not possible to determine whether a liability will be incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case a reserve will not be recognized until that time.

Overdraft Litigation

Commencing in December 2010, two separate lawsuits were filed in the Summit County Court of Common Pleas and the Lake County Court of Common Pleas against the Corporation and the Bank. The complaints were brought as putative class actions on behalf of Ohio residents who maintained a checking account at the Bank and who incurred one or more overdraft fees as a result of the alleged re-sequencing of debit transactions. The lawsuit that had been filed in Summit County Court of Common Pleas was dismissed without prejudice on July 11, 2011. The remaining suit in Lake County seeks actual damages, disgorgement of overdraft fees, punitive damages, interest, injunctive relief and attorney fees. In December 2012, the trial court issued an order certifying a proposed class and the Bank and Corporation appealed the order to the Eleventh District Court of Appeals. In September 2013, the Eleventh District Court of Appeals affirmed in part and reversed in part the trial court’s class certification order, and remanded the case back to the trial court for further consideration, in particular with respect to the class definition. On October 9, 2013, the Bank and Corporation filed with the Eleventh District Court of Appeals an application for reconsideration and application for consideration en banc. On November 20, 2013, the Eleventh District denied those applications. On December 4, 2013, the Bank and Corporation filed a notice of appeal with the Ohio Supreme Court, and on January 3, 2014, they filed with the Ohio Supreme Court a memorandum in support of the Court’s exercising its jurisdiction and accepting the appeal. The plaintiffs filed an opposition, and, on April 24, 2014, the Ohio Supreme Court declined to accept jurisdiction. On August 6, 2014, the Bank and Corporation filed a motion asking the trial court to stay the lawsuit pending arbitration of claims subject to an arbitration agreement. That motion has been fully briefed and is awaiting a decision by the court. On August 25, 2014, the parties stipulated to a revised class definition (without affecting the pending motion to stay), and an order approving that stipulation is awaiting court approval.

CRBC 401(k) Litigation

Participants in the Citizens Republic Bancorp 401(k) Plan filed a lawsuit in the United States Court for the Eastern District of Michigan in 2011, alleging that Citizens and certain of its officers and directors violated the Employee Retirement Income Security Act by offering Citizens common stock as an investment alternative in the Plan during periods when it was imprudent to do so and by failing to adequately monitor fiduciaries responsible for administering the Plan. The lawsuit, captioned Kidd v. Citizens Republic Bancorp, Inc. et al., Case No. 2:11-cv-11709, asserts claims for monetary and injunctive relief on behalf of a purported class of participants and beneficiaries in the Plan who held Citizens stock in their Plan accounts during the period from April 17, 2008 to "the present." The plaintiffs filed a third amended complaint in November 2015, and the defendants have filed a motion that the complaint be dismissed.

Merger litigation

Five putative derivative and class action lawsuits have been filed by separate shareholders of FirstMerit Corporation ("FirstMerit") relating to the proposed merger between Huntington Bancshares, Inc. ("Huntington") and FirstMerit. Two of those lawsuits were filed in the Summit County Common Pleas Court, Ohio: W. Patrick Murray v. Huntington Bancshares Incorporated, Case No. CV-2016-02-0917, was filed on February 11, 2016; andThe Robinson Family Trust v. Paul Greig, Case No. CV-2016-02-0981, was filed on February 17, 2016 (the "State Court Lawsuits"). On April 14, 2016, the State Court Lawsuits were consolidated. The State Court Lawsuits consolidated complaint alleges that the individual directors of FirstMerit breached their fiduciary duties by approving a proposed merger that allegedly undervalues FirstMerit, allegedly provides the directors with benefits not afforded FirstMerit shareholders, and allegedly includes deal protection devices to ensure that the proposed merger will be consummated. The consolidated complaint also alleges that the directors approved a Registration Statement on S-4, filed on March 4, 2016, (the "Registration Statement") that omits material information about the proposed merger. It also alleges that Huntington aided and abetted the alleged breaches of fiduciary duty. It seeks declaratory and injunctive relief to prevent the consummation of the proposed merger, an award of fees and costs, and other equitable relief.

The other three lawsuits were filed in the United States District Court for the Northern District of Ohio:Wojno v. FirstMerit Corp., Case No. 5:16-cv-461, was filed on February 26, 2016; Wilkinson v. FirstMerit Corp., Case No. 5:16-cv-723, was filed on March 23, 2016; andHafner v. Greig, Case No 5:16-cv-762, was filed on March 28, 2016 (the "Federal Court Lawsuits"). On April 8, 2016, the parties to the Federal Court Lawsuits filed a stipulation that, among other things, would consolidate the actions and designate a consolidated complaint. The stipulation remains pending. Each complaint in the Federal Court Lawsuits makes similar allegations to the State Court Lawsuits consolidated complaint, and also alleges that the directors violated Sections 14(a) and 20(a) of the Securities Exchange of 1934 and Rule 14a-9 promulgated thereunder by approving the Registration Statement. The Hafner complaint also alleges that Huntington violated Section 20(a) of the Securities Exchange Act in connection with the Registration Statement. Each complaint in the Federal Court Lawsuits seeks similar relief to the State Court Lawsuits consolidated complaint.

On April 13, 2016, the defendants in the State Court Lawsuits filed a motion to stay the State Court Lawsuits pending the resolution of the parallel Federal Court Lawsuits. The motion to stay remains pending.

13. Changes and Reclassifications Out of Accumulated Other Comprehensive Income

The following table presents the changes in AOCI by component of comprehensive income for the three months ended March 31, 2016 and 2015:

(In thousands)	Three Months Ended March 31, 2016		
	Pretax	Tax	After tax
Unrealized and realized securities gains and losses:			
Balance at the beginning of the period	$ (32,786)	$(15,840)	$(16,946)
Changes in unrealized securities' holding gains/(losses)	48,379	17,562	30,817
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(1,441)	(147)	(1,294)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	295	107	188
Balance at the end of the period	14,447	1,682	12,765
Pension plans and other postretirement benefits:			
Balance at the beginning of the period	(95,760)	(33,432)	(62,328)
Current year actual losses/(gains)	—	—	—
Amortization of actuarial losses/(gains)	2,168	773	1,395
Amortization of prior service cost reclassified to other noninterest expense	(260)	(87)	(173)
Balance at the end of the period	(93,852)	(32,746)	(61,106)
Total Accumulated Other Comprehensive Income	$ (79,405)	$(31,064)	$(48,341)

(In thousands)	Three Months Ended March 31, 2015		
	Pretax	Tax	After tax
Unrealized and realized securities gains and losses:			
Balance at the beginning of the period	$ (8,531)	$ (2,985)	$ (5,546)
Changes in unrealized securities' holding gains/(losses)	34,117	11,941	22,176
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(504)	(176)	(328)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(354)	(124)	(230)
Balance at the end of the period	24,728	8,656	16,072
Pension plans and other postretirement benefits:			
Balance at the beginning of the period	(102,068)	(35,722)	(66,346)
Amortization of actuarial losses/(gains)	1,138	398	740
Amortization of prior service cost reclassified to other noninterest expense	410	143	267
Balance at the end of the period	(100,520)	(35,181)	(65,339)
Total Accumulated Other Comprehensive Income	$ (75,792)	$(26,525)	$(49,267)

The following table presents current period reclassifications out of AOCI by component of comprehensive income for the three months ended March 31, 2016 and 2015:

(In thousands)	Three Months Ended March 31, 2016	Income statement line item presentation
Realized (gains)/losses on sale of securities	$ 295	Investment securities losses (gains), net
Tax expense (benefit) (36.3%)	107	Income tax expense (benefit)
Reclassified amount, net of tax	$ 188	

(In thousands)	Three Months Ended March 31, 2015	Income statement line item presentation
Realized (gains)/losses on sale of securities	$ (354)	Investment securities losses (gains), net
Tax expense (benefit) (35%)	(124)	Income tax expense (benefit)
Reclassified amount, net of tax	$ (230)	

14. Subsequent Events

In preparing these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to all shareholders and other financial statement users, or filed with the SEC. In accordance with applicable accounting standards, all material subsequent events have been either recognized in the financial statements or disclosed in the notes to the financial statements.

The acronyms and abbreviations identified below are used herein.

Acquisition Date	Citizens Republic Bancorp Inc. acquisition date of April 12, 2013
ALCO	Asset/Liability Management Committee
ALL	Allowance for loan losses
AOCI	Accumulated other comprehensive income (loss)
APBO	Accumulated pension benefit obligation
ASC	Accounting standards codification
ASU	Accounting standards update
Bank	FirstMerit Bank N.A.
Basel I	Basel Committee's 1988 Capital Accord
Basel III	Basel Committee regulatory capital reforms, Third Basel Accord
Basel Committee	Basel Committee on Banking Supervision
BHC	Bank holding company
BHCA	Bank Holding Company Act of 1956, as amended
CCAR	Comprehensive Capital Analysis and Review
CET1	Common equity tier 1 capital
CFPB	Consumer Financial Protection Bureau
Citizens	Citizens Republic Bancorp Inc.
Citizens TARP Preferred	Citizens TARP Preferred issued to the U.S. Treasury as part of the Troubled Assets Relief Program
CLO	Collateralized loan obligations
CMO	Collateralized mortgage obligations
Common Stock	Common Shares, without par value
Corporation	FirstMerit Corporation and its Subsidiaries
CPR	Conditional Prepayment Rate
CRA	The Community Reinvestment Act
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DIF	Federal Deposit Insurance Fund
DTA	Deferred tax asset
DTL	Deferred tax liability
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act of 1974
ERM	Enterprise risk management
ESOP	Employee stock ownership plan
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	The Federal Deposit Insurance Corporation
Federal Reserve	The Board of Governors of the Federal Reserve System
FHLB	Federal Home Loan Bank, including the Federal Home Loan
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association
FRAP	Fixed Rate Advantage Program
FRB	Federal Reserve Bank
FSOC	Financial Stability Oversight Council
GAAP	United States generally accepted accounting principles
GSE	Government sponsored enterprise
G-SIFI	Globally Systematically Important Financial Institution
ISDA	International Swaps and Derivatives Association
LIBOR	London Interbank Offered Rate
Management	FirstMerit Corporation's Management
MBS	Mortgage-backed securities
MSRs	Mortgage servicing rights
NASDAQ	The NASDAQ Stock Market LLC
NPR	Notice of Proposal Rulemaking
NYSE	New York Stock Exchange
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
OTTI	Other-than-temporary impairment
Parent Company	FirstMerit Corporation
Preferred Stock	5.875% Non-Cumulative Perpetual Preferred Stock, Series A
RIP	Retirement Investment Plan
ROA	Return on average assets
ROE	Return on average equity
SEC	United States Securities and Exchange Commission
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
TE	Fully taxable equivalent
U.S. Treasury	United States Department of the Treasury
UTB	Unrecognized tax balance
VIE	Variable interest entity

CONSOLIDATED BALANCE SHEETS
FIRSTMERIT CORPORATION AND SUBSIDARIES

(In thousands) (Unaudited, except for December 31, 2015)	June 30, 2016	December 31, 2015	June 30, 2015
ASSETS			
Cash and due from banks	$ 420,818	$ 380,799	$ 472,848
Interest-bearing deposits in banks	103,469	83,018	114,741
Total cash and cash equivalents	524,287	463,817	587,589
Investment securities:			
Held-to-maturity	2,514,161	2,674,093	2,787,513
Available-for-sale	4,318,688	3,967,735	3,838,509
Other investments	148,367	148,172	147,967
Loans held for sale	3,962	5,472	5,432
Loans	16,343,606	16,076,945	15,705,110
Allowance for loan losses	(149,649)	(153,691)	(148,259)
Net loans	16,193,957	15,923,254	15,556,851
Premises and equipment, net	293,209	319,488	313,819
Goodwill	741,740	741,740	741,740
Intangible assets	56,020	60,628	65,824
Covered other real estate	940	2,134	1,065
Accrued interest receivable and other assets	1,355,256	1,218,071	1,250,705
Total assets	$26,150,587	$25,524,604	$25,297,014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$ 6,011,531	$ 5,942,248	$ 5,725,850
Interest-bearing	3,477,483	3,476,729	3,304,969
Savings and money market accounts	9,354,868	8,450,123	8,418,716
Certificates and other time deposits	2,108,761	2,238,903	2,224,315
Total deposits	20,952,643	20,108,003	19,673,850
Federal funds purchased and securities sold under agreements to repurchase	686,890	1,037,075	1,519,250
Wholesale borrowings	468,447	580,648	366,074
Long-term debt	526,389	505,173	497,393
Accrued taxes, expenses and other liabilities	469,059	353,610	352,490
Total liabilities	23,103,428	22,584,509	22,409,057
Shareholders' equity:			
5.875% Non-Cumulative Perpetual Preferred Stock, Series A, without par value: authorized 115,000 shares; 100,000 issued	100,000	100,000	100,000
Common Stock warrant	—	—	—
Common Stock, without par value; authorized 300,000,000 shares; issued: June 30, 2016, December 31, 2015 and June 30, 2015—170,183,515 shares	127,937	127,937	127,937
Capital surplus	1,383,266	1,386,677	1,379,194
Accumulated other comprehensive loss	(29,473)	(79,274)	(67,621)
Retained earnings	1,572,681	1,519,438	1,462,859
Treasury stock, at cost: June 30, 2016—4,014,513; December 31, 2015—4,425,927; June 30, 2015—4,410,939 shares	(107,252)	(114,683)	(114,412)
Total shareholders' equity	3,047,159	2,940,095	2,887,957
Total liabilities and shareholders' equity	$26,150,587	$25,524,604	$25,297,014

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands, except per share amounts) (Unaudited)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest income:				
Loans and loans held for sale	$ 162,977	$ 161,872	$ 325,255	$ 323,411
Investment securities:				
Taxable	33,350	32,175	66,499	64,125
Tax-exempt	5,013	5,327	10,274	11,353
Total investment securities interest	38,363	37,502	76,773	75,478
Total interest income	201,340	199,374	402,028	398,889
Interest expense:				
Deposits:				
Interest bearing	1,013	783	1,942	1,550
Savings and money market accounts	5,641	5,588	11,293	11,135
Certificates and other time deposits	3,116	2,510	6,405	4,687
Federal funds purchased and securities sold under agreements to repurchase	109	329	374	572
Wholesale borrowings	1,121	1,129	2,355	2,289
Long-term debt	4,262	3,917	8,425	7,915
Total interest expense	15,262	14,256	30,794	28,148
Net interest income	186,078	185,118	371,234	370,741
Provision for loan losses	6,391	8,966	14,200	17,214
Net interest income after provision for loan losses	179,687	176,152	357,034	353,527
Noninterest income:				
Trust department income	11,167	10,820	21,451	20,969
Service charges on deposits	16,263	16,704	31,849	32,372
Credit card fees	14,942	14,124	28,520	26,773
ATM and other service fees	6,427	6,345	12,661	12,444
Bank owned life insurance income	4,186	3,697	7,882	7,289
Investment services and insurance	3,851	3,871	7,756	7,575
Investment securities gains/(losses), net	2,164	567	2,459	921
Loan sales and servicing income	1,995	3,276	3,847	4,876
Other operating income	4,120	7,178	16,084	19,210
Total noninterest income	65,115	66,582	132,509	132,429
Noninterest expense:				
Salaries, wages, pension and employee benefits	86,789	86,020	172,669	176,546
Net occupancy expense	13,466	13,727	28,240	29,681
Equipment expense	12,078	12,592	24,486	23,617
Stationery, supplies and postage	2,945	3,370	6,564	6,898
Bankcard, loan processing and other costs	12,269	12,461	23,277	23,600
Professional services	4,467	5,358	12,818	9,368
Amortization of intangibles	2,304	2,598	4,608	5,196
FDIC insurance expense	5,192	5,077	10,637	10,244
Other operating expense	20,810	20,471	43,984	37,176
Total noninterest expense	160,320	161,674	327,283	322,326
Income before income tax expense	84,482	81,060	162,260	163,630
Income tax expense	26,173	24,476	49,815	49,907
Net income	58,309	56,584	112,445	113,723
Less: Net income allocated to participating shareholders	496	467	955	937
Preferred Stock dividends	1,469	1,469	2,938	2,938
Net income attributable to common shareholders	$ 56,344	$ 54,648	$ 108,552	$ 109,848
Net income used in diluted EPS calculation	$ 56,344	$ 54,648	$ 108,552	$ 109,848
Weighted average number of common shares outstanding—basic	166,188	165,736	165,966	165,574
Weighted average number of common shares outstanding—diluted	166,807	166,277	166,563	166,089
Basic earnings per common share	$ 0.34	$ 0.33	$ 0.65	$ 0.66
Diluted earnings per common share	0.34	0.33	0.65	0.66
Cash dividend per common share	0.17	0.16	0.34	0.32

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Pretax	Tax	After tax	Pretax	Tax	After tax
Net Income	$ 84,482	$ 26,173	$ 58,309	$162,260	$49,815	$112,445
Other comprehensive income/(loss)						
Unrealized gains and losses on securities available for sale:						
Changes in unrealized securities' holding gains/(losses)	31,489	11,431	20,058	79,868	28,994	50,874
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(221)	(79)	(142)	(1,072)	(14)	(1,058)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(2,164)	(786)	(1,378)	(2,459)	(892)	(1,567)
Net change in unrealized gains/(losses) on securities available for sale	29,104	10,566	18,538	76,337	28,088	48,249
Pension plans and other postretirement benefits:						
Amortization of actuarial losses/(gains)	1,076	390	686	3,244	1,163	2,081
Amortization of prior service cost reclassified to other noninterest expense	(560)	(204)	(356)	(820)	(291)	(529)
Net change from defined benefit pension plans	516	186	330	2,424	872	1,552
Total other comprehensive gains/(losses)	29,620	10,752	18,868	78,761	28,960	49,801
Comprehensive income	$114,102	$ 36,925	$ 77,177	$241,021	$78,775	$162,246

(In thousands) (Unaudited)	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	Pretax	Tax	After tax	Pretax	Tax	After tax
Net Income	$ 81,060	$ 24,476	$ 56,584	$163,630	$49,907	$113,723
Other comprehensive income/(loss)						
Unrealized gains and losses on securities available for sale:						
Changes in unrealized securities' holding gains/(losses)	(28,642)	(10,024)	(18,618)	5,475	1,916	3,559
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(575)	(203)	(372)	(1,079)	(378)	(701)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(567)	(198)	(369)	(921)	(322)	(599)
Net change in unrealized gains/(losses) on securities available for sale	(29,784)	(10,425)	(19,359)	3,475	1,216	2,259
Pension plans and other postretirement benefits:						
Amortization of actuarial losses/(gains)	1,138	399	739	2,276	797	1,479
Amortization of prior service cost reclassified to other noninterest expense	410	144	266	820	287	533
Net change from defined benefit pension plans	1,548	543	1,005	3,096	1,084	2,012
Total other comprehensive gains/(losses)	(28,236)	(9,882)	(18,354)	6,571	2,300	4,271
Comprehensive income	$ 52,824	$ 14,594	$ 38,230	$170,201	$52,207	$117,994

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Preferred Stock	Common Stock	Common Stock Warrant	Capital Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2014	$100,000	$127,937	$ 3,000	$1,393,090	$ (71,892)	$1,404,717	$(122,571)	$ 2,834,281
Net income	—	—	—	—	—	113,723	—	113,723
Other comprehensive income	—	—	—	—	4,271	—	—	4,271
Comprehensive income	—	—	—	—	4,271	113,723	—	117,994
Cash dividends—Preferred Stock	—	—	—	—	—	(2,938)	—	(2,938)
Cash dividends—Common Stock ($0.32 per share)	—	—	—	—	—	(52,643)	—	(52,643)
Nonvested (restricted) shares granted (659,432 shares)	—	—	—	(14,340)	—	—	14,340	—
Restricted stock activity (276,805 shares)	—	—	—	1,291	—	—	(5,544)	(4,253)
Deferred compensation trust (234,703 increase in shares)	—	—	—	637	—	—	(637)	—
Share-based compensation	—	—	—	7,666	—	—	—	7,666
Repurchase of a Common Stock warrant to the U.S. Treasury for Citizens TARP warrant (2,571,998 shares)	—	—	(3,000)	(9,150)	—	—	—	(12,150)
Balance at June 30, 2015	$100,000	$127,937	$ —	$1,379,194	$ (67,621)	$1,462,859	$(114,412)	$ 2,887,957
Balance at December 31, 2015	$100,000	$127,937	$ —	$1,386,677	$ (79,274)	$1,519,438	$(114,683)	$ 2,940,095
Net income	—	—	—	—	—	112,445	—	112,445
Other comprehensive income	—	—	—	—	49,801	—	—	49,801
Comprehensive income	—	—	—	—	49,801	112,445	—	162,246
Cash dividends—Preferred Stock	—	—	—	—	—	(2,938)	—	(2,938)
Cash dividends—Common Stock ($0.34 per share)	—	—	—	—	—	(56,264)	—	(56,264)
Nonvested (restricted) shares granted (633,286 shares)	—	—	—	(12,900)	—	—	12,900	—
Restricted stock activity (221,872 shares)	—	—	—	701	—	—	(4,878)	(4,177)
Deferred compensation trust (109,130 increase in shares)	—	—	—	591	—	—	(591)	—
Share-based compensation	—	—	—	8,197	—	—	—	8,197
Balance as of June 30, 2016	$100,000	$127,937	$ —	$1,383,266	$ (29,473)	$1,572,681	$(107,252)	$ 3,047,159

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FIRSTMERIT CORPORATION AND SUBSIDIARIES

(In thousands) (Unaudited)	Six Months Ended June 30, 2016	2015
Operating Activities		
Net income	$ 112,445	$ 113,723
Adjustments to reconcile net income to net cash provided and used by operating activities:		
Provision for loan losses	14,200	17,214
Provision/(benefit) for deferred income taxes	22,893	4,162
Depreciation and amortization	32,635	31,274
Benefit attributable to FDIC loss share	257	6,046
Accretion of acquired loans	(33,978)	(51,170)
Amortization and accretion of investment securities, net		
Available-for-sale	5,062	5,407
Held-to-maturity	1,866	2,110
Losses/(gains) on sales and calls of available-for-sale investment securities, net	(2,756)	(921)
Originations of loans held for sale	(14,060)	(51,673)
Proceeds from sales of loans, primarily mortgage loans sold in the secondary markets	15,938	60,429
Gains on sales of loans, net	(368)	(760)
Amortization of intangible assets	4,608	5,196
Recognition of stock compensation expense	8,197	7,666
Net decrease/(increase) in other assets	(171,074)	1,442
Net increase/(decrease) in other liabilities	142,897	(1,519)
NET CASH PROVIDED BY OPERATING ACTIVITIES	138,762	148,626
Investing Activities		
Proceeds from sale of investment securities		
Available-for-sale	(113)	171,725
Held-to-maturity	—	668
Other	—	1,015
Proceeds from prepayments, calls, and maturities of investment securities		
Available-for-sale	319,566	285,541
Held-to-maturity	214,489	211,636
Other	—	165
Purchases of investment securities		
Available-for-sale	(616,645)	(758,486)
Held-to-maturity	(57,469)	(94,756)
Other	(221)	(172)
Net decrease/(increase) in loans and leases	(262,863)	(356,117)
Purchases of premises and equipment	(2,412)	(9,950)
Sales of premises and equipment	8,501	8,407
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(397,167)	(540,324)
Financing Activities		
Net increase in demand accounts	70,037	215,269
Net increase/(decrease) in savings and money market accounts	904,745	19,104
Net decrease in certificates and other time deposits	(130,142)	(65,188)
Net increase/(decrease) in securities sold under agreements to repurchase	(350,185)	246,659
Net increase/(decrease) in wholesale borrowings	(112,201)	(61,997)
Repurchase of common stock warrant	—	(12,150)
Cash dividends—common	(56,264)	(52,643)
Cash dividends—preferred	(2,938)	(2,938)
Restricted stock activity	(4,177)	(4,253)
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	318,875	281,863
Increase/(Decrease) in cash and cash equivalents	60,470	(109,835)
Cash and cash equivalents at beginning of year	463,817	697,424
Cash and cash equivalents at end of year	$ 524,287	$ 587,589
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for:		
Interest	$ 30,920	$ 27,970
Federal income taxes	4,859	26,125

See accompanying Notes to the Consolidated Financial Statements

FirstMerit Corporation and subsidiaries (the "Corporation" or "we") is a diversified financial services company headquartered in Akron, Ohio with 359 banking offices in the Ohio, Michigan, Wisconsin, Illinois, and Pennsylvania areas. The Corporation provides a complete range of banking and other financial services to consumers and businesses through its core operations.

On January 26, 2016, the Corporation and Huntington Bancshares Incorporated ("Huntington") announced the signing of a definitive merger agreement under which the Corporation will merge into a subsidiary of Huntington in a stock and cash transaction. Based on the closing price of Huntington's common shares on January 25, 2016 of $8.80, the total transaction value is approximately $3.40 billion, including outstanding options and other equity-linked securities.

Under the terms of the definitive merger agreement, the Corporation will merge with a subsidiary of Huntington Bancshares, and FirstMerit Bank will merge with and into The Huntington National Bank. In conjunction with the closing of the transaction, four independent members of the Corporation's Board of Directors will join the Huntington Board, which will be expanded accordingly.

Shareholders of the Corporation will receive 1.72 shares of Huntington common stock, and $5.00 in cash, for each share of the Corporation common stock. The per share consideration is valued at $20.14 per share based on the closing price of Huntington Common Stock on January 25, 2016.

The respective shareholders of Huntington and the Corporation approved the proposed merger of FirstMerit into Huntington during special meetings held on June 13, 2016 in Akron, Ohio by FirstMerit and in Columbus, Ohio by Huntington.

The transaction is expected to be completed in the third quarter of 2016, subject to the satisfaction of customary closing conditions, including regulatory approvals.

1. Summary of Significant Accounting Policies

Unless otherwise indicated, defined terms and abbreviations used herein have the meanings set forth in the accompanying Glossary of Acronyms and Abbreviations.

Basis of Presentation—FirstMerit Corporation is a BHC whose principal asset is the Common Stock of its wholly-owned subsidiary, FirstMerit Bank, N. A. The Parent Company's other subsidiaries include Citizens Savings Corporation of Stark County, FirstMerit Capital Trust I, and FirstMerit Risk Management, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The accounting and reporting policies of the Corporation conform to GAAP and to general practices within the financial services industry.

The Consolidated Balance Sheet at December 31, 2015 has been derived from the audited consolidated financial statements at that date. The accompanying unaudited interim financial statements reflect all adjustments (consisting only of normally recurring adjustments) that are, in the opinion of Management, necessary for a fair statement of the results for the interim periods presented. Certain reclassifications of prior year's amounts have been made to conform to the current year presentation. Such reclassifications had no effect on net earnings or equity. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been omitted in accordance with the rules of the SEC. The unaudited consolidated financial statements of the Corporation as of June 30, 2016 and 2015 are not necessarily indicative of the results that may be achieved for the full fiscal year or for any future period. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K"). There have been no significant changes in the current quarter to the Corporation's accounting policies as disclosed in the 2015 Form 10-K.

In preparing these accompanying unaudited interim consolidated financial statements, subsequent events were evaluated through the time the consolidated financial statements were issued.

