

**F.N.B. CORPORATION**  
**FIRST QUARTER OF 2007 EARNINGS CONFERENCE CALL**  
**April 20, 2007**

**MODERATOR** – Stephen J. Gurgovits

President and CEO, F.N.B. Corporation

**Operator** – Welcome to The F.N.B. Corporation First Quarter 2007 Earnings Conference Call.

It is now my pleasure to turn the call over to Bartley Parker of Investor Relations.

**PARKER:**

Thank you. This conference call of F.N.B. Corporation (“F.N.B.”) and the reports it files with the Securities and Exchange Commission often contain “forward-looking statements”, which are based on current expectations, estimates, forecasts and projections about F.N.B., as well as F.N.B. management’s assumptions and beliefs relating to present or future trends or factors affecting the future performance of F.N.B. and the banking and financial services industry. Since forward-looking statements relate to future developments, results and events, they involve certain risks and uncertainties, and actual future results may differ materially from historical performance or those expressed or implied in this presentation as a result of future decisions by F.N.B. or by other factors and developments beyond F.N.B.’s control, including but not limited to:

- 1) a significant increase in competitive pressures among depository institutions;
- 2) changes in the interest rate environment that may reduce interest margins;

- 3) changes in prepayment speeds, loan sale volumes, charge-offs and loan loss provisions;
- 4) less favorable than expected general economic conditions;
- 5) legislative or regulatory changes that may adversely affect the businesses in which F.N.B. is engaged;
- 6) technological issues which may adversely affect F.N.B.'s financial operations or customers;
- 7) changes in the securities markets; or
- 8) risk factors mentioned in F.N.B.'s filings with the Securities and Exchange Commission.

F.N.B. undertakes no obligation to update these forward-looking statements or to reflect events or circumstances after the date of this call. It is now my pleasure to turn the call over to Mr. Stephen Gurgovits, President and CEO. Steve?

**GURGOVITS:**

Thank you, Bartley. Good morning everyone and thank you for joining our first quarter 2007 conference call.

With me today on the call are Brian Lilly, our Chief Financial Officer, and Gary Roberts, President and CEO of First National Bank of Pennsylvania.

I trust everyone has read our earnings release issued yesterday afternoon. For the first quarter of 2007, we earned another solid level of earnings and returns, highlighted by our commercial loan growth, increased wealth management and insurance fee income, a stable net interest margin, continued expense control and strong asset quality. Our first quarter earnings of 29 cents per diluted share were flat with the prior quarter, but up 7.4 percent year-over-year. Our performance ratios were solid with a return on assets of 1.17 percent, a return on equity in excess

of 13 percent and a return on tangible equity of nearly 27 percent, which should keep F.N.B. in the top quartile of our peers.

We are particularly proud of these results considering the extremely difficult external environment facing the banking industry.

Before I turn the call over to Brian to provide more first quarter details, let me address several important current topics in the banking industry.

I believe first quarter earnings calls by financial institutions are likely to be dominated with concerns about sub-prime lending, Alt-A mortgages and credit quality trends in general. With all of the negativity surrounding these topics, let me frankly address our situation at F.N.B. relative to these concerns.

First, let me say that we do not hold any Alt-A loans on our balance sheet. Second, most of the difficulties with sub-prime lending relates to customers who chose payment deferred mortgages, such as Adjustable Rate Mortgages, or ARMs, and interest-only ARMs.

F.N.B.'s exposure to ARMs underwritten for borrowers in the sub-prime category amounts to just \$3 million, or seven-tenths of one percent, of our total loan portfolio. Our Regency Finance subsidiary, which does business with some customers whose FICO scores could qualify them as sub-prime customers, makes only fixed rate loans and therefore, borrowers are not faced with the risk of increased payments.

Based upon the low level of ARMs within the Bank and the low levels of sub-prime credits within both the Bank and Regency, we do not believe we will experience any significant negative impact as a result of the sub-prime lending fallout.

With regard to any spillover effects to our prime customers, we view this as minimal given our stringent underwriting and the fact that the real estate values in our markets have been stable over time and are expected to remain so...mitigating the risk of potential collateral deficiency.

Finally, on the point of asset quality in general, we continue to be extremely pleased with our portfolio performance. Annualized net charge-offs and non-performing loans continue to compare favorably on both linked quarter and year ago comparisons. And finally, loan delinquency continues at remarkably low levels.

I hope this helps to answer any questions you may have had relative to those three credit topics in the news today.

Let me now return to first quarter results. As you will recall, we opened our fifth loan production office in Florida this past January. Our five LPOs in Florida produced \$32 million in gross loan originations in the first quarter. While the pace of originations has slowed from last year given current market conditions in Florida, we remain comfortable with our Florida strategy. However, we continue to be cautious here with regard to lending. We are unwilling to sacrifice asset quality, and we continue to require underwriting terms and pricing to our high standards. This, combined with a more cautious approach, has cooled down our loan production. We are comfortable with this, as we believe the path to building shareholder value is underwriting strong credits at acceptable spreads.

With an estimated \$80 million in our Florida loan pipeline, we remain optimistic that our Florida strategy will provide quality, well-priced, earning assets for our balance sheet.

With regard to Pittsburgh, we continue to be on track with our goal of gross originations of \$125 million dollars for the full year of 2007. Our Capital Region, based in Harrisburg, is off to a good start in its first full year with us, on its way toward its goal of \$75 million dollars in gross originations for the full year.

Let me now turn the call over to Brian to provide some additional color on our earnings for the first quarter of 2007.

Brian...

**LILLY:**

Thank you, Steve and good morning everyone. Let me focus my comments on the key drivers of our operating performance for the quarter.

