FNB CORP/FL/
Form 10-Q
November 08, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2007

o **Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
For the transition period from ____________________ to __________________

Commission file number 001-31940
F.N.B. CORPORATION
(Exact name of registrant as specified in its charter)

Florida	**25-1255406**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One F.N.B. Boulevard, Hermitage, PA	**16148**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code**: 724-981-6000**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2007
Common Stock, $0.01 Par Value	60,555,834 Shares

F.N.B. CORPORATION
FORM 10-Q
September 30, 2007
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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Dollars in thousands, except par value

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and due from banks	$ 132,956	$ 122,362
Interest bearing deposits with banks	2,553	1,472
Securities available for sale	308,009	258,279
Securities held to maturity (fair value of $717,436 and $766,295)	727,950	776,079
Mortgage loans held for sale	7,131	3,955
Loans, net of unearned income of $24,724 and $26,704	4,358,604	4,253,144
Allowance for loan losses	(52,122)	(52,575)
Net Loans	4,306,482	4,200,569
Premises and equipment, net	82,977	86,532
Goodwill	242,120	242,479
Core deposit and other intangible assets, net	20,543	23,859
Bank owned life insurance	133,953	131,391
Other assets	159,500	160,615
Total Assets	$ 6,124,174	$ 6,007,592
Liabilities		
Deposits:		
Non-interest bearing demand	$ 659,352	$ 654,617
Savings and NOW	2,090,065	1,944,707
Certificates and other time deposits	1,734,767	1,773,518
Total Deposits	4,484,184	4,372,842
Short-term borrowings	451,188	363,910
Long-term debt	433,691	519,890
Junior subordinated debt owed to unconsolidated subsidiary trusts	151,031	151,031
Other liabilities	62,487	62,547
Total Liabilities	5,582,581	5,470,220
Stockholders Equity		
Common stock $0.01 par value		
Authorized 500,000,000 shares		
Issued 60,601,818 and 60,451,533 shares	602	601
Additional paid-in capital	507,959	506,024
Retained earnings	39,986	33,321
Accumulated other comprehensive loss	(6,163)	(1,546)
Treasury stock 45,984 and 57,254 shares at cost	(791)	(1,028)

Total Stockholders Equity		541,593		537,372
Total Liabilities and Stockholders Equity	$	6,124,174	$	6,007,592

See accompanying Notes to Consolidated Financial Statements

F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Dollars in thousands, except per share data
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Interest Income				
Loans, including fees	$ 81,392	$ 76,838	$ 238,048	$ 210,725
Securities:				
Taxable	10,971	11,690	32,899	35,943
Nontaxable	1,462	1,231	4,280	3,492
Dividends	59	114	231	426
Other	65	703	598	1,076
Total Interest Income	93,949	90,576	276,056	251,662
Interest Expense				
Deposits	32,111	29,862	93,686	76,306
Short-term borrowings	5,264	4,133	14,450	11,354
Long-term debt	4,651	5,453	14,276	15,519
Junior subordinated debt owed to unconsolidated subsidiary trusts	2,765	2,761	8,217	7,604
Total Interest Expense	44,791	42,209	130,629	110,783
Net Interest Income	49,158	48,367	145,427	140,879
Provision for loan losses	3,776	2,428	7,461	7,883
Net Interest Income After Provision for Loan Losses	45,382	45,939	137,966	132,996
Non-Interest Income				
Service charges	10,286	10,234	30,116	30,113
Insurance commissions and fees	3,301	3,412	10,950	10,751
Securities commissions and fees	1,595	1,329	4,521	3,584
Trust	2,109	2,013	6,389	5,716
Gain on sale (loss on impairment) of securities	(7)	510	1,037	1,397
Gain on sale of mortgage loans	455	465	1,181	1,163
Bank owned life insurance	1,028	889	3,018	2,489
Other	915	1,159	3,761	4,766
Total Non-Interest Income	19,682	20,011	60,973	59,979
Non-Interest Expense				
Salaries and employee benefits	22,030	20,991	65,771	63,450
Net occupancy	3,623	3,424	11,094	10,264
Equipment	3,244	3,462	9,902	10,055
Amortization of intangibles	1,099	1,180	3,305	3,140

Other	11,282	11,567	34,924	34,210
Total Non-Interest Expense	41,278	40,624	124,996	121,119
Income Before Income Taxes	23,786	25,326	73,943	71,856
Income taxes	6,162	7,707	21,327	21,800
Net Income	$ 17,624	$ 17,619	$ 52,616	$ 50,056
Net Income per Common Share				
Basic	$ 0.29	$ 0.29	$ 0.88	$ 0.86
Diluted	0.29	0.29	0.87	0.85
Cash Dividends per Common Share	0.24	0.235	0.71	0.705

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
Dollars in thousands
Unaudited

	Comprehensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Stock Compensation	Treasury Stock	Total
Balance at January 1, 2007		$ 601	$ 506,024	$ 33,321	$ (1,546)		$ (1,028)	$ 537,372
Net income	$ 52,616			52,616				52,616
Change in other comprehensive loss	(4,617)				(4,617)			(4,617)
Comprehensive income	$ 47,999							
Cash dividends declared:								
Common stock $0.71/share				(42,919)				(42,919)
Purchase of common stock							(9,175)	(9,175)
Issuance of common stock		1	69	(1,858)			9,412	7,624
Restricted stock compensation			1,284					1,284
Tax benefit of stock-based compensation			582					582
Cumulative effect of change in accounting for uncertainties in income taxes (FIN 48 see the Income Taxes note)				(1,174)				(1,174)
Balance at September 30, 2007		$ 602	$ 507,959	$ 39,986	$ (6,163)		$ (791)	$ 541,593
Balance at January 1, 2006		$ 575	$ 454,546	$ 24,376	$ 3,597	$ (4,154)	$ (1,738)	$ 477,202
Net income	$ 50,056			50,056				50,056
Change in other comprehensive loss	(986)				(986)			(986)

Comprehensive income	$ 49,070							
Cash dividends declared:								
Common stock $0.705/share				(41,174)				(41,174)
Purchase of common stock							(6,141)	(6,141)
Issuance of common stock		28	52,322	(977)			7,387	58,760
Restricted stock compensation			882					882
Tax benefit of stock-based compensation			369					369
Reclassification arising from the adoption of FAS 123R		(3)	(4,151)			4,154		
Balance at September 30, 2006		$ 600	$ 503,968	$ 32,281	$ 2,611	$	$ (492)	$ 538,968

See accompanying Notes to Consolidated Financial Statements

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F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in thousands
Unaudited

	Nine Months Ended September 30,	
	2007	**2006**
Operating Activities		
Net income	$ 52,616	$ 50,056
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation, amortization and accretion	10,285	11,401
Provision for loan losses	7,461	7,883
Deferred taxes	2,996	479
Net gain on sale of securities	(1,037)	(1,397)
Gain on sale of loans	(1,181)	(1,163)
Proceeds from sale of loans	86,499	77,589
Loans originated for sale	(88,494)	(75,394)
Tax benefit of stock-based compensation	(582)	(369)
Net change in:		
Interest receivable	(2,362)	(4,680)
Interest payable	(186)	1,389
Other, net	3,735	10,028
Net cash flows provided by operating activities	69,750	75,822
Investing Activities		
Net change in:		
Interest bearing deposits with banks	(1,081)	(504)
Loans	(114,801)	(207,214)
Bank owned life insurance	(2,562)	340
Securities available for sale:		
Purchases	(189,343)	(3,751)
Sales	3,162	25,435
Maturities	133,969	5,230
Securities held to maturity:		
Purchases	(51,075)	
Maturities	98,625	85,095
Increase in premises and equipment	(3,203)	(3,117)
Net cash paid for mergers and acquisitions		(17,079)
Net cash flows used in investing activities	(126,309)	(115,565)
Financing Activities		
Net change in:		
Non-interest bearing deposits, savings and NOW accounts	150,094	140,181

Time deposits	(38,752)	4,141
Short-term borrowings	87,278	(58,565)
Proceeds from the issuance of junior subordinated debt owed to unconsolidated subsidiary trusts		22,165
Increase in long-term debt	112,249	23,787
Decrease in long-term debt	(198,447)	(58,011)
Purchase of common stock	(9,175)	(6,141)
Issuance of common stock	6,243	4,262
Tax benefit of stock-based compensation	582	369
Cash dividends paid	(42,919)	(41,174)
Net cash flows provided by financing activities	67,153	31,014
Net Increase in Cash and Due from Banks	10,594	(8,729)
Cash and due from banks at beginning of period	122,362	131,604
Cash and Due from Banks at End of Period	$ 132,956	$ 122,875

See accompanying Notes to Consolidated Financial Statements

F.N.B. CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2007

BUSINESS

F.N.B. Corporation (the Corporation) is a diversified financial services company headquartered in Hermitage, Pennsylvania. Its primary businesses include commercial and retail banking, consumer finance, asset management and insurance. The Corporation operates its commercial and retail banking business through a full service branch network in Pennsylvania and Ohio and loan production offices in Florida and Tennessee. It also conducts selected consumer finance business in Pennsylvania, Ohio and Tennessee.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of the Corporation and its subsidiaries. The Corporation owns and operates First National Bank of Pennsylvania (FNBPA), First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency Finance Company (Regency) and F.N.B. Capital Corporation, LLC.

The accompanying consolidated financial statements include all adjustments, consisting only of normal recurring accruals that are necessary, in the opinion of management, to fairly reflect the Corporation s financial position and results of operations. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The interim operating results are not necessarily indicative of operating results for the full year. These interim statements should be read in conjunction with the audited consolidated financial statements and notes thereto, included in the Corporation s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

The Corporation s consolidated financial statements include subsidiaries in which the Corporation has a controlling financial interest. Investments in companies in which the Corporation controls operating and financing decisions (principally defined as owning a voting or economic interest greater than 50%) are consolidated. Variable interest entities are consolidated if the Corporation is exposed to the majority of the variable interest entity s expected losses and/or residual returns (i.e., the Corporation is considered to be the primary beneficiary).

USE OF ESTIMATES

The accounting and reporting policies of the Corporation conform with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates. Material estimates that are particularly susceptible to significant changes include the allowance for loan losses.

MERGERS AND ACQUISITIONS

On May 26, 2006, the Corporation completed its acquisition of The Legacy Bank (Legacy), a commercial bank and trust company headquartered in Harrisburg, Pennsylvania, with $375.1 million in assets, including $294.4 million in loans and $256.5 million in deposits. Consideration paid by the Corporation totaled $72.4 million comprised primarily of 2,682,053 shares of the Corporation s common stock and $21.1 million in exchange for 3,831,505 shares of Legacy common stock. At the time of the acquisition, Legacy was merged into FNBPA. Based on the purchase price allocation, the Corporation recorded $46.4 million in goodwill and $4.3 million in core deposit intangible as a result of the acquisition. None of the goodwill is deductible for income tax purposes.

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The assets and liabilities of Legacy were recorded on the balance sheet at their estimated fair values as of the acquisition date. The Corporation s consolidated financial statements include the results of operations of Legacy from the acquisition date.

NEW ACCOUNTING STANDARDS

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Board Statement (FAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* which allows companies to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a company may elect the fair value option for an eligible financial asset or financial liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A company may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A company s decision to elect the fair value option for an eligible item is irrevocable. The Corporation will be required to apply the new guidance prospectively beginning January 1, 2008. The Corporation is currently evaluating the effect, if any, that the adoption of FAS 159 will have on its consolidated financial statements.