Recently Adopted Accounting Standards

FASB ASU 2015-16, *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments.* The amendments in ASU 2015-16 require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this update will be applied prospectively to adjustments to provisional amounts that occur after the effective date of this update with earlier application permitted for financial statements that have not been issued. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2015-5*, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement.* The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer's accounting for service contracts. In addition, the guidance in this update supersedes 350-40-25-16. Consequently, all software licenses within the

scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. The amendments are effective for public business entities for annual and interim periods within those annual periods, beginning after December 15, 2015. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. For prospective transition, the only disclosure requirements at transition are the nature of and reason for the change in accounting principle, the transition method, and a qualitative description of the financial statement line items affected by the change. For retrospective transition, the disclosure requirements at transition include the requirements for prospective transition and quantitative information about the effects of the accounting change. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2015-2, *Amendments to the Consolidation Analysis*. The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. These amendments modify the current accounting guidance to address limited partnerships and similar entities, certain investments funds, fees paid to a decision maker or service provider, and the impact of fee arrangements and related parties on the primary beneficiary determination. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. A reporting entity may apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2014–12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period* — a consensus of the FASB Emerging Issues Task Force. The amendments in this update clarify that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. The ASU does not contain any new disclosure requirements. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. In addition, entities will have the option of applying the guidance either prospectively (i.e., only to awards granted or modified on or after the effective date) or retrospectively. Retrospective application would only apply to awards with performance targets outstanding at or after the beginning of the first annual period presented (i.e., the earliest presented comparative period). The adoption of this guidance did not have a material effect on the Corporation's financial position or results of operations.

Recently Issued Accounting Standards

ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments will require a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The amendments will also limit the amount of the allowance for credit losses to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value. The amendments require changes to presentational matters, such as presenting credit losses as an allowance rather than a write-down. The amendments in ASU 2016-13 retain many of the disclosure amendments in Accounting Standards Update No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* updated to reflect the change from an incurred loss methodology to an expected credit loss methodology. In addition, disclosures of credit quality indicators in relation to the amortized cost of financing receivables are further disaggregated by year of origination (or vintage). The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years for public business entities. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years using a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., a modified-retrospective approach) or a prospective transition approach for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.* This update amends the new revenue recognition guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The amendments in this update clarify that, for a contract to be considered completed at transition, substantially all of the revenue must have been recognized under legacy GAAP. This update also includes a practical expedient to ease transition for contracts that were modified prior to adoption of the revenue standard under both the full and modified retrospective transition approaches. The amendments clarify how an entity should evaluate the collectibility threshold and when an entity can recognize nonrefundable consideration received as revenue if an arrangement does not meet the standard’s contract criteria. They also clarify that the fair value of noncash consideration should be measured at contract inception when determining the transaction price. The amendments also allow an entity to make an accounting policy election to exclude from the transaction price certain types of taxes collected from a customer if it discloses that policy. The effective date and transition requirements for this update are the same as those of the new standard. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2006 EITF Meeting (SEC Update)*. The amendments in this update rescinds the following SEC Staff Observer comments that relate to narrow revenue recognition issues from ASC 605, *Revenue Recognition*, and ASC 932, *Extractive Activities — Oil and Ga*s, upon an entity's adoption of ASC 606: *Revenue and Expense Recognition for Freight Services in Process, Accounting for Shipping and Handling Fees and Costs, Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products), and Accounting for Gas Balancing Arrangements*. The ASU also rescinds the SEC Staff Announcement: *Determining the Nature of a Host Contract Related to a Hybrid Instrument Issued in the Form of a Share*under *Topic 815*, issued as EITF Topic D-109 and codified in ASC 815-10-S99-3, as of the effective date of ASU 2014-16, *Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. The effective date and transition requirements for this update are the same as those of the new standard. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This update amends the new revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations. The amendments clarify how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or a point in time. The amendments also clarify when a promised good or service is separately identifiable, that is distinct within the context of the contract, and allow entities to disregard items that are immaterial in the context of a contract. The effective date and transition requirements for this update are the same as those of the new standard. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in ASU 2016-09 simplify several aspects of accounting for employee share-based payments including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some areas of the simplification apply only to nonpublic entities. The new guidance will require all income tax effects of awards to be recognized as income tax expense or benefit in the income statement when the awards vest or are settled and additional paid in capital pools will be eliminated. The guidance requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. Companies will be required to account for forfeitures of share-based payments by recognizing forfeitures of awards as they occur or estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as

currently required, through an accounting policy election. The guidance will increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer's income tax withholding obligation. The guidance requires an employer to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on the statement of cash flows. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption will be permitted in any interim or annual period for which financial statements have not yet been issued or have not been made available for issuance, however all of the guidance must be adopted in the same period. If early adoption is elected in an interim period, any adjustments should be reflected as of the beginning of the annual period that includes that interim period. The adoption of this guidance is not expected to have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).* The amendments in ASU 2016-08 are intended to improve the operability and understandability of the implementation guidance by clarifying the following: how an entity should identify the unit of accounting for the principal versus agent evaluation; how the control principle applies to transactions, such as service arrangements; reframes the indicators to focus on a principal rather than an agent, removes the credit risk and commission indicators and clarifies the relationship between the control principle and the indicators; and revises the existing illustrative examples and adds new illustrative examples. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-07, *Investments—Equity Method and Joint Ventures (Topic 323)*, The amendments in this update eliminate the requirement that when an investment qualifies for use of the equity method due to an increase in level of ownership or influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by step basis as if the equity method had been in effect during all previous periods that the investment had been held. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures

FASB ASU 2016-06, *Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments*. The amendments in this update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the

embedded call (put) options solely in accordance with the four-step decision sequence. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity should apply the amendments in this update on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year for which the amendments are effective. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.* The amendments in ASU 2016-05 clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria (including those in paragraphs 815-20-35-14 through 35-18) continue to be met. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-02, *Leases (Topic 842),* The amendments in ASU 2016-02 increase transparency and comparability by requiring a lessee to recognize assets and liabilities for operating and capital leases with lease terms of more than 12 months. Additional qualitative and quantitative requirements disclosures are required to provide additional information to better understand the amount, timing, and uncertainty of cash flows arising from leases. Lessor accounting will remain largely unchanged from current GAAP. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity's equity investments and reducing the number of items that are recognized in other comprehensive income. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The adoption of this guidance is not expected to have a material effect on the Corporation's financial position or results of operations.

FASB ASU 2014-09, *Revenue from Contracts with Customers.* In May 2014, the FASB issued new accounting guidance that revises the criteria for determining when to recognize revenue from contracts with customers and expands disclosure requirements. The amendments in this update supersede virtually all existing GAAP revenue recognition guidance, including most industry-specific revenue recognition guidance. The core principle requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 applies to contracts with customers to provide goods and services, with certain exclusions such as lease contracts, financing arrangements, and financial instruments. On July 9, 2015, the FASB decided to delay, by one year, the effective dates, permitting public entities to apply this guidance to annual reporting periods beginning after December 15, 2017, with early adoption permitted, but not before December 15, 2016. The amendments can be adopted using either the full retrospective approach or a modified retrospective approach. There are many aspects of this new accounting guidance that are still being interpreted, and the FASB has recently issued updates to certain aspects of the guidance as noted above. The Corporation is in process of assessing the potential impact the adoption of this guidance will have on its consolidated financial statements and related disclosures.

2. Investment Securities

The following tables provide the amortized cost and fair value for the major categories of held-to-maturity and available-for-sale securities. Held-to-maturity securities are carried at amortized cost, which reflects historical cost, adjusted for amortization of premiums and accretion of discounts. Available-for-sale securities are carried at fair value with net unrealized gains or losses reported on an after tax basis as a component of OCI in shareholders’ equity.

(In thousands)	June 30, 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. treasury notes & bonds	$ 4,996	$ 1	$ —	$ 4,997
U.S. government agency debentures	2,500	28	—	2,528
U.S. states and political subdivisions	147,807	3,742	(2)	151,547
Residential mortgage-backed securities:				
U.S. government agencies	840,250	20,064	(67)	860,247
Commercial mortgage-backed securities:				
U.S. government agencies	198,069	4,095	(116)	202,048
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,325,707	30,400	(3,089)	2,353,018
Non-agency	3	—	—	3
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	392,205	6,528	(122)	398,611
Asset-backed securities:				
Collateralized loan obligations	297,939	354	(6,499)	291,794
Corporate debt securities	61,740	—	(10,633)	51,107
Total debt securities	4,271,216	65,212	(20,528)	4,315,900
Equity securities				
Marketable equity securities	2,788	—	—	2,788
Total equity securities	2,788	—	—	2,788
Total securities available-for-sale	$4,274,004	$ 65,212	$ (20,528)	$4,318,688
Securities held-to-maturity				
Debt securities				
U.S. government agency debentures	$ 25,000	$ 35	$ —	$ 25,035
U.S. states and political subdivisions	540,425	15,713	(265)	555,873
Residential mortgage-backed securities:				
U.S. government agencies	467,462	12,367	—	479,829
Commercial mortgage-backed securities:				
U.S. government agencies	87,964	1,991	(42)	89,913
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,060,496	4,327	(6,670)	1,058,153
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	246,509	3,559	(410)	249,658
Corporate debt securities	86,305	974	—	87,279
Total securities held-to-maturity	$2,514,161	$ 38,966	$ (7,387)	$2,545,740

(In thousands)	December 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. treasury notes & bonds	$ 5,001	$ —	$ (1)	$ 5,000
U.S. government agency debentures	2,500	—	(2)	2,498
U.S. states and political subdivisions	188,829	4,170	(204)	192,795
Residential mortgage-backed securities:				
U.S. government agencies	900,358	11,325	(5,454)	906,229
Commercial mortgage-backed securities:				
U.S. government agencies	173,912	220	(2,023)	172,109
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,155,808	2,659	(30,147)	2,128,320
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	217,008	580	(1,269)	216,319
Asset-backed securities:				
Collateralized loan obligations	297,831	26	(8,446)	289,411
Corporate debt securities	61,710	—	(9,481)	52,229
Total debt securities	4,002,961	18,980	(57,027)	3,964,914
Equity securities				
Marketable equity securities	2,821	—	—	2,821
Total equity securities	2,821	—	—	2,821
Total securities available-for-sale	$4,005,782	$ 18,980	$ (57,027)	$3,967,735
Securities held-to-maturity				
Debt securities				
U.S. government agency debentures	25,000	19	—	25,019
U.S. states and political subdivisions	571,738	22,180	(262)	593,656
Residential mortgage-backed securities:				
U.S. government agencies	507,908	4,767	(2,999)	509,676
Commercial mortgage-backed securities:				
U.S. government agencies	64,951	294	(574)	64,671
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,161,340	75	(35,881)	1,125,534
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	255,359	676	(3,611)	252,424
Corporate debt securities	87,797	364	(22)	88,139
Total securities held-to-maturity	$2,674,093	$ 28,375	$ (43,349)	$2,659,119

(In thousands)	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
Debt securities				
U.S. treasury notes & bonds	$ 5,004	$ 1	$ —	$ 5,005
U.S. government agency debentures	2,500	10	—	2,510
U.S. states and political subdivisions	203,449	5,191	(1,023)	207,617
Residential mortgage-backed securities:				
U.S. government agencies	947,347	18,068	(4,563)	960,852
Commercial mortgage-backed securities:				
U.S. government agencies	171,842	643	(2,147)	170,338
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,968,918	4,779	(24,308)	1,949,389
Non-agency	5	—	—	5
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	227,889	1,254	(705)	228,438
Asset-backed securities:				
Collateralized loan obligations	259,743	801	(2,463)	258,081
Corporate debt securities	61,681	—	(8,231)	53,450
Total debt securities	3,848,378	30,747	(43,440)	3,835,685
Equity Securities				
Marketable equity securities	2,824	—	—	2,824
Non-marketable equity securities	—	—	—	—
Total equity securities	2,824	—	—	2,824
Total securities available-for-sale	$3,851,202	$ 30,747	$ (43,440)	$3,838,509
Securities held-to-maturity				
Debt securities				
U.S. government agency debentures	25,000	—	(323)	24,677
U.S states and political subdivisions	529,441	8,104	(1,942)	535,603
Residential mortgage-backed securities:				
U.S. government agencies	555,273	6,919	(2,940)	559,252
Commercial mortgage-backed securities:				
U.S. government agencies	57,462	412	(219)	57,655
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,267,321	445	(35,025)	1,232,741
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	263,741	1,004	(4,523)	260,222
Corporate debt securities	89,275	695	—	89,970
Total securities held-to-maturity	$2,787,513	$ 17,579	$ (44,972)	$2,760,120

The Corporation's U.S. states and political subdivisions portfolio is composed of general obligation bonds issued by a highly diversified number of states, cities, counties, and school districts. The amortized cost and fair value of the Corporation's portfolio of general obligation bonds are summarized by U.S. state in the tables below. As illustrated in the tables below, the aggregate fair value of the Corporation's general obligation bonds was greater than $10.0 million in 11 of the 37 U.S. states in which it holds investments.

(Dollars in thousands)

U.S. State	June 30, 2016 # of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	116	$ 1,404	$ 157,403	$ 162,897
Ohio	108	1,095	115,545	118,300
Wisconsin	54	651	34,046	35,166
Illinois	52	1,783	90,772	92,711
Texas	51	816	40,409	41,629
Pennsylvania	41	1,037	41,674	42,529
New Jersey	31	724	21,928	22,441
Washington	27	968	25,586	26,149
Minnesota	23	699	15,667	16,076
New York	18	575	10,044	10,346
Missouri	10	1,075	10,414	10,754
Other	105	768	79,275	80,688
Total general obligation bonds	636	$ 1,037	$ 642,763	$ 659,686

(Dollars in thousands)

U.S. State	December 31, 2015 # of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	137	$ 1,381	$ 180,508	$ 189,259
Ohio	111	1,091	116,783	121,117
Illinois	55	1,870	99,524	102,867
Texas	58	807	45,818	46,805
Wisconsin	69	673	44,794	46,454
Pennsylvania	42	1,020	42,185	42,835
Washington	29	950	27,080	27,548
New Jersey	35	725	24,810	25,372
Minnesota	33	667	21,679	22,020
Missouri	15	1,078	15,878	16,174
New York	18	635	11,161	11,422
Other	110	759	81,815	83,477
Total general obligation bonds	712	$ 1,033	$ 712,035	$ 735,350

(Dollars in thousands)

U.S. State	June 30, 2015 # of Issuers	Average Issue Size, Fair Value	Amortized Cost	Fair Value
Michigan	153	$ 1,018	$ 152,499	$ 155,712
Ohio	127	964	121,716	122,474
Illinois	60	1,784	105,581	107,033
Wisconsin	70	585	39,774	40,950
Texas	67	759	50,370	50,877
Pennsylvania	46	1,014	46,547	46,666
Washington	30	939	27,783	28,169
New Jersey	34	720	23,916	24,472
Minnesota	34	692	23,267	23,540
Missouri	15	1,084	15,981	16,265
New York	18	633	11,187	11,392
Other	119	639	75,670	76,040
Total general obligation bonds	773	$ 910	$ 694,291	$ 703,590

The Corporation's investment policy states that municipal securities purchased are to be investment grade and allows for a 20% maximum portfolio concentration in municipal securities with a combined individual state to total municipal outstanding equal to or less than 25%. A municipal security is investment grade if (1) the security has a low risk of default by the obligor and (2) the full and timely payment of principal and interest is expected over the anticipated life of the instrument. The fact that a municipal security is rated by one nationally recognized credit rating agency is indicative, but not sufficient evidence, that a municipal security is investment grade. In all cases, the Corporation considers and documents within a security pre-purchase analysis factors such as capacity to pay, market and economic data, and such other factors as are available and relevant to the security or issuer. Factors to be considered in the ongoing monitoring of municipal securities and in the pre-purchase analysis include soundness of budgetary position and sources of revenue, financial strength, and stability of tax or enterprise revenues. The Corporation also considers spreads to U.S. Treasuries on comparable bonds of similar credit quality, in addition to the above analysis, to assess whether municipal securities are investment grade. The Corporation performs a risk analysis for any security that is downgraded below investment grade to determine if the security should be retained or sold. This risk analysis includes, but is not limited to, discussions with the Corporation's credit department as well as third-party municipal credit analysts and review of the nationally recognized credit rating agency's analysis describing the downgrade.

The Corporation's evaluation of its municipal bond portfolio at June 30, 2016 did not uncover any facts or circumstances resulting in significantly different credit ratings than those assigned by a nationally recognized credit rating agency.

FRB and FHLB stock constitutes the majority of other investments on the Consolidated Balance Sheets.

(In thousands)	June 30, 2016	December 31, 2015	June 30, 2015
FRB stock	$ 56,303	$ 56,083	$ 55,853
FHLB stock	91,714	91,714	91,713
Other	350	375	401
Total other investments	$ 148,367	$ 148,172	$ 147,967

FRB and FHLB stock is classified as a restricted investment, carried at cost and valued based on the ultimate recoverability of par value. Cash and stock dividends received on the stock are reported as interest income. There are no identified events or changes in circumstances that may have a significant adverse effect on these investments carried at cost.

Securities with a carrying value of $3.2 billion, $2.9 billion, and $3.2 billion at June 30, 2016, December 31, 2015, and June 30, 2015, respectively, were pledged to secure trust and public deposits and securities sold under agreements to repurchase and for other purposes required or permitted by law.

Realized Gains and Losses

The following table presents the gross realized gains and losses on the sales of those securities that have been included in earnings as a result of those sales. Gains or losses on the sales of available-for-sale securities are recognized upon sale and are determined using the specific identification method.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Realized gains	$ 2,164	$ 672	$ 2,459	$ 1,064
Realized losses	—	(105)	—	(143)
Net securities (losses)/gains	$ 2,164	$ 567	$ 2,459	$ 921

Gross Unrealized Losses and Fair Value

The following table presents the gross unrealized losses and fair value of securities by length of time that individual securities had been in a continuous loss position by major categories of available-for-sale and held-to-maturity securities.

	June 30, 2016							
	Less than 12 months			12 months or longer			Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S. states and political subdivisions	$ 1,567	$ (2)	3	$ —	$ —	—	$ 1,567	$ (2)
Residential mortgage-backed securities:								
U.S. government agencies	14,275	(67)	5	—	—	0	14,275	(67)
Commercial mortgage-backed securities:								
U.S. government agencies	23,570	(28)	1	12,627	(88)	1	36,197	(116)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	13,182	(271)	1	332,305	(2,818)	29	345,487	(3,089)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	24,401	(38)	4	19,071	(84)	1	43,472	(122)
Asset-backed securities:								
Collateralized loan obligations	92,851	(1,795)	16	161,827	(4,704)	21	254,678	(6,499)
Corporate debt securities				51,106	(10,633)	8	51,106	(10,633)
Total securities available-for-sale	$169,846	$ (2,201)	30	$576,936	$ (18,327)	60	$746,782	$ (20,528)
Securities held-to-maturity								
Debt securities								
U.S. states and political subdivisions	$ 3,525	$ (19)	$ 7	$ 6,569	$ (246)	$ 9	$ 10,094	$ (265)
Residential mortgage-backed securities:								
U.S. government agencies	—	—	0	—	—	0	—	—
Commercial mortgage-backed securities:								
U.S. government agencies	13,478	(42)	1	—	—	0	13,478	(42)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	—	—	0	598,383	(6,670)	37	598,383	(6,670)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	—	—	0	47,686	(410)	4	47,686	(410)
Collateralized loan obligations:								
Corporate debt securities	5,002	—	1	—	—	0	5,002	—
Total securities held-to-maturity	$ 22,005	$ (61)	9	$652,638	$ (7,326)	50	$674,643	$ (7,387)

(Dollars in thousands)	December 31, 2015							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S government agency debentures	$ 2,498	$ (2)	1	$ —	$ —	0	$ 2,498	$ (2)
U.S. treasury notes and bonds	5,000	(1)	1	—	—	0	5,000	(1)
U.S. states and political subdivisions	10,178	(37)	20	5,899	(167)	9	16,077	(204)
Residential mortgage-backed securities:								
U.S. government agencies	328,156	(3,026)	27	95,895	(2,428)	7	424,051	(5,454)
Commercial mortgage-backed securities:								
U.S. government agencies	107,074	(1,447)	15	12,401	(576)	1	119,475	(2,023)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	1,130,779	(10,587)	78	597,403	(19,560)	49	1,728,182	(30,147)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	113,825	(893)	12	23,400	(376)	2	137,225	(1,269)
Asset-backed securities:								
Collateralized loan obligations	151,810	(3,576)	26	126,422	(4,870)	15	278,232	(8,446)
Corporate debt securities	—	—	0	52,229	(9,481)	8	52,229	(9,481)
Total securities available-for-sale	$1,849,320	$ (19,569)	180	$ 913,649	$ (37,458)	91	$2,762,969	$ (57,027)
Securities held-to-maturity								
Debt securities								
U.S. states and political subdivisions	$ 18,465	$ (224)	21	$ 4,174	$ (38)	6	$ 22,639	$ (262)
Residential mortgage-backed securities:								
U.S. government agencies	85,738	(715)	6	97,880	(2,284)	6	183,618	(2,999)
Commercial mortgage-backed securities:								
U.S. government agencies	34,833	(346)	6	9,269	(228)	1	44,102	(574)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	140,514	(1,225)	12	941,982	(34,656)	55	1,082,496	(35,881)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	71,812	(384)	7	117,992	(3,227)	11	189,804	(3,611)
Corporate debt securities	19,243	(22)	6	—	—	0	19,243	(22)
Total securities held-to-maturity	$ 370,605	$ (2,916)	58	$1,171,297	$ (40,433)	79	$1,541,902	$ (43,349)

(Dollars in thousands)	June 30, 2015							
	Less than 12 months			12 months or longer			Total	
	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses	Number Impaired Securities	Fair Value	Unrealized Losses
Securities available-for-sale								
Debt securities								
U.S. states and political subdivisions	$ 32,237	$ (587)	52	$ 5,642	$ (436)	9	$ 37,879	$ (1,023)
Residential mortgage-backed securities:								
U.S. government agencies	196,219	(2,087)	15	103,498	(2,476)	8	299,717	(4,563)
Commercial mortgage-backed securities:								
U.S. government agencies	96,573	(1,457)	14	17,335	(690)	2	113,908	(2,147)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	596,646	(4,398)	42	706,376	(19,910)	53	1,303,022	(24,308)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	46,771	(71)	5	61,120	(634)	7	107,891	(705)
Asset-backed securities:								
Collateralized loan obligations	84,565	(1,204)	10	86,082	(1,259)	11	170,647	(2,463)
Corporate debt securities	4,225	(765)	1	49,225	(7,466)	7	53,450	(8,231)
Total securities available-for-sale	$1,057,236	$ (10,569)	139	$1,029,278	$ (32,871)	97	$2,086,514	$ (43,440)
Securities held-to-maturity								
Debt securities								
U.S. government agency debentures	—	—	0	24,677	(323)	1	24,677	(323)
U.S. states and political subdivisions	98,867	(1,872)	112	4,430	(70)	6	103,297	(1,942)
Residential mortgage-backed securities:								
U.S. government agencies	83,112	(483)	5	105,289	(2,457)	6	188,401	(2,940)
Commercial mortgage-backed securities:								
U.S. government agencies	7,263	(41)	1	9,430	(178)	1	16,693	(219)
Residential collateralized mortgage-backed securities:								
U.S. government agencies	111,360	(835)	8	1,042,351	(34,190)	56	1,153,711	(35,025)
Commercial collateralized mortgage-backed securities:								
U.S. government agencies	5,025	(2)	1	142,937	(4,521)	13	147,962	(4,523)
Total securities held-to-maturity	$ 305,627	$ (3,233)	127	$1,329,114	$ (41,739)	83	$1,634,741	$ (44,972)

At least quarterly, the Corporation conducts a comprehensive security-level impairment assessment on all securities in an unrealized loss position to determine if OTTI exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. An OTTI loss must be recognized for a debt security in an unrealized loss position if the Corporation intends to sell the security or it is more likely than not that the Corporation will be required to sell the security before recovery of its amortized cost basis. In this situation, the amount of loss recognized in income is equal to the difference between the fair value and the amortized cost basis of the security. Even if the Corporation does not expect to sell the security, the Corporation must evaluate the expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. The portion of the unrealized loss relating to other factors, such as liquidity conditions in the market or changes in market interest rates, is recorded in OCI. Equity securities are also evaluated to determine whether the unrealized loss is expected to be recoverable based on whether evidence exists to support a realizable value equal to or greater than the amortized cost basis. If it is probable that the Corporation will not recover the amortized cost basis, taking into consideration the estimated recovery period and its ability to hold the equity security until recovery, OTTI is recognized.

The security-level assessment is performed on each security, regardless of the classification of the security as available-for-sale or held-to-maturity. The assessments are based on the nature of the securities, the financial condition of the issuer, the extent and duration of the securities, the extent and duration of the loss and whether Management intends to sell or it is more likely than not that it will be required to sell a security before recovery of its amortized cost basis, which may be maturity. For those securities which the assessment shows the Corporation will recover the entire cost basis, Management does not intend to sell these securities and it is not more likely than not that the Corporation will be required to sell them before the anticipated recovery of the amortized cost basis, the gross unrealized losses are recognized in OCI, net of tax.

The investment securities portfolio was in a net unrealized gain position of $76.3 million at June 30, 2016, compared to a net unrealized loss position of $53.0 million at December 31, 2015 and a net unrealized loss position of $40.1 million at June 30, 2015. Gross unrealized losses were $27.9 million as of June 30, 2016, compared to $100.4 million at December 31, 2015, and $88.4 million at June 30, 2015. As of June 30, 2016, gross unrealized losses are concentrated within CLOs and corporate debt securities. Securities classified as corporate debt would include eight, single issuer, trust preferred securities with stated maturities. Such investments are only 1% of the fair value of the available-for-sale investment portfolio. None of the corporate issuers have deferred paying dividends on their issued trust preferred shares in which the Corporation is invested. The fair values of these investments have been impacted by the market conditions which have caused risk premiums to increase, resulting in the decline in the fair value of the trust preferred securities.

Management believes the Corporation will fully recover the cost of these CLOs and corporate debt securities, and it does not intend to sell these securities and it is not more likely than not that it will be required to sell them before the anticipated recovery of the remaining amortized cost basis, which may be maturity. As a result, Management concluded that these securities were not other-than-temporarily impaired at June 30, 2016 and has recognized the total amount of the impairment in OCI, net of tax.

The new Volcker Rule, as originally adopted, may affect the Corporation’s ability to hold CLOs. As of June 30, 2016, the Corporation holds $291.8 million of CLOs with a gross unrealized loss position of $6.1 million. Management believes that its holdings of CLOs are not ownership interests in covered funds prohibited by the Volcker Rule regulations and, therefore, expects to be able to hold these investments until their stated maturities. Management seeks to maintain a CLO portfolio consistent with the requirements of the Volcker Rule, and new CLO investments are being made in accordance with the strategy.