Commercial loan growth continues to be good, with average balances up 11.7 percent, annualized, on a linked quarter basis. This growth was partially offset by seasonal runoff in the direct installment portfolio and weak automobile sales, which drove a decline in the indirect installment portfolio. In total, average loans grew 1.6 percent annualized compared to the prior quarter.

On the deposit side, the continued success of our Lifestyle 50 and FirstRate accounts helped grow average Savings and NOW account balances 4.0 percent annualized from the prior quarter. This growth partially offset a seasonal decline in DDA balances and lower balances in promotional time deposits. On a spot basis, total deposits and treasury management accounts increased 2.1 percent annualized since December 31<sup>st</sup>.

Our success in growing commercial loans, combined with careful management and disciplined pricing of our deposit products, led to a stable net interest margin.

That is, after excluding the six basis points of benefit realized from the additional interest earned on the payoff and return to accruing status of previously non-accruing loans. The adjusted net interest margin at 3.67 percent represents stability for the third consecutive quarter.

Of special note, our cost of funds increased just six basis points over the fourth quarter, representing the smallest increase in eight quarters. We continue to be optimistic about managing our cost of funds going forward given the stable interest rate environment and continued acceptance of our deposit products such as Lifestyle 50 and our Same Day Banking, All Day service. Our forecast includes a continued stable margin through the second quarter.

Building our wealth management, insurance and bank service charge revenue is central to our revenue diversification strategy. Seasonal increases and organic growth contributed to an 8.4 percent increase in non-interest income compared to the prior quarter. Insurance

commissions and fees included a combination of annual contingency fee income and success from our conscious effort to better match available insurance products with the preferences of our commercial customers. Contingency fee income totaled \$1.1 million in the first quarter, reflecting favorable loss sharing experience, and equaled the first quarter of 2006. Our Trust activities reflect the merits of our acquisition of Legacy last year and good organic account growth.

With regard to bank service charges, the first quarter of the year is seasonally lower than the fourth, in a linked quarter comparison. On a year-over-year basis, the decline reflects the highly competitive environment for core deposits and changes in customer behavior with respect to managing their accounts to reduce NSF fees. The linked quarter increase in the other non-interest income category reflects swap fees earned through a new program for commercial customers and seasonal tax preparation fees. For the quarter, our total non-interest income represented 30 percent of our total revenue.

Turning to expenses, we are right on plan. Regarding the linked quarter comparison, let me remind you that the start of the new year includes the effect of annual merit increases, the resetting of payroll taxes and higher levels of state shares tax caused by acquisitions. Additionally, you may remember from last quarter's conference call that our fourth quarter run rate was reduced by \$600 thousand for reversals of an accrual related to favorable experience in our self-insured medical plan. Year over year, our expenses increased 5.3 percent and achieved positive operating leverage as evidenced by the improvement in the efficiency ratio to 58.3 percent in the first quarter. We achieved this improvement despite digesting an out of market acquisition, opening three new loan production offices and operating in a difficult interest rate and competitive environment. We continue to target a 55 percent efficiency ratio by the fourth quarter.

As Steve discussed, our asset quality continues to be strong and, in fact, improved off an already very good fourth quarter.

- For the first quarter of 2007, annualized net charge-offs were a very good 23 basis points, an improvement of five basis points on a linked quarter basis and 14 basis points year over year. Both the Bank and Regency, our consumer finance company, realized lower net charge-offs. In fact the Bank is down seven basis points in the year over year comparison with Regency contributing the remaining seven basis points of improvement.
- Non-performing loans to total loans improved to 63 basis points at quarter end, which was three basis points better than the prior quarter and 18 basis points stronger than the first quarter of 2006. This represents our fifth consecutive quarterly improvement in this important metric.
- As a result of our strong asset quality and low net charge-offs, the provision for loan losses was \$1.8 million dollars for the first quarter. We ended the quarter with an allowance for loan losses at 1.22 percent of total loans and two times the level of non-performing loans.

At March 31, 2007, our leverage capital ratio was a comfortable 7.4 percent, up nine basis points from the prior quarter. F.N.B. continues to exceed well capitalized measures, as defined by federal bank regulators.

Steve, that concludes my remarks for the quarter.

**GURGOVITS:** Thanks Brian.

As we've just detailed, we have solid momentum in our commercial lending franchise, as well as fee businesses such as wealth management and insurance, and our asset quality continues to be strong.

From an earnings guidance standpoint, let me comment on factors affecting our current outlook. Earlier I shared with you that Florida production was lower in the first quarter than what we had targeted, reflecting conditions in that market. While we are comfortable with our pipeline for the rest of the year, we do expect to be below our full year production targets.

Another factor affecting our outlook is the level of competitive pricing we are seeing on the lending side, pricing that we choose not to match.

Lastly, recall that for planning purposes we had adopted the economists' consensus that the Fed would ease the fed funds target by a total of 50 basis points in mid- to late-2007. The current consensus is that the Fed will ease 25 basis points in late summer.

Even with these factors, we are still comfortable within our original earnings guidance range of \$1.17 to \$1.21 per diluted share, but guide you to the lower half of that range.

In closing, we believe our sound underwriting principles contribute to F.N.B. Corporation's low risk model. With our high-touch service offering, we have the ability to move market share from our competitors. We will continue to maintain our opportunistic expansion strategy and work to further diversify our sources of revenue. The many initiatives underway at F.N.B. position us well for the future.

That concludes our formal remarks for this call. I will now ask the operator to poll the audience for questions.

## **QUESTIONS ??**

**GURGOVITS**: Thank you again for joining us today.

Replays of this call will be available through April 27 by calling (888) 203-1112 and entering confirmation number 4512111. You can also access a transcript of today's call on our Web site, [www.fnbcorporation.com](http://www.fnbcorporation.com).