Employers Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued FAS 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans,* which amends FAS 87 and FAS 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under FAS 158, gains and losses, prior service costs and credits and any remaining transition amounts under FAS 87 and FAS 106 that have not yet been recognized through net periodic benefit cost are recognized in accumulated other comprehensive income, net of taxes, until they are amortized as a component of net periodic cost. The Corporation complied with the requirement under FAS 158 to measure plan assets and benefit obligations as of December 31, 2006 resulting in a $4.7 million reduction to equity within accumulated other comprehensive income, a decrease in prepaid pension asset of $9.4 million and a decrease in accrued postretirement benefit obligation of $1.5 million.

Fair Value Measurements

In September 2006, the FASB issued FAS 157, *Fair Value Measurements,* which replaces the different definitions of fair value in existing accounting literature with a single definition, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The statement clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Corporation will be required to apply the new guidance prospectively beginning January 1, 2008. The Corporation is currently evaluating the effect, if any, that the adoption of FAS 157 will have on its consolidated financial statements.

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FAS Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes.* FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FAS 109, *Accounting for Income Taxes.* FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Corporation adopted FIN 48 effective January 1, 2007. Details relating to the adoption of FIN 48 and the impact on the Corporation s consolidated financial statements are more fully discussed in the note under the caption Income Taxes.

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SECURITIES

Following is a summary of the fair value of securities available for sale (in thousands):

	September 30, 2007	December 31, 2006
U.S. Treasury and other U.S. government agencies and corporations	$ 124,561	$ 143,441
Mortgage-backed securities of U.S. government agencies	75,978	27,184
States of the U.S. and political subdivisions	54,799	37,028
Corporate debt securities	47,265	40,929
Total debt securities	302,603	248,582
Equity securities	5,406	9,697
	$ 308,009	$ 258,279

Following is a summary of the amortized cost of securities held to maturity (in thousands):

	September 30, 2007	December 31, 2006
U.S. Treasury and other U.S. government agencies and corporations	$ 84,537	$ 89,378
Mortgage-backed securities of U.S. government agencies	531,871	559,658
States of the U.S. and political subdivisions	104,006	112,226
Corporate and other debt securities	7,536	14,817
	$ 727,950	$ 776,079

The Corporation sold $2.9 million of securities at a gain of $1.0 million during the nine months ended September 30, 2007 and sold $25.4 million of securities at a gain of $1.4 million during the nine months ended September 30, 2006. During the nine months ended September 30, 2007, the Corporation also recognized a gain of $0.1 million relating to $6.6 million of called securities and a loss of $0.1 million due to the write-down to market value of an equity security of a company that was acquired. None of the security sales during 2007 or 2006 were at a loss.

Securities are periodically reviewed for other-than-temporary impairment based upon a number of factors, including, but not limited to, length of time and extent to which the market value has been less than cost, financial condition of the underlying issuer, ability of the issuer to meet contractual obligations, likelihood of the security s ability to recover any decline in its market value and management s intent and ability to retain the security for a period of time sufficient to allow for recovery in market value or maturity. Among the factors that are considered in determining intent and ability is a review of the Corporation s capital adequacy, interest rate risk position and liquidity. The assessment of a security s ability to recover any decline in market value, the ability of the issuer to meet contractual obligations and management s intent and ability requires considerable judgment. A decline in value that is considered to be other-than-temporary is recorded as a loss within non-interest income in the consolidated statement of income.

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Following are summaries of securities by the age of unrealized losses and the associated fair value (in thousands):
Securities available for sale:

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2007						
Mortgage-backed securities of U.S. government agencies	$	$	$ 23,434	$ (402)	$ 23,434	$ (402)
States of the U.S. and political subdivisions	34,910	(856)	631	(2)	35,541	(858)
Corporate debt securities	34,412	(1,203)	3,784	(239)	38,196	(1,442)
Equity securities	4,258	(246)	17	(5)	4,275	(251)
	$ 73,580	$ (2,305)	$ 27,866	$ (648)	$ 101,446	$ (2,953)

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2006						
U.S. Treasury and other U.S. government agencies and corporations	$ 88,537	$ (91)	$ 54,904	$ (57)	$ 143,441	$ (148)
Mortgage-backed securities of U.S. government agencies			25,602	(296)	25,602	(296)
States of the U.S. and political subdivisions	12,031	(107)	1,135	(3)	13,166	(110)
Corporate debt securities	6,971	(57)	9,077	(30)	16,048	(87)
Equity securities	301	(9)	152	(6)	453	(15)
	$ 107,840	$ (264)	$ 90,870	$ (392)	$ 198,710	$ (656)

Securities held to maturity:

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2007						
U.S. Treasury and other U.S. government agencies and corporations	$	$	$ 46,433	$ (10)	$ 46,433	$ (10)
Mortgage-backed securities of U.S. government agencies	164,099	(774)	339,080	(8,746)	503,179	(9,520)

States of the U.S. and political subdivisions	14,700		(119)	77,653		(1,035)	92,353		(1,154)
Corporate debt securities				296		(1)	296		(1)
	$ 178,799	$	(893)	$ 463,462	$	(9,792)	$ 642,261	$	(10,685)

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	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2006						
U.S. Treasury and other U.S. government agencies and corporations	$ 87,591	$ (279)	$ 979	$ (21)	$ 88,570	$ (300)
Mortgage-backed securities of U.S. government agencies	67,397	(122)	410,078	(8,808)	477,475	(8,930)
States of the U.S. and political subdivisions	2,611	(8)	80,232	(834)	82,843	(842)
Corporate debt securities	3,683	(4)	8,614	(225)	12,297	(229)
	$ 161,282	$ (413)	$ 499,903	$ (9,888)	$ 661,185	$ (10,301)

As of September 30, 2007, securities with unrealized losses for less than 12 months include 12 investments in mortgage-backed securities of U.S. government agencies, 62 investments in states of the U.S. and political subdivision securities, 16 investments in corporate debt securities and 4 investments in equity securities. As of September 30, 2007, securities with unrealized losses of greater than 12 months include 5 investments in U.S. Treasury and other U.S. government agencies and corporations securities, 78 investments in mortgage-backed securities of U.S. government agencies, 96 investments in states of the U.S. and political subdivision securities, 6 investments in corporate debt securities and 1 investment in an equity security. The Corporation has concluded that the decline in market value is due to changes in market interest rates and that it has both the intent and ability to hold these securities to maturity or for the time necessary to recover any decline in market value and as such these unrealized losses have been deemed temporary and no impairment loss has been recognized in the Corporation s consolidated statement of income.

BORROWINGS

Following is a summary of short-term borrowings (in thousands):

	September 30, 2007	December 31, 2006
Securities sold under repurchase agreements	$ 254,156	$ 252,064
Subordinated notes	117,782	108,118
Federal funds purchased	79,000	
Other short-term borrowings	250	3,728
	$ 451,188	$ 363,910

Following is a summary of long-term debt (in thousands):

	September 30, 2007	December 31, 2006
Federal Home Loan Bank advances	$ 381,447	$ 469,064

Subordinated notes	51,328	49,808
Convertible debt	663	705
Other long-term debt	253	313
	$ 433,691	$ 519,890

The Corporation s banking affiliate has available credit with the Federal Home Loan Bank (FHLB) of $1.9 billion, of which $381.4 million was used as of September 30, 2007. These advances are secured by loans collateralized by 1-4 family mortgages and the security portfolio and are scheduled to mature in various amounts periodically through the year 2017. Effective interest rates on these advances range from 2.79% to 5.75% at both September 30, 2007 and December 31, 2006.

JUNIOR SUBORDINATED DEBT OWED TO UNCONSOLIDATED SUBSIDIARY TRUSTS

The Corporation has two unconsolidated subsidiary trusts (collectively, the Trusts), F.N.B. Statutory Trust I (Statutory Trust I) and F.N.B. Statutory Trust II (Statutory Trust II), of which 100% of the common equity of each is owned by the Corporation. The Trusts are not consolidated because the Corporation is not the primary beneficiary, as evaluated under FIN 46. The Trusts were formed for the purpose of issuing Corporation-obligated mandatorily redeemable capital securities (trust preferred securities) to third-party investors. The proceeds from the sale of trust preferred securities and the issuance of common equity by the Trusts were invested in junior subordinated debt securities (subordinated debt) issued by the Corporation, which are the sole assets of each Trust. The Trusts pay dividends on the trust preferred securities at the same rate as the distributions paid by the Corporation on the junior subordinated debt held by the Trusts.

Distributions on the subordinated debt issued to the Trusts are recorded as interest expense by the Corporation. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debt. The subordinated debt, net of the Corporation s investment in the Trusts, qualifies as Tier 1 capital under the Board of Governors of the Federal Reserve System (Federal Reserve Board) guidelines. The Corporation has entered into agreements which, when taken collectively, fully and unconditionally guarantee the obligations under the trust preferred securities subject to the terms of each of the guarantees.

The trust preferred securities of Statutory Trust I bear interest at a floating rate per annum equal to the three-month London Inter-Bank Offered Rate (LIBOR) plus 325 basis points. The interest rate in effect at September 30, 2007 was 8.61%. The subordinated debt of $128.9 million issued to Statutory Trust I is first redeemable, in whole or in part, by the Corporation on or after March 31, 2008 and matures on March 31, 2033.

The trust preferred securities of Statutory Trust II bear interest at a fixed rate per annum equal to 7.17% through June 15, 2011, at which time the issue converts to a floating rate equal to the three-month LIBOR plus 165 basis points. The subordinated debt of $22.2 million issued to Statutory Trust II is first redeemable, in whole or in part, by the Corporation on or after June 15, 2011 and matures on June 15, 2036.

INTEREST RATE SWAPS

In February 2005, the Corporation entered into an interest rate swap with a notional amount of $125.0 million, whereby it pays a fixed rate of interest and receives a variable rate based on LIBOR. The effective date of the swap was January 3, 2006 and the maturity date of the swap is March 31, 2008. The interest rate swap is a designated cash flow hedge designed to convert the variable interest rate to a fixed rate on $125.0 million of subordinated debt. The swap is considered to be highly effective and assessment of the hedging relationship is evaluated under Derivative Implementation Group Issue No. G7 using the hypothetical derivative method. At September 30, 2007, the swap had a fair value of $0.5 million which has been recorded in other assets, and other comprehensive loss, net of tax.

During 2006, the Corporation implemented an interest rate swap program for commercial loans. In effect, the program provides the customer with fixed rate loans while creating a variable rate asset for the Corporation. The notional amount of swaps under this program totalled $28.8 million as of September 30, 2007.

COMMITMENTS, CREDIT RISK AND CONTINGENCIES

The Corporation has commitments to extend credit and standby letters of credit that involve certain elements of credit risk in excess of the amount stated in the consolidated balance sheet. The Corporation s exposure to credit loss in the event of non-performance by the customer is represented by the contractual amount of those instruments. The credit risk associated with commitments to extend credit and standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal credit policies. Since many of these commitments expire without being drawn upon, the total commitment amounts do not necessarily represent future cash flow requirements.

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Following is a summary of off-balance sheet credit risk information (in thousands):

	September 30, 2007	December 31, 2006
Commitments to extend credit	$913,541	$879,707
Standby letters of credit	72,493	91,685

At September 30, 2007, funding of approximately 79.1% of the commitments to extend credit was dependent on the financial condition of the customer. The Corporation has the ability to withdraw such commitments at its discretion. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Based on management s credit evaluation of the customer, collateral may be deemed necessary. Collateral requirements vary and may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation that may require payment at a future date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. The obligations are not recorded in the Corporation s consolidated financial statements. The Corporation s exposure to credit loss in the event the customer does not satisfy the terms of the agreement equals the notional amount of the obligation less the value of any collateral.