Contractual Maturity of Debt Securities

The following table shows the remaining contractual maturities and contractual yields of debt securities held-to-maturity and available-for-sale as of June 30, 2016. Estimated lives on MBSs may differ from contractual maturities as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	U.S. Treasury notes & bonds	U.S. Government agency debentures	U.S. States and political subdivisions	Residential mortgage-backed securities - U.S. govt. agencies	Commercial mortgage-backed securities - U.S. govt. agencies	Residential collateralized mortgage obligations - U.S. govt. agencies	Residential collateralized mortgage obligations - non-agency	Commercial collateralized mortgage obligations - U.S. govt. agencies	Asset backed securities - collateralized loan obligations	Corporate debt securities	Total	Weighted Average Yield
Securities Available-for-Sale												
Remaining maturity:												
One year or less	$ 4,997	$ —	$ 5,895	$ 65	$ —	$ —	$ —	$ —	$ —	$ —	$ 10,957	2.32%
Over one year through five years	—	2,528	75,103	86,480	24,498	13,936	3	22,126	—	—	224,674	3.54%
Over five years through ten years	—	—	51,441	47,116	123,441	10,705	—	103,837	218,344	—	554,884	2.92%
Over ten years	—	—	19,108	726,586	54,109	2,328,377	—	272,648	73,450	51,107	3,525,385	2.23%
Fair Value	$ 4,997	$ 2,528	$ 151,547	$ 860,247	$ 202,048	$ 2,353,018	$ 3	$ 398,611	$ 291,794	$ 51,107	$4,315,900	2.39%
Amortized Cost	$ 4,996	$ 2,500	$ 147,807	$ 840,250	$ 198,069	$ 2,325,707	$ 3	$ 392,205	$ 297,939	$ 61,740	$4,271,216	
Weighted-Average Yield	0.31%	1.25%	5.00%	2.98%	2.13%	2.01%	2.98%	2.18%	3.08%	1.37%	2.39%	
Weighted-Average Maturity (in years)	0.23	1.92	1.86	3.28	3.60	3.11	0.59	3.90	6.51	11.31	3.55	
Securities Held-to-Maturity												
Remaining maturity:												
One year or less	$ —	$ —	$ 64,872	$ —	$ —	$ —	$ —	$ —	$ —	$ 22,443	$ 87,315	2.36%
Over one year through five years	—	25,035	157,172	—	36,522	—	—	81,237	—	64,836	364,802	2.47%
Over five years through ten years	—	—	193,355	21,307	53,391	—	—	40,365	—	—	308,418	3.83%
Over ten years	—	—	140,474	458,522	—	1,058,153	—	128,056	—	—	1,785,205	2.02%
Fair Value	$ —	$ 25,035	$ 555,873	$ 479,829	$ 89,913	$ 1,058,153	$ —	$ 249,658	$ —	$ 87,279	$2,545,740	2.31%
Amortized Cost	$ —	$ 25,000	$ 540,425	$ 467,462	$ 87,964	$ 1,060,496	$ —	$ 246,509	$ —	$ 86,305	$2,514,161	
Weighted-Average Yield	— %	1.43%	4.21%	2.13%	2.14%	1.59%	— %	1.77%	— %	2.30%	2.31%	
Weighted-Average Maturity (in years)	—	0.08	4.50	3.29	2.81	3.25	—	3.56	—	1.52	3.45	

3. Loans

Loans outstanding as of June 30, 2016, December 31, 2015, and June 30, 2015, net of unearned income, consisted of the following:

(In thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Originated loans:			
Commercial	$ 9,132,366	$ 9,007,830	$ 8,633,332
Residential mortgage	728,534	689,045	653,143
Installment	3,353,084	2,990,349	2,720,059
Home equity	1,276,661	1,248,438	1,180,802
Credit cards	174,986	182,843	168,576
Total originated loans	14,665,631	14,118,505	13,355,912
Allowance for originated loan losses	(105,175)	(105,135)	(101,682)
Net originated loans	$14,560,456	$ 14,013,370	$13,254,230
Acquired loans:			
Commercial	$ 554,414	$ 677,149	$ 877,598
Residential mortgage	292,877	324,008	358,559
Installment	494,429	573,372	659,348
Home equity	146,916	168,542	200,179
Total acquired loans	1,488,636	1,743,071	2,095,684
Allowance for acquired loan losses	(4,256)	(3,877)	(4,950)
Net acquired loans	$ 1,484,380	$ 1,739,194	$ 2,090,734
FDIC acquired loans:			
Commercial	$ 115,793	$ 129,109	$ 145,821
Residential mortgage	33,370	35,568	38,029
Installment	1,808	2,077	2,299
Home equity	29,813	38,668	55,545
Loss share receivable	8,555	9,947	11,820
Total FDIC acquired loans	189,339	215,369	253,514
Allowance for FDIC acquired loan losses	(40,218)	(44,679)	(41,627)
Net FDIC acquired loans	$ 149,121	$ 170,690	$ 211,887
Total loans:			
Commercial	$ 9,802,573	$ 9,814,088	$ 9,656,751
Residential mortgage	1,054,781	1,048,621	1,049,731
Installment	3,849,321	3,565,798	3,381,706
Home equity	1,453,390	1,455,648	1,436,526
Credit cards	174,986	182,843	168,576
Loss share receivable	8,555	9,947	11,820
Total loans	16,343,606	16,076,945	15,705,110
Total allowance for loan losses	(149,649)	(153,691)	(148,259)
Total Net loans	$16,193,957	$ 15,923,254	$15,556,851

The following describes the distinction between originated, acquired and FDIC acquired loan portfolios and certain significant accounting policies relevant to each of these portfolios.

Originated Loans

Loans originated for investment are stated at their principal amount outstanding adjusted for partial charge-offs, and net deferred loan fees and costs. Interest income on loans is accrued over the term of the loans primarily using the “simple-interest” method based on the principal balance outstanding. Interest is not accrued on loans where collectability is uncertain. Accrued interest is presented separately in the consolidated balance sheet, except for accrued interest on credit card loans, which is included in the outstanding loan balance. Loan origination fees and certain direct costs incurred to extend credit are deferred and amortized over the term of the loan or loan commitment period as an adjustment to the related loan yield. Net deferred loan origination fees and costs amounted to $3.3 million, $4.1 million, and $5.4 million at June 30, 2016, December 31, 2015, and June 30, 2015, respectively.

Acquired Loans

Acquired loans are those purchased in the Citizens acquisition. These loans were recorded at estimated fair value at the Acquisition Date with no carryover of the related ALL. The acquired loans were segregated as of the Acquisition Date between those considered to be performing (acquired nonimpaired loans) and those with evidence of credit deterioration (acquired impaired loans). Acquired loans are considered impaired if there is evidence of credit deterioration and if it is probable, at acquisition, all contractually required payments will not be collected. Revolving loans, including lines of credit, are excluded from acquired impaired loan accounting.

Total outstanding acquired impaired loans as of June 30, 2016 and 2015 were $340.9 million and $504.7 million, respectively. The outstanding balance of these loans is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loans, owed at the reporting date, whether or not currently due and whether or not any such amounts have been charged-off. Changes in the carrying amount and accretable yield for acquired impaired loans were as follows for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
Acquired Impaired Loans (In thousands)	**Accretable Yield**	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**
Balance at beginning of period	$ 85,444	$257,152	$ 118,756	$388,313	$ 89,823	$284,709	$ 119,450	$423,209
Accretion	(7,921)	7,921	(10,285)	10,285	(16,823)	16,823	(21,503)	21,503
Net reclassifications from nonaccretable to accretable	4,883	—	8,217	—	12,636	—	21,212	—
Payments received, net	—	(25,878)	—	(42,434)	—	(62,337)	—	(88,548)
Disposals	(3,042)	—	(4,657)	—	(6,272)	—	(7,128)	—
Balance at end of period	$ 79,364	$239,195	$ 112,031	$356,164	$ 79,364	$239,195	$ 112,031	$356,164

Cash flows expected to be collected on acquired impaired loans are estimated quarterly by incorporating several key assumptions similar to the initial estimate of fair value. These key assumptions include probability of default, and the amount of actual prepayments after the acquisition date. Prepayments affect the estimated life of the loans and could change the amount of interest income, and possibly principal expected to be collected. In reforecasting future estimated cash flows, credit loss expectations are adjusted as necessary.

Improved cash flow expectations for loans or pools that were impaired in prior periods are recorded first as a reversal of previously recorded impairment and then as an increase in prospective yield when all previously recorded impairment has been recaptured. Decreases in expected cash flows are recognized as an impairment through a provision for loan loss and an increase to the allowance for acquired impaired loans.

During the quarter ended June 30, 2016, there was an overall improvement in cash flow expectations, which resulted in the net reclassification of $4.9 million from the nonaccretable difference to accretable yield. This reclassification was $8.2 million for the three months ended June 30, 2015. The reclassification from the nonaccretable difference to the accretable yield results in prospective yield adjustments on the loan pools.

FDIC Acquired Loans and Related Loss Share Receivable

FDIC acquired loans include loans purchased in the 2010 FDIC-assisted acquisitions of George Washington and Midwest. George Washington and Midwest non-single family loss share agreements with the FDIC expired at March 31, 2015 and June 30, 2015, respectively, resulting in $115.8 million of loans no longer being covered as of June 30, 2016. As of June 30, 2016, $65.0 million remained covered by single family loss share agreements.

Changes in the loss share receivable for the three and six months ended June 30, 2016 and 2015 were as follows:

Loss Share Receivable	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Balance at beginning of period	$ 9,436	$ 20,005	$9,947	$ 22,033
Amortization	(358)	(1,185)	(706)	(3,372)
Increase/(decrease) due to impairment (recapture) on FDIC acquired loans	(12)	1,819	257	6,046
FDIC reimbursement	(194)	(8,713)	(386)	(12,726)
FDIC acquired loans paid in full	(317)	(106)	(557)	(161)
Balance at end of the period (1)	$ 8,555	$ 11,820	$8,555	$ 11,820

(1) As of June 30, 2016, the loss share receivable of $8.6 million was related to single family covered loans.

Total outstanding FDIC acquired impaired loans were $301.2 million and $351.1 million as of June 30, 2016 and 2015, respectively. The outstanding balance of these loans is the undiscounted sum of all amounts, including amounts deemed principal, interest, fees, penalties, and other under the loans, owed at the reporting date, whether or not currently due and whether or not any such amounts have been charged-off. Changes in the carrying amount and accretable yield for FDIC acquired impaired loans were as follows for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
FDIC Acquired Impaired Loans (In thousands)	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans
Balance at beginning of period	$ 22,126	$122,134	$ 29,867	$199,225	$ 22,908	$130,648	$ 37,511	$232,452
Accretion	(2,231)	2,231	(4,100)	4,100	(4,528)	4,528	(9,667)	9,667
Net reclassifications between non-accretable and accretable	699	—	2,136	—	2,372	—	2,080	—
Payments received, net	—	(5,604)	—	(45,517)	—	(16,415)	—	(84,311)
(Disposals)/Additions	(371)	—	(1,753)	—	(529)	—	(3,774)	—
Balance at end of period	$ 20,223	$118,761	$ 26,150	$157,808	$ 20,223	$118,761	$ 26,150	$157,808

The cash flows expected to be collected on FDIC acquired impaired loans are estimated quarterly in a similar manner as described above for acquired impaired loans. During the quarter ended June 30, 2016, the re-estimation process resulted in a net reclassification of $0.7 million from the nonaccretable difference to accretable yield. This reclassification was $2.1 million for the three months ended June 30, 2015. The reclassification from the nonaccretable difference to the accretable yield results in prospective yield adjustments on the loan pools.

Credit Quality Disclosures

The credit quality of the Corporation’s loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Corporation. These credit quality ratings are an important part of the Corporation’s overall credit risk management process and evaluation of the allowance for credit losses.

Generally, loans, except for certain commercial, credit card and mortgage loans, and leases on which payments are past due for 90 days are placed on nonaccrual status, unless those loans are in the process of collection and, in Management’s opinion, are fully secured. Credit card loans on which payments are past due for 120 days are placed on nonaccrual status. Acquired and FDIC acquired impaired loans are considered to be accruing and performing even though collection of contractual payments may be in doubt because income continues to be accreted on the loan pool as long as expected cash flows are reasonably estimable.

When a loan is placed on nonaccrual status, interest deemed uncollectible which had been accrued in prior years is charged against the ALL and interest deemed uncollectible accrued in the current year is reversed against interest income. Interest on mortgage loans is accrued until Management deems it uncollectible based upon the specific identification method. Payments subsequently received on nonaccrual loans are generally

applied to principal. A loan is returned to accrual status when principal and interest are no longer past due and collectability is probable. This generally requires timely principal and interest payments for a minimum of six consecutive payment cycles. Loans are generally written off when deemed uncollectible or when they reach a predetermined number of days past due depending upon loan product, terms and other factors.

The following tables provide a summary of loans by portfolio type, including the delinquency status of those loans that continue to accrue interest and those loans that are nonaccrual:

As of June 30, 2016

(In thousands) Originated Loans	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (1)	Nonaccrual Loans
Commercial								
C&I	$ 1,677	$1,465	$10,864	$14,006	$ 5,868,988	$ 5,882,994	$ 1,062	$ 43,887
CRE	4,506	142	12,176	16,824	2,018,674	2,035,498	166	13,860
Construction	—	709	4,760	5,469	699,871	705,340	—	9,195
Leases	—	—	476	476	508,058	508,534	476	—
Consumer								
Installment	15,662	3,496	4,005	23,163	3,329,921	3,353,084	3,453	3,506
Home Equity Lines	1,245	713	2,140	4,098	1,272,563	1,276,661	623	2,390
Credit Cards	811	504	860	2,175	172,811	174,986	789	758
Residential Mortgages	9,564	2,017	4,233	15,814	712,720	728,534	1,439	10,701
Total	$33,465	$9,046	$39,514	$82,025	$14,583,606	$14,665,631	$ 8,008	$ 84,297

Acquired Loans	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ 340	$ 121	$ 1,168	$ 1,629	$ 179,874	$ 181,503	$ —	$ 865
CRE	602	896	9,491	10,989	357,811	368,800	—	4,482
Construction	—	—	413	413	3,698	4,111	—	—
Consumer								
Installment	3,623	767	486	4,876	489,553	494,429	224	615
Home Equity Lines	960	503	712	2,175	144,741	146,916	587	235
Residential Mortgages	299	943	3,867	5,109	287,768	292,877	646	924
Total	$ 5,824	$3,230	$16,137	$25,191	$ 1,463,445	$ 1,488,636	$ 1,457	$ 7,121

FDIC Acquired Loans (2)	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ —	$ —	$ 1,326	$ 1,326	$ 29,948	$ 31,274	n/a	n/a
CRE	—	804	24,931	25,735	54,153	79,888	n/a	n/a
Construction	—	—	3,512	3,512	1,119	4,631	n/a	n/a
Consumer								
Installment	—	—	—	—	1,808	1,808	n/a	n/a
Home Equity Lines	2,097	354	938	3,389	26,424	29,813	n/a	n/a
Residential Mortgages	4,371	204	1,800	6,375	26,995	33,370	n/a	n/a
Total	$ 6,468	$1,362	$32,507	$40,337	$ 140,447	$ 180,784	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.3 million of loans guaranteed by the U.S. government as of June 30, 2016.
(2) Excludes loss share receivable of $8.6 million as of June 30, 2016.
(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at June 30, 2016 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

As of December 31, 2015

(In thousands) **Originated Loans**	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (1)	Nonaccrual Loans
Commercial								
C&I	$ 4,684	$ 115	$ 8,824	$13,623	$ 5,779,785	$ 5,793,408	$ 236	$ 23,123
CRE	12,880	—	2,260	15,140	2,062,204	2,077,344	153	4,503
Construction	1,360	—	486	1,846	643,491	645,337	—	482
Leases	—	—	—	—	491,741	491,741	—	—
Consumer								
Installment	17,934	4,828	3,920	26,682	2,963,667	2,990,349	3,519	2,178
Home Equity Lines	1,952	913	1,478	4,343	1,244,095	1,248,438	513	1,674
Credit Cards	1,449	494	632	2,575	180,268	182,843	725	545
Residential Mortgages	11,099	1,519	6,693	19,311	669,734	689,045	2,876	11,600
Total	$51,358	$7,869	$24,293	$83,520	$14,034,985	$14,118,505	$ 8,022	$ 44,105

Acquired Loans	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ 311	$ 31	$ 3,336	$ 3,678	$ 236,467	$ 240,145	$ 13	$ 782
CRE	3,192	1,681	9,657	14,530	416,361	430,891	522	4,948
Construction	—	—	733	733	5,380	6,113	—	—
Consumer								
Installment	5,059	1,329	974	7,362	566,010	573,372	236	835
Home Equity Lines	1,365	660	1,260	3,285	165,257	168,542	644	514
Residential Mortgages	8,760	567	6,792	16,119	307,889	324,008	1,681	1,166
Total	$18,687	$4,268	$22,752	$45,707	$ 1,697,364	$ 1,743,071	$ 3,096	$ 8,245

FDIC Acquired Loans (2)	Days Past Due 30-59	60-89	≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ —	$ —	$ 1,054	$ 1,054	$ 34,412	$ 35,466	n/a	n/a
CRE	296	354	28,501	29,151	58,623	87,774	n/a	n/a
Construction	—	—	3,761	3,761	2,108	5,869	n/a	n/a
Consumer								
Installment	—	—	—	—	2,077	2,077	n/a	n/a
Home Equity Lines	2,230	52	1,917	4,199	34,469	38,668	n/a	n/a
Residential Mortgages	4,616	172	2,655	7,443	28,125	35,568	n/a	n/a
Total	$ 7,142	$ 578	$37,888	$45,608	$ 159,814	$ 205,422	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.3 million of loans guaranteed by the U.S. government as of December 31, 2015.
(2) Excludes loss share receivable of $9.9 million as of December 31, 2015.
(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at December 31, 2015 as the loans are considered to be performing under ASC 310-30. As a result, interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

As of June 30, 2015

(In thousands)

Originated Loans	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (1)	Nonaccrual Loans
Commercial								
C&I	$ 5,837	$1,949	$ 3,780	$11,566	$ 5,459,797	$ 5,471,363	$ —	$ 29,241
CRE	3,758	119	2,780	6,657	2,131,715	2,138,372	418	7,486
Construction	483	—	—	483	586,412	586,895	—	—
Leases	17,862	—	—	17,862	418,840	436,702	—	1,162
Consumer								
Installment	11,526	3,010	4,191	18,727	2,701,332	2,720,059	3,386	2,903
Home Equity Lines	2,268	720	1,032	4,020	1,176,782	1,180,802	249	1,591
Credit Cards	679	338	558	1,575	167,001	168,576	337	459
Residential Mortgages	9,792	1,935	7,595	19,322	633,821	653,143	3,619	12,300
Total	$52,205	$8,071	$19,936	$80,212	$13,275,700	$13,355,912	$ 8,009	$ 55,142

Acquired Loans	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ 33	$ 99	$ 3,279	$ 3,411	$ 334,012	$ 337,423	$ —	$ 661
CRE	3,353	3,115	17,473	23,941	510,004	533,945	—	5,545
Construction	—	—	694	694	5,536	6,230	—	—
Consumer								
Installment	3,999	1,029	1,083	6,111	653,237	659,348	475	671
Home Equity Lines	2,349	785	1,353	4,487	195,692	200,179	762	246
Residential Mortgages	186	1,173	4,902	6,261	352,298	358,559	411	929
Total	$ 9,920	$6,201	$28,784	$44,905	$ 2,050,779	$ 2,095,684	$ 1,648	$ 8,052

FDIC Acquired Loans (2)	Days Past Due 30-59	Days Past Due 60-89	Days Past Due ≥ 90	Total Past Due	Current	Total Loans	≥ 90 Days Past Due and Accruing (3)	Nonaccrual Loans (3)
Commercial								
C&I	$ —	$ —	$ 2,916	$ 2,916	$ 35,221	$ 38,137	n/a	n/a
CRE	664	1,959	32,076	34,699	67,110	101,809	n/a	n/a
Construction	—	—	3,701	3,701	2,174	5,875	n/a	n/a
Consumer								
Installment	—	—	—	—	2,299	2,299	n/a	n/a
Home Equity Lines	1,256	246	3,454	4,956	50,589	55,545	n/a	n/a
Residential Mortgages	5,391	319	2,961	8,671	29,358	38,029	n/a	n/a
Total	$ 7,311	$2,524	$45,108	$54,943	$ 186,751	$ 241,694	n/a	n/a

(1) Installment loans 90 days or more past due and accruing include $2.7 million of loans guaranteed by the U.S. government as of June 30, 2015.
(2) Excludes loss share receivable of $11.8 million as of June 30, 2015.
(3) Acquired and FDIC acquired impaired loans were not classified as nonperforming assets at June 30, 2015 as the loans are considered to be performing under ASC 310-30. As a result interest income, through the accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all acquired and FDIC acquired impaired loans. These asset quality disclosures are, therefore, not applicable to acquired and FDIC acquired impaired loans.

Individual commercial loans are assigned credit risk grades based on an internal assessment of conditions that affect a borrower's ability to meet its contractual obligation under the loan agreement. The assessment process includes reviewing a borrower's current financial information, historical payment experience, credit documentation, public information, and other information specific to each borrower. Commercial loans are reviewed on an annual, quarterly or rotational basis or as Management becomes aware of information about a borrower's ability to fulfill its obligation. For consumer loans, Management evaluates credit quality based on the aging status of the loan as well as by payment activity, which is presented in the above tables.

The credit-risk grading process for commercial loans is summarized as follows:

“Pass” Loans (Grades 1, 2, 3, 4) are not considered a greater than normal credit risk. Generally, the borrowers have the apparent ability to satisfy obligations to the bank, and the Corporation anticipates insignificant uncollectible amounts based on its individual loan review.

“Special Mention” Loans (Grade 5) are commercial loans that have identified potential weaknesses that deserve Management’s close attention. If left uncorrected, these potential weaknesses may result in noticeable deterioration of the repayment prospects for the asset or in the institution’s credit position.

“Substandard” Loans (Grade 6) are inadequately protected by the current financial condition and paying capacity of the obligor or by any collateral pledged. Loans so classified have a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt pursuant to the contractual principal and interest terms. Such loans are characterized by the distinct possibility that the Corporation may sustain some loss if the deficiencies are not corrected.

“Doubtful” Loans (Grade 7) have all the weaknesses inherent in those classified as substandard, with the added characteristic that existing facts, conditions, and values make collection or liquidation in full highly improbable. Such loans are currently managed separately to determine the highest recovery alternatives.

The following tables provide a summary of commercial loans by portfolio type and the Corporation's internal credit quality rating:

As of June 30, 2016

(In thousands)

Originated Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 75,818	$ 742	$ —	$ 12,001	$ 88,561
Grade 2	416,677	806	—	49,953	467,436
Grade 3	1,267,423	294,396	46,114	87,346	1,695,279
Grade 4	3,886,039	1,697,194	609,659	325,346	6,518,238
Grade 5	73,989	13,929	31,744	22,830	142,492
Grade 6	154,707	28,431	17,823	11,058	212,019
Grade 7	8,341	—	—	—	8,341
Total	$5,882,994	$2,035,498	$ 705,340	$508,534	$9,132,366

Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	—	—	—	—	—
Grade 3	5,994	24,244	—	—	30,238
Grade 4	140,944	303,228	3,698	—	447,870
Grade 5	27,053	11,607	—	—	38,660
Grade 6	7,512	29,721	413	—	37,646
Grade 7	—	—	—	—	—
Total	$ 181,503	$ 368,800	$ 4,111	$ —	$ 554,414

FDIC Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	—	—	—	—	—
Grade 3	—	7,040	—	—	7,040
Grade 4	27,834	45,520	—	—	73,354
Grade 5	—	—	—	—	—
Grade 6	3,440	27,328	4,631	—	35,399
Grade 7	—	—	—	—	—
Total	$ 31,274	$ 79,888	$ 4,631	$ —	$ 115,793

As of December 31, 2015

(In thousands)

Originated Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 60,440	$ 773	$ —	$ 12,732	$ 73,945
Grade 2	353,581	831	—	69,258	423,670
Grade 3	1,371,850	319,987	59,182	49,956	1,800,975
Grade 4	3,756,333	1,697,261	569,098	344,763	6,367,455
Grade 5	124,140	18,388	7,193	7,858	157,579
Grade 6	124,483	40,105	9,864	7,174	181,626
Grade 7	2,581	(1)	—	—	2,580
Total	$5,793,408	$2,077,344	$ 645,337	$491,741	$9,007,830

Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 346	$ —	$ —	$ —	$ 346
Grade 2	—	—	—	—	—
Grade 3	15,548	27,387	—	—	42,935
Grade 4	200,736	361,518	5,380	—	567,634
Grade 5	11,735	12,546	—	—	24,281
Grade 6	11,780	29,440	733	—	41,953
Grade 7	—	—	—	—	—
Total	$ 240,145	$ 430,891	$ 6,113	$ —	$ 677,149

FDIC Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	1,072	—	—	—	1,072
Grade 3	—	7,004	—	—	7,004
Grade 4	31,637	49,917	819	—	82,373
Grade 5	295	—	—	—	295
Grade 6	2,462	30,853	5,050	—	38,365
Grade 7	—	—	—	—	—
Total	$ 35,466	$ 87,774	$ 5,869	$ —	$ 129,109

As of June 30, 2015

(In thousands)

Originated Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 65,856	$ 807	$ —	$ 14,688	$ 81,351
Grade 2	206,384	1,166	—	29,564	237,114
Grade 3	1,417,295	367,457	55,889	65,664	1,906,305
Grade 4	3,567,387	1,715,998	529,517	321,268	6,134,170
Grade 5	98,137	25,466	360	2,956	126,919
Grade 6	112,661	27,478	1,129	2,562	143,830
Grade 7	3,643	—	—	—	3,643
Total	$5,471,363	$2,138,372	$ 586,895	$436,702	$8,633,332

Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ 1,061	$ —	$ —	$ —	$ 1,061
Grade 2	—	—	—	—	—
Grade 3	17,338	27,190	—	—	44,528
Grade 4	289,027	453,830	5,536	—	748,393
Grade 5	13,283	16,815	—	—	30,098
Grade 6	16,714	36,110	694	—	53,518
Grade 7	—	—	—	—	—
Total	$ 337,423	$ 533,945	$ 6,230	$ —	$ 877,598

FDIC Acquired Loans

	C&I	CRE	Commercial Construction	Leases	Total
Grade 1	$ —	$ —	$ —	$ —	$ —
Grade 2	1,129	—	—	—	1,129
Grade 3	—	—	—	—	—
Grade 4	33,992	65,906	817	—	100,715
Grade 5	—	625	—	—	625
Grade 6	3,016	35,278	5,058	—	43,352
Grade 7	—	—	—	—	—
Total	$ 38,137	$ 101,809	$ 5,875	$ —	$ 145,821

4. Allowance for Loan Losses

The Corporation’s Credit Policy Division manages credit risk by establishing common credit policies for its subsidiary bank, participating in approval of its loans, conducting reviews of loan portfolios, providing centralized consumer underwriting, collections and loan operation services, and overseeing loan workouts. The Corporation’s objective is to minimize losses from its commercial lending activities and to maintain consumer losses at acceptable levels that are stable and consistent with growth and profitability objectives.

The ALL is Management’s estimate of the amount of probable credit losses inherent in a loan portfolio at the balance sheet date. The following describes the distinctions in methodology used to estimate the ALL of originated, acquired and FDIC acquired loan portfolios as well as certain significant accounting policies relevant to each category.

