



Transcript

Cynthia Christopher, Manager of Investor Relations

Thank you, Katherine. Good morning everyone.

This conference call of F.N.B. Corporation and the reports it files with the Securities and Exchange Commission often contain “forward-looking statements” relating to present or future trends or factors affecting the banking industry and, specifically, the financial operations, markets and products of F.N.B. Corporation.

These forward-looking statements involve certain risks and uncertainties.

There are a number of important factors that could cause F.N.B. Corporation's future results to differ materially from historical performance or projected performance.

These factors include, but are not limited to:

- A significant increase in competitive pressures among financial institutions;
- Changes in the interest rate environment that may reduce interest margins;
- Changes in prepayment speeds, loan sale volumes, charge-offs and loan loss provisions;
- General economic conditions;
- Legislative or regulatory changes that may adversely affect the businesses in which F.N.B. Corporation is engaged;
- Technological issues which may adversely affect F.N.B. Corporation's financial operations or customers;
- Changes in the securities markets or
- Risk factors mentioned in the reports and registration statements F.N.B. Corporation files with the Securities and Exchange Commission.

F.N.B. Corporation undertakes no obligation to revise these forward-looking statements or to reflect events or circumstances after the date of this call.

As a reminder, a replay of this call will be available until midnight on Tuesday, May 4, 2010 by dialing (888) 203-1112 or (719) 457-0820; the confirmation number is 6710049.

A transcript of this call will be posted, to the “Shareholder and Investor Relations” section of F.N.B. Corporation’s Web site, at www.F.N.B.corporation.com.

It is now my pleasure to turn the call over to Mr. Steve Gurgovits, President and CEO of F.N.B. Corporation. Steve?

Stephen J. Gurgovits, President and Chief Executive Officer

Thank you, Cindy.

Good morning, everyone. It is a pleasure to welcome you to our first quarter earnings call. Joining me today on the call are Vince Calabrese, our C.F.O. and Gary Guerrieri, our Chief Credit Officer. Vince will highlight our first quarter performance and Gary will review our asset quality.

Also with me today for the question and answer session are Brian Lilly our Chief Operating Officer and Vince Delie our Bank President.

Now to the first quarter. We are very pleased with our first quarter results. Our earnings for the quarter were 14 cents per diluted share. This is 2 cents per share higher than the consensus street estimate and an 85 basis point return on average tangible assets. Later in this presentation, Vince and Gary will elaborate more on these results.

During the quarter, we built on the momentum established during 2009 and continued to win new customers and gain market share. We remained focused on our organic growth opportunities. In doing so, we generated solid loan and deposit growth this quarter. Our core Pennsylvania commercial portfolio grew average loans 6.3% annualized. This commercial growth continues to represent mainly new client activity with the commercial team generating 39 significant new relationships with nearly \$130 million in new commitments during the quarter. We are extremely pleased with these results, considering that line usage is very low and existing customer demand remains soft.

Additionally, we are very pleased with the strong deposit growth we experienced during the first quarter. As a direct result of securing new personal and business relationships, we grew total average deposits and treasury management balances 9.4% annualized, with transaction balances growing 8.5%. Treasury management balances, benefiting from both organic growth and customers maintaining higher balances, experienced growth of 45.8% annualized in the first quarter. We increased our net number of business and personal checking accounts by nearly 1,800 during the quarter.

We are pleased with this and in large part attribute our success in attracting new clients to actions we have taken over the past few years. For example, we have been firmly committed to improving our sales management process and CRM platform. We have dedicated marketing resources to enhance F.N.B. brand awareness in key markets. These efforts, along with the development of our very good retail and commercial banking teams, drive our growth and allow us to take maximum advantage of the opportunities in our market.

Another contributing factor to this growth was real progress from several earlier initiatives. Last quarter the asset based lending team began to build a robust pipeline. They worked to build their own book of business as well as making joint

calls with commercial bankers. I am pleased to report that this momentum has continued and they are on pace to exceed 2010 production goals.

Our private banking initiative is also growing. This group is prospecting an upscale market segment as well as being the recipient of referrals from commercial and retail bankers. They have developed special marketing materials and products for this segment of the market. To date, it has been very well received.