The Corporation and its subsidiaries are involved in various pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. These actions include claims brought against the Corporation and its subsidiaries where the Corporation acted as one or more of the following: a depository bank, lender, underwriter, fiduciary, financial advisor, broker or was engaged in other business activities. Although the ultimate outcome for any asserted claim cannot be predicted with certainty, the Corporation believes that it and its subsidiaries have valid defenses for all asserted claims. Reserves are established for legal claims when losses associated with the claims are judged to be probable and the amount of the loss can be reasonably estimated.

Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Corporation does not anticipate, at the present time, that the aggregate liability, if any, arising out of such legal proceedings will have a material adverse effect on the Corporation s consolidated financial position. However, the Corporation cannot determine whether or not any claims asserted against it will have a material adverse effect on its consolidated results of operations in any future reporting period. It is possible, in the event of unexpected future developments, that the ultimate resolution of these matters, if unfavorable, may be material to the Corporation s consolidated results of operations for a particular period.

EARNINGS PER SHARE

Basic earnings per common share is calculated by dividing net income by the weighted average number of shares of common stock outstanding net of unvested shares of restricted stock.

Diluted earnings per common share is calculated by dividing net income adjusted for interest expense on convertible debt by the weighted average number of shares of common stock outstanding, adjusted for the dilutive effect of potential common shares issuable for stock options, warrants, restricted shares and convertible debt. Such adjustments to the weighted average number of shares of common stock outstanding are made only when such adjustments dilute earnings per common share.

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The following table sets forth the computation of basic and diluted earnings per share (dollars in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income basic earnings per share	$ 17,624	$ 17,619	$ 52,616	$ 50,056
Interest expense on convertible debt	5	10	17	14
Net income after assumed conversion diluted earnings per share	$ 17,629	$ 17,629	$ 52,633	$ 50,070
Basic weighted average common shares outstanding	60,154,574	59,923,906	60,129,145	58,456,628
Net effect of dilutive stock options, warrants, restricted stock and convertible debt	485,912	603,882	503,231	496,175
Diluted weighted average common shares outstanding	60,640,486	60,527,788	60,632,376	58,952,803
Basic earnings per share	$ 0.29	$ 0.29	$ 0.88	$ 0.86
Diluted earnings per share	$ 0.29	$ 0.29	$ 0.87	$ 0.85

STOCK INCENTIVE PLANS

Restricted Stock

The Corporation awards restricted shares of common stock to key employees under its Incentive Compensation Plans (Plans). The grant date fair value of the restricted shares is equal to the price of the Corporation s common stock on the grant date. The Corporation has available up to 3,024,118 shares of common stock to issue under these Plans.

Under the Plans, approximately half of the shares awarded to management are earned if the Corporation meets or exceeds certain financial performance results when compared to its peers. These performance-related shares are expensed ratably from the date that the likelihood of meeting the performance measure is probable through the end of a four-year vesting period. The service-based shares are expensed ratably over a three-year vesting period. The Corporation also issues discretionary service-based awards to certain employees that vest over five years.

The unvested shares of restricted stock are eligible to receive cash dividends which are used to purchase additional shares of stock. The additional shares of stock are subject to forfeiture if the requisite service period is not completed or the specified performance criteria are not met. These awards are subject to certain accelerated vesting provisions upon retirement, death, disability or in the event of a change of control as defined in the Plans.

Share-based compensation expense recognized under FAS 123R, *Share-Based Payment,* related to restricted stock awards was $1.3 million and $0.9 million for the nine months ended September 30, 2007 and 2006, respectively.

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The following table summarizes certain information concerning restricted stock awards:

	Nine Months Ended September 30,			
	2007		2006	
	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Unvested shares outstanding at beginning of period	302,264	$18.54	296,457	$18.52
Granted	146,885	16.13		
Vested	(54,448)	18.56	(10,996)	15.34
Forfeited	(4,254)	17.97	(1,398)	18.87
Dividend reinvestment	12,701	16.74	12,363	16.49
Unvested shares outstanding at end of period	403,148	17.61	296,426	18.55

As of September 30, 2007, there was $3.7 million of unrecognized compensation cost related to unvested restricted stock awards granted including $1.7 million that is subject to accelerated vesting under the plan s immediate vesting upon retirement provision for awards granted prior to the adoption of FAS 123R. The components of the restricted stock awards as of September 30, 2007 are as follows (dollars in thousands):

	Service-Based Awards	Performance-Based Awards	Total
Unvested shares	183,090	220,058	403,148
Unrecognized compensation expense	$ 1,471	$ 2,232	$ 3,703
Intrinsic value	$ 3,028	$ 3,640	$ 6,668
Weighted average remaining life (in years)	2.2	2.4	2.3

Stock Options

There were no stock options granted during the nine months ended September 30, 2007 or 2006. All outstanding stock options have been granted at prices equal to the fair market value at the date of the grant and are primarily exercisable within ten years from the date of the grant and were fully vested as of January 1, 2006.

The following table summarizes certain information concerning stock option awards:

	Nine Months Ended September 30,			
	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding at beginning of period	1,450,225	$11.69	1,622,864	$11.54
Assumed in acquisitions			224,351	11.63
Exercised	(301,456)	11.48	(221,769)	10.57
Options outstanding and exercisable at end of period	1,148,769	11.75	1,625,446	11.69

The intrinsic value of outstanding and exercisable stock options at September 30, 2007 was $5.9 million.

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RETIREMENT AND OTHER POSTRETIREMENT BENEFIT PLANS

The Corporation sponsors the F.N.B. Corporation Retirement Income Plan (RIP), a qualified noncontributory defined benefit pension plan covering substantially all salaried employees. The RIP covers employees who satisfy minimum age and length of service requirements. At the end of the second quarter of 2006, the Corporation amended the RIP to provide that effective January 1, 2007, benefits are earned based on the employee s compensation each year. The plan amendment resulted in a remeasurement that produced a net unrecognized service credit of $14.0 million, which is being amortized over the average period of future service of active employees of 13.5 years. Benefits of the RIP for service provided through December 31, 2006 are generally based on years of service and an employee s highest compensation for five consecutive years during the employee s last ten years of employment. The Corporation s funding policy has been to make annual contributions to the RIP each year, if necessary, such that minimum funding requirements have been met. Based on the funded status of the plan and the 2006 plan amendment, the Corporation does not expect to make contributions to the RIP in 2007.

The Corporation also sponsors two supplemental non-qualified retirement plans. The ERISA Excess Retirement Plan provides retirement benefits equal to the difference, if any, between the maximum benefit allowable under the Internal Revenue Code and the amount that would be provided under the RIP, if no limits were applied. The Basic Retirement Plan (BRP) is applicable to certain officers who are designated by the Board of Directors. Officers participating in the BRP receive a benefit based on a target benefit percentage based on years of service at retirement and designated tier as determined by the Board of Directors. When a participant retires, the basic benefit under the BRP is a monthly benefit equal to the target benefit percentage times the participant s highest average monthly cash compensation during five consecutive calendar years within the last ten calendar years of employment. This monthly benefit is reduced by the monthly benefit the participant receives from Social Security and the RIP.

The net periodic benefit cost for the defined benefit plans includes the following components (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Service cost	$ 786	$ 851	$ 2,483	$ 3,260
Interest cost	1,548	1,411	4,636	4,878
Expected return on plan assets	(2,141)	(1,911)	(6,426)	(5,931)
Amortization:				
Unrecognized net transition asset	(23)	(22)	(70)	(69)
Unrecognized prior service (credit) cost	(272)	(271)	(817)	(254)
Unrecognized loss	222	235	653	1,038
Net periodic pension benefit cost	$ 120	$ 293	$ 459	$ 2,922

The net periodic pension cost decreased for the nine months ended September 30, 2007, compared to the same period in 2006, due to lower service and interest costs, higher expected return on plan assets and the amortization of the unrecognized service credit primarily resulting from the RIP amendment at the end of the second quarter of 2006.

The Corporation s subsidiaries participate in a qualified 401(k) defined contribution plan under which eligible employees may contribute a percentage of their salary. The Corporation matches 50 percent of an eligible employee s contribution on the first 6 percent that the employee defers. Employees are generally eligible to participate upon completing 90 days of service and having attained age 21. As an offset to the decrease in RIP benefits, beginning in the first quarter of 2007, the Corporation began making an automatic two percent contribution and may make an additional contribution of up to two percent depending on the Corporation achieving its performance goals for the plan year. As a result, the Corporation s contribution expense of $2.3 million for the nine months ended September 30, 2007 increased by $1.1 million from $1.2 million for the nine months ended September 30, 2006.

The Corporation sponsors a pre-Medicare eligible postretirement medical insurance plan for retirees of certain affiliates between the ages of 62 and 65. At the end of the second quarter of 2006, the Corporation amended the plan to provide that only employees who are age 60 or older as of January 1, 2007 are eligible for coverage. The postretirement plan amendment resulted in a remeasurement that produced a net unrecognized service credit of $2.7 million which is being amortized over the remaining service period of eligible employees of 1.3 years. The Corporation has no plan assets attributable to this plan and funds the benefits as claims arise. Benefit costs related to this plan are recognized in the periods in which employees provide the service for such benefits. The Corporation reserves the right to terminate the plan or make additional plan changes at any time.

The net periodic postretirement benefit credit includes the following components (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Service cost	$ 15	$ 17	$ 42	$ 205
Interest cost	34	41	100	211
Amortization:				
Unrecognized net transition asset				17
Unrecognized prior service credit	(421)	(533)	(1,262)	(518)
Net periodic postretirement benefit credit	$ (372)	$ (475)	$ (1,120)	$ (85)

The net periodic postretirement benefit credit increased for the nine months ended September 30, 2007, compared to the same period in 2006, due to lower service and interest costs and the amortization of the unrecognized service credit resulting from the postretirement plan amendment at the end of the second quarter of 2006.

INCOME TAXES

The Corporation adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes,* on January 1, 2007. As a result of the implementation of FIN 48, the Corporation recognized an increase of $1.2 million in the liability for unrecognized tax benefits including $0.1 million related to interest. The cumulative effect of adoption was accounted for as a decrease to the January 1, 2007 balance of retained earnings. On January 1, 2007, the Corporation s unrecognized tax benefits totaled $3.6 million, of which $0.3 million relates to interest and $2.7 million relates to tax positions, the recognition of which would affect the Corporation s effective income tax rate.

Income tax expense and the effective tax rate for the three- and nine-month periods ended September 30, 2007 was favorably impacted by $0.9 million due to the successful resolution of a previously uncertain tax position in the current period. The lower effective tax rate for the three- and nine-month periods ended September 30, 2007 also reflected increases in tax-exempt investments and loans and excludable dividend income on bank owned life insurance.

As of September 30, 2007, the liability for unrecognized tax benefits totaled $2.6 million, of which $0.2 million relates to interest and $1.9 million relates to tax positions, the recognition of which would affect the Corporation s effective income tax rate. The Corporation recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. To the extent interest is not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

The Corporation files numerous consolidated and separate income tax returns in the United States federal jurisdiction and in several state jurisdictions. The Corporation is no longer subject to U.S. federal income tax examinations for years prior to 2004. However, the Corporation s 2004 and 2005 federal tax returns are presently under examination. With limited exception, the Corporation is no longer subject to state income tax examinations for years prior to 2003 and state income tax returns for 2003 through 2006 are currently subject to examination. Management does not anticipate that federal or state examinations will result in an unfavorable material change to its financial position or results of operations. However, it is reasonably possible that a reduction in the unrecognized tax benefit of up to $0.4 million may occur in the next twelve months from the outcome of examinations and/or the

expiration of statutes of limitations which would result in a reduction in income taxes.

