

**F.N.B. CORPORATION**  
**FOURTH QUARTER 2007 EARNINGS CONFERENCE CALL**

**January 18, 2008**

**MODERATOR** – Stephen J. Gurgovits, Chairman and CEO, F.N.B. Corporation

**Operator** – Welcome to the F.N.B. Corporation Fourth 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 in or implied by 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 financial 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, Chairman and CEO. Steve?

**GURGOVITS:**

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

With me today on the call is Brian Lilly, our Chief Financial Officer and Gary Roberts, President and CEO of First National Bank of Pennsylvania. Also joining us today is Bob New, the Corporation's President and CEO-elect, who joined us on January 15<sup>th</sup>. As we announced last October, Bob will become CEO effective April 1<sup>st</sup> of this year. We believe Bob's experience

of over 33 years in the financial services industry working for large and small banks will complement our existing team nicely.

Looking back on the year for a moment, the Board's appointment of Bob was not our only significant accomplishment in 2007. We also strengthened our banking franchise with the first in the region introduction of Same Day Banking, All Day; we created Business Development Officers for all of our retail banking regions; hired a Chief Marketing Officer to help us to continue as a premier financial services organization; and unified our brand with the renaming of Legacy branches as First National Bank of Pennsylvania; we grew our merchant banking subsidiary, F.N.B. Capital Corporation and we expanded our consumer finance subsidiary, Regency Finance. We believe these initiatives will create value for shareholders over the long-term. Our solid financial performance for the year and continued confidence in our outlook led our Board to authorize an increased cash dividend as well. This marks the 35<sup>th</sup> consecutive year of increased dividends. Our Board fully supports the strategy of offering F.N.B.'s shareholders a strong cash dividend as a key component of shareholder value.

Perhaps most importantly in 2007, we continued our expansion into Pennsylvania markets with higher growth opportunities than our existing footprint with the agreement to merge with Omega Financial Corporation. This transaction continues to progress and we expect to meet our expectation of an early April closing.

For the year, earnings per diluted share increased to \$1.15. We continue to deliver solid profitability with a return on tangible equity of over 26 percent and a return on tangible assets of 1.25 percent. We believe that our returns continue to place F.N.B. in the top quartile of our national peer group.

Our performance versus the prior year is noteworthy for the progress we have made increasing the average balances of our core loan categories of commercial, direct installment and consumer lines of credit, increasing our fee income businesses and maintaining our focus on controlling expenses.

The economic environment continues to make our lending business challenging, but manageable. We are well-served by the fact that our practice of conservative underwriting has helped us avoid the types of losses from loans such as sub-prime residential mortgages, which are now negatively impacting other financial institutions. The direct origination of our loans has enabled us to maintain consistency in our credit underwriting. Our conservative investment strategy limits our investments to primarily triple-A rated securities.

Turning to loans... The growth in our average loan balances for the year was 6.0 percent.

On a regional basis, Florida production for the full year totaled \$161 million. We remain comfortable with our strategy, which focuses on lending for commercial projects supported by lease rental income. For example, during the fourth quarter we financed five commercial projects. All of these projects were either owner-occupied or based on lease rental income. The typical loan-to-value ratio was 80%. All projects were additionally supported by personal guarantees. We also received a full payment on one Florida project, as expected and on schedule, with a principal balance of \$15 million. Further, within the last six weeks, approximately 10% of the balance of our entire Florida portfolio has been paid off, as scheduled. We go to this detail to reassure you that, despite current real estate market conditions in Florida, there still remains opportunities to finance financially sound projects. Also, let me remind you that only a small portion of our loans are in Florida, which represents just 6 percent of the Corporation's total loans.

It has been our practice in the past to share with you our targeted production versus our goals. With regard to Pittsburgh and Harrisburg, two of our key Pennsylvania markets, we exceeded our funding goal of \$200 million for the full year. We are pleased with the progress we achieved in 2007 and attribute our success to the strong customer service focus of our commercial lending team.

Let me now turn the call over to Brian to provide some additional insight on our earnings report for the fourth quarter.

**LILLY:**

Thank you Steve and good morning everyone.

Let me start with comments on the fourth quarter. I will then provide guidance for how we see 2008 stacking up.

In general, we are pleased with our results. While the markets and financial services companies delivered what seemed like daily bad news, F.N.B. delivered a steady quarter with continued peer-leading profitability. Later in my comments, I will address one developer relationship that impacted the credit quality metrics during the quarter. But, outside of this one relationship, we continue to be cautiously optimistic on credit quality going forward.

Turning to the operating details, average loan outstandings grew 2% annualized over the third quarter and was led by 6% growth in average commercial loans. The commercial loan growth was more than enough to offset the seasonal declines in the indirect auto and direct installment loans.

Regarding deposits, our business development initiatives and strong relationship checking offerings helped to offset some of the normal seasonal decline in the average balance of deposits.

During the quarter, the Fed Funds target rate declined 50 basis points. Further, the yield curve was generally lower. As a result of these rate movements, for the first time in 10 quarters we experienced a linked quarter decrease in the earning asset yield.

We were able to manage the net interest spread through a linked quarter reduction of 14 basis points in the cost of funds. Most of the lower rate paid was through lower deposit costs. Due to seasonally lower demand deposit balances, the net interest margin narrowed just one basis point to 3.72% versus the third quarter.

With the exception of insurance-related fees, all major fee businesses experienced linked quarter increases. The strong increase in Service Charges was driven by higher activity in our overdraft protection services. Our Wealth Management businesses of trust and retail securities sales continue the good momentum from prior quarters and grew an annualized 31% over the 3<sup>rd</sup> quarter. Our Mortgage origination business had one of its strongest quarters, as the market disruption benefited quality institutions. Our Insurance Agency revenues continue to be impacted by the soft insurance renewal market. We take some comfort in maintaining flat fees year-over-year against a stated industry experience of approximately 12% reduction on policy renewals.