These initiatives combined with the efforts of our experienced banking team, our increased calling efforts and successful marketing continues to build stronger brand awareness and win customer relationships. We look for this strategy to benefit us throughout the year.

Now, I would like to turn the call over to Gary for his remarks on asset quality.

Gary L. Guerrieri, Chief Credit Officer

Thank you Steve and good morning everyone. Looking at the first quarter, our credit metrics continue to trend as expected and are consistent with the guidance delivered during our fourth quarter call. Both the Pennsylvania and Regency portfolios continue to perform well in light of the current economic environment while the Florida portfolio remained stable through the period. Charge-offs reflect very solid results at 48 basis points, the lowest level in the past six quarters, and delinquency improved 9 basis points to stand at 3.19% as both early stage and 90+ delinquencies improved. Non-performing loans and OREO increased 20 basis points on a linked quarter basis, consistent with our expectations for the period. Additionally, we further strengthened our reserve position for our Pennsylvania and Florida portfolios as we continue through the credit cycle. As in the past, I will break down and review each portfolio with you in detail, beginning with the Florida portfolio.

At quarter end, our Florida portfolio is \$240 million or 4% of F.N.B.'s total loans, down \$3.5 million on a linked quarter basis. Non-performing assets at \$80 million are down

slightly. During the quarter, we strengthened our reserve position by 132 basis points to 9.43% of the Florida portfolio as the environment continues to remain challenging.

As it relates to Florida's composition, the land and land development segment remained consistent with the fourth quarter at 40% (or \$96 million) down \$2 million, and is down \$51 million year over year, a 35% reduction in exposure since the first quarter of 2009. The composition of the remaining income producing, construction, owner occupied and C&I portfolio segments are also consistent with the prior quarter. Unfunded commitments continue to decline, now at \$10 million, down nearly \$3 million since year-end. Year over year, our Florida exposure including unfunded has been reduced by 24%.

Our weighted average loan-to-value ratio for the portfolio improved by 1% to stand at 76%. As it specifically relates to the land and land development portfolio, our current outstanding balances are being carried at an average of 36% of the original appraised value post reserve, consistent with the prior quarter.

We continue to aggressively manage this portfolio with an ongoing focus of reducing our exposure. Investor interest and activity continues with a recent heightened level of focus on finished lot inventories across the market, which reflects positively as builder's position themselves for the early stages of a Florida recovery.

Moving to Regency Finance, we are very pleased with the strong performance of the portfolio as it delivered solid credit quality metrics during the quarter which exceeded our expectations. At quarter-end, the portfolio stands at \$157 million, representing 3% of our total loan portfolio. Net charge-offs improved 34 basis points from the prior quarter to 3.96% annualized and the reserve position remains strong at 4.20%. Delinquency has returned to historically good levels.

Let's now take a look at the Pennsylvania portfolio. At quarter-end, the portfolio stands at \$5.5 billion and represents 93% of F.N.B.'s total loan portfolio. We

continue to be pleased with its performance in light of the soft economy, as evidenced by strong charge-off performance at 34 basis points annualized, in line with last year's charge-off rate of 31 basis points. Additionally, delinquency is down slightly by 2 basis points to stand at 2.05%, which includes a \$3.6 million (or 36%) reduction in 90+ delinquencies.

Non-performing loans plus OREO stands at 1.65%, up 26 basis points from the prior quarter driven by a \$10.9 million increase in non-accrual loans and a \$3.7 million increase in restructured loans, \$2.0 million of which are restructured mortgages, representing nearly a half million less than the increase over the prior quarter as we continue to assist these customers. A little more than half of the increase in non-accruals was impacted by two relationships in our easternmost market, carrying minimal loss exposure. As it relates to the non-performing loans, \$21 million or 29% of the Pennsylvania non-accruals continue to be paid on a current basis. During the quarter, we strengthened our reserve position by 3 basis points to 1.46%.

Let's now take a look at each segment of the portfolio. Consistent with our strategy, our Pennsylvania commercial portfolio is up slightly at just over \$3 billion, now representing 52% of F.N.B.'s total loan portfolio. The breakdown of the portfolio remains consistent with the prior quarter.