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COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	$ 17,624	$ 17,619	$ 52,616	$ 50,056
Other comprehensive loss:				
Unrealized gains (losses) on securities:				
Arising during the period	409	759	(2,048)	(162)
Less: reclassification adjustment for gains included in net income		(332)	(674)	(908)
Unrealized (loss) gain on swap	(342)	(756)	(637)	84
Pension and postretirement amortization	(606)		(1,258)	
Minimum pension liability adjustment		42		
Other comprehensive loss	(539)	(287)	(4,617)	(986)
Comprehensive income	$ 17,085	$ 17,332	$ 47,999	$ 49,070

The accumulated balances related to each component of other comprehensive income (loss) are as follows (in thousands):

September 30	2007	2006
Unrealized (losses) gains on securities	$ (99)	$ 2,426
Unrealized gain on swap	336	1,056
Unrecognized pension and postretirement obligations	(6,400)	
Minimum pension liability adjustment		(871)
Accumulated other comprehensive (loss) income	$ (6,163)	$ 2,611

CASH FLOW INFORMATION

Following is a summary of supplemental cash flow information (in thousands):

Nine Months Ended September 30	2007	2006
Interest paid on deposits and other borrowings	$ 130,815	$ 108,993
Income taxes paid	18,282	13,500
Transfers of loans to other real estate owned	2,150	3,231
Transfers of other real estate owned to loans	109	199
Summary of business acquisitions:		
Fair value of tangible assets acquired		$ 356,838
Fair value of core deposit and other intangible assets acquired		5,559
Fair value of liabilities assumed		(336,944)
Fair value of stock issued and stock options and warrants assumed		(51,227)
Net cash paid in the acquisition		(17,079)
Goodwill recognized		$ (42,853)

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BUSINESS SEGMENTS

The Corporation operates in four reportable business segments: Community Banking, Wealth Management, Insurance and Consumer Finance.

The Community Banking segment offers services traditionally offered by full-service commercial banks, including commercial and individual demand, savings and time deposit accounts and commercial, mortgage and individual installment loans.

The Wealth Management segment provides a broad range of personal and corporate fiduciary services including the administration of decedent and trust estates. In addition, it offers various alternative products, including securities brokerage and investment advisory services, mutual funds and annuities.

The Insurance segment includes a full-service insurance agency offering a broad range of commercial and personal insurance through major carriers. The Insurance segment also includes a reinsurer.

The Consumer Finance segment is primarily involved in making installment loans to individuals and purchasing installment sales finance contracts from retail merchants. The Consumer Finance segment activity is funded through the sale of the Corporation s subordinated notes at Regency s branch offices.

The following tables provide financial information for the segments of the Corporation (in thousands). The information provided under the caption Parent and Other represents operations not considered to be reportable segments and/or general operating expenses of the Corporation, and includes the parent company, other non-bank subsidiaries, eliminations and adjustments which are necessary for purposes of reconciling to the consolidated amounts.

	Community Banking	Wealth Management	Insurance	Consumer Finance	Parent and Other	Consolidated
At or for the Three Months Ended September 30, 2007						
Interest income	$ 86,429	$ 30	$ 111	$ 7,967	$ (588)	$ 93,949
Interest expense	40,874	2		1,635	2,280	44,791
Net interest income	45,555	28	111	6,332	(2,868)	49,158
Provision for loan losses	2,554			1,222		3,776
Non-interest income	13,623	3,941	2,816	495	(1,193)	19,682
Non-interest expense	31,398	2,928	2,513	3,700	(360)	40,179
Intangible amortization	983	6	110			1,099
Income tax expense (benefit)	6,359	371	116	687	(1,371)	6,162
Net income (loss)	17,884	664	188	1,218	(2,330)	17,624
Total assets	5,954,731	6,753	23,352	160,088	(20,750)	6,124,174
Total intangibles	248,605	1,258	10,991	1,809		262,663

	Community Banking	Wealth Management	Insurance	Consumer Finance	Parent and Other	Consolidated
At or for the Three Months Ended September 30, 2006						
Interest income	$ 83,569	$ 39	$ 140	$ 7,630	$ (802)	$ 90,576
Interest expense	38,468	2		1,506	2,233	42,209

Net interest income	45,101	37	140	6,124	(3,035)	48,367
Provision for loan losses	1,269			1,159		2,428
Non-interest income	13,898	3,596	2,965	506	(954)	20,011
Non-interest expense	31,238	2,497	2,501	3,542	(334)	39,444
Intangible amortization	1,063	6	111			1,180
Income tax expense (benefit)	7,805	405	183	677	(1,363)	7,707
Net income (loss)	17,624	725	310	1,252	(2,292)	17,619
Total assets	5,897,881	7,461	27,083	147,560	(19,700)	6,060,285
Total intangibles	250,503	1,283	11,421	1,809		265,016

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	Community Banking	Wealth Management	Insurance	Consumer Finance	Parent and Other	Consolidated
At or for the Nine Months Ended September 30, 2007						
Interest income	$ 253,854	$ 95	$ 357	$ 23,581	$ (1,831)	$ 276,056
Interest expense	119,073	7		4,814	6,735	130,629
Net interest income	134,781	88	357	18,767	(8,566)	145,427
Provision for loan losses	4,421			3,040		7,461
Non-interest income	41,234	11,739	9,236	1,567	(2,803)	60,973
Non-interest expense	95,192	8,745	7,480	11,051	(777)	121,691
Intangible amortization	2,953	19	333			3,305
Income tax expense (benefit)	21,278	1,095	651	2,244	(3,941)	21,327
Net income (loss)	52,171	1,968	1,129	3,999	(6,651)	52,616
Total assets	5,954,731	6,753	23,352	160,088	(20,750)	6,124,174
Total intangibles	248,605	1,258	10,991	1,809		262,663

	Community Banking	Wealth Management	Insurance	Consumer Finance	Parent and Other	Consolidated
At or for the Nine Months Ended September 30, 2006						
Interest income	$ 230,698	$ 113	$ 422	$ 22,737	$ (2,308)	$ 251,662
Interest expense	100,323	7		4,289	6,164	110,783
Net interest income	130,375	106	422	18,448	(8,472)	140,879
Provision for loan losses	3,915			3,968		7,883
Non-interest income	43,756	10,031	9,411	1,545	(4,764)	59,979
Non-interest expense	92,654	7,372	7,719	11,076	(842)	117,979
Intangible amortization	2,796	10	334			3,140
Income tax expense (benefit)	22,327	986	649	1,743	(3,905)	21,800
Net income (loss)	52,439	1,769	1,131	3,206	(8,489)	50,056
Total assets	5,897,881	7,461	27,083	147,560	(19,700)	6,060,285
Total intangibles	250,503	1,283	11,421	1,809		265,016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
F.N.B. Corporation

We have reviewed the condensed consolidated balance sheet of F.N.B. Corporation and subsidiaries (F.N.B. Corporation) as of September 30, 2007, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2007 and 2006 and the consolidated statements of stockholders equity and cash flows for the nine-month periods ended September 30, 2007 and 2006. These financial statements are the responsibility of F.N.B. Corporation s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of F.N.B. Corporation as of December 31, 2006, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended (not presented herein) and in our report dated February 23, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP
Pittsburgh, Pennsylvania
November 7, 2007

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PART I.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s discussion and analysis represents an overview of the results of operations and financial condition of the Corporation and highlights material changes to those results of operations and financial conditions for the three- and nine-month periods ending September 30, 2007. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto. Results of operations for the periods included in this review are not necessarily indicative of results to be obtained during any future period.

IMPORTANT NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this quarterly report are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, which statements generally can be identified by the use of forward-looking terminology, such as may, will, expect, estimate, anticipate, believe, target, plan, project or continu thereof or other variations thereon or similar terminology, and are made on the basis of management s current plans and analyses of the Corporation, its business and the industry as a whole. These forward-looking statements are subject to risks and uncertainties, including, but not limited to, economic conditions, competition, interest rate sensitivity and exposure to regulatory and legislative changes. The above factors in some cases have affected, and in the future could affect, the Corporation s financial performance and could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. The Corporation does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

CRITICAL ACCOUNTING POLICIES

A description of the Corporation s critical accounting policies is included in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of the Corporation s 2006 Annual Report on Form 10-K under the heading Application of Critical Accounting Policies. There have been no significant changes in critical accounting policies since the year ended December 31, 2006.

OVERVIEW

The Corporation is a diversified financial services company headquartered in Hermitage, Pennsylvania. Its primary businesses include commercial and retail banking, wealth management, insurance and consumer finance. The Corporation operates its commercial and retail banking business through a full service branch network in Pennsylvania and Ohio, commercial loan production offices in Florida and a mortgage loan production office in Tennessee. It also conducts selected consumer finance business in Pennsylvania, Ohio and Tennessee.

The Corporation owns and operates FNBPA, First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Regency Finance Company and F.N.B. Capital Corporation, LLC.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2007 Compared to the Three Months Ended September 30, 2006

Net income for both the three months ended September 30, 2007 and 2006 was $17.6 million or $0.29 per diluted share. The Corporation s return on average equity was 12.96%, return on average tangible equity (which is calculated by dividing net income less amortization of intangibles by average equity less average intangibles) was 26.31% and return on average assets was 1.15% for the three months ended September 30, 2007, compared to 13.01%, 26.99% and 1.15%, respectively, for the same period in 2006.

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The following table provides information regarding the average balances and yields earned on interest earning assets and the average balances and rates paid on interest bearing liabilities (dollars in thousands):

	Three Months Ended September 30					
	2007			2006		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest earning assets:						
Interest bearing deposits with banks	$ 2,128	$ 24	4.51%	$ 1,115	$ 25	5.34%
Federal funds sold	3,293	41	4.90	50,967	678	5.20
Taxable investment securities (1)	867,187	10,981	5.04	953,470	11,715	4.91
Non-taxable investment securities (1) (2)	163,812	2,191	5.35	148,088	1,913	5.17
Loans (2) (3)	4,341,123	81,881	7.49	4,229,049	77,226	7.25
Total interest earning assets (2)	5,377,543	95,118	7.03	5,382,689	91,557	6.75
Cash and due from banks	116,626			118,799		
Allowance for loan losses	(51,670)			(53,882)		
Premises and equipment	84,218			88,993		
Other assets	551,947			567,853		
Total Assets	$ 6,078,664			$ 6,104,452		
Liabilities						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	$ 1,477,034	9,812	2.64	$ 1,348,662	8,799	2.59
Savings	588,435	2,579	1.74	630,126	2,442	1.54
Certificates and other time	1,739,083	19,720	4.50	1,794,657	18,621	4.12
Repurchase agreements	270,372	3,223	4.67	219,567	2,523	4.50
Other short-term borrowings	160,162	2,041	4.99	130,067	1,610	4.84
Long-term debt	437,945	4,651	4.21	557,932	5,453	3.88
Junior subordinated debt	151,031	2,765	7.26	151,031	2,761	7.25
Total interest bearing liabilities (2)	4,824,062	44,791	3.68	4,832,042	42,209	3.46
Non-interest bearing demand	642,197			663,828		
Other liabilities	72,707			71,328		
Total Liabilities	5,538,966			5,567,198		
Stockholders Equity	539,698			537,254		
Total Liabilities and Stockholders Equity	$ 6,078,664			$ 6,104,452		
	$ 553,481			$ 550,647		

Excess of interest earning assets over interest bearing liabilities				
Fully tax-equivalent net interest income	50,327		49,348	
Net interest spread		3.35%		3.29%
Net interest margin (2)		3.73%		3.65%
Tax-equivalent adjustment	1,169		981	
Net interest income	$ 49,158		$ 48,367	

(1) The average balances and yields earned on securities are based on historical cost.