We continue to be disciplined in our cost control. The linked quarter decline of 6.3% annualized benefited from lower personnel-related costs primarily due to the yearly cap on payroll taxes and the fourth quarter lowering of incentive compensation and medical expense accruals.

Regarding asset quality, most of the movement in the fourth quarter's credit quality metrics can be attributed to the actions we took with one Florida developer. Our total relationship with this developer is comprised of two projects. During the quarter, we charged off \$853,000 on one project, which was previously specifically reserved and transferred the net balance of \$1.7 million to OREO. The second project has \$8.2 million outstanding. Although the interest reserves are sufficient to meet the scheduled payments into 2008, the weakness of the borrower and a slowdown in absorption required early recognition. The project has been placed on non-accrual and we have provided a \$2.0 million specific reserve.

Given the actions with this relationship, we can now better understand the changes in the fourth quarter credit metrics. The quarter end non-performing assets include \$9.9 million related to this one developer and accounts for the increase in the ratio of non-performing assets to assets and the decrease of the allowance to non-performing loans ratio when compared to the historically strong ratios earlier in 2007.

Even with this developer relationship, these ratios are returning to levels consistent with the early part of 2006.

The \$1.6 million increase in net charge-offs versus the third quarter was primarily driven by the previously mentioned charge-off, coupled with higher fourth quarter consumer charge-offs at Regency and the Bank.

The \$1.5 million increase in the provision for loan losses, as compared to the third quarter, was primarily driven by the previously mentioned \$2.0 million specific reserve.

At December 31, 2007, the allowance for loan losses was 1.22 percent of total loans, a 2 basis point increase from the third quarter of 2007 and represents an amount of over 1.6 times

our total non-performing loans. Our period end capital ratios remain solid, as we continue to meet all well capitalized measures.

Now let me turn to our plans for 2008. We recognize some of the economic uncertainty, but are cautiously optimistic that our markets will continue the momentum that we gathered in 2007.

In order to give more clarity to our organic growth, the following guidance is before the addition of Omega Financial. In terms of balance sheet guidance, we look to grow earning assets and loans in the mid-single digits. Loan growth will continue to be led by our commercial lending teams. Deposit and Treasury management growth is expected to keep pace with earning asset growth.

We have planned for a lower Fed Funds target rate and lower yield curve in general. We expect to continue to match decreases in earning asset yields with a lower cost of funds, thereby maintaining the net interest margin. However, we continue to be cautious of the potential pressure caused by competitors, who are holding pricing on deposits, in a lower rate environment.

Credit costs are expected to increase in 2008 with net charge-offs increasing slightly from historically low 2007 levels. We have targeted to cover net charge-offs and loan growth in the provision for loan losses.

Our fee businesses will continue to add valuable high margin, low capital-intensive revenues with growth expectations in the mid to high single digits. Growth in retail security sales, trust, mortgage originations and loan swap fee income will lead the way. The insurance business is expected to continue to experience a soft renewal market coupled with lower first quarter contingency fees.

Expense growth will continue to be a focus. We are projecting a mid single-digit increase, as we absorbed the costs of our leadership transition plan and normal merit increases, as well as reset higher benefits and incentive compensation accruals for 2008.

The result is an efficiency ratio closer to 60% in the first quarter decreasing to our target of 55% by the fourth quarter.

And finally, we expect the income tax rate and diluted shares to be generally consistent with current levels.

Steve, that concludes my remarks for the fourth quarter and outlook for 2008.

**GURGOVITS:** Thanks, Brian.

In terms of our earnings guidance for 2008, Brian has provided you with some of the specific components. We recognize there is some uncertainty to the overall health of the economy, but our outlook is cautiously optimistic. Given this outlook, we expect our overall earnings per diluted share for full year 2008 to range from \$1.16 to \$1.20 per share. This guidance does not include the impact of the pending acquisition of Omega Financial Corporation. We believe that presenting our guidance in this format will allow investors to more clearly understand our organic growth profile.

As we mentioned in November, we expect the Omega transaction to subtract approximately \$0.03 per diluted share for the full year 2008 operations and to have one-time merger related charges totaling \$0.02 per diluted share.

As we look forward strategically into 2008, our first priority is to execute a seamless integration of Omega. This transformational acquisition will provide tremendous opportunity for F.N.B. to grow in strong central Pennsylvania markets. We will continue to emphasize our Pittsburgh region where we are pleased with both progress to date and opportunity for the future.

We will, as always, but especially in this time of economic uncertainty, closely monitor credit quality and loan production. We will continue to be extremely selective of Florida projects to finance. Overall, I remain optimistic that we have positioned our company for growth, will strengthen our capital ratios through the Omega merger and will continue a successful asset-liability management process to protect our margins. And finally, stringent expense control is always a given.

Let me conclude the call by saying that we feel we are well-positioned in our markets with excellent people to continue our culture of meeting the needs of our customers with innovative loan and deposit products. Our conservative growth assumptions allow us to maintain our low risk-profile, which combined with our strong cash dividend, provides shareholders with an attractive investment option. 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. A replay of the call will be available from 2:00 PM Eastern Time today until midnight Eastern Time on February 1, 2008. The replay can be accessed by dialing (888) 203-1112; the confirmation number is 8087554. A transcript of the call will be posted to the Shareholder and Investor Relations section of F.N.B. Corporation's Web site at [www.fnbcorporation.com](http://www.fnbcorporation.com).