Allowance for Originated Loan Losses

Management estimates credit losses based on originated individual loans determined to be impaired and on all other loans grouped based on similar risk characteristics. Management also considers internal and external factors such as economic conditions, loan management practices, portfolio monitoring, and other risks, collectively known as qualitative factors, or Q-factors, to estimate credit losses in the loan portfolio. Q-factors are used to reflect changes in the portfolio's collectability characteristics not captured by historical loss data.

The Corporation's historical loss component is the most significant of the ALL components and is based on historical loss experience by credit-risk grade (for commercial loan pools) and payment status (for mortgage and consumer loan pools). The historical loss experience component of the ALL represents the results of migration analysis of historical net charge-offs for portfolios of loans (including groups of commercial loans within each credit-risk grade and groups of consumer loans by payment status). For measuring loss exposure in a pool of loans, the historical net charge-off or migration experience is utilized to estimate expected losses to be realized from the pool of loans.

If a nonperforming, substandard loan has an outstanding balance of $0.3 million or greater or if a doubtful loan has an outstanding balance of $0.1 million or greater, as determined by the Corporation's credit-risk grading process, further analysis is performed to determine the probable loss content and assign a specific allowance to the loan, if deemed appropriate. The ALL relating to originated loans that have become impaired is based on either expected cash flows discounted using the original effective interest rate, the observable market price, or the fair value of the collateral for certain collateral dependent loans.

The following tables show activity in the originated ALL, by portfolio segment for the three and six months ended June 30, 2016 and 2015, as well as the corresponding recorded investment in originated loans at the end of the period:

As of June 30, 2016

(In thousands) Originated Loans	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Three Months Ended									
Allowance for originated loan losses, beginning balance	$ 44,489	$ 7,244	$ 1,537	$ 1,499	$ 14,664	$ 19,528	$ 8,591	$ 5,363	$ 102,915
Charge-offs	(2,593)	(111)	—	—	(5,418)	(937)	(1,031)	(708)	(10,798)
Recoveries	1,335	207	2	29	3,573	499	421	45	6,111
Provision for loan losses	1,859	(1,468)	1,028	822	3,960	698	(831)	879	6,947
Allowance for originated loan losses, ending balance	$ 45,090	$ 5,872	$ 2,567	$ 2,350	$ 16,779	$ 19,788	$ 7,150	$ 5,579	$ 105,175
Six Months Ended									
Allowance for originated loan losses, beginning balance	$ 44,760	$ 9,631	$ 1,594	$ 1,313	$ 14,183	$ 20,094	$ 8,831	$ 4,729	$ 105,135
Charge-offs	(5,803)	(220)	—	—	(12,186)	(1,964)	(2,484)	(1,158)	(23,815)
Recoveries	1,867	232	4	49	7,379	1,123	778	65	11,497
Provision for loan losses	4,266	(3,771)	969	988	7,403	535	25	1,942	12,357
Allowance for originated loan losses, ending balance	$ 45,090	$ 5,872	$ 2,567	$ 2,350	$ 16,779	$ 19,788	$ 7,150	$ 5,579	$ 105,175
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 10,447	$ 507	$ —	$ —	$ 1,149	$ 169	$ 201	$ 981	$ 13,454
Collectively evaluated for impairment	34,643	5,365	2,567	2,350	15,630	19,619	6,949	4,598	91,721
Total ending allowance for originated loan losses balance	$ 45,090	$ 5,872	$ 2,567	$ 2,350	$ 16,779	$ 19,788	$ 7,150	$ 5,579	$ 105,175
Originated loans:									
Originated loans individually evaluated for impairment	$ 62,707	$ 29,539	$ 512	$ —	$ 42,272	$ 7,874	$ 679	$ 23,385	$ 166,968
Originated loans collectively evaluated for impairment	5,820,287	2,005,959	704,828	508,534	3,310,812	1,268,787	174,307	705,149	14,498,663
Total ending originated loan balance	$5,882,994	$2,035,498	$ 705,340	$508,534	$3,353,084	$1,276,661	$174,986	$ 728,534	$14,665,631

As of June 30, 2015

(In thousands)

Originated Loans	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Three Months Ended									
Allowance for originated loan losses, beginning balance	$ 39,838	$ 8,813	$ 1,752	$ 629	$ 13,358	$ 19,433	$ 7,801	$ 5,921	$ 97,545
Charge-offs	(3,247)	(408)	—	—	(5,090)	(971)	(1,209)	(373)	(11,298)
Recoveries	453	1	39	3	2,844	839	358	89	4,626
Provision for loan losses	5,832	94	(251)	(13)	3,798	738	868	(257)	10,809
Allowance for originated loan losses, ending balance	$ 42,876	$ 8,500	$ 1,540	$ 619	$ 14,910	$ 20,039	$ 7,818	$ 5,380	$ 101,682
Six Months Ended									
Allowance for originated loan losses, beginning balance	$ 37,375	$ 10,492	$ 2,202	$ 674	$ 12,918	$ 19,324	$ 7,966	$ 4,745	$ 95,696
Charge-offs	(3,757)	(623)	—	—	(10,145)	(1,882)	(2,661)	(797)	(19,865)
Recoveries	794	1	40	7	5,864	1,452	724	124	9,006
Provision for loan losses	8,464	(1,370)	(702)	(62)	6,273	1,145	1,789	1,308	16,845
Allowance for originated loan losses, ending balance	$ 42,876	$ 8,500	$ 1,540	$ 619	$ 14,910	$ 20,039	$ 7,818	$ 5,380	$ 101,682
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 9,117	$ 151	$ —	$ —	$ 1,001	$ 217	$ 250	$ 890	$ 11,626
Collectively evaluated for impairment	33,759	8,349	1,540	619	13,909	19,822	7,568	4,490	90,056
Total ending allowance for originated loan losses balance	$ 42,876	$ 8,500	$ 1,540	$ 619	$ 14,910	$ 20,039	$ 7,818	$ 5,380	$ 101,682
Originated loans:									
Originated loans individually evaluated for impairment	$ 45,969	$ 12,072	$ —	$ 1,162	$ 31,927	$ 7,421	$ 787	$ 24,697	$ 124,035
Originated loans collectively evaluated for impairment	5,425,394	2,126,300	586,895	435,540	2,688,132	1,173,381	167,789	628,446	13,231,877
Total ending originated loan balance	$5,471,363	$2,138,372	$ 586,895	$436,702	$2,720,059	$1,180,802	$168,576	$ 653,143	$13,355,912

The following table presents the originated ALL and the recorded investment as of December 31, 2015:

As of December 31, 2015

(In thousands)

Originated Loans	C&I	CRE	Construction	Leases	Installment	Home Equity Lines	Credit Cards	Residential Mortgages	Total
Ending allowance for originated loan losses balance attributable to loans:									
Individually evaluated for impairment	$ 11,837	$ 128	$ —	$ —	$ 1,009	$ 188	$ 243	$ 944	$ 14,349
Collectively evaluated for impairment	32,923	9,503	1,594	1,313	13,174	19,906	8,588	3,785	90,786
Total ending allowance for originated loan losses balance	$ 44,760	$ 9,631	$ 1,594	$ 1,313	$ 14,183	$ 20,094	$ 8,831	$ 4,729	$ 105,135
Originated loans:									
Loans individually evaluated for impairment	$ 43,818	$ 16,614	$ —	$ —	$ 36,904	$ 7,080	$ 717	$ 23,905	$ 129,038
Loans collectively evaluated for impairment	5,749,590	2,060,730	645,337	491,741	2,953,445	1,241,358	182,126	665,140	13,989,467
Total ending originated loan balance	$5,793,408	$2,077,344	$ 645,337	$491,741	$2,990,349	$1,248,438	$182,843	$ 689,045	$14,118,505

Allowance for Acquired Loan Losses

The Citizens' loans were recorded at their fair value as of the Acquisition Date and the prior ALL was eliminated. An ALL for acquired nonimpaired loans is estimated using a methodology similar to that used for originated loans. The allowance determined for each acquired nonimpaired loan is compared to the remaining fair value adjustment for that loan. If the computed allowance is greater, the excess is added to the allowance through a provision for loan losses. If the computed allowance is less, no additional allowance is recognized. As of June 30, 2016, the computed ALL was less than the remaining fair value discount; therefore, no ALL for acquired nonimpaired loans was recorded.

Charge-offs and actual losses on an acquired nonimpaired loan first reduce any remaining fair value discount for that loan. Once a loan's discount is depleted, charge-offs and actual losses are applied against the acquired ALL. During the three and six months ended June 30, 2016, a net recapture to the provision for loan losses, of $0.2 million was recorded, compared to a provision of loan losses equal to net charge-offs of $1.6 million recorded for the three months ended June 30, 2015. Charge-offs on acquired nonimpaired loans were mainly related to consumer loans that were written off in accordance with the Corporation's credit policies based on a predetermined number of days past due.

The ALL for acquired impaired loans is determined by comparing the present value of the cash flows expected to be collected to the carrying amount for a given pool of loans. Management reforecasts the estimated cash flows expected to be collected on acquired impaired loans on a quarterly basis. If the present value of expected cash flows for a pool is less than its carrying value, impairment is recognized by an increase in the ALL and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established ALL is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. See Note 3 (Loans) for further information on changes in accretable yield.

The following table presents activity in the allowance for acquired impaired loan losses for the three and six months ended June 30, 2016 and 2015:

Allowance for Acquired Impaired Loan Losses	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Balance at beginning of the period	$ 4,423	$ 7,493	$ 3,877	$ 7,457
Charge-offs	(19)	—	(19)	—
Recoveries		—	—	—
Provision/(recapture) for loan losses	(148)	(2,543)	398	(2,507)
Balance at end of the period	$ 4,256	$ 4,950	$ 4,256	$ 4,950

Allowance for FDIC Acquired Loan Losses

The ALL on FDIC acquired nonimpaired loans is estimated similar to acquired loans as described above except any increase to the ALL and provision for loan losses is partially offset by an increase in the loss share receivable for the portion of the losses recoverable under the loss share agreements with the FDIC. As of June 30, 2016, the computed ALL was less than the remaining fair value discount; therefore, no ALL for FDIC acquired nonimpaired loans was recorded.

The following table presents activity in the allowance for FDIC acquired impaired loan losses for the three and six months ended June 30, 2016 and 2015:

Allowance for FDIC acquired Impaired Loan Losses (In thousands)	**Three Months Ended June 30,** 2016	2015	**Six Months Ended June 30,** 2016	2015
Balance at beginning of the period	$ 44,599	$ 41,514	$ 44,679	$ 40,496
Net provision/(recapture) of loan losses before benefit attributable to FDIC loss share agreements	(227)	928	1,310	5,153
Net (benefit)/recapture attributable to FDIC loss share agreements	12	(1,819)	(257)	(6,046)
Net provision/(recapture) for loan losses	(215)	(891)	1,053	(893)
Increase/(decrease) in loss share receivable	(12)	1,819	257	6,046
Loans charged-off	(4,154)	(815)	(5,771)	(4,022)
Balance at end of the period	$ 40,218	$ 41,627	$ 40,218	$ 41,627

An acquired or FDIC acquired loan may be resolved either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party, or foreclosure of the collateral. In the period of resolution of a nonimpaired loan, any remaining unamortized fair value adjustment is recognized as interest income. In the period of resolution of an impaired loan accounted for on an individual basis, the difference between the carrying amount of the loan and the proceeds received is recognized as a gain or loss within noninterest income. The majority of impaired loans are accounted for within a pool of loans which results in any difference between the proceeds received and the loan carrying amount being deferred as part of the carrying amount of the pool. The accretable amount of the pool remains unaffected from the resolution until the subsequent quarterly cash flow re-estimation. Favorable results from removal of the resolved loan from the pool increase the future accretable yield of the pool, while unfavorable results are recorded as impairment in the quarter of the cash flow re-estimation. Acquired or FDIC acquired impaired loans subject to modification are not removed from a pool even if those loans would otherwise be deemed TDRs as the pool, and not the individual loan, represents the unit of account.

Credit Quality

A loan is considered to be impaired when, based on current events or information, it is probable the Corporation will be unable to collect all amounts due (principal and interest) per the contractual terms of the loan agreement.

Interest income recognized on impaired loans was $0.4 million and $0.6 million for the three and six months ended June 30, 2016, compared to $0.1 million and $0.2 million for the three and six months ended June 30, 2015. Interest income which would have been earned in accordance with the original terms was $1.4 million and $2.6 million for the three and six months ended June 30, 2016, compared to $0.9 million and $1.8 million for the three and six months ended June 30, 2015.

Loan impairment is measured based on either the present value of expected future cash flows discounted at the loan's effective interest rate, at the observable market price of the loan, or the fair value of the collateral for certain collateral dependent loans. Impaired loans include all nonaccrual commercial, agricultural, construction, and commercial real estate loans, and loans modified as a TDR, regardless of nonperforming status. Acquired and FDIC acquired impaired loans are not considered or reported as impaired loans. Nonimpaired acquired loans that are subsequently placed on nonaccrual status are reported as impaired loans and included in the Troubled Debt Restructurings section below. Acquired loans restructured after acquisition are not considered or reported as TDRs if the loans evidenced credit deterioration as of the date of acquisition and are accounted for in pools.

The following tables provide further detail on impaired loans individually evaluated for impairment and the associated ALL. Certain impaired loans do not have a related ALL as the valuation of these impaired loans exceeded the recorded investment.

As of June 30, 2016

Originated Loans (In thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**
Impaired loans with no related allowance				
Commercial				
C&I	$ 19,489	$ 22,663	$ —	$ 29,022
CRE	26,058	24,696	—	17,119
Construction	512	512	—	102
Leases	—	—	—	—
Consumer				
Installment	2,366	2,697	—	1,636
Home equity line	695	948	—	694
Credit card	15	15	—	19
Residential mortgages	11,950	14,350	—	11,680
Subtotal	61,085	65,881	—	60,272
Impaired loans with a related allowance				
Commercial				
C&I	43,218	51,933	10,447	21,305
CRE	3,481	3,563	507	1,999
Construction	—	—	—	—
Leases	—	—	—	—
Consumer				
Installment	39,906	40,033	1,149	35,473
Home equity line	7,179	7,180	169	6,803
Credit card	664	664	201	699
Residential mortgages	11,435	11,549	981	12,201
Subtotal	105,883	114,922	13,454	78,480
Total impaired loans	$ 166,968	$180,803	$ 13,454	$ 138,752

Note 1: These tables exclude loans fully charged-off.
Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

As of December 31, 2015

Originated Loans (In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no related allowance				
Commercial				
C&I	$ 21,066	$ 23,854	$ —	$ 27,215
CRE	15,465	17,456	—	13,031
Construction	—	—	—	—
Consumer				
Installment	1,369	1,658	—	1,807
Home equity line	670	919	—	999
Credit card	21	21	—	20
Residential mortgages	11,550	13,901	—	11,979
Subtotal	50,141	57,809	—	55,051
Impaired loans with a related allowance				
Commercial				
C&I	22,752	28,881	11,837	11,284
CRE	1,149	1,173	128	3,037
Construction	—	—	—	—
Consumer				
Installment	35,535	35,592	1,009	28,808
Home equity line	6,410	6,411	188	6,382
Credit card	696	696	243	757
Residential mortgages	12,355	12,458	944	12,619
Subtotal	78,897	85,211	14,349	62,887
Total impaired loans	$ 129,038	$143,020	$ 14,349	$ 117,938

Note 1: These tables exclude loans fully charged-off.

Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

As of June 30, 2015				
Originated Loans (In thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**
Impaired loans with no related allowance				
Commercial				
C&I	$ 28,076	$ 37,358	$ —	$ 27,238
CRE	11,482	17,585	—	12,983
Construction	—	—	—	—
Leases	1,162	1,162	—	598
Consumer				
Installment	1,678	2,183	—	1,753
Home equity line	884	1,132	—	906
Credit card	19	19	—	26
Residential mortgages	12,047	14,700	—	12,146
Subtotal	55,348	74,139	—	55,650
Impaired loans with a related allowance				
Commercial				
C&I	17,893	18,062	9,117	7,199
CRE	590	593	151	600
Construction	—	—	—	—
Consumer				
Installment	30,249	30,302	1,001	25,722
Home equity line	6,537	6,537	217	6,684
Credit card	768	768	250	823
Residential mortgages	12,650	12,739	890	12,675
Subtotal	68,687	69,001	11,626	53,703
Total impaired loans	$ 124,035	$143,140	$ 11,626	$ 109,353

Note 1: These tables exclude loans fully charged-off.
Note 2: The differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

Troubled Debt Restructurings

In certain circumstances, the Corporation may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near term. In most cases, the modification is either a concessionary reduction in interest rate, extension of the maturity date or modification of the adjustable rate provisions of the loan that would otherwise not be considered; however, forgiveness of principal is rarely granted. Concessionary modifications are classified as TDRs unless the modification is short-term, typically less than 90 days. TDRs accrue interest if the borrower complies with the revised terms and conditions and has demonstrated repayment performance at a level commensurate with the modified terms for a minimum of six consecutive payment cycles after the restructuring date. Acquired loans restructured after acquisition are not considered TDRs if the loans evidenced credit deterioration as of the Acquisition Date and are accounted for in pools.

The substantial majority of the Corporation's residential mortgage TDRs involve reducing the client's loan payment through an interest rate reduction for a set period of time based on the borrower's ability to service the modified loan payment. Modifications of mortgages retained in portfolio are handled using proprietary modification guidelines, or the FDIC's Modification Program for residential first mortgages covered by loss share agreements (agreements between the Bank and the FDIC that afford the Bank significant protection against future losses). The Corporation participates in the U.S. Treasury's Home Affordable Modification Program for originated mortgages sold to and serviced for FNMA and FHLMC.

Commercial and industrial loans modified in a TDR often involve temporary interest-only payments, term extensions and converting revolving credit lines to term loans. Additional collateral, a co-borrower, or a guarantor is often requested. Commercial real estate and construction loans modified in a TDR often involve reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Construction loans modified in a TDR may also involve extending the interest-only payment period. The Corporation has modified certain loans according to provisions in loss share agreements. Losses associated with modifications on these loans, including the economic impact of interest rate reductions, are generally eligible for reimbursement under the loss share agreements.

The following tables provide the number of loans modified in a TDR and the recorded investment and unpaid principal balance by loan portfolio as of June 30, 2016, December 31, 2015, and June 30, 2015.

	As of June 30, 2016		
(Dollars in thousands)	Number of Loans	Recorded Investment	Unpaid Principal Balance
Originated loans			
Commercial			
C&I	27	$ 36,650	$ 39,985
CRE	26	20,005	22,025
Construction	0	—	—
Total originated commercial	53	56,655	62,010
Consumer			
Installment	1,310	42,272	42,730
Home equity lines	260	7,874	8,128
Credit card	197	679	679
Residential mortgages	303	23,385	25,899
Total originated consumer	2,070	74,210	77,436
Total originated loans	2,123	$ 130,865	$ 139,446
Acquired loans			
Commercial			
C&I	0	$ —	$ —
CRE	6	4,998	5,453
Construction	0	—	—
Total acquired commercial	6	4,998	5,453
Consumer			
Installment	67	1,585	1,661
Home equity lines	173	7,520	7,583
Residential mortgages	32	2,899	3,216
Total acquired consumer	272	12,004	12,460
Total acquired loans	278	$ 17,002	$ 17,913
FDIC acquired loans			
Commercial			
C&I	0	$ —	$ —
CRE	3	13,124	11,417
Construction	1	566	672
Total FDIC acquired commercial	4	13,690	12,089
Consumer			
Home equity lines	71	8,529	8,544
Residential mortgages	0	—	—
Total FDIC acquired consumer	71	8,529	8,544
Total FDIC acquired loans	75	$ 22,219	$ 20,633
Total loans			
Commercial			
C&I	27	$ 36,650	$ 39,985
CRE	35	38,127	38,895
Construction	1	566	672
Total commercial	63	75,343	79,552
Consumer			
Installment	1,377	43,857	44,391
Home equity lines	504	23,923	24,255
Credit card	197	679	679
Residential mortgages	335	26,284	29,115
Total consumer	2,413	94,743	98,440
Total loans	2,476	$ 170,086	$ 177,992

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs and remaining purchase discount.

(Dollars in thousands)	Number of Loans	Recorded Investment	Unpaid Principal Balance
	As of December 31, 2015		
Originated loans			
Commercial			
C&I	26	$ 33,087	$ 33,740
CRE	24	14,671	16,648
Construction	0	—	—
Total originated commercial	50	47,758	50,388
Consumer			
Installment	1,223	36,904	37,250
Home equity lines	257	7,080	7,330
Credit card	212	717	717
Residential mortgages	312	23,905	26,359
Total originated consumer	2,004	68,606	71,656
Total originated loans	2,054	$ 116,364	$ 122,044
Acquired loans			
Commercial			
C&I	1	7,611	7,611
CRE	3	918	1,044
Total acquired commercial	4	8,529	8,655
Consumer			
Installment	51	1,117	1,211
Home equity lines	176	7,718	7,778
Residential mortgages	31	2,154	2,382
Total acquired consumer	258	10,989	11,371
Total acquired loans	262	$ 19,518	$ 20,026
FDIC acquired loans			
Commercial			
C&I	0	$ —	$ —
CRE	3	14,056	12,479
Construction	1	593	682
Total FDIC acquired commercial	4	14,649	13,161
Consumer			
Home equity lines	81	10,215	10,281
Residential Mortgages	1	182	182
Total FDIC acquired consumer	82	10,397	10,463
Total FDIC acquired loans	86	$ 25,046	$ 23,624
Total loans			
Commercial			
C&I	27	$ 40,698	$ 41,351
CRE	30	29,645	30,171
Construction	1	593	682
Total commercial	58	70,936	72,204
Consumer			
Installment	1,274	38,021	38,461
Home equity lines	514	25,013	25,389
Credit card	212	717	717
Residential mortgages	344	26,241	28,923
Total consumer	2,344	89,992	93,490
Total loans	2,402	$ 160,928	$ 165,694

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs and remaining purchase discount.

(Dollars in thousands)	Number of Loans	Recorded Investment	Unpaid Principal Balance
	As of June 30, 2015		
Originated loans			
Commercial			
C&I	56	$ 29,454	$ 36,538
CRE	69	10,362	15,681
Construction	31	—	—
Total originated commercial	156	39,816	52,219
Consumer			
Installment	1,215	31,927	32,485
Home equity lines	271	7,421	7,669
Credit card	231	787	787
Residential mortgages	316	24,697	27,439
Total originated consumer	2,033	64,832	68,380
Total originated loans	2,189	$ 104,648	$ 120,599
Acquired loans			
Commercial			
C&I	2	—	55
CRE	3	930	1,018
Total acquired commercial	5	930	1,073
Consumer			
Installment	50	1,144	1,227
Home equity lines	174	7,138	7,205
Residential mortgages	31	2,150	2,386
Total acquired consumer	255	10,432	10,818
Total acquired loans	260	$ 11,362	$ 11,891
FDIC acquired loans			
Commercial			
C&I	8	$ —	$ 1,299
CRE	24	11,704	27,933
Construction	9	525	9,542
Total FDIC acquired commercial	41	12,229	38,774
Consumer			
Home equity lines	77	10,563	10,739
Residential mortgages	1	184	184
Total FDIC acquired consumer	78	10,747	10,923
Total FDIC acquired loans	119	$ 22,976	$ 49,697
Total loans			
Commercial			
C&I	66	$ 29,454	$ 37,892
CRE	96	22,996	44,632
Construction	40	525	9,542
Total commercial	202	52,975	92,066
Consumer			
Installment	1,265	33,071	33,712
Home equity lines	522	25,122	25,613
Credit card	231	787	787
Residential mortgages	348	27,031	30,009
Total consumer	2,366	86,011	90,121
Total loans	2,568	$ 138,986	$ 182,187

Note 1: For originated loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs.

Note 2: For acquired and FDIC acquired loans, the differences between the recorded investment and unpaid principal balance amounts represent partial charge-offs and remaining purchase discount.

The pre-modification and post-modification outstanding recorded investments of loans modified as TDRs during the three and six months ended June 30, 2016 and 2015 were not materially different. Post-modification balances may include capitalization of unpaid accrued interest and fees associated with the modification as well as forgiveness of principal. Loans modified as TDRs during the three and six months ended June 30, 2016 and 2015 did not involve the forgiveness of principal; accordingly, the Corporation did not record a charge-off at the modification date. Additionally, capitalization of any unpaid accrued interest and fees assessed to loans modified in the three and six months ended June 30, 2016 and 2015 were not material to the accompanying consolidated financial statements. Specific allowances for loan losses are established for loans whose terms have been modified in a TDR. Specific reserve allocations are generally assessed prior to loans being modified in a TDR, as most of these loans migrate from the Corporation's internal watch list and have been specifically allocated for as part of the Corporation's normal loan loss provisioning methodology. At June 30, 2016, December 31, 2015, and June 30, 2015, the Corporation had $0.2 million, $7.0 million, and $3.7 million, respectively, in commitments to lend additional funds to debtors owing receivables whose terms have been modified in a TDR.

The following tables provide a summary of the delinquency status of TDRs along with the specific allowance for loan loss, by loan type, as of June 30, 2016, December 31, 2015, and June 30, 2015, including TDRs that continue to accrue interest and TDRs included in nonperforming assets.