(2) The interest income amounts are reflected on an FTE basis which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. The Corporation believes this measure to be the preferred industry measurement of net interest income and provides relevant

comparison between taxable and non-taxable amounts. The yields on interest earning assets, rates paid on interest bearing liabilities and the net interest margin are presented on an annualized basis.

(3) Average balances include non-accrual loans. Loans consist of average total loans less average unearned income. The amount of loan fees included in interest income on loans is immaterial.

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Net Interest Income

Net interest income, which is the Corporation s major source of revenue, is the difference between interest income from earning assets (loans, securities, federal funds sold and interest bearing deposits with banks) and interest expense paid on liabilities (deposits, repurchase agreements, short- and long-term borrowings and junior subordinated debt). For the three months ended September 30, 2007, net interest income, which comprised 71.4% of net revenue (net interest income plus non-interest income) compared to 70.7% for the same period in 2006, was affected by the general level of interest rates, changes in interest rates, the shape of the yield curve and changes in the amount and mix of earning assets and interest bearing liabilities.

Net interest income, on a fully taxable equivalent (FTE) basis, was $50.3 million for the three months ended September 30, 2007, an increase of $1.0 million or 2.0% compared to $49.3 million for the three months ended September 30, 2006. The average earning assets decreased $5.1 million or 0.1% and average interest bearing liabilities decreased $8.0 million or 0.2% from the same period in 2006. The Corporation s net interest margin increased 8 basis points to 3.73% for the third quarter of 2007 compared to the third quarter of 2006 as higher rates on earning assets were partially offset by increased rates paid on interest bearing liabilities. Details on changes in FTE net interest income attributed to changes in earning assets, interest bearing liabilities, yields earned and rates paid can be found in the preceding table.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the average volumes and yields earned on interest earning assets and the average volumes and rates paid for interest bearing liabilities for the three months ended September 30, 2007 compared to the three months ended September 30, 2006 (in thousands):

	Change in Volume	Change in Rate	Net Change
Interest Income (1) (2)			
Interest bearing deposits with banks	$ 15	$ (16)	$ (1)
Federal funds sold	(599)	(38)	(637)
Securities	(918)	462	(456)
Loans	2,190	2,465	4,655
Total	688	2,873	3,561
Interest Expense (1)			
Deposits:			
Interest bearing demand	851	162	1,013
Savings	(19)	156	137
Certificates and other time	(632)	1,731	1,099
Repurchase agreements	603	97	700
Other short-term borrowings	400	31	431
Long-term debt	(1,245)	443	(802)
Junior subordinated debt		4	4
Total	(42)	2,624	2,582
Net Change	$ 730	$ 249	$ 979

(1)

The amount of change not solely due to rate or volume changes was allocated between the change due to rate and the change due to volume based on the net size of the rate and volume changes.

(2) Interest income amounts are reflected on an FTE basis which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. The Corporation believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

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Interest income, on a fully taxable equivalent basis, of $95.1million for the three months ended September 30, 2007 increased by $3.6 million or 3.9% from the same period of 2006 primarily due to a 28 basis point higher yield on earning assets reflecting a shift in the mix of earning assets and higher market interest rates. Average earning assets of $5.4 billion for the third quarter of 2007 decreased slightly from the same period of 2006. An increase of $112.1 million in average loans was offset by decreases of $70.6 million in investment securities and $47.7 million in federal funds sold from the third quarter of 2006. The increase in average loans was the result of organic growth, while the decreases in average investment securities and federal funds purchased reflect the use of proceeds from repayments and maturities to fund loan growth and repay long-term debt.

Interest expense of $44.8 million for the three months ended September 30, 2007 increased by $2.6 million or 6.1% from the same period of 2006. This increase was primarily attributable to an increase of 22 basis points in the Corporation s cost of funds to 3.68% during the third quarter of 2007 reflecting higher market interest rates and competitive pricing. Average interest bearing liabilities decreased $8.0 million or 0.2% to $4.8 billion for the third quarter of 2007. A combined increase of $86.7 million or 4.4% in the deposit categories of interest bearing demand deposits and savings, an increase of $50.8 million or 23.1% in customer repurchase agreements and an increase of $30.1 million or 23.1% in other short-term borrowings were offset by decreases of $55.6 million or 3.1% in certificates of deposit and other time deposits and $120.0 million or 21.5% in long-term debt from the third quarter of 2006. Interest bearing demand deposit and savings increased due to an expanded suite of deposit products designed to attract and retain customers. Customer repurchase agreements increased primarily due to the implementation of a strategic initiative to increase and expand commercial customer relationships. As previously mentioned, proceeds from the repayments and maturities of investment securities were used to fund loan growth and repay long-term debt.

Provision for Loan Losses

The provision for loan losses is determined based on management s estimates of the appropriate level of allowance for loan losses needed to absorb probable losses inherent in the loan portfolio, after giving consideration to charge-offs and recoveries for the period.

The provision for loan losses of $3.8 million for the three months ended September 30, 2007 increased $1.3 million or 55.5% from the same period of 2006 primarily due to a $0.5 million increase in net charge-offs, continued growth in commercial loans and additional reserves associated with a soft real estate market in Florida. The provision for loan losses exceeded net loan charge-offs of $2.9 million or 0.27% (annualized) as a percentage of average loans for the third quarter of 2007. Net loan charge-offs totaled $2.4 million or 0.23% (annualized) as a percentage of average loans for the third quarter of 2006. The ratio of non-performing loans to total loans was 0.57% at September 30, 2007, an improvement from 0.69% at September 30, 2006 and the ratio of non-performing assets to total assets was 0.49% and 0.59%, respectively, at those same dates. For additional information, refer to the Allowance for Loan Losses section of this discussion and analysis.

Non-Interest Income

Total non-interest income of $19.7 million for the three months ended September 30, 2007 decreased $0.3 million or 1.6% from the same period of 2006. Increases in securities commissions and fees, trust fees and bank owned life insurance were offset by a decrease in insurance commissions and fees, gain on sale of securities and other non-interest income.

Service charges on loans and deposits of $10.3 million for the third quarter of 2007 increased slightly compared to the same period of 2006.

Insurance commissions and fees of $3.3 million for the third quarter of 2007 decreased $0.1 million or 3.3% compared to the same period of 2006 as growth in the book of business was more than offset by lower commissions. As a result of a soft renewal market in the insurance industry, many account renewal commissions have declined due to lower premiums charged by insurance carriers.

Securities commissions and fees of $1.6 million for the third quarter of 2007 increased $0.3 million or 20.0% compared to the same period of 2006 primarily due to higher organic annuity and securities sales.

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Trust fees of $2.1 million for the third quarter of 2007 increased $0.1 million or 4.8% from the same period of 2006 due to growth in assets under management resulting from organic growth in overall trust assets and higher equity valuations.

Gain on sale (loss on impairment) of securities were $0.0 million for the third quarter of 2007 compared to $0.5 million for the same period of 2006 as management did not sell any equity securities during the third quarter of 2007 due to unfavorable market prices in the bank stock portfolio.

Bank owned life insurance income of $1.0 million for the third quarter of 2007 increased $0.1 million or 15.6% from the same period of 2006 due to increases in crediting rates paid on the insurance policies.

Other non-interest income of $0.9 million for the third quarter of 2007 decreased $0.2 million or 21.1% from the same period of 2006 primarily as a result of the Corporation s recognition of an impairment loss of $0.5 million relating to the pending sale of a building acquired in a previous merger. This loss was partially offset by higher swap fee income totaling $0.2 million.

Non-Interest Expense

Total non-interest expense of $41.3 million for the third quarter of 2007 increased $0.7 million or 1.6% from the same period of 2006. This increase resulted from increases in salaries and employee benefit costs and net occupancy expense, partially offset by decreases in equipment expense and other expense in the third quarter of 2007 compared to the same period in 2006.

Salaries and employee benefits of $22.0 million for the third quarter of 2007 increased $1.0 million or 4.9% from the same period of 2006. This increase was primarily attributable to normal annual compensation and benefit increases and an increase in stock compensation expense associated with the issuance of restricted stock in the third quarter of 2007, partially offset by lower medical benefit costs.

Net occupancy expense of $3.6 million for the third quarter of 2007 increased $0.2 million or 5.8% from the same period of 2006. The increase was primarily due to additional operating costs associated with the opening of a new branch in 2006 and several new loan production offices in 2006 and 2007.

Equipment expense of $3.2 million for the third quarter of 2007 decreased $0.2 million or 6.3% from the same period of 2006 due to lower depreciation.

Other non-interest expense of $11.3 million for the third quarter of 2007 decreased $0.3 million or 2.5% from the same period of 2006, primarily as a result of the Corporation s continued focus on expense control in the areas of outside professional services and supplies.

Income Taxes

The Corporation s income tax expense of $6.2 million for the three months ended September 30, 2007 decreased by $1.5 million or 20.0% from the same period in 2006. The effective tax rate was 25.9% and 30.4% for the three months ended September 30, 2007 and 2006, respectively. The income tax expense for the third quarter of 2007 was favorably impacted by $0.9 million due to the successful resolution of a previously uncertain tax position in the current period. The lower effective tax rate also reflects increases in tax-exempt investments and loans and excludable dividend income on bank owned life insurance. Both periods tax rates are lower than the 35.0% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt instruments and excludable dividend income.

Nine Months Ended September 30, 2007 Compared to the Nine Months Ended September 30, 2006

Net income for the nine months ended September 30, 2007 was $52.6 million or $0.87 per diluted share, compared to net income for the same period of 2006 of $50.1 million or $0.85 per diluted share. The Corporation s return on average equity was 13.04%, return on average tangible equity was 26.63% and return on average assets was 1.17% for the nine months ended September 30, 2007, compared to 13.25%, 26.37% and 1.15%, respectively, for the same period in 2006.