The non-owner occupied portfolio at \$1.0 billion represents a third of the total Pennsylvania commercial portfolio. While it reflects slightly elevated metrics, with NPL's + OREO at 2.10%, up 13 basis points, and total delinquency at 2.28%, up 8 basis points, it continues to perform well.

Our total consumer related portfolio, which represents \$2.4 billion or nearly 42% of F.N.B.'s total loan portfolio, also continues to perform well with solid credit metrics across all categories. Delinquency improved 27 basis points to 1.40%, impacted by positive movement in both the consumer and mortgage segments while losses were up moderately over very solid levels in prior quarters to stand at 47 basis points. As

it relates to the mortgage portfolio, delinquency at 2.35% improved by 57 basis points over the fourth quarter. This continued solid performance is a direct result of our consistent underwriting and diligent oversight of the portfolio.

In summary, we continue to be pleased with the resilience of our Pennsylvania and Regency portfolios in what has been a challenging environment. Our focus in Florida remains unchanged, as that market continues to experience the effects of a difficult economy. The first quarter delivered satisfactory results including a number of positive metrics, as overall, early stage and 90+ delinquencies were all down, and charge-off activity was better than expected.

Assuming continued improvement in the economy, we would expect levels of non-performing assets, net charge-offs and provisioning for credit losses to be lower than 2009 levels but still elevated compared to historical levels, with the expectation that non-performing loans will crest near mid – late summer and begin to decline thereafter. We are encouraged by the signs of economic activity that have been reported by a number of clients, confirming that the recovery is underway.

We remain confident that our experienced team, consistent approach to underwriting, and attentive risk management practices will continue to serve us well.

I'd now like to turn the call over to Vince Calabrese, our Chief Financial Officer.

Vincent J. Calabrese, Chief Financial Officer

Thanks, Gary and good morning everyone.

We have addressed many of the first quarter details between last night's earnings release and the comments provided by Steve and Gary. Therefore, I will focus my remarks on a few additional highlights of our operating results and an update of our guidance.

First, we were pleased to report earnings that exceeded our quarterly dividend this quarter. In looking at our performance ratios, we are also pleased to have made good progress towards what we would consider normalized levels. While we are not declaring victory, with a return on tangible common equity of 14.43% and a return on tangible assets of 0.85%, these ratios reflect meaningful improvements over the last three quarters of 2009 and are what we would consider reasonable levels at this point in the economic cycle.

Now regarding the business drivers and turning to the balance sheet, let's begin with loans.

As Steve mentioned, we are pleased with the commercial loan growth we generated in the first quarter of 2010 and we look to continue building on the momentum we generated last year in our commercial business. Commercial pipelines at the end of the first quarter are at healthy levels supporting our growth expectations.

On the consumer loan front, while home equity products declined slightly in the first quarter, we do expect to see some growth in these products in the second quarter. Additionally, we expect some growth in residential mortgages, as we anticipate our private banking initiatives will contribute to both residential mortgages and home equity loans.

That being said, for total loans we are reaffirming our guidance for mid-single digits growth excluding the impact of continued reductions in the Florida portfolio. This is based on consensus forecasts for maintaining the economic recovery and that line utilization among existing customers will begin to trend upward later this year.

Looking at the funding side, we are very pleased with the first quarter total annualized growth in deposits and treasury management balances of 9.4%, compared to the fourth quarter. We expect to continue growing both transaction deposits and treasury management balances, further enhancing our funding mix.

While current quarter growth is running close to 10%, for the year as a whole we are reaffirming our guidance for mid-single digit growth.

On a linked quarter basis, the margin narrowed by three basis points in the first quarter reflecting growth in cash balances held at the Fed and lower investment yields reflecting current reinvestment rates and impacts from the mortgage agencies buying back delinquent loans. Given our success in improving our overall funding mix and generating solid loan and deposit growth, we expect continued growth in net interest income and look for the full year margin to be stable at current levels given our relatively neutral interest rate risk position.