As of June 30, 2016

	Accruing TDRs			Nonaccruing TDRs			Total	Total
(In thousands)	Current	Delinquent	Total	Current	Delinquent	Total	TDRs	Allowance
Originated loans								
Commercial								
C&I	$ 16,082	$ 969	$ 17,051	$13,068	$ 6,531	$19,599	$ 36,650	$ 4,917
CRE	8,851	93	8,944	111	10,950	11,061	20,005	5
Construction	—	—	—	—	—	—	—	—
Total originated commercial	24,933	1,062	25,995	13,179	17,481	30,660	56,655	4,922
Consumer								
Installment	39,255	1,064	40,319	1,718	235	1,953	42,272	1,149
Home equity lines	7,017	79	7,096	778	—	778	7,874	169
Credit card	519	117	636	—	43	43	679	201
Residential mortgages	14,324	524	14,848	5,717	2,820	8,537	23,385	981
Total originated consumer	61,115	1,784	62,899	8,213	3,098	11,311	74,210	2,500
Total originated TDRs	**$ 86,048**	**$ 2,846**	**$ 88,894**	**$21,392**	**$ 20,579**	**$41,971**	**$130,865**	**$ 7,422**
Acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	2,720	—	2,720	2,151	127	2,278	4,998	156
Construction	—	—	—	—	—	—	—	—
Total acquired commercial	2,720	—	2,720	2,151	127	2,278	4,998	156
Consumer								
Installment	1,142	223	1,365	220	—	220	1,585	86
Home equity lines	6,820	583	7,403	117	—	117	7,520	115
Residential mortgages	2,259	—	2,259	640	—	640	2,899	176
Total acquired consumer	10,221	806	11,027	977	—	977	12,004	377
Total acquired TDRs	**$ 12,941**	**$ 806**	**$ 13,747**	**$ 3,128**	**$ 127**	**$ 3,255**	**$ 17,002**	**$ 533**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	—	—	—	13,124	13,124	13,124	2,236
Construction	—	—	—	566	—	566	566	25
Total FDIC acquired commercial	—	—	—	566	13,124	13,690	13,690	2,261
Consumer								
Home equity lines	8,392	87	8,479	50	—	50	8,529	21
Residential mortgages	—	—	—	—	—	—	—	—
Total FDIC acquired consumer	8,392	87	8,479	50	—	50	8,529	21
Total FDIC acquired TDRs	**$ 8,392**	**$ 87**	**$ 8,479**	**$ 616**	**$ 13,124**	**$13,740**	**$ 22,219**	**$ 2,282**
Total loans								
Commercial								
C&I	$ 16,082	$ 969	$ 17,051	$13,068	$ 6,531	$19,599	$ 36,650	$ 4,917
CRE	11,571	93	11,664	2,262	24,201	26,463	38,127	2,397
Construction	—	—	—	566	—	566	566	25
Total commercial	27,653	1,062	28,715	15,896	30,732	46,628	75,343	7,339
Consumer								
Installment	40,397	1,287	41,684	1,938	235	2,173	43,857	1,235
Home equity lines	22,229	749	22,978	945	—	945	23,923	305
Credit card	519	117	636	—	43	43	679	201
Residential mortgages	16,583	524	17,107	6,357	2,820	9,177	26,284	1,157
Total consumer	79,728	2,677	82,405	9,240	3,098	12,338	94,743	2,898
Total TDRs	**$107,381**	**$ 3,739**	**$111,120**	**$25,136**	**$ 33,830**	**$58,966**	**$170,086**	**$ 10,237**

As of December 31, 2015

(In thousands)	Accruing TDRs Current	Accruing TDRs Delinquent	Accruing TDRs Total	Nonaccruing TDRs Current	Nonaccruing TDRs Delinquent	Nonaccruing TDRs Total	Total TDRs	Total Allowance
Originated loans								
Commercial								
C&I	$ 22,566	$ 107	$ 22,673	$ 4,229	$ 6,185	$10,414	$ 33,087	$ 6,052
CRE	10,271	2,247	12,518	746	1,407	2,153	14,671	20
Construction	—	—	—	—	—	—	—	—
Total originated commercial	32,837	2,354	35,191	4,975	7,592	12,567	47,758	6,072
Consumer								
Installment	34,902	794	35,696	1,125	83	1,208	36,904	1,009
Home equity lines	6,511	114	6,625	399	56	455	7,080	188
Credit card	575	140	715	—	2	2	717	243
Residential mortgages	12,869	2,896	15,765	4,611	3,529	8,140	23,905	944
Total originated consumer	54,857	3,944	58,801	6,135	3,670	9,805	68,606	2,384
Total originated TDRs	**$ 87,694**	**$ 6,298**	**$ 93,992**	**$11,110**	**$ 11,262**	**$22,372**	**$116,364**	**$ 8,456**
Acquired loans								
Commercial								
C&I	$ 7,611	$ —	$ 7,611	$ —	$ —	$ —	$ 7,611	$ —
CRE	—	—	—	659	259	918	918	201
Total acquired commercial	7,611	—	7,611	659	259	918	8,529	201
Consumer								
Installment	967	126	1,093	14	10	24	1,117	45
Home equity lines	6,941	655	7,596	122	—	122	7,718	70
Residential mortgages	1,096	256	1,352	802	—	802	2,154	—
Total acquired consumer	9,004	1,037	10,041	938	10	948	10,989	115
Total acquired TDRs	**$ 16,615**	**$ 1,037**	**$ 17,652**	**$ 1,597**	**$ 269**	**$ 1,866**	**$ 19,518**	**$ 316**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	14,056	14,056	—	—	—	14,056	2,333
Construction	593	—	593	—	—	—	593	—
Total FDIC acquired commercial	593	14,056	14,649	—	—	—	14,649	2,333
Consumer								
Home equity lines	10,065	70	10,135	6	74	80	10,215	23
Residential mortgages	182	—	182	—	—	—	182	—
Total FDIC acquired consumer	10,247	70	10,317	6	74	80	10,397	23
Total FDIC acquired TDRs	**$ 10,840**	**$ 14,126**	**$ 24,966**	**$ 6**	**$ 74**	**$ 80**	**$ 25,046**	**$ 2,356**
Total Loans								
Commercial								
C&I	$ 30,177	$ 107	$ 30,284	$ 4,229	$ 6,185	$10,414	$ 40,698	$ 6,052
CRE	10,271	16,303	26,574	1,405	1,666	3,071	29,645	2,554
Construction	593	—	593	—	—	—	593	—
Total commercial	41,041	16,410	57,451	5,634	7,851	13,485	70,936	8,606
Consumer								
Installment	35,869	920	36,789	1,139	93	1,232	38,021	1,054
Home equity lines	23,517	839	24,356	527	130	657	25,013	281
Credit card	575	140	715	—	2	2	717	243
Residential mortgages	14,147	3,152	17,299	5,413	3,529	8,942	26,241	944
Total consumer	74,108	5,051	79,159	7,079	3,754	10,833	89,992	2,522
Total TDRs	**$115,149**	**$ 21,461**	**$136,610**	**$12,713**	**$ 11,605**	**$24,318**	**$160,928**	**$ 11,128**

As of June 30, 2015

(In thousands)	Accruing TDRs Current	Accruing TDRs Delinquent	Accruing TDRs Total	Nonaccruing TDRs Current	Nonaccruing TDRs Delinquent	Nonaccruing TDRs Total	Total TDRs	Total Allowance
Originated loans								
Commercial								
C&I	$17,346	$ —	$ 17,346	$ 9,260	$ 2,848	$12,108	$ 29,454	$ 2,893
CRE	5,968	—	5,968	1,598	2,796	4,394	10,362	63
Construction	—	—	—	—	—	—	—	—
Total originated commercial	23,314	—	23,314	10,858	5,644	16,502	39,816	2,956
Consumer								
Installment	29,715	603	30,318	1,390	219	1,609	31,927	1,001
Home equity lines	6,611	107	6,718	557	146	703	7,421	217
Credit card	684	100	784	—	3	3	787	250
Residential mortgages	13,925	2,105	16,030	4,957	3,710	8,667	24,697	890
Total originated consumer	50,935	2,915	53,850	6,904	4,078	10,982	64,832	2,358
Total originated TDRs	**$74,249**	**$ 2,915**	**$ 77,164**	**$17,762**	**$ 9,722**	**$27,484**	**$104,648**	**$ 5,314**
Acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	—	—	930	—	930	930	98
Total acquired commercial	—	—	—	930	—	930	930	98
Consumer								
Installment	1,082	47	1,129	15	—	15	1,144	44
Home equity lines	6,387	618	7,005	133	—	133	7,138	—
Residential mortgages	1,313	—	1,313	615	222	837	2,150	—
Total acquired consumer	8,782	665	9,447	763	222	985	10,432	44
Total acquired TDRs	**$ 8,782**	**$ 665**	**$ 9,447**	**$ 1,693**	**$ 222**	**$ 1,915**	**$ 11,362**	**$ 142**
FDIC acquired loans								
Commercial								
C&I	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE	—	11,704	11,704	—	—	—	11,704	2,393
Construction	525	—	525	—	—	—	525	96
Total FDIC acquired commercial	525	11,704	12,229	—	—	—	12,229	2,489
Consumer								
Home equity lines	9,505	89	9,594	143	826	969	10,563	23
Residential mortgages	184	—	184	—	—	—	184	—
Total FDIC acquired consumer	9,689	89	9,778	143	826	969	10,747	23
Total FDIC acquired TDRs	**$10,214**	**$ 11,793**	**$ 22,007**	**$ 143**	**$ 826**	**$ 969**	**$ 22,976**	**$ 2,512**
Total loans								
Commercial								
C&I	$17,346	$ —	$ 17,346	$ 9,260	$ 2,848	$12,108	$ 29,454	$ 2,893
CRE	5,968	11,704	17,672	2,528	2,796	5,324	22,996	2,554
Construction	525	—	525	—	—	—	525	96
Total commercial	23,839	11,704	35,543	11,788	5,644	17,432	52,975	5,543
Consumer								
Installment	30,797	650	31,447	1,405	219	1,624	33,071	1,045
Home equity lines	22,503	814	23,317	833	972	1,805	25,122	240
Credit card	684	100	784	—	3	3	787	250
Residential mortgages	15,422	2,105	17,527	5,572	3,932	9,504	27,031	890
Total consumer	69,406	3,669	73,075	7,810	5,126	12,936	86,011	2,425
Total TDRs	**$93,245**	**$ 15,373**	**$108,618**	**$19,598**	**$ 10,770**	**$30,368**	**$138,986**	**$ 7,968**

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, the Corporation evaluates the loan for possible further impairment. The ALL may be increased, adjustments may be made in the allocation of the ALL, or partial charge-offs may be taken to further write-down the carrying value of the loan.

On an ongoing basis, the Corporation monitors the performance of modified loans to their restructured terms. In the event of a subsequent default, the ALL continues to be reassessed on the basis of an individual evaluation of the loan.

The following tables provide the number of loans modified in a TDR within the previous 12 months that subsequently defaulted during the three months ended June 30, 2016 and June 30, 2015, as well as the amount defaulted in these restructured loans.

(Dollars in thousands)	Three Months Ended June 30, 2016	
	Number of Loans	Amount Defaulted
Originated loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total originated commercial	0	$ —
Consumer		
Installment	2	$ 15
Home equity lines	0	—
Credit card	0	—
Residential mortgages	0	—
Total originated consumer	2	$ 15
FDIC acquired loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total FDIC acquired commercial	0	$ —
Acquired loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total acquired commercial	0	$ —
Consumer		
Installment	0	$ —
Home equity lines	0	—
Residential mortgages	0	—
Total acquired consumer	—	$ —
Total loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total commercial	0	$ —
Consumer		
Installment	2	$ 15
Home equity lines	0	—
Credit card	0	—
Residential mortgages	0	—
Total consumer	2	$ 15
Total	2	$ 15

(Dollars in thousands)	Three Months Ended June 30, 2015	
	Number of Loans	Recorded Investment
Originated loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total originated commercial	0	$ —
Consumer		
Installment	1	$ 6
Home equity lines	0	—
Credit card	1	1
Residential mortgages	1	368
Total originated consumer	3	$ 375
FDIC acquired loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total FDIC acquired commercial	0	$ —
Acquired loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total acquired commercial	0	$ —
Consumer		
Installment	1	$ 33
Home equity lines	0	—
Residential mortgages	0	—
Total acquired consumer	1	$ 33
Total loans		
Commercial		
C&I	0	$ —
CRE	0	—
Construction	0	—
Total commercial	0	$ —
Consumer		
Installment	2	$ 39
Home equity lines	0	—
Credit card	1	1
Residential mortgages	1	368
Total consumer	4	$ 408
Total	**4**	**$ 408**

.5. Goodwill and Other Intangible Assets

Goodwill

Goodwill totaled $741.7 million as of June 30, 2016, December 31, 2015, and June 30, 2015. Goodwill is not amortized but is evaluated for impairment on an annual basis at November 30 of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. No events or circumstances since the November 30, 2015 annual impairment test were noted that would indicate it was more likely than not a goodwill impairment exists.

Other Intangible Assets

The Corporation has other intangible assets that are amortized, consisting of core deposit intangibles, lease intangibles and trust relationship intangibles. The following tables show the gross carrying amount, accumulated amortization, and net carrying amount of these intangible assets.

	June 30, 2016		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (32,083)	$ 50,240
Lease intangible	238	(229)	9
Trust Relationships (2)	14,000	(8,229)	5,771
	$ 96,561	$ (40,541)	$ 56,020

	December 31, 2015		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (28,304)	$ 54,019
Lease intangible	238	(212)	26
Trust Relationships (2)	14,000	(7,417)	6,583
	$ 96,561	$ (35,933)	$ 60,628

	June 30, 2015		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles (1)	$ 82,323	$ (24,150)	$ 58,173
Lease intangible	238	(194)	44
Trust relationships (2)	14,000	(6,393)	7,607
	$ 96,561	$ (30,737)	$ 65,824

(1) Core deposit intangibles are amortized on an accelerated basis over their estimated useful lives, which range from 10-15 years.
(2) Trust relationship intangibles are amortized on an accelerated basis on their estimated useful lives of 12 years.

Amortization expense for intangible assets was $4.6 million in the six months ended June 30, 2016, compared to $5.2 million in the six months ended June 30, 2015. Estimated amortization expense for each of the next five years is as follows: remainder of 2016—$4.6 million; 2017—$8.2 million; 2018—$7.3 million; and 2019—$6.5 million; 2020—$5.2 million.

6. Shareholders' Equity

Common Stock Warrant

On May 13, 2015, the Corporation repurchased a warrant previously issued by Citizens to the U.S. Treasury. The warrant, which entitled the U.S. Treasury to purchase 2,571,998 shares of FirstMerit Common Stock at an adjusted strike price of $17.50, was purchased for $12.2 million. In accordance with GAAP, the Corporation recorded a reduction to capital surplus in the amount of $9.2 million in conjunction with this warrant repurchase that reflected the excess amount paid over the previously stated amount.

Preferred Stock

The Corporation has 7,000,000 shares of authorized Preferred Stock and has designated 115,000 shares of its Preferred Stock as 5.875% Non-Cumulative Perpetual Preferred Stock, Series A. On February 4, 2013, the Corporation issued 100,000 shares of its Non-Cumulative Perpetual Preferred Stock, Series A, which began paying cash dividends on May 4, 2013, quarterly in arrears on the 4th day of February, May, August, and November.

Earnings Per Share

Basic net income per common share is calculated using the two-class method to determine income attributable to common shareholders. Net income attributable to Common Stock is then divided by the weighted-average number of Common Stock outstanding during the period.

Diluted net income per common share is calculated under the more dilutive of either the treasury method or two-class method. Adjustments to the weighted-average number of shares of Common Stock outstanding are made only when such adjustments will dilute earnings per common share. Net income attributable to Common Stock is then divided by the weighted-average number of Common Stock and Common Stock equivalents outstanding during the period.

The reconciliation between basic and diluted EPS using the two-class method and treasury stock method is presented as follows:

(Dollars in thousands, except per share amounts)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Basic EPS:				
Net income	$ 58,309	$ 56,584	$ 112,445	$ 113,723
Less:				
Cash dividends on 5.875% non-cumulative perpetual series A, Preferred Stock	1,469	1,469	2,938	2,938
Income allocated to participating securities	496	467	955	937
Net income attributable to common shareholders	$ 56,344	$ 54,648	$ 108,552	$ 109,848
Weighted average Common Stock outstanding used in basic EPS	166,188	165,736	165,966	165,574
Basic net income per common share	$ 0.34	$ 0.33	$ 0.65	$ 0.66
Diluted EPS:				
Income used in diluted earnings per common share calculation	$ 56,344	$ 54,648	$ 108,552	$ 109,848
Weighted average Common Stock outstanding used in basic EPS	166,188	165,736	165,966	165,574
Add: Common Stock equivalents				
Employee stock award plans	619	541	597	515
Weighted average Common and Common Stock equivalent shares outstanding	166,807	166,277	166,563	166,089
Diluted net income per common share	$ 0.34	$ 0.33	$ 0.65	$ 0.66

Common Stock equivalents consist of employee stock award plans. These Common Stock equivalents do not enter into the calculation of diluted EPS if the impact would be anti-dilutive, that is, increase EPS or reduce a loss per share. Anti-dilutive potential Common Stock for the six months ended June 30, 2016 and 2015 totaled 0.2 million and 0.8 million, respectively.

7. Segment Information

Management monitors the Corporation's results by an internal performance measurement system, which provides lines of business results and key performance measures. The profitability measurement system is based on internal financial management practices designed to produce consistent results and reflect the underlying economics of the businesses. The development and application of these methodologies is a dynamic process. Accordingly, these measurement tools and assumptions may be revised periodically to reflect methodological, product, and/or management organizational changes. Further, these tools measure financial results that support the strategic objectives and internal organizational structure of the Corporation. Consequently, the information presented is not necessarily comparable with similar information for other financial institutions.

A description of each business, selected financial performance, and the methodologies used to measure financial performance are presented below.

- *Commercial* – The commercial line of business provides a full range of lending, depository, and related financial services to middle-market corporate, industrial, financial, core business banking, public entities, and leasing clients. Commercial also includes personal business from commercial loan clients in coordination with the Wealth Management segment. Products and services offered include commercial term loans, revolving credit arrangements, asset-based lending, leasing, commercial mortgages, real estate construction lending, letters of credit, treasury management, government banking, international banking, merchant card and other depository products and services.
- *Retail* – The retail line of business includes consumer lending and deposit gathering, residential mortgage loan origination and servicing, and branch-based small business banking. Retail offers a variety of retail financial products and services including consumer direct and indirect installment loans, debit and credit cards, residential mortgage loans, home equity loans and lines of credit, deposit products, fixed and variable annuities and ATM network services. Deposit products include checking, savings, money market accounts and certificates of deposit.
- *Wealth* – The wealth line of business offers a broad array of asset management, private banking, financial planning, estate settlement and administration, credit and deposit products and services. Trust and investment services include personal trust and planning, investment management, estate settlement and administration services. Retirement plan services focus on investment management and fiduciary activities. Brokerage and insurance delivers retail mutual funds, other securities, variable and fixed annuities, personal disability and life insurance products and brokerage services. Private banking provides credit, deposit and asset management solutions for affluent clients.
- *Other* – The other line of business includes activities that are not directly attributable to one of the three principal lines of business. Included in the Other category are the Parent Company, eliminating companies, community development operations, the treasury group, which includes the securities portfolio, wholesale funding and asset liability management activities, and the economic impact of certain assets, capital and support functions not specifically identifiable with the three primary lines of business.

The accounting policies of the lines of businesses are the same as those of the Corporation described in Note 1 (Summary of Significant Accounting Policies) to the 2015 Form 10-K. Funds transfer pricing is used in the determination of net interest income by assigning a cost for funds used or credit for funds provided to assets and liabilities within each business unit. Assets and liabilities are match-funded based on their maturity, prepayment and/or repricing characteristics. As a result, the three primary lines of business are generally insulated from changes in interest rates. Changes in net interest income due to changes in rates are reported in Other by the treasury group. Capital has been allocated on an economic risk basis. Loans and lines of credit have been allocated capital based upon their respective credit risk. Asset management holdings in the Wealth segment have been allocated capital based upon their respective market risk related to assets under management. Normal business operating risk has been allocated to each line of business by the level of noninterest expense. Mismatches between asset and liability cash flows as well as interest rate risk for mortgage servicing rights and mortgage origination business have been allocated capital based upon their respective asset/liability management risk. The provision for loan loss is allocated based upon the actual net charge-offs of each respective line of business, adjusted for loan growth and changes in risk profile. Noninterest income and expenses directly attributable to a line of business are assigned to that line of business. Expenses for centrally provided services are allocated to the business line by various activity based cost formulas.

Substantially all of the Corporation’s business is conducted in the United States of America. The following tables present a summary of financial results as of and for the three and six months ended June 30, 2016 and June 30, 2015:

(In thousands)	Commercial		Retail		Wealth		Other		FirstMerit Consolidated	
June 30, 2016	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**
OPERATIONS:										
Net interest income/(loss)	$ 101,313	$ 203,932	$ 94,369	$ 189,096	$ 6,314	$ 12,867	$ (15,918)	$ (34,661)	$ 186,078	$ 371,234
Provision/ (recapture) for loan losses	1,070	6,842	5,123	9,169	(20)	(175)	218	(1,636)	6,391	14,200
Noninterest income	20,782	41,961	22,079	45,673	15,129	29,437	7,125	15,438	65,115	132,509
Noninterest expense	57,201	118,221	84,880	173,575	13,883	27,236	4,356	8,251	160,320	327,283
Net income/(loss)	41,486	78,539	17,189	33,816	4,927	9,908	(5,293)	(9,818)	58,309	112,445
AVERAGES:										
Assets	$ 9,600,103	$ 9,596,152	$ 6,370,350	$ 6,301,303	$ 314,752	$ 310,159	$9,638,361	$9,639,033	$25,923,566	$25,846,647
Loans	9,721,866	9,715,827	6,173,352	6,097,054	306,028	301,586	41,656	46,706	16,242,902	16,161,173
Earning assets	10,081,198	10,077,716	6,178,619	6,103,154	306,028	301,586	6,555,458	6,523,236	23,121,303	23,005,692
Deposits	7,269,121	7,373,805	11,003,769	11,014,512	1,284,516	1,302,113	1,410,044	1,111,129	20,967,450	20,801,559
Economic capital	1,251,845	1,252,069	867,958	870,360	121,824	126,706	770,591	742,055	3,012,218	2,991,190

(In thousands)	Commercial		Retail		Wealth		Other		FirstMerit Consolidated	
June 30, 2015	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**	**QTD**	**YTD**
OPERATIONS:										
Net interest income/(loss)	$ 101,342	$ 202,830	$ 92,501	$ 184,527	$ 5,452	$ 10,932	$ (14,177)	$ (27,548)	$ 185,118	$ 370,741
Provision/ (recapture) for loan losses	2,285	1,759	8,447	15,981	(1)	(171)	(1,765)	(355)	8,966	17,214
Noninterest income	21,918	44,408	23,964	45,701	14,816	28,792	5,884	13,528	66,582	132,429
Noninterest expense	61,032	122,685	87,799	176,070	13,461	27,181	(618)	(3,610)	161,674	322,326
Net income/(loss)	38,963	79,816	13,142	24,815	4,425	8,264	54	828	56,584	113,723
AVERAGES:										
Assets	$9,437,824	$9,445,975	$ 5,951,665	$ 5,898,835	$ 290,798	$ 296,461	$9,449,572	$9,374,463	$25,129,859	$25,015,734
Loans	9,533,843	9,520,262	5,702,015	5,636,666	281,013	286,484	60,490	59,274	15,577,361	15,502,686
Earning assets	9,828,867	9,811,770	5,707,400	5,645,469	281,013	286,484	6,535,441	6,483,544	22,352,721	22,227,267
Deposits	6,777,434	6,831,887	11,105,954	11,115,005	1,188,563	1,214,617	610,711	573,990	19,682,662	19,735,499
Economic capital	1,355,049	1,349,289	767,803	763,446	111,770	109,969	657,810	656,765	2,892,432	2,879,469

8. Derivatives and Hedging Activities

The Corporation, through its mortgage banking and risk management operations, is party to various derivative instruments that are used for asset and liability management and customers' financing needs. Derivative instruments are contracts between two or more parties that have a notional amount and underlying variable, require no net investment and allow for the net settlement of positions. The notional amount serves as the basis for the payment provision of the contract and takes the form of units, such as shares or dollars. The underlying variable represents a specified interest rate, index or other component. The interaction between the notional amount and the underlying variable determines the number of units to be exchanged between the parties and influences the market value of the derivative contract.

The predominant derivative and hedging activities include interest rate swaps and certain mortgage banking activities. Generally, these instruments help the Corporation manage exposure to market risk, and meet customer financing needs. Market risk represents the possibility that economic value or net interest income will be adversely affected by fluctuations in external factors, such as interest rates, market-driven rates and prices or other economic factors. Foreign exchange contracts are entered into to accommodate the needs of customers.

Derivatives Designated in Hedge Relationships

The Corporation's fixed rate loans result in exposure to losses in value as interest rates change. The risk management objective for hedging fixed rate loans is to convert the fixed rate received to a floating rate. The Corporation hedges exposure to changes in the fair value of fixed rate loans through the use of swaps. For a qualifying fair value hedge, changes in the value of the derivatives that have been highly effective as hedges are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged.

At June 30, 2016, December 31, 2015, and June 30, 2015, the notional values or contractual amounts and fair value of the Corporation's derivatives designated in hedge relationships were as follows:

	Asset Derivatives						Liability Derivatives					
	June 30, 2016		December 31, 2015		June 30, 2015		June 30, 2016		December 31, 2015		June 30, 2015	
(In thousands)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)
Interest rate swaps:												
Commercial loan swaps (FRAPS)	$ —	$ —	$ —	$ —	$ —	$ —	$ 50,668	$ 2,772	$ 55,689	$ 3,536	$ 75,794	$ 5,104
Sub debt swap	250,000	29,760	250,000	8,739	250,000	1,153	—	—	—	—	—	—
Fair value hedges	$250,000	$ 29,760	$250,000	$ 8,739	$250,000	$ 1,153	$ 50,668	$ 2,772	$ 55,689	$ 3,536	$ 75,794	$ 5,104

(1) Included in “Other assets” on the Consolidated Balance Sheets
(2) Included in “Other liabilities” on the Consolidated Balance Sheets

Commercial Loan Swaps. Prior to 2008, the Corporation entered into interest rate swaps with dealer counterparties to convert certain fixed rate loans to variable rate instruments over the terms of the loans (termed by the Corporation as the FRAP Program). These interest rate swaps are designated as fair value hedges and met the criteria to qualify for the short cut method of accounting. Based on this shortcut method of accounting treatment, no ineffectiveness is assumed. The Corporation discontinued originating interest rate swaps under the FRAP Program in February 2008.

Sub Debt Swap. During the fourth quarter of 2014, the Corporation entered into a $250.0 million interest rate swap simultaneously with its long-term debt issuance for interest rate risk management purposes. This interest rate swap effectively modifies the receipt of fixed-rate interest amounts in exchange for floating-rate interest payments over the life of the swap, without an exchange of the underlying principal amount. This interest rate swap was designated as a fair value hedge, and through application of the “shortcut method of accounting”, there is an assumption that the hedge is effective in offsetting changes in the fair value of the long-term debt due to changes in the U.S. LIBOR swap rate (the designated benchmark interest rate).

Derivatives Not Designated in Hedge Relationships

As of June 30, 2016, December 31, 2015, and June 30, 2015, the notional values or contractual amounts and fair value of the Corporation’s derivatives not designated in hedge relationships were as follows:

	Asset Derivatives						Liability Derivatives					
	June 30, 2016		December 31, 2015		June 30, 2015		June 30, 2016		December 31, 2015		June 30, 2015	
(In thousands)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (1)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)	Notional/ Contract Amount	Fair Value (2)
Interest rate swaps	$1,904,459	$ 87,575	$1,824,576	$ 48,920	$1,726,600	$ 46,216	$1,904,459	$ 87,575	$1,824,576	$ 48,920	$1,726,600	$ 46,216
Mortgage loan commitments	32,802	253	20,635	149	52,024	342	—	—	—	—	—	—
Forward sales contracts	—	—	—	—	15,200	106	8,059	61	9,659	5	—	—
Credit contracts	—	—	—	—	—	—	74,945	7	73,715	—	73,512	—
Foreign exchange	20,180	254	13,671	299	29,687	256	18,571	207	11,706	284	15,823	177
Equity swap	—	—	—	—	—	—	35,034	—	36,631	—	31,718	—
Total	$1,957,441	$ 88,082	$1,858,882	$ 49,368	$1,823,511	$ 46,920	$2,041,068	$ 87,850	$1,956,287	$ 49,209	$1,847,653	$ 46,393

(1) Included in “Other assets” on the Consolidated Balance Sheets
(2) Included in “Other liabilities” on the Consolidated Balance Sheets

Interest Rate Swaps. The Corporation's Back-to-Back Program is an interest rate swap program for commercial loan customers that provides the customer with a fixed rate loan while creating a variable rate asset for the Corporation through the customer entering into an interest rate swap with the Corporation on terms that match the loan. The Corporation offsets its risk exposure by entering into an offsetting interest rate swap with a dealer counterparty. These swaps do not qualify as designated hedges; therefore, each swap is accounted for as a standalone derivative.