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The following table provides information regarding the average balances and yields earned on interest earning assets and the average balances and rates paid on interest bearing liabilities (dollars in thousands):

	Nine Months Ended September 30					
	2007			2006		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest earning assets:						
Interest bearing deposits with banks	$ 1,631	$ 54	4.44%	$ 1,736	$ 63	4.85%
Federal funds sold	13,859	544	5.18	26,689	1,013	5.00
Taxable investment securities (1)	872,028	32,949	5.02	980,313	36,025	4.91
Non-taxable investment securities (1) (2)	162,944	6,469	5.29	144,064	5,574	5.16
Loans (2) (3)	4,285,334	239,496	7.47	3,999,801	211,885	7.08
Total interest earning assets (2)	5,335,796	279,512	7.00	5,152,603	254,560	6.60
Cash and due from banks	114,446			116,344		
Allowance for loan losses	(52,217)			(52,509)		
Premises and equipment	84,946			87,542		
Other assets	554,144			535,070		
Total Assets	$ 6,037,115			$ 5,839,050		
Liabilities						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	$ 1,423,172	27,807	2.61	$ 1,224,778	20,894	2.28
Savings	595,385	7,545	1.69	638,784	6,581	1.38
Certificates and other time	1,751,109	58,334	4.45	1,712,195	48,831	3.81
Repurchase agreements	260,290	9,180	4.65	201,645	6,249	4.09
Other short-term borrowings	139,538	5,270	4.98	151,103	5,105	4.45
Long-term debt	468,483	14,276	4.07	547,033	15,519	3.79
Junior subordinated debt	151,031	8,217	7.27	139,340	7,604	7.30
Total interest bearing liabilities (2)	4,789,008	130,629	3.64	4,614,878	110,783	3.21
Non-interest bearing demand	636,482			649,982		
Other liabilities	72,259			69,068		
Total Liabilities	5,497,749			5,333,928		
Stockholders Equity	539,366			505,122		
Total Liabilities and Stockholders Equity	$ 6,037,115			$ 5,839,050		
	$ 546,788			$ 537,725		

Excess of interest earning assets over interest bearing liabilities				
Fully tax-equivalent net interest income	148,883		143,777	
Net interest spread		3.36%		3.39%
Net interest margin (2)		3.73%		3.73%
Tax-equivalent adjustment	3,456		2,898	
Net interest income	$ 145,427		$ 140,879	

(1) The average balances and yields earned on securities are based on historical cost.

(2) The interest income amounts are reflected on a fully taxable equivalent (FTE) basis which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. The Corporation believes this measure to be the preferred industry measurement of net interest income and

provides relevant comparison between taxable and non-taxable amounts. The yields on interest earning assets, rates paid on interest bearing liabilities and the net interest margin are presented on an annualized basis.

(3) Average balances include non-accrual loans. Loans consist of average total loans less average unearned income. The amount of loan fees included in interest income on loans is immaterial.

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Net Interest Income

For the nine months ended September 30, 2007, net interest income, which comprised 70.5% of net revenue as compared to 70.1% for the same period in 2006, was affected by the general level of interest rates, changes in interest rates, the shape of the yield curve and changes in the amount and mix of earning assets and interest bearing liabilities.

Net interest income, on an FTE basis, was $148.9 million for the nine months ended September 30, 2007, an increase of $5.1 million or 3.6% compared to $143.8 million for the nine months ended September 30, 2006. Average earning assets increased $183.2 million or 3.6% and average interest bearing liabilities increased $174.1 million or 3.8% from the same period in 2006 primarily due to organic growth and the acquisition of Legacy in the second quarter of 2006. The Corporation s net interest margin was 3.73% for both the nine months ended September 30, 2007 and 2006 as higher rates on earning assets were offset by increased rates paid on interest bearing liabilities. Details on changes in FTE net interest income attributed to changes in earning assets, interest bearing liabilities, yields earned and rates paid can be found in the preceding table.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the average volumes and yields earned on interest earning assets and the average volumes and rates paid for interest bearing liabilities for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 (in thousands):

	Change in Volume	Change in Rate	Net Change
Interest Income (1) (2)			
Interest bearing deposits with banks	$ (4)	$ (5)	$ (9)
Federal funds sold	(503)	34	(469)
Securities	(3,363)	1,182	(2,181)
Loans	16,224	11,387	27,611
Total	12,354	12,598	24,952
Interest Expense (1)			
Deposits:			
Interest bearing demand	3,645	3,268	6,913
Savings	225	739	964
Certificates and other time	1,103	8,400	9,503
Repurchase agreements	1,988	943	2,931
Other short-term borrowings	(362)	527	165
Long-term debt	(2,337)	1,094	(1,243)
Junior subordinated debt	636	(23)	613
Total	4,898	14,948	19,846
Net Change	$ 7,456	$ (2,350)	$ 5,106

(1) The amount of change not solely due to rate or volume changes was

allocated between the change due to rate and the change due to volume based on the net size of the rate and volume changes.

(2) Interest income amounts are reflected on an FTE basis which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. The Corporation believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

Interest income, on a fully taxable equivalent basis, of $279.5 million for the nine months ended September 30, 2007 increased by $25.0 million or 9.8% from $254.6 million for the same period of 2006 due to higher average balances and yields on earning assets. The $183.2 million increase in average earning assets for the first nine months of 2007 was driven by an increase of $285.5 million in average loans, partially offset by a decrease of $89.4 million in investment securities and a decrease of $12.8 million in federal funds sold. The increase in average loans was the result of organic growth and the Corporation s acquisition of Legacy in the second quarter of 2006, while the decrease in average investment securities reflects the use of proceeds from repayments and maturities to fund loan growth and repay long-term debt. Also, there was an improvement in the yield on earning assets of 40 basis points to 7.00% for the first nine months of 2007, which included $1.0 million of interest received on previously non-accruing loans that favorably impacted both the yield on earning assets and net interest margin by 3 basis points.

Interest expense of $130.6 million for the nine months ended September 30, 2007 increased by $19.8 million or 17.9% from $110.8 million for the same period of 2006. This increase was primarily attributable to an increase of 43 basis points in the Corporation s cost of funds to 3.64% during the first nine months of 2007. Also, average interest bearing liabilities increased $174.1 million or 3.8% to average $4.8 billion for the first nine months of 2007. This growth was primarily attributable to a combined increase of $155.0 million or 8.3% in the deposit categories of interest bearing demand deposits and savings, a $58.6 million or 29.1% increase in customer repurchase agreements and an increase in certificates and other time deposits of $38.9 million or 2.3%. Interest bearing demand and certificates and other time deposits increased due to organic growth resulting from an expanded suite of deposit products designed to attract and retain customers and from the acquisition of Legacy in the second quarter of 2006. Customer repurchase agreements increased primarily due to the implementation of a strategic initiative to increase and expand commercial customer relationships. The average balance for junior subordinated debt owed to unconsolidated subsidiary trusts increased by $11.7 million or 8.4% from the first nine months of 2006 due to the issuance of $21.5 million of new debt to partially finance the Legacy acquisition in the second quarter of 2006. Partially offsetting these increases were declines in average short-term borrowings of $11.6 million or 7.7% and average long-term debt of $78.6 million or 14.4% from the first nine months of 2006 as proceeds from the repayments and maturities of investment securities were used to repay short-term borrowings and long-term debt.

Provision for Loan Losses

The provision for loan losses is determined based on management s estimates of the appropriate level of allowance for loan losses needed to absorb probable losses inherent in the loan portfolio, after giving consideration to charge-offs and recoveries for the period.

The provision for loan losses of $7.5 million for the nine months ended September 30, 2007 decreased $0.4 million or 5.4% from $7.9 million for the same period of 2006 primarily due to improvement in credit quality including lower net charge-offs and non-performing loans. Improvements in non-performing loans and the commercial and consumer loan portfolios produced lower levels of estimated losses and resulted in a $0.5 million reduction in the allowance for loan losses during the first nine months of 2007. More specifically, during the first nine months of 2007, net charge-offs totaled $7.9 million or 0.25% (annualized) as a percentage of average loans, an improvement from $8.6 million or 0.29% (annualized) as a percentage of average loans for the same period of 2006. The ratio of non-performing loans to total loans was 0.57% at September 30, 2007, an improvement from 0.69% at September 30, 2006, and the ratio of non-performing assets to total assets was 0.49% and 0.59%, respectively, at those same dates. For additional information, refer to the Allowance for Loan Losses section of this discussion and analysis.

Non-Interest Income

Total non-interest income of $61.0 million for the nine months ended September 30, 2007 increased $1.0 million or 1.7% from the same period of 2006. This increase resulted primarily from increases in insurance commissions and fees, securities commissions and fees, trust fees and bank owned life insurance partially offset by decreases in gain on sale of securities and other non-interest income.

Service charges on loans and deposits of $30.1 million for the first nine months of 2007 remained stable compared to the same period of 2006.

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Insurance commissions and fees of $11.0 million for the first nine months of 2007 increased $0.2 million or 1.9% from the same period of 2006 primarily due to efforts made to better match available insurance products with the preferences of the Corporation s commercial customers. The growth in the book of business offset lower revenues from the soft renewal market in the insurance industry, where many account renewal commissions have declined due to lower premiums charged by insurance carriers.

Securities commissions and fees of $4.5 million for the first nine months of 2007 increased $0.9 million or 26.1% compared to the same period of 2006 primarily due to higher organic annuity and securities sales, as well as the Corporation s acquisition of Legacy in the second quarter of 2006.

Trust fees of $6.4 million for the first nine months of 2007 increased $0.7 million or 11.8% from the same period of 2006 due to growth in assets under management, resulting from organic growth in overall trust assets and higher equity valuations, as well as the Corporation s acquisition of Legacy in the second quarter of 2006.

Gain on sale of securities of $1.0 million for the first nine months of 2007 decreased $0.4 million or 25.8% from the same period of 2006 as management sold fewer equity securities during the third quarter of 2007 due to unfavorable market conditions for the bank stock portfolio.

Bank owned life insurance income of $3.0 million for the first nine months of 2007 increased $0.5 million or 21.3% from the same period of 2006 due to increases in crediting rates paid on the insurance policies.

Other non-interest income of $3.8 million for the first nine months of 2007 decreased $1.0 million or 21.1% from the same period of 2006. The primary reason for this decrease was $0.9 million in lower gains on settlements of impaired loans acquired in previous acquisitions. The first nine months of 2006 had a gain on settlement of impaired loans of $1.3 million compared to $0.4 million for the same period of 2007. The Corporation also recognized an impairment loss of $0.5 million relating to the pending sale of a building acquired in a previous merger. Offsetting these decreases were increases in customer swap fee income of $0.2 million for the first nine months of 2007 and dividends on non-marketable equity securities of $0.2 million.

Non-Interest Expense

Total non-interest expense of $125.0 million for the first nine months of 2007 increased $3.9 million or 3.2% from the same period of 2006. This increase resulted from increases in salaries and employee benefit costs, net occupancy expense, amortization of intangibles and other expense in the first nine months of 2007 compared to the same period in 2006.

Salaries and employee benefits of $65.8 million for the first nine months of 2007 increased $2.3 million or 3.7% from the same period of 2006. This increase was primarily attributable to normal annual compensation and benefit increases, additional costs associated with the employees retained from the Corporation s acquisition of Legacy in the second quarter of 2006 and an increase in stock compensation expense related to the issuance of restricted stock, partially offset by lower expense due to the modernization of the Corporation s pension and postretirement benefit plans and lower medical expenses.

Net occupancy expense of $11.1 million for the first nine months of 2007 increased $0.8 million or 8.1% from the same period of 2006. The increase was primarily due to additional operating costs associated with the Corporation s acquisition of Legacy in the second quarter of 2006, the opening of a new branch in 2006 and several new loan production offices in 2006 and 2007.

Equipment expense of $9.9 million for the first nine months of 2007 decreased $0.2 million or 1.5% from the same period of 2006 due to lower depreciation.

Amortization of intangibles expense of $3.3 million for the first nine months of 2007 increased $0.2 million or 5.3% from the same period in the prior year due to the amortization of additional core deposit and other intangibles as a result of the Corporation s acquisition of Legacy in the second quarter of 2006.

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Other non-interest expense of $34.9 million for the first nine months of 2007 increased $0.7 million or 2.1% from the same period of 2006. The increase was primarily due to higher shares tax and additional operating costs associated with the Corporation s acquisition of Legacy in the second quarter of 2006 and higher fees for outside professional services. Other non-interest expense for the nine months ended September 30, 2006 included merger expenses of $0.7 million related to the Legacy acquisition.

