

F.N.B. CORPORATION

SECOND QUARTER 2008 EARNINGS CONFERENCE CALL

July 22, 2008

MODERATOR – Bob New, President and CEO, F.N.B. Corporation

Operator – Welcome to the F.N.B. Corporation Second Quarter 2008 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. Bob New, President and CEO of F.N.B. Corporation. Bob?

NEW:

Thank you, Bartley.

Good morning everyone and thank you for joining our second quarter 2008 earnings conference call. With me today on the call is Brian Lilly, our Chief Financial Officer and other members of our senior leadership team.

This has been an eventful quarter for F.N.B. There are a number of items that influenced our earnings. So, let's get right into the results. Second quarter 2008 net income was \$14.5 million, or \$0.17 per diluted share. The results for the quarter include charges of \$11.9 million, pre tax, or \$0.09 per share after tax, including a \$6.4 million additional provision to our loan loss reserve, and a \$5.5 million charge for Omega merger-related costs, executive retirement and charges due to lower bank stock values.

Brian will cover our operating results in more detail later in the call, but I want to take a few minutes to discuss credit quality and our decision to make an additional provision this quarter.

The \$6.4 million additional provision falls into two buckets. The first bucket relates to Omega. We made a one time \$1.0 million provision to align Omega's methodology for loan loss reserves with ours given that our formula is slightly more conservative. Notwithstanding this adjustment, the Omega portfolio is behaving exactly as we predicted in our due diligence. The second bucket relates exclusively to Florida. We took action this quarter to build our reserve in light of the prolonged economic challenges facing the Florida economy. Of the \$5.4 million provision, \$2.2 million is related to one construction project where the bank is a \$10 million participant in a \$100 million loan on a luxury condominium construction project in Naples, Florida.

The other \$3.2 million provision was allocated across the remaining Florida portfolio in recognition of our forecast for a slower economic recovery.

This quarter we placed two Florida loans on non-accrual. So, let's talk for a moment about non-performing loans. Non-performing loans increased \$28 million during the quarter to \$62 million. Two Florida loans, totaling \$15.5 million, comprise the bulk of this increase. One is our \$10 million exposure to the condominium project in Naples that I discussed earlier. The other, is a \$5.5 million condominium project located in Treasure Island, Florida.

Almost all of the remaining increase is the result of bringing on to our books the non performing loans that came with the \$1.1 billion Omega loan portfolio.

Before I leave the topic of Florida, let me remind you that we do an extensive loan by loan review each quarter of the entire Florida loan portfolio. Our quarterly process requires that we meet with borrowers whose loans are coming due in the next 6 months. We review with

them the current appraisals we've ordered on their projects, and confirm with them those actions that we will require at maturity. Also each quarter, we initiate a communication with our regulators to keep them well informed of our actions. We do these things to ensure we meet our high standards for grading accuracy and proper reserve allocation. While I've spent a lot of time talking about Florida, it's very important to remember that Florida only represents 5% of our total portfolio.

The Corporation's overall credit quality is good. Our Pennsylvania and Ohio franchise continues to perform exceptionally well -- both our commercial portfolio and our consumer portfolio. In fact, our non-performing loans in the Pennsylvania and Ohio regions are essentially unchanged from a year ago.

Our level of net charge-offs remains good. Annualized, net charge-offs were 30 basis points of average loans for the quarter. Year to date net charge-offs are running at an annualized rate of 29 basis points of average loans.

Let's shift gears now and talk about what we are doing to grow and improve our franchise. On April 1st we closed on our acquisition of Omega Financial. Then, over the Memorial Day weekend, we completed the systems conversion. This was an important transaction for us because the more robust markets of State College and central Pennsylvania provide F.N.B. with additional opportunities for sustained growth.

Commercial loans grew organically at an 8.0% rate on a year over year basis. Our commercial group funded \$464 million in the first half of 2008 and they finished the quarter slightly ahead of their mid-year production goals. Our Pittsburgh and Western Pennsylvania regions accounted for approximately half of the total commercial production. The remaining production was evenly spread among our other regions. At quarter end, our pipeline remained healthy at the \$1 billion level for the second consecutive quarter. Consumer loans grew 2.1% on

a year over year basis. Combined with our commercial loan growth, the Corporation recorded a 4.4% increase in average loans over the same period last year.

Deposits and treasury management balances grew 2.3% year over year. We are especially pleased that three-quarters of that growth came in our core checking products. Continued development of our sales and service culture has improved deposit retention and helped us attract more new business during the past 4 quarters. Succeeding at building core transaction accounts allows us to price our deposit products more reasonably without having to match some of the irrational pricing we see from some of our wounded competitors.

At this time, I'm going to turn the call over to our Chief Financial Officer, Brian Lilly, to comment further on our second quarter performance. Brian...

LILLY:

Thank you Bob and good morning everyone.

Let me start by touching on a few of the charges that Bob mentioned, then I will review a few investment portfolio items of recent interest as well as the balance sheet strengthening that we realized from our merger with Omega. And finally, I will focus my comments on some key items in our earnings report and how these will impact our guidance for the remainder of the year.

The quarter included \$0.09 per share of charges with \$0.05 per share driven by the additional provision for loan losses that Bob reviewed. Another \$0.03 per share was incurred with the typical merger costs related to Omega. The remaining penny per share was split between the acceleration of certain benefits for an executive retirement, a \$500 thousand pre-tax write-down on a bank stock that was deemed to be other than temporarily impaired and a \$400 thousand pre-tax mark-to-market decline in a limited partnership invested in bank stocks. The

former was recognized through the investment gains/losses line on the income statement with the limited partnership recognized through other non-interest income. As we have shared with you in the past, we have very little remaining in the bank stock portfolio. At June 30, we had approximately \$8 million in equity investments with an accumulated gain in total.