Mortgage banking. In the normal course of business, the Corporation sells originated mortgage loans into the secondary mortgage loan markets. During the period of loan origination and prior to the sale of the loans in the secondary market, the Corporation has exposure to movements in interest rates associated with mortgage loans that are in the "mortgage pipeline" and the "mortgage warehouse". A pipeline loan is one in which the Corporation has entered into a written mortgage loan commitment with a potential borrower that will be held for resale. Once a mortgage loan is closed and funded, it is included within the mortgage warehouse of loans awaiting sale and delivery into the secondary market.

Written loan commitments that relate to the origination of mortgage loans that will be held for resale are considered free-standing derivatives and do not qualify for hedge accounting. Written loan commitments generally have a term of up to 60 days before the closing of the loan. The loan commitment does not bind the potential borrower to entering into the loan, nor does it guarantee that the Corporation will approve the potential borrower for the loan. Therefore, when determining fair value, the Corporation makes estimates of expected "fallout" (loan commitments not expected to close), using models which consider cumulative historical fallout rates and other factors. In addition, expected net future cash flows related to loan servicing activities are included in the fair value measurement of a written loan commitment.

Written loan commitments in which the borrower has locked in an interest rate result in market risk to the Corporation to the extent market interest rates change from the rate quoted to the borrower. The Corporation economically hedges the risk of changing interest rates associated with its interest rate lock commitments by entering into forward sales contracts.

The Corporation's warehouse (mortgage loans held for sale) is subject to changes in fair value, due to fluctuations in interest rates from the loan's closing date through the date of sale of the loan into the secondary market. Typically, the fair value of the warehouse declines in value when interest rates increase and rises in value when interest rates decrease. To mitigate this risk, the Corporation enters into forward sales contracts on a significant portion of the warehouse to provide an economic hedge against those changes in fair value. Mortgage loans held for sale and the forward sales contracts were recorded at fair value with ineffective changes in value recorded in current earnings as Loan sales and servicing income.

Credit contracts. The Corporation has bought and sold credit protection in the form of participations in interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business. Credit derivatives, whereby the Corporation has purchased credit protection, entitles the Corporation to receive a payment from the counterparty when the

customer fails to make payment on any amounts due to the Corporation. Swap participations whereby the Corporation has purchased credit protection have maturities that range between less than two to seven years. For swap participations where the Corporation sold credit protection, the Corporation has guaranteed payment in the event that the counterparty experiences a loss on the swap due to a failure to pay by the Corporation's commercial loan customer. The Corporation simultaneously entered into reimbursement agreements with the commercial loan customers obligating the customers to reimburse the Corporation for any payments it makes under the swap participations. The Corporation monitors its payment risk on its swap participations by monitoring the creditworthiness of its commercial loan customers, which is based on the normal credit review process the Corporation would have performed had it entered into these derivative instruments directly with the commercial loan customers. Credit derivatives whereby the Corporation has sold credit protection have maturities ranging from less than one year to nine years. The Corporation's maximum estimated exposure to sold swap participations, as measured by projecting a maximum value of the guaranteed derivative instruments based on interest rate curve simulations and assuming 100% default by all obligors on the maximum values, was approximately $7.1 million as of June 30, 2016. The fair values of the written swap participations were not material at June 30, 2016, December 31, 2015, and June 30, 2015.

Gains and losses recognized in income on non-designated hedging instruments for the three and six months ended June 30, 2016 and 2015 are as follows:

Derivatives not designated as hedging instruments	Location of Gain/(Loss) Recognized in Income on Derivative	Amount of Gain / (Loss) Recognized in Income on Derivatives (In thousands)			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2016	2015	2016	2015
Mortgage loan commitments	Loan sales and servicing income	$ 12	$ (46)	$ 105	$(1,066)
Forward sales contracts	Loan sales and servicing income	20	175	(56)	378
Foreign exchange contracts	Other operating income	766	165	1,585	(712)
Equity swap	Other operating expense	—	—	—	—
Total		$ 798	$ 294	$1,634	$(1,400)

Counterparty Credit Risk

Like other financial instruments, derivatives contain an element of "credit risk" or the possibility that the Corporation will incur a loss because a counterparty, which may be a bank, a broker-dealer, a derivative clearing organization, or a customer, fails to meet its contractual obligations. This risk is measured as the expected positive replacement value of contracts. All derivative contracts may be executed only with exchanges or counterparties approved by the Corporation's Board of Directors. Where contracts have been created for customers, the Corporation enters into derivatives with dealers to offset its risk exposure. To manage the credit exposure to exchanges and counterparties, the Corporation generally enters into bilateral collateral agreements with collateral delivery thresholds on all bilateral derivatives. Beyond the threshold levels, collateral in the form of securities made available from the investment portfolio or other forms of collateral acceptable under the bilateral collateral agreements are provided. The threshold levels for each counterparty are approved by the Corporation's Board of Directors. The Corporation generally posts collateral in the form of highly rated Government Agency issued bonds or MBS.

The majority of the Corporation's over-the-counter derivative transactions are cleared through a recognized derivative clearing organization ("Clearinghouse"). For cleared derivatives, the Clearinghouse is the Corporation's counterparty. The Clearinghouse notifies the clearing agent of the required initial and variation margin and the clearing agent notifies the Corporation of the required initial and variation margin. The requirement that the Corporation post initial and variation margin through the clearing agent to the Clearinghouse exposes the Corporation to institutional credit risk if the clearing agent or the Clearinghouse fails to meet its obligations. The use of cleared derivatives is intended to mitigate credit risk exposure because a central counterparty is substituted for individual counterparties and collateral is posted daily through a clearing agent for changes in the value of cleared derivatives.

The fair value of investment securities posted as collateral against derivative liabilities was $55.9 million, $47.2 million, and $45.6 million as of June 30, 2016, December 31, 2015, and June 30, 2015, respectively.

Derivative assets and liabilities are recorded at fair value on the balance sheet and do not take into account the effects of master netting agreements the Corporation has with its financial institution counterparties. These master netting agreements allow the Corporation to settle all derivative contracts held with a single financial institution counterparty on a net basis, and to offset net derivative positions with related collateral, where applicable. Collateral, usually in the form of investment securities, is posted by the counterparty in the net liability position in accordance with contract thresholds. The following tables illustrate the potential effect of the Corporation's derivative master netting arrangements, by type of financial instrument, on the Corporation's statement of financial position as of June 30, 2016, December 31, 2015, and June 30, 2015. The swap agreements the Corporation has in place with its commercial customers are not subject to enforceable master netting arrangements, and, therefore, are excluded from these tables.

	As of June 30, 2016					
				Gross amounts not offset in the consolidated balance sheet		
(In thousands)	Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Financial instruments (1)	Collateral (2)	Net amount
Derivative Assets						
Interest rate swaps—designated	$ 29,760	$ —	$ 29,760	$ —	$ —	$ 29,760
Interest rate swaps—non-designated	3	$ —	3	(3)	—	—
Foreign exchange	76	—	76	(76)	—	—
Total derivative assets	$ 29,839	$ —	$ 29,839	$ (79)	$ —	$ 29,760
Derivative liabilities						
Interest rate swaps—designated	$ 2,772	$ —	$ 2,772	$ —	$ (2,772)	$ —
Interest rate swaps—non-designated	87,572	—	87,572	(3)	(87,569)	—
Foreign exchange	131	—	131	(76)	(55)	—
Total derivative liabilities	$ 90,475	$ —	$ 90,475	$ (79)	$ (90,396)	$ —

(In thousands)	Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet: Financial instruments (1)	Gross amounts not offset in the consolidated balance sheet: Collateral (2)	Net amount
	As of December 31, 2015					
Derivative assets						
Interest rate swaps—designated	$ 8,739	$ —	$ 8,739	$ —	$ —	$ 8,739
Interest rate swaps—non-designated	155	—	155	(155)	—	—
Foreign exchange	270	—	270	(32)	(238)	—
Total derivative assets	$ 9,164	$ —	$ 9,164	$ (187)	$ (238)	$ 8,739
Derivative liabilities						
Interest rate swaps—designated	$ 3,536	$ —	$ 3,536	$ —	$ (3,536)	$ —
Interest rate swaps—non-designated	48,765	—	48,765	(155)	(48,610)	—
Foreign exchange	32	—	32	(32)	—	—
Total derivative liabilities	$ 52,333	$ —	$ 52,333	$ (187)	$ (52,146)	$ —

(In thousands)	Gross amounts recognized	Gross amounts offset in the consolidated balance sheet	Net amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet: Financial instruments (1)	Gross amounts not offset in the consolidated balance sheet: Collateral (2)	Net amount
	As of June 30, 2015					
Derivative assets						
Interest rate swaps—designated	1,153	—	1,153	—	—	1,153
Interest rate swaps—non-designated	$ 414	$ —	$ 414	$ (414)	$ —	$ —
Foreign exchange	164	—	164	(49)	(115)	—
Total derivative assets	$ 1,731	$ —	$ 1,731	$ (463)	$ (115)	$ 1,153
Derivative liabilities						
Interest rate swaps—designated	$ 5,104	$ —	$ 5,104	$ —	$ (5,104)	$ —
Interest rate swaps—non-designated	45,802	—	45,802	(414)	(45,388)	—
Foreign exchange	49	—	49	(49)	—	—
Total derivative liabilities	$ 50,955	$ —	$ 50,955	$ (463)	$ (50,492)	$ —

(1) For derivative assets, this includes any derivative liability fair values that could be offset in the event of counterparty default. For derivative liabilities, this includes any derivative asset fair values that could be offset in the event of counterparty default.

(2) For derivate assets, this includes the fair value of collateral received by the Corporation from the counterparty. Securities received as collateral are not included in the Consolidated Balance Sheets unless the counterparty defaults. For derivative liabilities, this includes the fair value of securities pledged by the Corporation to the counterparty. These securities are included in the Consolidated Balance Sheets unless the Corporation defaults.

9. Benefit Plans

The Corporation sponsors several qualified and nonqualified pension and other postretirement plans for certain of its employees. The net periodic pension cost is based on estimated values provided by an outside actuary. The components of net periodic benefit cost are as follows:

	Pension Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Service cost	$ 198	$ 207	$ 396	$ 415
Interest cost	3,649	3,517	7,298	7,035
Expected return on assets	(3,788)	(3,902)	(7,576)	(7,804)
Amortization of unrecognized prior service costs	75	570	150	1,140
Amortization of actuarial losses/(gains)	830	1,057	1,660	2,113
Net periodic pension cost	$ 964	$ 1,449	$ 1,928	$ 2,899

	Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Service cost	$ 26	$ 41	$ 52	$ 83
Interest cost	64	144	127	288
Amortization of unrecognized prior service costs	(636)	(160)	(1,271)	(319)
Amortization of actuarial losses/(gains)	245	81	490	163
Net periodic postretirement cost	$ (301)	$ 106	$ (602)	$ 215

For further information on the Corporation's employee benefit plans, refer to Note 13 (Benefit Plans) to the consolidated financial statements in the 2015 Form 10-K.

10. Fair Value Measurement

As defined in ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market for the asset or liability. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, Management determines the fair value of the Corporation's assets and liabilities using valuation models or third-party pricing services. Both of these approaches rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads, or unobservable inputs. Unobservable inputs may be based on Management's judgment, assumptions and estimates related to credit quality, liquidity, interest rates and other relevant inputs.

GAAP establishes a three-level valuation hierarchy for determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy, highest ranking to lowest, are as follows:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The level in the fair value hierarchy ascribed to a fair value measurement in its entirety is based on the lowest level input that is significant to the overall fair value measurement.

Valuation adjustments, such as those pertaining to counterparty and the Corporation's own credit quality and liquidity, may be necessary to ensure that assets and liabilities are recorded at fair value. Credit valuation adjustments are made when market pricing does not accurately reflect the counterparty's credit quality. As determined by Management, liquidity valuation adjustments may be made to the fair value of certain assets to reflect the uncertainty in the pricing and trading of the instruments when Management is unable to observe recent market transactions for identical or similar instruments. Liquidity valuation adjustments are based on the following factors:

- the amount of time since the last relevant valuation;
- whether there is an actual trade or relevant external quote available at the measurement date; and
- volatility associated with the primary pricing components.

Management ensures that fair value measurements are accurate and appropriate by relying upon various controls, including:

- an independent review and approval of valuation models;
- recurring detailed reviews of profit and loss; and
- a validation of valuation model components against benchmark data and similar products, where possible.

Management reviews any changes to its valuation methodologies to ensure they are appropriate and justified, and refines valuation methodologies as more market-based data becomes available. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period.

Additional information regarding the Corporation's accounting policies for determining fair value is provided in Note 1 (Summary of Significant Accounting Policies) under the heading "Fair Value Measurements".

The following tables present the balance of assets and liabilities measured at fair value on a recurring and nonrecurring basis as of June 30, 2016, December 31, 2015, and June 30, 2015:

(In thousands)	June 30, 2016	Fair Value by Hierarchy Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,788	$2,788	$ —	$ —
U.S. treasury notes & bonds	4,997	—	4,997	—
U.S. government agency debentures	2,528	—	2,528	—
U.S. States and political subdivisions	151,547	—	151,547	—
Residential mortgage-backed securities:				
U.S. government agencies	860,247	—	860,247	—
Commercial mortgage-backed securities:				
U.S. government agencies	202,048	—	202,048	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,353,018	—	2,353,018	—
Non-agency	3	—	—	3
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	398,611	—	398,611	—
Corporate debt securities	51,107	—	—	51,107
Asset-backed securities:				
Collateralized loan obligations	291,794	—	—	291,794
Total available for sale securities	4,318,688	2,788	3,972,996	342,904
Residential loans held for sale	3,962	—	3,962	—
Derivative assets:				
Interest rate swaps—fair value hedges	29,760	—	29,760	—
Interest rate swaps—nondesignated	87,575	—	87,575	—
Mortgage loan commitments	253	—	253	—
Foreign exchange	254	—	254	—
Total derivative assets	117,842	—	117,842	—
Total fair value of assets (1)	$ 4,440,492	$2,788	$4,094,800	$342,904
Derivative liabilities:				
Interest rate swaps—fair value hedges	$ 2,772	$ —	$ 2,772	$ —
Interest rate swaps—nondesignated	87,575	—	87,575	—
Forward sales contracts	61	—	61	—
Credit contracts	7	—	7	—
Foreign exchange	207	—	207	—
Total derivative liabilities	90,622	—	90,622	—
True-up liability	16,170	—	—	16,170
Total fair value of liabilities (1)	$ 106,792	$ —	$ 90,622	$ 16,170
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 15,954	$ —	$ —	$ 15,954
Impaired loans (3)	104,208	—	—	104,208
Other property (4)	10,027	—	—	10,027
Other real estate covered by loss share (5)	4	—	—	4
Total nonrecurring fair value	$ 130,193	$ —	$ —	$130,193

(1) There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the three months ended June 30, 2016.

(2) MSRs with a recorded investment of $17.3 million were reduced by a specific valuation allowance totaling $1.5 million to a reported carrying value of $15.8 million resulting in recognition of $0.7 million in expense included in loan sales and servicing income in the three months ended June 30, 2016.

(3) At June 30, 2016, collateral dependent impaired loans with a recorded investment of $116.1 million were reduced by specific valuation allowance allocations totaling $11.9 million to a reported net carrying value of $104.2 million.

(4) Amounts do not include assets held at cost at June 30, 2016. During the three months ended June 30, 2016, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.7 million included in noninterest expense.

(In thousands)	December 31, 2015	Fair Value by Hierarchy Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,821	$2,821	$ —	$ —
U.S treasury notes & bonds	5,000	—	5,000	—
U.S. government agency debentures	2,498	—	2,498	—
U.S. States and political subdivisions	192,795	—	192,795	—
Residential mortgage-backed securities:				
U.S. government agencies	906,229	—	906,229	—
Commercial mortgage-backed securities:				
U.S. government agencies	172,109	—	172,109	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	2,128,320	—	2,128,320	—
Non-agency	4	—	—	4
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	216,319	—	216,319	—
Corporate debt securities	52,229	—	—	52,229
Asset-backed securities				
Collateralized loan obligations	289,411	—	—	289,411
Total available-for-sale securities	3,967,735	2,821	3,623,270	341,644
Residential loans held for sale	5,472	—	5,472	—
Derivative assets:				
Interest rate swaps—fair value hedges	8,739	—	8,739	—
Interest rate swaps—nondesignated	48,920	—	48,920	—
Mortgage loan commitments	149	—	149	—
Foreign exchange	299	—	299	—
Total derivative assets	58,107	—	58,107	—
Total fair value of assets (1)	$ 4,031,314	$2,821	$3,686,849	$341,644
Derivative liabilities:				
Interest rate swaps—fair value hedges	$ 3,536	$ —	$ 3,536	$ —
Interest rate swaps—nondesignated	48,920	—	48,920	—
Forward sale contracts	5	—	5	—
Foreign exchange	284	—	284	—
Total derivative liabilities	52,745	—	52,745	—
True-up liability	14,750	—	—	14,750
Total fair value of liabilities (1)	$ 67,495	$ —	$ 52,745	$ 14,750
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 19,149	$ —	$ —	$ 19,149
Impaired loans (3)	71,428	—	—	71,428
Other property (4)	18,576	—	—	18,576
Other real estate covered by loss share (5)	365	—	—	365
Total nonrecurring fair value	$ 109,518	$ —	$ —	$109,518

(1) There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the year ended December 31, 2015.

(2) MSRs with a recorded investment of $18.9 million were reduced by a specific valuation allowance totaling $0.4 million to a reported carrying value of $18.5 million resulting in a recovery of previously recognized expense of $0.6 million in recoveries included in loans sales and servicing income in the year ended December 31, 2015.

(3) At December 31, 2015, collateral dependent impaired loans with a recorded investment of $84.3 million were reduced by specific valuation allowance allocations totaling $12.9 million to a reported net carrying value of $71.4 million.

(4) Amounts do not include assets held at cost at December 31, 2015. During the year ended December 31, 2015, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $4.5 million included in noninterest expense.

(5) Amounts do not include assets held at cost at December 31, 2015. During the year ended December 31, 2015, the re-measurement of covered foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.6 million included in noninterest expense.

(In thousands)	June 30, 2015	Fair Value by Hierarchy Level 1	Level 2	Level 3
Recurring fair value measurement				
Available-for-sale securities:				
Marketable equity securities	$ 2,824	$2,824	$ —	$ —
U.S. treasury notes & bonds	5,005	—	5,005	—
U.S. government agency debentures	2,510	—	2,510	—
U.S. States and political subdivisions	207,617	—	207,617	—
Residential mortgage-backed securities:				
U.S. government agencies	960,852	—	960,852	—
Commercial mortgage-backed securities:				
U.S. government agencies	170,338	—	170,338	—
Residential collateralized mortgage-backed securities:				
U.S. government agencies	1,949,389	—	1,949,389	—
Non-agency	5	—	—	5
Commercial collateralized mortgage-backed securities:				
U.S. government agencies	228,438	—	228,438	—
Corporate debt securities	53,450	—	—	53,450
Asset-backed securities:				
Collateralized loan obligations	258,081	—	—	258,081
Total available-for-sale securities	3,838,509	2,824	3,524,149	311,536
Residential loans held for sale	5,432	—	5,432	—
Derivative assets:				
Interest rate swaps—fair value hedges	1,153	—	1,153	—
Interest rate swaps—nondesignated	46,216	—	46,216	—
Mortgage loan commitments	342	—	342	—
Forward sale contracts	106	—	106	—
Foreign exchange	256	—	256	—
Total derivative assets	48,073	—	48,073	—
Total fair value of assets (1)	$ 3,892,014	$2,824	$3,577,654	$311,536
Derivative liabilities:				
Interest rate swaps—fair value hedges	$ 5,104	$ —	$ 5,104	$ —
Interest rate swaps—nondesignated	46,216	—	46,216	—
Foreign exchange	177	—	177	—
Total derivative liabilities	51,497	—	51,497	—
True-up liability	13,408	—	—	13,408
Total fair value of liabilities (1)	$ 64,905	$ —	$ 51,497	$ 13,408
Nonrecurring fair value measurement				
Mortgage servicing rights (2)	$ 20,809	$ —	$ —	$ 20,809
Impaired loans (3)	72,580	—	—	72,580
Other property (4)	33,078	—	—	33,078
Other real estate covered by loss share (5)	4	—	—	4
Total nonrecurring fair value	$ 126,471	$ —	$ —	$126,471

(1) There were no transfers between levels 1, 2 and 3 of the fair value hierarchy during the three months ended June 30, 2015.

(2) MSRs with a recorded investment of $20.6 million were reduced by a specific valuation allowance totaling $0.5 million to a reported carrying value of $20.1 million resulting in recovery of a previously recognized expense of $0.6 million in the three months ended June 30, 2015.

(3) At June 30, 2015, collateral dependent impaired loans with a recorded investment of $82.7 million were reduced by specific valuation allowance allocations totaling $10.2 million to a reported net carrying value of $72.6 million.

(4) Amounts do not include assets held at cost at June 30, 2015. During the three months ended June 30, 2015, the re-measurement of foreclosed assets at fair value subsequent to initial recognition resulted in losses of $2.1 million included in noninterest expense.

(5) Amounts do not include assets held at cost at June 30, 2015. During the three months ended June 30, 2015, the re-measurement of covered foreclosed assets at fair value subsequent to initial recognition resulted in losses of $0.2 million included in noninterest expense.

The following section describes the valuation methodologies used by the Corporation to measure financial assets and liabilities at fair value. During the three months ended June 30, 2016 and 2015, there were no significant changes to the valuation techniques used by the Corporation to measure fair value.

Available-for-sale securities. When quoted prices are available in an active market, securities are valued using the quoted price and are classified as Level 1. The quoted prices are not adjusted. Level 1 instruments include money market mutual funds.

Securities are classified as Level 2 if quoted prices for identical securities are not available, and fair value is determined using pricing models by a third-party pricing service. Approximately 92% of the available-for-sale portfolio is Level 2. For the majority of available-for sale securities, the Corporation obtains fair value measurements from an independent third party pricing service. These instruments include: municipal bonds; bonds backed by the U.S. government; corporate bonds; MBS; securities issued by the U.S. Treasury; and certain agency CMOs. The independent pricing service uses industry-standard models to price U.S. government agencies and MBS that consider various assumptions, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Obligations of state and political subdivisions are valued using a matrix, or grid, pricing in which securities are benchmarked against the treasury rate based on credit rating. For collateralized mortgage securities, depending on the characteristics of a given tranche, a volatility driven multidimensional static model or Option-Adjusted Spread model is generally used. Substantially all assumptions used by the independent pricing service for securities classified as Level 2 are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Securities are classified as Level 3 when there is limited activity in the market for a particular instrument and fair value is determined by obtaining broker quotes. As of June 30, 2016, 8% of the available-for-sale portfolio is Level 3, which consists of single issuer trust preferred securities and CLOs.

The single issuer trust preferred securities are measured at unadjusted prices obtained from the independent pricing service. The independent pricing service prices these instruments through a broker quote when sufficient information, such as cash flows or other security structure or market information, is not available to produce an evaluation. Broker-quoted securities are adjusted by the independent pricing service based solely on the receipt of updated quotes from market makers or broker-dealers recognized as market participants. A list of such issues is compiled by the independent pricing service daily. For broker-quoted issues, the independent pricing service applies a zero spread relationship to the bid-side valuation, resulting in the same values for the mean and ask.

CLO are securitized products where payments from multiple middle-sized and large business loans are pooled together and segregated into different classes of bonds with payments on these bonds based on their priority within the overall deal structure. The markets for such securities are generally characterized by low trading volumes and wide bid-ask spreads, all driven by more limited market participants. Although estimated prices are generally obtained for such securities, the level of market observable assumptions used is limited in the valuation. Specifically, market assumptions regarding credit adjusted cash flows and liquidity influences on discount rates were difficult to observe at the individual bond level. Accordingly, the securities are currently valued by a third party that primarily utilizes dealer or pricing service prices and, subsequently, verifies this pricing through a disciplined process to ensure proper valuations and to highlight differences in cash flow modeling or other risks to determine if the market perception of the risk of a CLO is beginning to deviate from other similar tranches. This is done by establishing ranges for appropriate pricing yields for each CLO tranche and, using a standardized cash flow scenario, ensuring yields are consistent with expectations.

On a monthly basis, Management validates the pricing methodologies utilized by our independent pricing service to ensure the fair-value determination is consistent with the applicable accounting guidance and that the investments are properly classified in the fair value hierarchy. Management substantiates the fair values determined for a sample of securities held in portfolio by reviewing the key assumptions used by the independent pricing service to value the securities and comparing the fair values to prices from other independent sources for the same and similar securities. Management analyzes variances and conducts additional research with the independent pricing service, if necessary, and takes appropriate action based on its findings.

Loans held for sale. These loans are regularly traded in active markets through programs offered by FHLMC and FNMA, and observable pricing information is available from market participants. The prices are adjusted as necessary to include any embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans. These adjustments represent unobservable inputs to the valuation but are not considered significant to the fair value of the loans. Accordingly, residential real estate loans held for sale are classified as Level 2.

Impaired loans. Certain impaired collateral dependent loans are reported at fair value less costs to sell the collateral. Collateral values are estimated using Level 3 inputs, consisting of third-party appraisals or price opinions and internal adjustments necessary in the judgment of Management to reflect current market conditions and current operating results for the specific collateral. Collateral may be in the form of real estate or personal property including equipment and inventory. The vast majority of the collateral is real estate. When impaired collateral dependent loans are individually re-measured and reported at fair value of the collateral, less costs to sell, a direct loan charge-off to the ALL and/or a specific valuation allowance allocation is recorded.

Other Property. Certain other property which consists of foreclosed assets and properties securing residential and commercial loans, upon initial recognition and transfer from loans, are re-measured and reported at fair value less costs to sell to the property through a charge-off to the ALL based on the fair value of the foreclosed assets. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 3 inputs, consisting of third-party appraisals or price opinions and internal adjustments necessary in the judgment of Management to reflect current market conditions and current operating results for the specific collateral. Subsequent to foreclosure, valuations are updated periodically, and the assets may be written down further through a charge to noninterest expense.

Mortgage Servicing Rights. The Corporation carries its MSRs at lower of cost or fair value, and, therefore, they are subject to fair value measurements on a nonrecurring basis. Since sales of MSRs tend to occur in private transactions and the precise terms and conditions of the sales are typically not readily available, there is a limited market to refer to in determining the fair value of MSRs. As such, like other participants in the mortgage banking business, the Corporation relies primarily on a discounted cash flow model, incorporating assumptions about loan prepayment rates, discount rates, servicing costs and other economic factors, to estimate the fair value of its mortgage servicing rights. Since the valuation model uses significant unobservable inputs, the Corporation classifies MSRs within Level 3.

The Corporation utilizes a third-party vendor to perform the modeling to estimate the fair value of its MSRs. The Corporation reviews the estimated fair values and assumptions used by the third party in the model on a quarterly basis. The Corporation also compares the estimates of fair value and assumptions to recent market activity and against its own experience. See Note 11 (Mortgage Servicing Rights and Mortgage Servicing Activity) for further information on MSRs valuation assumptions.