Income Taxes

The Corporation s income tax expense of $21.3 million for the nine months ended September 30, 2007 decreased by $0.5 million or 2.2% from the same period in 2006. The effective tax rate of 28.8% for the nine months ended September 30, 2007 declined from 30.3% for the same period in the prior year. The income tax expense for the nine months ended September 30, 2007 was favorably impacted by $0.9 million due to the successful resolution of a previously uncertain tax position in the current period. The lower effective tax rate also reflects increases in tax-exempt investments and loans and excludable dividend income on bank owned life insurance. Both periods tax rates are lower than the 35.0% federal statutory tax rate due to the tax benefits primarily resulting from tax-exempt instruments and excludable dividend income.

LIQUIDITY

The Corporation s goal in liquidity management is to satisfy the cash flow requirements of depositors and borrowers as well as the operating cash needs of the Corporation with cost-effective funding. The Board of Directors of the Corporation has established an Asset/Liability Policy in order to achieve and maintain earnings performance consistent with long-term goals while maintaining acceptable levels of interest rate risk, a well-capitalized balance sheet and adequate levels of liquidity. This policy designates the Corporate Asset/Liability Committee (ALCO) as the body responsible for meeting these objectives. The ALCO, which includes members of executive management, reviews liquidity on a periodic basis and approves significant changes in strategies that affect balance sheet or cash flow positions. Liquidity is centrally managed on a daily basis by the Corporation s Treasury Department.

Liquidity sources from assets include payments from loans and investments as well as the ability to securitize, pledge or sell loans, investment securities and other assets. The Corporation continues to originate mortgage loans, most of which are sold in the secondary market. Mortgage loan originations totaled $126.6 million and $106.7 million for the nine months ended September 30, 2007 and 2006, respectively. Proceeds from the sale of mortgage loans totaled $86.5 million and $77.6 million for the nine months ended September 30, 2007 and 2006, respectively.

Liquidity sources from liabilities are generated primarily through deposits. As of September 30, 2007 and December 31, 2006, deposits comprised 80.3% and 79.9% of total liabilities, respectively. To a lesser extent, the Corporation also makes use of wholesale sources of liquidity that include federal funds purchased, repurchase agreements and public funds. In addition, the Corporation has the ability to borrow funds from the FHLB, Federal Reserve Bank and the capital markets. FHLB advances are a competitively priced and reliable source of funds. As of September 30, 2007, total availability from the FHLB was $1.9 billion, or 30.2% of total assets while outstanding advances were $381.4 million, or 6.2% of total assets. As of December 31, 2006, outstanding FHLB advances were $469.1 million, or 7.8% of total assets, while the total availability from these sources was $1.9 billion, or 31.7% of total assets.

The principal source of the parent company s cash flow is dividends from its subsidiaries. These dividends may be impacted by the Parent s or the subsidiaries capital needs, statutory laws and regulations, corporate policies, contractual restrictions and other factors. The parent also may draw on approved lines of credit of $90.0 million with several major domestic banks, which were unused as of September 30, 2007. In addition, the Corporation also issues subordinated notes on a regular basis.

The Corporation periodically repurchases shares of its common stock for re-issuance under various employee benefit plans and the Corporation s dividend reinvestment plan. During the nine months ended September 30, 2007, the Corporation purchased 535,000 treasury shares for a total purchase price of $9.2 million and received $7.6 million upon re-issuance of 551,870 shares. For the same period of 2006, the Corporation purchased 372,800 treasury shares for a total purchase price of $6.1 million and received $6.4 million upon re-issuance of 438,324 shares.

The ALCO regularly monitors various liquidity ratios and forecasts of cash position. Management believes the Corporation has sufficient liquidity available to meet its normal operating and contingency funding cash needs.

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MARKET RISK

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. The Corporation is primarily exposed to interest rate risk inherent in its lending and deposit taking activities as a financial intermediary. To succeed in this capacity, the Corporation offers an extensive variety of financial products to meet the diverse needs of its customers. These products sometimes contribute to interest rate risk for the Corporation when product groups do not complement one another. For example, depositors may want short-term deposits while borrowers desire long-term loans.

Changes in market interest rates may result in changes in the fair value of the Corporation s financial instruments, cash flows and net interest income. The ALCO is responsible for market risk management: devising policy guidelines, risk measures and limits, and managing the amount of interest rate risk and its effect on net interest income and capital. The Corporation s Treasury Department measures interest rate risk and manages interest rate risk on a daily basis.

Interest rate risk is comprised of repricing risk, basis risk, yield curve risk and options risk. Repricing risk arises from differences in the cash flow or repricing between asset and liability portfolios. Basis risk arises when asset and liability portfolios are related to different market rate indexes, which do not always change by the same amount. Yield curve risk arises when asset and liability portfolios are related to different maturities on a given yield curve; when the yield curve changes shape, the risk position is altered. Options risk arises from embedded options within asset and liability products as certain borrowers have the option to prepay their loans when rates fall while certain depositors can redeem their certificates of deposit early when rates rise.

The Corporation uses a sophisticated asset/liability model to measure its interest rate risk. Interest rate risk measures utilized by the Corporation include earnings simulation, economic value of equity (EVE) and gap analysis.

Gap analysis and EVE are static measures that do not incorporate assumptions regarding future business. Gap analysis, while a helpful diagnostic tool, displays cash flows for only a single rate environment. EVE s long-term horizon helps identify changes in optionality and longer-term positions. However, EVE s liquidation perspective does not translate into the earnings-based measures that are the focus of managing and valuing a going concern. Net interest income simulations explicitly measure the exposure to earnings from changes in market rates of interest. The Corporation s current financial position is combined with assumptions regarding future business to calculate net interest income under various hypothetical rate scenarios. The ALCO reviews earnings simulations over multiple years under various interest rate scenarios on at least a quarterly basis. Reviewing these various measures provides the Corporation with a reasonably comprehensive view of its interest rate risk profile.

The following gap analysis compares the difference between the amount of interest earning assets (IEA) and interest bearing liabilities (IBL) subject to repricing over a period of time. A ratio of more than one indicates a higher level of repricing assets over repricing liabilities for the time period. Conversely, a ratio of less than one indicates a higher level of repricing liabilities over repricing assets for the time period.

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Following is the gap analysis as of September 30, 2007 (dollars in thousands):

	Subject to Repricing Within				
	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Interest Earning Assets (IEA)					
Loans	$ 1,207,700	$ 269,971	$ 301,815	$ 530,979	$ 2,310,465
Investments	11,014	148,569	101,852	121,770	383,205
	1,218,714	418,540	403,667	652,749	2,693,670
Interest Bearing Liabilities (IBL)					
Non-maturity deposits	1,022,191				1,022,191
Time deposits	199,803	235,897	276,719	329,862	1,042,281
Borrowings	357,683	69,094	169,476	48,158	644,411
	1,579,677	304,991	446,195	378,020	2,708,883
Period Gap	$ (360,963)	$ 113,549	$ (42,528)	$ 274,729	$ (15,213)
Cumulative Gap	$ (360,963)	$ (247,414)	$ (289,942)	$ (15,213)	
IEA/IBL (Cumulative)	0.77	0.87	0.88	0.99	
Cumulative Gap to IEA	(6.69)%	(4.58)%	(5.37)%	(0.28)%	

The cumulative twelve-month, IEA to IBL ratio changed to 0.99 for September 30, 2007 from 0.97 for December 31, 2006.

The allocation of non-maturity deposits to the one-month maturity category is based on the estimated sensitivity of each product to changes in market rates. For example, if a product s rate is estimated to increase by 50% as much as the market rates, then 50% of the account balance was placed in this category. The current allocation is representative of the estimated sensitivities for a +/- 100 basis point change in market rates.

The following table presents an analysis of the potential sensitivity of the Corporation s annual net interest income and EVE to sudden and parallel changes (shocks) in market rates compared to a scenario with unchanged rates:

	September 30, 2007	December 31, 2006	ALCO Guidelines
Net interest income change (12 months):			
+ 200 basis points	(3.2)%	(2.2)%	+/- 5.0%
+ 100 basis points	(0.3)%	0.2%	+/- 5.0%
- 100 basis points	0.6%	(0.2)%	+/- 5.0%
- 200 basis points	0.1%	(1.8)%	+/- 5.0%
Economic value of equity:			

+ 200 basis points	(6.2)%	(5.7)%
+ 100 basis points	(2.3)%	(1.8)%
- 100 basis points	(0.2)%	(0.4)%
- 200 basis points	(3.7)%	(4.1)%

The overall level of interest rate risk is considered to be relatively low and stable. The Corporation s modest sensitivity to higher rates increased slightly this year due to the reinvestment of investment cash flows, an increase in money market accounts, an increase in federal funds purchased and the forthcoming maturity of the $125.0 million interest rate swap (see below). These were partially offset by the lengthening of time deposits and higher adjustable rate commercial loans.

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The ALCO is responsible for the identification and management of interest rate risk exposure. As such, the ALCO continuously evaluates strategies to manage the Corporation s exposure to interest rate fluctuations. Since 2004, short-term interest rates have risen significantly while long-term interest rates have increased only slightly. This flattening of the yield curve has made short-term deposits and long-term loans more attractive to customers: a situation that has created additional interest rate risk for the Corporation. In order to keep the risk measures in an acceptable position, the ALCO utilized several strategies to mitigate the Corporation s risk position. For example, the Corporation has initiated programs to promote longer term time deposits to reduce liability sensitivity. On the lending side, the Corporation regularly sells fixed-rate residential mortgages to the secondary mortgage loan market in order to manage its holdings of long-term, fixed rate loans and has been focusing on the origination of higher volumes of variable rate commercial loans.

The Corporation recognizes that asset/liability models such as those used by the Corporation to measure its interest rate risk are based on methodologies that may have inherent shortcomings. Furthermore, asset/liability models require certain assumptions be made, such as prepayment rates on earning assets and pricing impact on non-maturity deposits, which may differ from actual experience. These business assumptions are based upon the Corporation s experience, business plans and published industry experience. While management believes such assumptions to be reasonable, there can be no assurance that modeled results will approximate actual results.

DEPOSITS AND REPURCHASE AGREEMENTS

Following is a summary of deposits and repurchase agreements (in thousands):

	September 30, 2007	December 31, 2006
Non-interest bearing	$ 659,352	$ 654,617
Savings and NOW	2,090,065	1,944,707
Certificates of deposit and other time deposits	1,734,767	1,773,518
Total deposits	4,484,184	4,372,842
Securities sold under repurchase agreements	254,156	252,064
Total deposits and repurchase agreements	$ 4,738,340	$ 4,624,906

Total deposits and repurchase agreements increased by $113.4 million or 2.5% to $4.7 billion at September 30, 2007 compared to December 31, 2006. The growth in savings and NOW deposits due to an expanded suite of deposit products that has attracted additional customers and deposits combined with organic growth in non-interest bearing deposits was offset by lower balances in certificates of deposit and other time deposits.

LOANS

The loan portfolio consists principally of loans to individuals and small- and medium-sized businesses within the Corporation s primary market area of Pennsylvania and northeastern Ohio. The Corporation, through its banking affiliate, also operates commercial loan production offices in Florida and a mortgage loan production office in Tennessee. In addition, the portfolio contains consumer finance loans to individuals in Pennsylvania, Ohio and Tennessee.