I should also point out that we made a change in the components of the net interest margin calculation. With the Federal Reserve paying 25 basis points on balances held in the Fed account and with the prospect of the Fed increasing the rate paid on these balances, we have reclassified the Fed account into short-term investments. In the past, these balances were always included in Cash & Due from Banks on the balance sheet, which is not part of the margin calculation. We have also reclassified this account for the four quarters of 2009 so that we have an apples-to-apples comparison. On this basis, the first quarter 2010 margin of 3.74% is nine basis points higher than the first quarter 2009 level of 3.65%.

Regarding non-interest income, excluding the impairment charges, we saw a \$3.0 million overall increase in the first quarter compared to the prior quarter. This increase primarily reflects the gain on securities and recoveries on impaired loans previously acquired through acquisitions. These items were partially offset by seasonally lower service charge income and lower swap fee revenue. In the first quarter, our insurance income increased because of seasonal contingent fee revenue while our securities commissions declined due to the impact of low interest rates on sales of annuities while the fourth quarter benefited from our annual fall sales campaign.

Looking at the OTTI charges for the quarter, the impairment charges included in non-interest income were entirely due to pooled trust preferred securities with 83% of the charge related to two securities. These securities experienced additional deterioration in collateral performance that accelerated faster than what was projected, triggering the additional credit impairment charges. At the end of the quarter, we have 13 pools with an original cost of \$41 million, a book value of \$24 million and a fair value of \$7 million. The difference between the book value and fair value is reflected in equity at quarter end on an after-tax basis.

While there are a lot of moving parts in non-interest income, we reaffirm an expected run rate increase in the low single digits. We continue to expect to see an increase in wealth management revenue due to improved market conditions and some lift in service charge income resulting from continued growth in business and consumer deposits.

Lastly, regarding non-interest income, we did execute a strategy to enhance the balance sheet positioning for 2010. We sold \$56 million in investment securities with a book yield of 3.96% at a gain of \$2.3 million and prepaid \$59 million in FHLB borrowings with an effective rate of 3.93% at a charge of \$2.3 million. These items are included in non-interest income as security gains and other non-interest expense.

Non-interest expense for the first quarter, excluding OREO costs, FHLB prepayment penalties and fourth quarter net litigation costs, increased slightly reflecting the effect of seasonally higher benefits and occupancy costs. We continue to focus on expense control and reaffirm a projected efficiency ratio in the low 60% level for the remainder of the year.

Gary provided an excellent overview of our credit quality. We are pleased with the first quarter delivering credit quality results in line with our expectations.

Regarding our capital position, capital ratios are expected to exceed “well capitalized” thresholds throughout the year at levels consistent with year-end 2009 levels.

Steve that completes my remarks.

Stephen J. Gurgovits, President and Chief Executive Officer

Thank you, Vince. We are pleased with our solid first quarter results. Our experienced team remains focused on excellent customer service and new client acquisitions – and the results are real. As a proof point, I am pleased to share with you that F.N.B. has received both Regional and National awards from Greenwich Associates, the leading research based consulting firm. F.N.B. is a winner of the Regional Middle Market Banking Excellence Award. Additionally, we received the National and Regional Excellence Awards for Small Business Banking. These prestigious awards are determined through Greenwich’s independent interviews of thousands of companies and demonstrate the knowledge, experience and commitment of our bankers to serve their clients.

Greenwich also interviewed business decision makers about F.N.B. and competitors across our footprint. The results show that during 2009, F.N.B. firmly established our brand, grew considerable market share and that we are well positioned across leadership categories and other important attributes. In fact, out of lead relationships interviewed, 95% responded that they are likely to continue to conduct business in the future with F.N.B. and the majority stated that they would recommend F.N.B. We were pleased to see that these specific results are significantly higher than other large competitor banks presented in the study.

Nothing breeds success like success and our staff is certainly experiencing significant wins. We are positioned to continue this momentum throughout 2010.

I will now ask the operator to poll the audience for any questions.

Stephen J. Gurgovits, President and Chief Executive Officer (After Q&A)

I want to thank everyone for joining us this morning and for your continued interest in F.N.B. Corporation. We've enjoyed the call and we hope you have a good day.

Thank you.