Derivatives. The Corporation's derivatives include interest rate swaps and written loan commitments and forward sales contracts related to residential mortgage loan origination activity. Valuations for interest rate swaps are derived from third-party models whose significant inputs are readily observable market parameters, primarily yield curves, with appropriate adjustments for liquidity and credit risk. These fair value measurements are classified as Level 2. The fair values of written loan commitments and forward sales contracts on the associated loans are based on quoted prices for similar loans in the secondary market, consistent with the valuation of residential mortgage loans held for sale. Expected net future cash flows related to loan servicing activities are included in the fair value measurement of written loan commitments. A written loan commitment does not bind the potential borrower to entering into the loan, nor does it guarantee that the Corporation will approve the potential borrower for the loan. Therefore, when determining fair value, the Corporation makes estimates of expected "fallout" (interest rate locked pipeline loans not expected to close), using models, which consider cumulative historical fallout rates and other factors. Fallout can occur for a variety of reasons including falling rate environments when a borrower will abandon a fixed rate loan commitment at one lender and enter into a new lower fixed rate loan commitment at another, when a borrower is not approved as an acceptable credit by the lender or for a variety of other non-economic reasons. Fallout is not a significant input to the fair value of the written loan commitments in their entirety. These measurements are classified as Level 2.

Derivative assets are typically secured through securities with financial counterparties or cross collateralization with a borrowing customer. Derivative liabilities are typically secured through the Corporation pledging securities to financial counterparties or, in the case of a borrowing customer, by the right of setoff. The Corporation considers factors such as the likelihood of default by itself and its counterparties, right of setoff, and remaining maturities in determining the appropriate fair value adjustments. All derivative counterparties approved by the Bank's Board are regularly reviewed, and appropriate business action is taken to adjust the exposure to certain counterparties, as necessary. Counterparty exposure is evaluated by netting positions that are subject to master netting agreements, as well as considering the amount of marketable collateral securing the position. This approach used to estimate impacted exposures to counterparties is also used by the Corporation to estimate its own credit risk on derivative liability positions. To date, no material losses have been incurred due to a counterparty's inability to pay any uncollateralized position. There was no significant change in value of derivative assets and liabilities attributed to credit risk for the three months ended June 30, 2016.

True-up liability. In connection with the George Washington and Midwest FDIC assisted acquisitions in 2010, the Bank has agreed to pay the FDIC should the estimated losses on the acquired loan portfolios as well as servicing fees earned on the acquired loan portfolios not meet thresholds as stated in the loss share agreements (the "true-up liability"). This contingent consideration is classified as a liability within accrued taxes, expenses and other liabilities on the consolidated balance sheets and is remeasured at fair value each reporting date until the contingency is resolved. The changes in fair value are recognized in earnings in the current period.

An expected value methodology is used as a starting point for determining the fair value of the true-up liability based on the contractual terms prescribed in the loss share agreements. The resulting values under both calculations are discounted over 10 years (the period defined in the loss share agreements) to reflect the uncertainty in the timing and payment of the true-up liability by the Bank to arrive at a net present value. The discount rate used to value the true-up liability was 3.08% and 3.58% as of June 30, 2016 and 2015, respectively. Increasing or decreasing the discount rate by one percentage point would change the liability by approximately $0.6 million and $0.6 million, respectively, as of June 30, 2016.

In accordance with the loss share agreements governing the Midwest acquisition, on July 15, 2020 (the "Midwest True-Up Measurement Date"), the Bank has agreed to pay to the FDIC half of the amount, if positive, calculated as: (1) 20% of the intrinsic loss estimate of the FDIC (approximately $152 million); minus (2) the sum of (A) 25% of the asset premium paid in connection with the Midwest acquisition (approximately $21 million); plus (B) 25% of the cumulative shared-loss payments (as defined below) plus (C) the cumulative servicing amount (as defined below). The fair value of the true-up liability associated with the Midwest acquisition was $10.5 million, $9.3 million, and $8.4 million as of June 30, 2016, December 31, 2015, and June 30, 2015, respectively.

In accordance with the loss share agreements governing the George Washington acquisition, on April 14, 2020 (the "George Washington True-Up Measurement Date"), the Bank has agreed to pay to the FDIC 50% of the excess, if any, of (1) 20% of the stated threshold (approximately $34.4 million) less (2) the sum of

(A) 25% of the asset discount (approximately $12 million) received in connection with the George Washington acquisition plus (B) 25% of the cumulative shared-loss payments (as defined below) plus (C) the cumulative servicing amount (as defined below). The fair value of the true-up liability associated with the George Washington acquisition was $5.7 million, $5.5 million, and $5.0 million as of June 30, 2016, December 31, 2015, and June 30, 2015, respectively.

For the purposes of the above calculations, cumulative shared-loss payments means: (i) the aggregate of all of the payments made or payable to the Bank under the loss share agreements minus (ii) the aggregate of all of the payments made or payable to the FDIC. The cumulative servicing amount means the period servicing amounts (as defined in the loss share agreements) for every consecutive twelve-month period prior to and ending on the Midwest and George Washington True-Up Measurement Dates. The cumulative loss share payments and cumulative service amounts are components of the true-up calculations and are estimated each period end based on the expected amount and timing of cash flows of the acquired loan portfolios. See Note 3 (Loans) and Note 4 (Allowance for Loan Losses) for additional information on the estimated cash flows of the acquired loan portfolios.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three and six months ended June 30, 2016 and 2015 are summarized as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
(In thousands)	Available-for-sale securities	True-up liability	Available-for-sale securities	True-up liability	Available-for-sale securities	True-up liability	Available-for-sale securities	True-up liability
Balance at beginning of period	$334,157	$15,115	$346,685	$13,707	$341,644	$14,750	$339,187	$13,294
(Gains) losses included in earnings (1)	—	1,055	—	(299)	—	1,420	—	114
Unrealized gains (losses) (2)	8,926	—	4,561	—	1,370	—	11,697	—
Purchases	—	—	41,509	—	—	—	41,509	—
Sales	—	—	(71,832)	—	—	—	(71,832)	—
Settlements	(179)	—	(9,387)	—	(110)	—	(9,025)	—
Balance at ending of period	$342,904	$16,170	$311,536	$13,408	$342,904	$16,170	$311,536	$13,408

(1) Reported in “Other expense”
(2) Reported in “Other comprehensive income (loss)”

Fair Value Option

Residential mortgage loans held for sale are recorded at fair value under fair value option accounting guidance. The election of the fair value option aligns the accounting for these loans with the related hedges. It also eliminates the requirements of the hedge accounting under GAAP.

Interest income on loans held for sale is accrued on the principal outstanding primarily using the "simple-interest" method. None of these loans were 90 days or more past due, nor were any on nonaccrual as of June 30, 2016, December 31, 2015, and June 30, 2015. The aggregate fair value, contractual balance and gain or loss on loans held for sale was as follows:

(In thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Aggregate fair value carrying amount	$ 3,962	$ 5,472	$ 5,432
Aggregate unpaid principal / contractual balance	3,836	5,320	5,285
Carrying amount over aggregate unpaid principal (1)	$ 126	$ 152	$ 147

(1) These changes are included in "Loan sales and servicing income" in the Consolidated Statements of Income.

Disclosures about Fair Value of Financial Instruments

The carrying amount and estimated fair value of the Corporation's financial instruments that are carried at either fair value or cost as of June 30, 2016, December 31, 2015, and June 30, 2015 are shown in the tables below.

	June 30, 2016				
	Carrying Amount	Fair Value			
(In thousands)		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 524,287	$ 524,287	$524,287	$ —	$ —
Available-for-sale securities	4,318,688	4,318,688	2,788	3,972,996	342,904
Held-to-maturity securities	2,514,161	2,545,740	—	2,545,740	—
Other securities	148,367	148,367	—	148,367	—
Loans held for sale	3,962	3,962	—	3,962	—
Net originated loans	14,560,456	14,349,013	—	—	14,349,013
Net acquired loans	1,484,380	1,532,344	—	—	1,532,344
Net FDIC acquired loans and loss share receivable	149,121	149,121	—	—	149,121
Accrued interest receivable	65,666	65,666	—	65,666	—
Derivatives	117,842	117,842	—	117,842	—
Financial liabilities:					
Deposits	$20,952,643	$20,960,182	$ —	$20,960,182	—
Federal funds purchased and securities sold under agreements to repurchase	686,890	686,890	—	686,890	—
Wholesale borrowings	468,447	473,187	—	473,187	—
Long-term debt	526,389	522,151	—	522,151	—
Accrued interest payable	10,632	10,632	—	10,632	—
Derivatives	90,622	90,622	—	90,622	—

(In thousands)	December 31, 2015 Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 463,817	$ 463,817	$463,817	$ —	$ —
Available-for-sale securities	3,967,735	3,967,735	2,821	3,623,270	341,644
Held-to-maturity securities	2,674,093	2,659,119	—	2,659,119	—
Other securities	148,172	148,172	—	148,172	—
Loans held for sale	5,472	5,472	—	5,472	—
Net originated loans	14,013,370	13,795,058	—	—	13,795,058
Net acquired loans	1,739,194	1,796,314	—	—	1,796,314
Net FDIC acquired loans and loss share receivable	170,690	170,690	—	—	170,690
Accrued interest receivable	67,887	67,887	—	67,887	—
Derivatives	58,107	58,107	—	58,107	—
Financial liabilities:					
Deposits	$20,108,003	$20,116,298	$ —	$20,116,298	$ —
Federal funds purchased and securities sold under agreements to repurchase	1,037,075	1,037,075	—	1,037,075	—
Wholesale borrowings	580,648	582,120	—	582,120	—
Long-term debt	505,173	503,675	—	503,675	—
Accrued interest payable	10,758	10,758	—	10,758	—
Derivatives	52,745	52,745	—	52,745	—

(In thousands)	June 30, 2015				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 587,589	$ 587,589	$587,589	$ —	$ —
Available-for-sale securities	3,838,509	3,838,509	2,824	3,524,149	311,536
Held-to-maturity securities	2,787,513	2,760,120	—	2,760,120	—
Other securities	147,967	147,967	—	147,967	—
Loans held for sale	5,432	5,432	—	5,432	—
Net originated loans	13,254,230	13,077,485	—	—	13,077,485
Net acquired loans	2,090,734	2,167,304	—	—	2,167,304
Net FDIC acquired loans and loss share receivable	211,887	211,887	—	—	211,887
Accrued interest receivable	66,501	66,501	—	66,501	—
Derivatives	48,073	48,073	—	48,073	—
Financial liabilities:					
Deposits	$19,673,850	$19,681,270	$ —	$19,681,270	$ —
Federal funds purchased and securities sold under agreements to repurchase	1,519,250	1,519,250	—	1,519,250	—
Wholesale borrowings	366,074	369,337	—	369,337	—
Long-term debt	497,393	509,900	—	509,900	—
Accrued interest payable	9,910	9,910	—	9,910	—
Derivatives	51,497	51,497	—	51,497	—

The following methods and assumptions were used to estimate the fair values of each class of financial instrument presented:

Cash and cash equivalents – Due to their short-term nature, the carrying amount of these instruments approximates the estimated fair value.

Investment securities – See Financial Instruments Measured at Fair Value above.

Loans held for sale – The majority of loans held for sale are residential mortgage loans which are recorded at fair value. All other loans held for sale are recorded at the lower of cost or market, less costs to sell. See Financial Instruments Measured at Fair Value above.

Net originated loans – The originated loan portfolio was segmented based on loan type and repricing characteristics. Carrying values are used to estimate fair values of variable rate loans. A discounted cash flow method was used to estimate the fair value of fixed-rate loans. Discounting was based on the contractual cash flows, and discount rates are based on the quarter-end yield curve plus a spread that reflects current pricing on loans with similar characteristics. If applicable, prepayment assumptions are factored into the fair value determination based on historical experience and current economic conditions.

Net acquired and FDIC acquired loans – Fair values for acquired and FDIC acquired loans were estimated based on a discounted projected cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan and whether or not the loan was amortizing, and current discount rates. Loans were grouped together according to similar characteristics and were treated in the aggregate when applying various valuation techniques. The discount rates used for loans are based on current market rates for new originations of comparable loans and include adjustments for liquidity concerns. The discount rate does not include a factor for credit losses as that has been included in the estimated cash flows.

Loss share receivable – This loss sharing asset is measured separately from the related covered assets as it is not contractually embedded in the covered assets and is not transferable with the covered assets should the Bank choose to dispose of them. Fair value was estimated using discounted projected cash flows related to the FDIC loss share agreements based on the expected reimbursements for losses and the applicable loss sharing percentages. These cash flows were discounted to reflect the uncertainty of the timing and receipt from the FDIC.

Accrued interest receivable – The carrying amount is considered a reasonable estimate of fair value.

Mortgage servicing rights – See Financial Instruments Measured at Fair Value above.

Deposits – The estimated fair value of deposits with no stated maturity, which includes demand deposits, money market accounts and other savings accounts, are established at carrying value because of the customers' ability to withdraw funds immediately. A discounted cash flow method is used to estimate the fair value of fixed rate time deposits. Discounting was based on the contractual cash flows and the current rates at which similar deposits with similar remaining maturities would be issued.

Federal funds purchased and securities sold under agreements to repurchase, wholesale borrowings and long-term debt– The carrying amount of variable rate borrowings including federal funds purchased approximates the estimated fair value. Quoted market prices or the discounted cash flow method was used to estimate the fair value of the Corporation's long-term debt. Discounting was based on the contractual cash flows and the current rate at which debt with similar terms could be issued.

Accrued interest payable – The carrying amount is considered a reasonable estimate of fair value.

Derivative assets and liabilities – See Financial Instruments Measured at Fair Value above.

True-up liability – See Financial Instruments Measured at Fair Value above.

11. Mortgage Servicing Rights and Mortgage Servicing Activity

In the six months ended June 30, 2016 and 2015, the Corporation sold residential mortgage loans from the held for sale portfolio with unpaid principal balances of $15.6 million and $59.7 million, respectively, and recognized pretax gains of $0.4 million and $0.8 million, respectively, which are included as a component of loan sales and servicing income. As of June 30, 2016 and 2015, the Corporation retained the related MSRs, for which it receives servicing fees, on $6.9 million and $51.1 million, respectively, of the loans sold.

The Corporation serviced for third parties approximately $2.2 billion of residential mortgage loans at June 30, 2016 and $2.5 billion at June 30, 2015. Loan servicing fees, not including valuation changes included in loan sales and servicing income, were $1.4 million and $1.6 million, respectively, for the six months ended June 30, 2016 and 2015.

Servicing rights are presented within other assets on the accompanying Consolidated Balance Sheets. The retained servicing rights are initially valued at fair value. Since MSRs do not trade in an active market with readily observable prices, the Corporation relies primarily on a discounted cash flow analysis model to estimate the fair value of its MSRs. Additional information can be found in Note 10 (Fair Value Measurement). MSRs are subsequently measured using the amortization method. Accordingly, the MSRs are amortized over the period of, and in proportion to, the estimated net servicing income and is recorded in loan sales and servicing income.

Changes in the carrying amount of MSRs and MSRs valuation allowance are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Carrying amount of MSRs				
Beginning balance	$ 18,127	$ 21,490	$ 18,938	$ 22,011
Additions	32	63	60	533
Amortization	(849)	(918)	(1,688)	(1,909)
Ending balance	17,310	20,635	17,310	20,635
Valuation Allowance:				
Beginning balance	(868)	(1,131)	(399)	(955)
Recoveries/(Additions)	(681)	641	(1,150)	465
Ending balance	(1,549)	(490)	(1,549)	(490)
MSRs, net carrying balance	$ 15,761	$ 20,145	$ 15,761	$ 20,145
Fair value at end of period	$ 15,954	$ 20,809	$ 15,954	$ 20,809

On a quarterly basis, the Corporation assesses its capitalized servicing rights for impairment based on their current fair value. For purposes of the impairment, the servicing rights are disaggregated based on loan type and interest rate which are the predominant risk characteristics of the underlying loans. A valuation allowance is established through a charge to earnings to the extent the amortized cost of the MSRs exceeds the estimated fair value by stratification. If it is later determined that all or a portion of the temporary impairment no longer exists for the stratification, the valuation is reduced through a recovery to earnings. No permanent impairment losses were written off against the allowance during the three and six months ended June 30, 2016 and 2015.

Key economic assumptions and the sensitivity of the current fair value of the MSRs related to immediate 10% and 25% adverse changes in those assumptions at June 30, 2016 are presented in the following table below. These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in the fair value based on 10% variation in the prepayment speed assumption generally cannot be extrapolated because the relationship of the change in the prepayment speed assumption to the change in fair value may not be linear. Also, in the below table, the effect of a variation in the discount rate assumption on the fair value of the MSRs is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in the discount rates), which might magnify or counteract the sensitivities.

(Dollars in thousands)	
Prepayment speed assumption (annual CPR)	13.41%
Decrease in fair value from 10% adverse change	$ 964
Decrease in fair value from 25% adverse change	$1,242
Discount rate assumption	9.39%
Decrease in fair value from 100 basis point adverse change	$ 463
Decrease in fair value from 200 basis point adverse change	$ 898
Expected weighted-average life (in months)	85

12. Commitments and Guarantees

Commitments to Extend Credit

Commitments to extend credit are agreements to lend to a customer provided there is no violation of any condition established in the contract. Loan commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded on the consolidated balance sheets. Additional information is provided in Note 10 (Fair Value Measurement). Commitments generally are extended at the then-prevailing interest rates, have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Loan commitments involve credit risk not reflected on the balance sheet. The Corporation mitigates exposure to credit risk with internal controls that guide how applications for credit are reviewed and approved, how credit limits are established and, when necessary, how demands for collateral are made. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Management evaluates the creditworthiness of each prospective borrower on a case-by-case basis and, when appropriate, adjusts the allowance for probable credit losses inherent in all commitments. The reserve for unfunded lending commitments at June 30, 2016, December 31, 2015, and June 30, 2015, included in “accrued expenses and other liabilities” on the Consolidated Balance Sheets, was $4.1 million, $4.1 million, and $3.9 million, respectively.

The Corporation's credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

Unused commitments to extend credit

(In thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Commercial	$ 3,505,383	$ 3,992,089	$ 3,746,824
Consumer	2,508,315	2,393,058	2,397,353
Total unused commitments to extend credit	$ 6,013,698	$ 6,385,147	$ 6,144,177

Unused Commitments to Extend Credit. Commitments to extend credit are legally binding agreements to lend to a customer, provided there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Since many commitments expire without being drawn upon, the total contractual amount of commitments does not necessarily represent future cash requirements of the Corporation.

Loan commitments to originate residential mortgage loans held for sale and forward commitments to sell residential mortgage loans are considered derivative instruments, and the fair value of these commitments is recorded on the consolidated balance sheets. Additional information is provided in Note 8 (Derivatives and Hedging Activities).

Guarantees

The Corporation is a guarantor in certain agreements with third parties. The Corporation's maximum credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

Financial guarantees

(In thousands)	June 30, 2016	December 31, 2015	June 30, 2015
Standby letters of credit	$ 220,913	$ 254,703	$ 255,418
Loans sold with recourse	11,543	12,902	28,891
Total financial guarantees	$ 232,456	$ 267,605	$ 284,309

Standby Letters of Credit. Standby letters of credit obligate the Corporation to pay a specified third party when a customer fails to repay an outstanding loan or debt instrument, or fails to perform some contractual nonfinancial obligation. The Corporation has recourse against the customer for any amount required to be paid to a third party under a standby letter of credit. Collateral held varies, but may include marketable securities, equipment, inventory, and real estate. Except for short-term guarantees of $106.8 million at June 30, 2016, the remaining guarantees extend in varying amounts through 2024.

Loans Sold with Recourse. The Corporation regularly sells service retained residential mortgage loans to GSEs as part of its mortgage banking activities. The Corporation provides customary representation and warranties to the GSEs in conjunction with these sales. These representations and warranties generally require the Corporation to repurchase assets if it is subsequently determined that a loan did not meet specified criteria, such as a documentation deficiency or rescission of mortgage insurance. If the Corporation is unable to cure or refute a repurchase request, the Corporation is generally obligated to repurchase the loan or otherwise reimburse the counterparty for losses. The Corporation also sells service released residential mortgage loans to other investors which contain early payment default recourse provisions. As of June 30, 2016, December 31, 2015, and June 30, 2015, the Corporation had sold $9.1 million, $10.1 million, and $22.2 million, respectively, of outstanding residential mortgage loans to GSEs and other investors with recourse provisions. The Corporation had reserved $2.6 million, $2.7 million, and $6.7 million as of June 30, 2016, December 31, 2015, and June 30, 2015, respectively, for estimated losses from representation and warranty obligations and early payment default recourse provisions.

The reserve associated with loans sold with recourse is included in accrued taxes, expenses and other liabilities on the Consolidated Balance Sheets. The Corporation's reserve reflects Management's best estimate of losses. The Corporation's reserving methodology uses current information about investor repurchase requests, and assumptions about repurchase mix and loss severity, based upon the Corporation's most recent loss trends. The Corporation also considers qualitative factors that may result in anticipated losses differing from historical loss trends, such as loan vintage, underwriting characteristics and macroeconomic trends.

Changes in the repurchase reserves for the three and six months ended June 30, 2016 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Balance at beginning of period	$ 2,625	$ 6,650	$ 2,725	$ 7,250
Net increase/(decrease) to reserve	—	363	(53)	(39)
Net realized (losses)/gains	—	(363)	(47)	(561)
Balance at end of period	$ 2,625	$ 6,650	$ 2,625	$ 6,650

Litigation

In the normal course of business, the Corporation and its subsidiaries are at all times subject to pending and threatened legal actions, some for which the relief or damages sought are substantial. Based on information currently available, consultation with counsel, available insurance coverage and established reserves, Management believes that the eventual outcome of all claims against the Corporation and its subsidiaries will not, individually or in the aggregate, have a material adverse effect on its consolidated financial position or results of operations. However, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations for a particular period. The Corporation has not established any reserves with respect to any of this disclosed litigation because it is not possible to determine (i) whether a liability has been incurred; or (ii) an estimate of the ultimate or minimum amount of such liability.

Reserves are established for legal claims only when losses associated with the claims are judged to be probable, and the loss can be reasonably estimated. In many lawsuits and arbitrations, including almost all of the class action lawsuits, it is not possible to determine whether a liability will be incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case a reserve will not be recognized until that time.

Overdraft Litigation

Commencing in December 2010, two separate lawsuits were filed in the Summit County Court of Common Pleas and the Lake County Court of Common Pleas against the Corporation and the Bank. The complaints were brought as putative class actions on behalf of Ohio residents who maintained a checking account at the Bank and who incurred one or more overdraft fees as a result of the alleged re-sequencing of debit transactions. The lawsuit that had been filed in Summit County Court of Common Pleas was dismissed without prejudice on July 11, 2011. The remaining suit in Lake County seeks actual damages, disgorgement of overdraft fees, punitive damages, interest, injunctive relief and attorney fees. In December 2012, the trial court issued an order certifying a proposed class and the Bank and Corporation appealed the order to the Eleventh District Court of Appeals. In September 2013, the Eleventh District Court of Appeals affirmed in part and reversed in part the trial court's class certification order, and remanded the case back to the trial court for further consideration, in particular with respect to the class definition. On October 9, 2013, the Bank and Corporation filed with the Eleventh District Court of Appeals an application for reconsideration and application for consideration en banc. On November 20, 2013, the Eleventh District denied those applications. On December 4, 2013, the Bank and Corporation filed a notice of appeal with the Ohio Supreme Court, and on January 3, 2014, they filed with the Ohio Supreme Court a memorandum in support of the Court's exercising its jurisdiction and accepting the appeal. The plaintiffs filed an opposition, and, on April 24, 2014, the Ohio Supreme Court declined to accept jurisdiction. On August 6, 2014, the Bank and Corporation filed a motion asking the trial court to stay the lawsuit pending arbitration of claims subject to an arbitration agreement. That motion has been fully briefed and is awaiting a decision by the court. On August 25, 2014, the parties stipulated to a revised class definition (without affecting the pending motion to stay). An order approving the stipulated revised class was entered on June 3, 2016.

CRBC 401(k) Litigation

Participants in the Citizens Republic Bancorp 401(k) Plan filed a lawsuit in the United States Court for the Eastern District of Michigan in 2011, alleging that Citizens and certain of its officers and directors violated the Employee Retirement Income Security Act by offering Citizens common stock as an investment alternative in the Plan during periods when it was imprudent to do so and by failing to adequately monitor fiduciaries responsible for administering the Plan. The lawsuit, captioned Kidd v. Citizens Republic Bancorp, Inc. et al., Case No. 2:11-cv-11709, asserts claims for monetary and injunctive relief on behalf of a purported class of participants and beneficiaries in the Plan who held Citizens stock in their Plan accounts during the period from April 17, 2008 to "the present." The plaintiffs filed a third amended complaint in November 2015, and the defendants have filed a motion that the complaint be dismissed. Defendant's Motion to Dismiss was granted by Court on May 29, 2016. Plaintiffs have filed a Notice of Appeal and the appellate court has scheduled a mediation conference for August 15, 2016.

Merger litigation

Five putative derivative and class action lawsuits have been filed by separate shareholders of FirstMerit Corporation ("FirstMerit") relating to the proposed merger between Huntington Bancshares, Inc. ("Huntington") and FirstMerit. Two of those lawsuits were filed in the Summit County Common Pleas Court, Ohio: W. Patrick Murray v. Huntington Bancshares Incorporated, Case No. CV-2016-02-0917, was filed on February 11, 2016; andThe Robinson Family Trust v. Paul Greig, Case No. CV-2016-02-0981, was filed on February 17, 2016 (the "State Court Lawsuits"). On April 14, 2016, the State Court Lawsuits were consolidated. The State Court Lawsuits consolidated complaint alleges that the individual directors of FirstMerit breached their fiduciary duties by approving a proposed merger that allegedly undervalues FirstMerit, allegedly provides the directors with benefits not afforded FirstMerit shareholders, and allegedly includes deal protection devices to ensure that the proposed merger will be consummated. The consolidated complaint also alleges that the directors approved a Registration Statement on S-4, filed on March 4, 2016, (the "Registration Statement") that omits material information about the proposed merger. It also alleges that Huntington aided and abetted the alleged breaches of fiduciary duty. It seeks declaratory and injunctive relief to prevent the consummation of the proposed merger, an award of fees and costs, and other equitable relief.

The other three lawsuits were filed in the United States District Court for the Northern District of Ohio:Wojno v. FirstMerit Corp., Case No. 5:16-cv-461, was filed on February 26, 2016; Wilkinson v. FirstMerit Corp., Case No. 5:16-cv-723, was filed on March 23, 2016; andHafner v. Greig, Case No 5:16-cv-762, was filed on March 28, 2016 (the "Federal Court Lawsuits"). On April 8, 2016, the parties to the Federal Court Lawsuits filed a stipulation that, among other things, would consolidate the actions and designate a consolidated complaint. The Motion to Consolidate was granted on May 9, 2016. The stipulation remains pending. Each complaint in the Federal Court Lawsuits makes similar allegations to the State Court Lawsuits consolidated complaint, and also alleges that the directors violated Sections 14(a) and 20(a) of the Securities Exchange of 1934 and Rule 14a-9 promulgated thereunder by approving the Registration Statement. The Hafner complaint also alleges that Huntington violated Section 20(a) of the Securities Exchange Act in connection with the Registration Statement. Each complaint in the Federal Court Lawsuits seeks similar relief to the State Court Lawsuits consolidated complaint.