Let me now turn to the balance sheet and make a few comments on our investment portfolio and capital. We have been very pleased with the performance of our Investment Portfolio. Our policies, risk management practices and team have served us well. Fannie and Freddie have been in the news recently and let me confirm that we do not hold any equity securities of these companies. Also, I have received several inquiries as to our \$55 million in corporate debt holdings. These are the mezzanine tranch of bank pooled trust preferred investments plus \$14 million of individual bank trust preferreds. The pooled investments and the individual holdings are rated "A" or better by Moody's with \$6.5 million rated "Baa." They currently have an estimated market value adjustment of \$9 million, after tax, that is recorded in accumulated other comprehensive income. This amounts to approximately \$0.75 per share of carrying value. These investments continue to perform without exception.

I am sure that you have noted the strengthening of the capital that we accomplished with the Omega merger. Recall that we structured an all stock deal in order to take advantage of Omega's strong capital position. The tangible equity ratio increased 41 basis points and ended the second quarter at 5.21%. The ratio was 5.35%, ignoring the impact from the mark to market in accumulated other comprehensive income. Our Regulatory capital ratios also benefited with Tier-1 Leverage adding 66 basis points to 8.17%. We estimate that our Total Risk-based Capital ratio will exceed 12%. We are certainly pleased with the capital benefits of this merger. And finally we enhanced several of our liquidity metrics through the combination with Omega. We are certainly pleased with the balance sheet benefits of this merger.

Now, let me focus my remaining comments on some key items in our earnings report and how these will impact our guidance for the remainder of the year. Note that the following comments do not include the impact of Iron and Glass Bancorp, Inc.

We continue to see good opportunities for growing our loans, deposits and fee income. The competitive environment has actually created more opportunities to take business from some of the larger banks in our footprint. With that said, we are confirming our guidance for organic mid single digit annualized growth for loans, deposits and fee income.

The net interest margin expanded 19 basis points on a linked quarter basis to 3.92%. Approximately 16 basis points was realized through the merger with Omega. Looking to the last two quarters, we are forecasting a consistent margin after considering the continued competitive pricing pressures for deposits and loans and a yield curve similar to today.

Bob shared with you that we are very pleased with the credit metrics in our Pennsylvania and Ohio portfolios including Regency, our Consumer Finance Company. However, we continue to be cautious regarding the national and regional economic environment and, in particular, the Florida economy. In general, we are projecting a provision for loan losses of \$4.5 to \$5.0 million per quarter, which is consistent with the second quarter before the additional amounts for Omega and Florida. This is consistent with our prior guidance of a low 30's net charge off ratio as well as covering loan growth. As always, we will monitor the Florida portfolio and take appropriate action.

In the second quarter, the operating expenses included over \$6 million that will not recur in the third and fourth quarter. These expenses related to an executive retirement and the Omega merger costs. In addition, at June 30 we have realized a significant portion of the operating efficiencies planned for the merger and, accordingly, this will have a favorable impact on the

remainder of the year. We are forecasting expenses in the range of \$55 to \$56 million per quarter. This drives an efficiency ratio to a very good level of approximately 55%.

I mentioned that the guidance excluded the impact of the \$300 million asset Iron and Glass Bancorp, Inc. As is our practice with transactions of this size, we will be closing and converting systems over the same weekend. We expect to issue 3.0 million shares and incur approximately \$500 thousand in merger related costs in the third quarter. Consistent with our merger model, we are forecasting a slight EPS dilution for the last two quarters of 2008, less than \$0.01 per share in total, and a slight decrease in our regulatory capital ratios as we settle the 45% cash portion of the consideration.

Considering all of these factors, the total earnings for the second half of the year is projected to be in the range of \$0.54 to \$0.58 per share. Recall that the second quarter's \$0.17 per share included \$0.09 per share of additional charges. This \$0.26 per share plus approximately \$0.02 per share benefit from the Omega efficiencies provides a \$0.28 per share quarterly run rate going into the back half of 2008.

Bob, that concludes my comments

NEW:

Thank you Brian

Let me make a few comments in closing. First, the fact that we had to make an additional provision this quarter for our Florida portfolio is disappointing, especially so, given F.N.B.'s history of exceptional credit quality and the outstanding performance of the much larger portfolios in our northern franchise. It would be a shame to let this overshadow the progress that was made this quarter on a number of fronts. During the quarter our team put a tremendous amount of energy into making the partnership with Omega Financial a success. The fruits of

their labor will truly benefit shareholders in the next two quarters and in the years to come. We also took action to increase our capital position and bolster our loan loss reserve. Our sales and service initiatives continue to produce improvement in customer retention and customer acquisition. And, we are exceptionally pleased to have been recognized as the top Pennsylvania-based Bank in a recent customer satisfaction survey by J. D. Powers. We look forward to continuing our work during the next quarter to improve our performance and to the successful integration of Iron and Glass Bancorp, Inc. in August, pending the shareholder vote next week. And finally, we remain confident that our core strategies and capital position support the payment of our dividend, and as a result, the board announced the payment of a cash dividend of \$0.24 per share for the third quarter of 2008. This concludes our formal remarks.

Operator, you may now poll the audience for questions.

QUESTIONS ??

NEW: Thank you again for joining us today. A replay of the call will be available from 11:30 AM Eastern Time today, until midnight Eastern Time on August 5, 2008. 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.