On April 13, 2016, the defendants in the State Court Lawsuits filed a motion to stay the State Court Lawsuits pending the resolution of the parallel Federal Court Lawsuits. The judge in the State Court Lawsuits granted defendant's motion to stay on May 20, 2016. All further action in the State Court cases is stayed pending resolution of the consolidated Federal Court action.

On or about June 8, 2016 the parties to the Federal Court litigation filed with the court a Memorandum of Understanding notifying it that the parties have agreed to a preliminary settlement in full of the pending litigation. The agreement, in substance, requires defendants to make additional disclosures to SEC filings prior to shareholder votes scheduled for June 13, 2016. In good faith defendants made such agreed upon disclosures prior to the vote. The parties also agreed to conduct confirmatory discovery as part of the overall settlement agreement. The parties are currently finalizing the scope of the discovery and setting dates for limited document production and depositions. The Federal Court has stayed all further action in the case pending submission of a final proposed settlement agreement.

13. Changes and Reclassifications Out of Accumulated Other Comprehensive Income

The following table presents the changes in AOCI by component of comprehensive income for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
(In thousands)	Pretax	Tax	After tax	Pretax	Tax	After tax
Unrealized and realized securities gains and losses:						
Balance at the beginning of the period	$ 14,447	$ 1,682	$ 12,765	$ (32,786)	$ (15,840)	$ (16,946)
Changes in unrealized securities' holding gains/(losses)	31,489	11,431	20,058	79,868	28,994	50,874
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(221)	(79)	(142)	(1,072)	(14)	(1,058)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(2,164)	(786)	(1,378)	(2,459)	(892)	(1,567)
Balance at the end of the period	43,551	12,248	31,303	43,551	12,248	31,303
Pension plans and other postretirement benefits:						
Balance at the beginning of the period	(93,852)	(32,746)	(61,106)	(95,760)	(33,432)	(62,328)
Amortization of actuarial losses/(gains)	1,076	390	686	3,244	1,163	2,081
Amortization of prior service cost reclassified to other noninterest expense	(560)	(204)	(356)	(820)	(291)	(529)
Balance at the end of the period	(93,336)	(32,560)	(60,776)	(93,336)	(32,560)	(60,776)
Total Accumulated Other Comprehensive Income	$ (49,785)	$ (20,312)	$ (29,473)	$ (49,785)	$ (20,312)	$ (29,473)

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
(In thousands)	Pretax	Tax	After tax	Pretax	Tax	After tax
Unrealized and realized securities gains and losses:						
Balance at the beginning of the period	$ 24,728	$ 8,656	$ 16,072	$ (8,531)	$ (2,985)	$ (5,546)
Changes in unrealized securities' holding gains/(losses)	(28,642)	(10,024)	(18,618)	5,475	1,916	3,559
Changes in unrealized securities' holding gains/(losses) that result from securities being transferred from available-for-sale into held-to-maturity	(575)	(203)	(372)	(1,079)	(378)	(701)
Net losses/(gains) realized on sale of securities reclassified to noninterest income	(567)	(198)	(369)	(921)	(322)	(599)
Balance at the end of the period	(5,056)	(1,769)	(3,287)	(5,056)	(1,769)	(3,287)
Pension plans and other postretirement benefits:						
Balance at the beginning of the period	(100,520)	(35,181)	(65,339)	(102,068)	(35,722)	(66,346)
Amortization of actuarial losses/(gains)	1,138	399	739	2,276	797	1,479
Amortization of prior service cost reclassified to other noninterest expense	410	144	266	820	287	533
Balance at the end of the period	(98,972)	(34,638)	(64,334)	(98,972)	(34,638)	(64,334)
Total Accumulated Other Comprehensive Income	$ (104,028)	$ (36,407)	$ (67,621)	$ (104,028)	$ (36,407)	$ (67,621)

The following table presents current period reclassifications out of AOCI by component of comprehensive income for the three and six months ended June 30, 2016 and 2015:

(In thousands)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Income statement line item presentation
Realized (gains)/losses on sale of securities	$ (2,164)	$ (2,459)	Investment securities losses (gains), net
Tax expense (benefit) (36.3%)	(786)	(892)	Income tax expense (benefit)
Reclassified amount, net of tax	$ (1,378)	$ (1,567)	

(In thousands)	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015	Income statement line item presentation
Realized (gains)/losses on sale of securities	$ (567)	$ (921)	Investment securities losses (gains), net
Tax expense (benefit) (35%)	(198)	(322)	Income tax expense (benefit)
Reclassified amount, net of tax	$ (369)	$ (599)	

14. Subsequent Events

In preparing these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to all shareholders and other financial statement users, or filed with the SEC. In accordance with applicable accounting standards, all material subsequent events have been either recognized in the financial statements or disclosed in the notes to the financial statements.

On July 8, 2016, the Corporation consummated the sale of four branches, located in Wisconsin, for a gain of approximately $1.2 million.

As previously disclosed, on July 13, 2016, Huntington and FirstMerit have reached an agreement with the U.S. Department of Justice to divest 13 FirstMerit branches and associated assets, deposits and employees located in Ohio.

The acronyms and abbreviations identified below are used herein.

Acquisition Date	Citizens Republic Bancorp Inc. acquisition date of April 12, 2013	**FDIC**	The Federal Deposit Insurance Corporation
ALCO	Asset/Liability Management Committee	**Federal Reserve**	The Board of Governors of the Federal Reserve System
ALL	Allowance for loan losses	**FHLB**	Federal Home Loan Bank, including the Federal Home Loan
AOCI	Accumulated other comprehensive income (loss)	**FHLMC**	Federal Home Loan Mortgage Corporation
APBO	Accumulated pension benefit obligation	**FICO**	Fair Isaac Corporation
ASC	Accounting standards codification	**FINRA**	Financial Industry Regulatory Authority
ASU	Accounting standards update	**FNMA**	Federal National Mortgage Association
Bank	FirstMerit Bank N.A.	**FRAP**	Fixed Rate Advantage Program
Basel I	Basel Committee's 1988 Capital Accord	**FRB**	Federal Reserve Bank
Basel III	Basel Committee regulatory capital reforms, Third Basel Accord	**FSOC**	Financial Stability Oversight Council
Basel Committee	Basel Committee on Banking Supervision	**GAAP**	United States generally accepted accounting principles
BHC	Bank holding company	**GSE**	Government sponsored enterprise
BHCA	Bank Holding Company Act of 1956, as amended	**G-SIFI**	Globally Systematically Important Financial Institution
CCAR	Comprehensive Capital Analysis and Review	**ISDA**	International Swaps and Derivatives Association
CET1	Common equity tier 1 capital	**LIBOR**	London Interbank Offered Rate
CFPB	Consumer Financial Protection Bureau	**Management**	FirstMerit Corporation's Management
Citizens	Citizens Republic Bancorp Inc.	**MBS**	Mortgage-backed securities
Citizens TARP Preferred	Citizens TARP Preferred issued to the U.S. Treasury as part of the Troubled Assets Relief Program	**MSRs**	Mortgage servicing rights
CLO	Collateralized loan obligations	**NASDAQ**	The NASDAQ Stock Market LLC
CMO	Collateralized mortgage obligations	**NPR**	Notice of Proposal Rulemaking
Common Stock	Common Shares, without par value	**NYSE**	New York Stock Exchange
Corporation	FirstMerit Corporation and its Subsidiaries	**OCC**	Office of the Comptroller of the Currency
CPR	Conditional Prepayment Rate	**OCI**	Other comprehensive income (loss)
CRA	The Community Reinvestment Act	**OREO**	Other real estate owned
CRE	Commercial Real Estate	**OTTI**	Other-than-temporary impairment
C&I	Commercial and Industrial	**Parent Company**	FirstMerit Corporation
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	**Preferred Stock**	5.875% Non-Cumulative Perpetual Preferred Stock, Series A
DIF	Federal Deposit Insurance Fund	**RIP**	Retirement Investment Plan
DTA	Deferred tax asset	**ROA**	Return on average assets
DTL	Deferred tax liability	**ROE**	Return on average equity
EPS	Earnings per share	**SEC**	United States Securities and Exchange Commission
ERISA	Employee Retirement Income Security Act of 1974	**TARP**	Troubled Asset Relief Program
ERM	Enterprise risk management	**TDR**	Troubled debt restructuring
ESOP	Employee stock ownership plan	**TE**	Fully taxable equivalent
EVE	Economic value of equity	**U.S. Treasury**	United States Department of the Treasury
FASB	Financial Accounting Standards Board	**UTB**	Unrecognized tax balance
FDIA	Federal Deposit Insurance Act	**VIE**	Variable interest entity

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following pro forma condensed combined financial information combines the historical consolidated financial position and results of operations of Huntington Bancshares Incorporated ("Huntington") and its subsidiaries and FirstMerit Corporation ("FirstMerit") and its subsidiaries, after giving effect to the acquisition by Huntington of FirstMerit using the acquisition method of accounting and giving effect to the related pro forma adjustments described in the accompanying notes. Under the acquisition method of accounting, the assets and liabilities of FirstMerit will be recorded by Huntington at their respective fair values as of the date the merger is completed. The pro forma condensed combined financial information should be read in conjunction with Huntington's Quarterly Report on Form 10-Q for the period ended June 30, 2016, and Annual Report on Form 10-K for the year ended December 31, 2015, and FirstMerit's Quarterly Report on Form 10-Q for the period ended June 30, 2016, and Annual Report on Form 10-K for the year ended December 31, 2015.

The pro forma condensed combined balance sheet gives effect to the merger as if the transaction had occurred on June 30, 2016. The pro forma condensed combined income statements for the six months ended June 30, 2016 and the year ended December 31, 2015, give effect to the merger as if the transaction had become effective on January 1, 2015.

The pro forma condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company had the companies actually been combined at the beginning of each period presented, nor the impact of possible business model changes. The pro forma condensed combined financial information also does not consider any potential effects of changes in market conditions on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors. In addition, as explained in more detail in the accompanying notes, the preliminary allocation of the pro forma purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the merger.

The pro forma condensed combined financial statements have been prepared to give effect to the following:

- the acquisition of FirstMerit by Huntington;
- the distribution of shares of Huntington common stock and cash to FirstMerit's shareholders in exchange for shares of FirstMerit common stock (assuming an exchange ratio of 1.72 shares of Huntington common stock for each share of FirstMerit common stock); and
- Huntington's issuance of $500 million of debt at a 2.85% interest rate to finance the acquisition of FirstMerit. The interest rate was estimated based on a July 2016 five-year treasury rate and the spread of Huntington's last five-year debt issuance. In the event the interest rates on Huntington's fixed rate debt increase or decrease by 0.125%, Huntington's annual interest expense would increase or decrease by less than $1 million.

The pro forma condensed combined financial statements do not include certain non-recurring transaction costs that Huntington expects to incur in connection with the acquisition. Excluded are one-time expenditures estimated at $286 million pretax related to employee costs, costs to sell certain redundant locations, costs to merge information technology systems, and other one-time transaction related costs. Huntington expects to fund these costs through cash from operations. Due to the scope and complexity of these activities, the amount of these costs could increase or decrease materially and the timing of incurrence could change.

HUNTINGTON BANCSHARES INCORPORATED AND FIRSTMERIT CORPORATION
Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of June 30, 2016

(in millions)	Huntington Historical (1)	FirstMerit Historical (1)	Pro Forma Adjustments (1)	Ref	Pro Forma Combined (1)
Assets					
Cash and due from banks	$ 867	$ 421	$ (455)	A	$ 833
Interest-bearing deposits in banks	45	103	—		148
Trading account securities	35	—	—		35
Loans held for sale	787	4	—		791
Available-for-sale and other securities	9,653	4,467	—		14,120
Held-to-maturity securities	5,659	2,514	5	B	8,178
Loans and leases	52,543	16,344	(331)	C	68,556
Allowance for loan and lease losses	(623)	(150)	150	D	(623)
Net loans and leases	51,920	16,194	(181)		67,933
Bank owned life insurance	1,778	—	630	E	2,408
Premises and equipment	597	293	(55)	F	835
Goodwill	677	742	483	G	1,902
Other intangible assets	48	56	349	H	453
Servicing rights	159	—	16	I	175
Accrued income and other assets	1,729	1,356	(645)	E, I, J	2,441
Total Assets	$ 73,954	$ 26,151	$ 147		$ 100,252
Liabilities and Shareholders' Equity					
Liabilities					
Deposits	$ 55,043	$ 20,953	$ (733)	K	$ 75,263
Short-term borrowings	1,957	1,155	615	A	3,727
Long-term debt	7,930	526	519	L	8,975
Accrued expenses and other liabilities	1,517	469	78	M	2,064
Total Liabilities	66,447	23,103	479		90,029
Shareholders' equity					
Preferred stock	971	100	—		1,071
Common stock	8	128	(125)	N	11
Capital surplus	7,074	1,383	1,323	O	9,781
Less Treasury stock, at cost	(21)	(107)	107	P	(21)
Accumulated other comprehensive loss	(134)	(29)	29	P	(134)
Retained earnings	(391)	1,573	(1,667)	P, Q	(485)
Total Shareholders' Equity	7,507	3,048	(333)		10,223
Total Liabilities and Shareholders' Equity	$ 73,954	$ 26,151	$ 146		$ 100,252
Common shares outstanding (in millions)	799	166	120	R	1,085
Tangible book value per common share	$ 7.29	$ 12.94			$ 6.41

See accompanying notes to unaudited pro forma combined condensed consolidated financial statements.

(1) Totals may not add due to rounding.

HUNTINGTON BANCSHARES INCORPORATED AND FIRSTMERIT CORPORATION
Unaudited Pro Forma Condensed Combined Consolidated Statement of Income
For the six months ended June 30, 2016

(in millions except per share amounts)	Huntington Historical (1)	FirstMerit Historical (1)	Pro Forma Adjustments	Ref	Pro Forma Combined (1)
Total interest income	$ 1,123	$ 402	$ (25)	S	$ 1,500
Total interest expense	114	31	5	T	149
Net interest income	1,009	371	(29)		1,351
Provision for credit losses	52	14	—		66
Net interest income after provision for credit losses	957	357	(29)		1,285
Total noninterest income	513	133	(3)	U	642
Total noninterest expense	1,015	327	(18)	V	1,324
Income before income taxes	455	162	(14)		603
Provision for income taxes	109	50	(5)	W	154
Net income	346	112	(9)		449
Less: Net income allocated to participating shareholders	—	1	—		1
Dividends on preferred shares	28	3	—		31
Net income applicable to common shares	$ 318	$ 109	$ (9)		$ 417
Average common shares - basic	797	166	120	X	1,083
Average common shares - diluted	809	167	120	X	1,096
Per common share					
Net income - basic	$ 0.40	$ 0.65			$ 0.39
Net income - diluted	0.39	0.65			0.38
Cash dividends declared	0.14	0.34			0.14

See accompanying notes to unaudited pro forma combined condensed consolidated financial statements.

(1) Totals may not add due to rounding.

HUNTINGTON BANCSHARES INCORPORATED AND FIRSTMERIT CORPORATION
Unaudited Pro Forma Condensed Combined Consolidated Statement of Income
For the year ended December 31, 2015

(in millions except per share amounts)	Huntington Historical (1)	FirstMerit Historical (1)	Pro Forma Adjustments	Ref	Pro Forma Combined (1)
Total interest income	$ 2,115	$ 800	$ (74)	S	$ 2,840
Total interest expense	164	58	9	T	231
Net interest income	1,951	741	(83)		2,609
Provision for credit losses	100	45	—		145
Net interest income after provision for credit losses	1,851	696	(83)		2,464
Total noninterest income	1,039	269	(6)	U	1,302
Total noninterest expense	1,976	639	34	V	2,649
Income before income taxes	914	327	(123)		1,117
Provision for income taxes	221	97	(43)	W	275
Net income	693	229	(80)		842
Less: Net income allocated to participating shareholders	—	2	—		2
Dividends on preferred shares	32	6	—		38
Net income applicable to common shares	$ 661	$ 222	$ (80)		$ 803
Average common shares - basic	803	166	120	X	1,091
Average common shares - diluted	817	166	120	X	1,105
Per common share					
Net income - basic	$ 0.82	$ 1.34			$ 0.77
Net income - diluted	0.81	1.33			0.76
Cash dividends declared	0.25	0.66			0.25

See accompanying notes to unaudited pro forma combined condensed consolidated financial statements.

(1) Totals may not add due to rounding.

Note 1 - Basis of Presentation

The pro forma condensed combined financial information and explanatory notes have been prepared to illustrate the effects of the merger involving Huntington and FirstMerit under the acquisition method of accounting with Huntington treated as the acquirer. The pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined entities. Under the acquisition method of accounting, the assets and liabilities of FirstMerit, as of the effective date of the merger, will be recorded by Huntington at their respective fair values and the excess of the merger consideration over the fair value of FirstMerit's net assets will be allocated to goodwill.

The merger, which is currently expected to be completed in the third quarter of 2016, provides for FirstMerit common shareholders to receive 1.72 shares of Huntington common stock and $5.00 in cash for each share of FirstMerit common stock they hold immediately prior to the merger. Based on the closing trading price of shares of Huntington common stock on the NASDAQ on January 25, 2016, the last trading day before the public announcement of the signing of the merger agreement, the value of the merger consideration per share of FirstMerit common stock was $20.14. Based on the closing trading price of shares of Huntington common stock on the NASDAQ on July 26, 2016, the last practicable trading day before the date of this filing on Form 8-K, the value of the merger consideration per share of FirstMerit common stock was $21.19. In addition, upon completion of the second step merger, as described in Huntington's Current Report on Form 8-K filed on January 28, 2016, each share of FirstMerit's 5.875% Non-Cumulative Perpetual Preferred Stock, Series A will be converted into the right to receive a share of Huntington's 5.875% Series C Non-Cumulative Perpetual Preferred Stock.

The pro forma allocation of the purchase price reflected in the pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Adjustments may include, but not be limited to, changes in (i) FirstMerit's balance sheet through the effective time of the merger; (ii) the aggregate value of merger consideration paid if the price of shares of Huntington common stock varies from the assumed $9.41 per share, which represents the closing share price of Huntington common stock on July 26, 2016; (iii) total merger related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (iv) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The accounting policies of both Huntington and FirstMerit are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassification may be determined.

Note 2 - Preliminary Purchase Price Allocation

The pro forma adjustments include the estimated purchase accounting entries to record the merger transaction. The excess of the purchase price over the fair value of net assets acquired, net of deferred taxes, is allocated to goodwill. Estimated fair value adjustments included in the pro forma financial statements are based upon available information and certain assumptions considered reasonable, and may be revised as additional information becomes available.

Core deposit intangible assets of $350 million are included in the pro forma adjustments separate from goodwill and amortized using the straight-line method over ten years. Purchased credit card relationship and Trust relationship intangible assets of $15 and $40 million are also included in the pro forma adjustments separate from goodwill and amortized using the sum-of-the-years-digits method over eight and twelve years, respectively. When the actual amortization is recorded for periods following the completion of the merger, the straight line or sum-of-the-years-digits method will be used. Goodwill totaling $1.2 billion is included in the pro forma adjustments and is not subject to amortization. The purchase price is contingent on Huntington's price per common share at the closing date of the merger, which has not yet occurred. Accordingly, a 10% increase or decrease in Huntington's most recently used price per share of common stock would result in a corresponding goodwill adjustment of approximately $269 million.

The preliminary purchase price allocation is as follows:

HUNTINGTON BANCSHARES INCORPORATED AND FIRSTMERIT CORPORATION
Unaudited Pro Forma Purchase Price
As of June 30, 2016

in millions except per share amounts		
Pro Forma Purchase Price (1)		
Estimated FirstMerit shares outstanding (Excludes performance shares and restricted stock awards)	166	
Cash consideration (per FirstMerit share)	$5.00	
Estimated cash portion of purchase price		831
Estimated FirstMerit shares outstanding	166	
Exchange ratio	1.72	
Total Huntington common shares issued	286	
Huntington's share price (as of July 26, 2016)	$9.41	
Equity portion of purchase price		2,689
Exchange of FirstMerit preferred stock for Huntington preferred stock		100
RSU/Option Consideration		20
Total estimated consideration to be paid		3,640
FirstMerit Net Assets at Fair Value		
Assets acquired:		
Cash and short-term investments		524
Loans held for sale		4
Investment securities		6,986
Net loans and leases		16,128
Other intangible assets		405
Other assets		1,549
Total assets acquired		25,597
Liabilities assumed:		
Deposits		20,955
Short-term borrowings		1,155
Long-term debt		546
Other liabilities		525
Total liabilities assumed		23,181
Net assets acquired		2,415
Preliminary pro forma goodwill		$ 1,225

(1) Totals may not add due to rounding.

Note 3 - Pro Forma Adjustments

The following pro forma adjustments have been reflected in the pro forma condensed combined financial information. All taxable adjustments were calculated using a 35.0% tax rate to arrive at deferred tax asset or liability adjustments. All adjustments are based on current assumptions and valuations, which are subject to change.

A. Adjustments to cash and due from banks reflects $831 million paid to purchase FirstMerit, net proceeds from the $500 million debt issuance, and contractually obligated pre-tax merger costs of $123 million.

The adjustment also reflects $615 million of cash paid to First Commonwealth Bank related to the branch divestiture, offset by an increase in short-term borrowings of $615 million to fund the divestiture. See Note 5 for more information.

B. Adjustment to securities classified as held-to-maturity to reflect estimated fair value.

C. Adjustment to loans and leases to reflect estimated fair value adjustments, which included lifetime credit loss expectations, current interest rates and liquidity, to acquired loans. The adjustment also includes a $115 million reduction associated with the branch divestiture. See Note 5 for more information.

D. Elimination of FirstMerit's existing allowance for loan losses. Purchased loans in a business combination are recorded at estimated fair value on the purchase date and the carryover of the related allowance for loan losses is prohibited.

E. Adjustment to bank owned life insurance to reflect a balance sheet reclassification from accrued income and other assets of $632 million to conform to Huntington's financial statement presentation and an adjustment to reflect the estimated fair value.

F. Adjustment to premises and equipment to reflect estimated fair value. Adjustments also include the elimination of $5 million of property, plant, and equipment associated with the branch divestiture. See Note 5 for more information.

G. Adjustments to goodwill to eliminate FirstMerit goodwill of $742 million at merger date and record estimated goodwill associated with the merger of $1.2 billion.

H. Adjustments to other intangible assets to eliminate FirstMerit other intangible assets of $56 million and record estimated other intangible assets associated with the merger of $405 million, which includes estimated core deposit intangible assets of $350 million.

I. Reflects a balance sheet reclassification from accrued income and other assets of $16 million to conform to Huntington's financial statement presentation and an adjustment to reflect estimated fair value.

J. Adjustment to accrued income and other assets to reflect estimated fair value and deferred tax assets to reflect the effects of the acquisition accounting adjustments and contractually obligated merger costs.

K. Adjustment to deposits to reflect estimated fair value. Adjustments to deposits also include the elimination of $735 million of deposits associated with the branch divestiture. See Note 5 for more information.

L. Adjustment to long-term debt to reflect estimated fair value of acquired long-term debt and the $500 million of debt issued in connection with the transaction.

M. Adjustment to accrued expenses and other liabilities to reflect the effects of the acquisition accounting adjustments and contractually obligated merger costs.

N. Adjustments to common shares to eliminate FirstMerit common stock of $128 million par value and record the issuance of Huntington common stock to FirstMerit common shareholders of $3 million par value.

O. Adjustments to capital surplus to eliminate FirstMerit capital surplus of $1.3 billion and record the issuance of Huntington common stock in excess of par value to FirstMerit common shareholders of $2.7 billion.

P. Adjustments to eliminate remaining FirstMerit equity balances of $1.4 billion.

Q. Adjustment to retained earnings to reflect contractually obligated after-tax merger costs of $94 million.

R. Adjustments to common shares outstanding to eliminate 166,169,002 shares of FirstMerit common stock outstanding and record 285,810,683 shares of Huntington common stock of calculated using the exchange ratio of 1.72 per share.

S. Net adjustments to interest income of $25 million for the six months ended June 30, 2016, and $74 million for the year ended December 31, 2015, to eliminate FirstMerit amortization of premiums and accretion of discounts on previously acquired loans and securities and record estimated amortization of premiums and accretion of discounts on acquired loans and held-to-maturity securities. Adjustments also include the elimination of interest income associated with the branch divestiture. See Note 5 for more information.

T. Net adjustments to reduce interest expense by $2 million for the six months ended June 30, 2016, and $5 million for the year ended December 31, 2015, to eliminate FirstMerit amortization of premiums and accretion of discounts on previously acquired deposits and record estimated amortization of premiums and accretion of discounts on acquired deposits and long-term debt. Adjustments also include the elimination of interest expense associated with the branch divestiture. See Note 5 for more information.

The adjustment also reflects incremental interest expense of $7 million for the six months ended June 30, 2016, and $14 million for the year ended December 31, 2015, related to the issuance of acquisition debt totaling $500 million, bearing interest at an interest rate of 2.85%, in connection with the FirstMerit acquisition transaction. The interest expense adjustment assumes amortization of estimated total debt issuance costs of $1 million for the six months ended June 30, 2016 and year ended December 31, 2015.

U. Net adjustments to noninterest income of $3 million for the six months ended June 30, 2016, and $6 million for the year ended December 31, 2015, to eliminate noninterest income associated with the branch divestiture. See Note 5 for more information.

V. Net adjustments to noninterest expense of $18 million for the six months ended June 30, 2016, and $34 million for the year ended December 31, 2015, to eliminate FirstMerit amortization expense on other intangible assets and record estimated amortization of acquired other intangible assets. See Note 2 for additional information regarding Huntington's amortization of acquired other intangible assets. Adjustments also include the elimination of noninterest expense associated with the branch divestiture. See Note 5 for more information. In addition, $35 million of reported merger and acquisition related expenses have been deducted for the six months ended June 30, 2016.

W. Adjustment to income tax expense to record the income tax effects of pro forma adjustments at the estimated combined statutory federal and state tax rate of 35.0%.

X. Adjustments to weighted-average shares of Huntington common stock outstanding to eliminate weighted-average shares of FirstMerit common stock outstanding and record shares of Huntington common stock outstanding, calculated using the exchange ratio of 1.72 per share for all shares.

Note 4 - Merger Integration Costs

Merger- and integration-related costs are not included in the pro forma condensed combined statements of income since they will be recorded in the combined results of income as they are incurred prior to, or after completion of, the merger and are not indicative of what the historical results of the combined company would have been had the companies been actually combined during the periods presented. Merger- and integration-related costs are estimated to be $431 million pretax; $145 million is estimated to be incurred at closing. The $145 million of contractually obligated pre-tax merger costs are reflected in the pro forma adjustments as a $123 million reduction to cash and due from banks (reference A) and a $22 million increase to accrued expenses and other liabilities (reference M).

Note 5 - Divestiture of FirstMerit and/or Huntington Branches

On July 27, 2016, Huntington and FirstMerit announced that, in connection with their proposed merger, 13 branches within Stark and Ashtabula counties, with approximately $735 million in total deposits and $115 million in total loans as of May 31, 2016, will be sold to First Commonwealth Bank, the banking subsidiary of First Commonwealth Financial Corporation. The sale is in connection with an agreement reached with the U.S. Department of Justice in order to resolve its competitive concerns about Huntington's proposed acquisition of FirstMerit. The divestiture transaction is subject to the completion of the merger of Huntington and FirstMerit, which remains subject to OCC approval.