Following is a summary of loans, net of unearned income (in thousands):

	September 30, 2007	December 31, 2006
Commercial	$ 2,234,236	$ 2,111,752
Direct installment	948,986	926,766

Consumer lines of credit	245,627	254,054
Residential mortgages	469,587	490,215
Indirect installment	440,812	461,214
Other	19,356	9,143
	$ 4,358,604	$ 4,253,144

The above loan totals include unearned income of $24.7 million and $26.7 million at September 30, 2007 and December 31, 2006, respectively.

The majority of the Corporation s loan portfolio consists of commercial loans, which includes commercial real estate loans and commercial and industrial loans. As of September 30, 2007 and December 31, 2006, commercial real estate loans were $1.4 billion and $1.3 billion, or 61.9% and 60.2% of commercial loans, respectively.

Total loans increased by $105.5 million or 2.5% to $4.4 billion at September 30, 2007. This growth was primarily driven by organic commercial loan growth of $122.5 million or 5.8% and direct installment loan growth of $22.2 million or 2.4%. This growth was offset by a decline of $20.4 million or 4.4% in the indirect installment portfolio driven by weak automobile sales and aggressive manufacturer financing and a $20.6 million or 4.2% reduction in residential mortgages.

NON-PERFORMING ASSETS

Non-performing loans include non-accrual loans and restructured loans. Non-accrual loans represent loans for which interest accruals have been discontinued. Restructured loans are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress.

The Corporation discontinues interest accruals when principal or interest is due and has remained unpaid for 90 to 180 days depending on the loan type. When a loan is placed on non-accrual status, all unpaid interest is reversed. Non-accrual loans may not be restored to accrual status until all delinquent principal and interest has been paid.

Non-performing loans are closely monitored on an ongoing basis as part of the Corporation s loan review and work-out process. The potential risk of loss on these loans is evaluated by comparing the loan balance to the fair value of any underlying collateral or the present value of projected future cash flows. Losses are recognized when appropriate.

Following is a summary of non-performing assets (in thousands):

	September 30, 2007	December 31, 2006
Non-accrual loans	$ 21,346	$ 24,636
Restructured loans	3,470	3,492
Total non-performing loans	24,816	28,128
Other real estate owned	5,358	5,948
Total non-performing assets	$ 30,174	$ 34,076
Asset quality ratios:		
Non-performing loans as a percent of total loans	0.57%	0.66%
Non-performing assets as a percent of total assets	0.49%	0.57%

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents management s estimate of probable loan losses inherent in the loan portfolio at a specific point in time, which includes estimated losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Additions are made to the allowance through both periodic provisions charged to income and recoveries of losses previously incurred. Reductions to the allowance occur as loans are charged off. Management evaluates the adequacy of the allowance at least quarterly, and in doing so relies on various factors including, but not limited to, assessment of historical loss experience, delinquency and non-accrual trends, portfolio growth, underlying collateral coverage and current economic conditions. This evaluation is subjective and requires material estimates that may change over time.

The components of the allowance for loan losses represent estimates based upon FAS 5, *Accounting for Contingencies*, and FAS 114, *Accounting by Creditors for Impairment of a Loan*. FAS 5 applies to homogeneous loan

pools such as consumer installment loans, residential mortgages and consumer lines of credit, as well as commercial loans that are not individually evaluated for impairment under FAS 114. FAS 114 is applied to commercial loans that are considered impaired.

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Under FAS 114, a loan is impaired when, based upon current information and events, it is probable that the loan will not be repaid according to its contractual terms, including both principal and interest. Management performs individual assessments of impaired loans to determine the existence of loss exposure and, where applicable, the extent of loss exposure based upon the present value of expected future cash flows available to pay the loan, or based upon the estimated realizable collateral where a loan is collateral dependent.

In estimating loan loss contingencies, management applies historical loan loss rates and also considers how the loss rates may be impacted by changes in current economic conditions, delinquency and non-performing loan trends, changes in loan underwriting guidelines and credit policies, as well as the results of internal loan reviews. Homogeneous loan pools are evaluated using similar criteria that are based upon historical loss rates of various loan types. Historical loss rates are adjusted to incorporate changes in existing conditions that may impact, both positively or negatively, the degree to which these loss histories may vary. This determination inherently involves a high degree of uncertainty and considers current risk factors that may not have occurred in the Corporation s historical loan loss experience.

Following is a summary of changes in the allowance for loan losses (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	$ 51,252	$ 53,041	$ 52,575	$ 50,707
Addition from acquisitions			21	3,046
Charge-offs	(3,531)	(2,959)	(10,037)	(10,674)
Recoveries	625	555	2,102	2,103
Net charge-offs	(2,906)	(2,404)	(7,935)	(8,571)
Provision for loan losses	3,776	2,428	7,461	7,883
Balance at end of period	$ 52,122	$ 53,065	$ 52,122	$ 53,065
Allowance for loan losses to:				
Total loans, net of unearned income			1.20%	1.25%
Non-performing loans			210.03%	180.12%

The allowance for loan losses at September 30, 2007 decreased by $0.9 million or 1.8% from September 30, 2006 and by $0.5 million or 0.9% from December 31, 2006. The decrease in the allowance for loan losses was due to improvements in non-accrual loans and lower levels of actual and expected charge-offs from the commercial and consumer loan portfolios.

The provision for loan losses of $7.5 million for the nine months ended September 30, 2007 decreased by $0.4 million or 5.4% from the same period of 2006 reflecting lower charge-offs and fewer non-performing loans as well as a $0.9 million reduction in the allowance for loan losses during the 2007 period as a result of improved credit quality. For the first nine months of 2006, the allowance for loan losses was reduced $0.7 million.

Charge-offs reflect the realization of losses in the portfolio that were estimated previously through provisions for loan losses. Loans charged off during the first nine months of 2007 decreased $0.6 million from the same period in 2006 to $10.0 million. Net charge-offs (annualized) as a percentage of average loans decreased to 0.25% for the first nine months of 2007 compared to 0.29% for the same period of 2006 reflecting improvements in the commercial and consumer loan portfolios.

Management considers numerous factors when estimating reserves for loan losses, including historical charge-off rates and subsequent recoveries. Consideration is given to the impact of changes in qualitative factors that influence the Corporation s credit quality, such as the local and regional economies that the Corporation serves. Assessment of relevant economic factors indicates that the Corporation s primary markets historically tend to lag the national economy, with local economies in the Corporation s primary market areas also improving, but at a more measured rate than the national trends. Regional economic factors influencing management s estimate of reserves include uncertainty of the labor markets in the regions the Corporation serves and a contracting labor force due, in part, to productivity growth and industry consolidations. Higher interest rates and energy costs directly affect borrowers having floating rate loans as increasing debt service requirements pressure customers that now face higher loan payments. Higher interest rates and energy costs also affect consumer loan customers who carry historically high debt levels. Consumer credit risk and loss exposures are evaluated using a combination of historical loss experience and an analysis of the rate at which delinquent loans ultimately result in charge-offs to estimate credit quality migration and expected losses within the homogeneous loan pools.

CAPITAL RESOURCES AND REGULATORY MATTERS

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, changing competitive conditions and economic forces. The Corporation seeks to maintain a strong capital base to support its growth and expansion activities, to provide stability to current operations and to promote public confidence.

The Corporation has an effective $200.0 million shelf registration statement filed with the Securities and Exchange Commission. Pursuant to this shelf registration statement, the Corporation may, from time to time, issue any combination of common stock, preferred stock, debt securities or trust preferred securities in one or more offerings up to a total dollar amount of $200.0 million, of which none has been utilized through September 30, 2007.

The Corporation and FNBPA are subject to various regulatory capital requirements administered by various federal banking agencies. Quantitative measures established by regulators to ensure capital adequacy require the Corporation and FNBPA to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the applicable regulations) to risk-weighted assets (as defined in the applicable regulations) and of leverage ratio (as defined in the applicable regulations). Failure to meet minimum capital adequacy requirements can initiate certain mandatory, and possibly additional discretionary actions, by regulators that, if undertaken, could have a direct material effect on the Corporation s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and FNBPA must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation s and FNBPA s capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Corporation s management believes that, as of September 30, 2007, the Corporation and FNBPA met all capital adequacy requirements to which either of them were subject and therefore satisfied the requirements to be considered well-capitalized under the regulatory framework.

Following are the capital ratios as of September 30, 2007 for the Corporation and FNBPA (dollars in thousands):

	Actual		Well-Capitalized Requirements		Minimum Capital Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to risk-weighted assets):						
F.N.B. Corporation	$496,743	11.4%	$437,018	10.0%	$349,615	8.0%
FNBPA	457,408	10.8%	423,221	10.0%	338,577	8.0%
Tier 1 Capital (to risk-weighted assets):						
F.N.B. Corporation	432,420	9.9%	262,211	6.0%	174,807	4.0%

FNBPA	411,375	9.7%	253,933	6.0%	169,288	4.0%
Leverage Ratio:						
F.N.B. Corporation	432,420	7.4%	290,968	5.0%	232,774	4.0%
FNBPA	411,375	7.3%	283,057	5.0%	226,445	4.0%

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is provided under the caption *Market Risk* in Item 2 - Management s Discussion and Analysis of Financial Condition and Results of Operations. There are no material changes in the information provided under Item 7A, Quantitative and Qualitative Disclosures About Market Risk included in the Corporation s 2006 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Corporation s management, with the participation of the Corporation s principal executive and principal financial officers, evaluated the Corporation s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the Corporation s management, including the Chief Executive Officer and the Chief Financial Officer, concluded that, as of the end of the reporting period covered by this quarterly report, the Corporation s disclosure controls and procedures were effective as of such date at the reasonable assurance level as discussed below to ensure that information required to be disclosed by the Corporation in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to the Corporation s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS. The Corporation s management, including the CEO and CFO, does not expect that the Corporation s disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

CHANGES IN INTERNAL CONTROLS. The CEO and CFO have evaluated the changes to the Corporation s internal controls over financial reporting that occurred during the Corporation s fiscal quarter ended September 30, 2007, as required by paragraph (d) of Rules 13a 15 and 15d 15 under the Securities Exchange Act of 1934, as amended, and have concluded that there were no such changes that materially affected, or are reasonably likely to materially affect, the Corporation s internal controls over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

The Corporation and its subsidiaries are involved in various pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. These actions include claims brought against the Corporation and its subsidiaries where the Corporation acted as one or more of the following: a depository bank, lender, underwriter, fiduciary, financial advisor, broker or engaged in other business activities. Although the ultimate outcome for any asserted claim cannot be predicted with certainty, the Corporation believes that it and its subsidiaries have valid defenses for all asserted claims. Reserves are established for legal claims when losses associated with the claims are judged to be probable and the amount of the loss can be reasonably estimated.

Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Corporation does not anticipate, at the present time, that the aggregate liability, if any, arising out of such legal proceedings will have a material adverse effect on the Corporation s consolidated financial position. However, the Corporation cannot determine whether or not any claims asserted against it will have a material adverse effect on its consolidated results of operations in any future reporting period. It is possible, in the event of unexpected future developments, that the ultimate resolution of these matters, if unfavorable, may be material to the Corporation s consolidated results of operations for a particular period.

ITEM 1A. RISK FACTORS

There are no material changes in the risk factors previously disclosed in the Corporation s 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases of equity securities by the Corporation:

Issuer Purchases of Equity Securities (1)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 31, 2007		$	N/A	N/A
August 1 31, 2007	100,000	16.93	N/A	N/A
September 1 30, 2007	100,000	16.96	N/A	N/A

(1) All shares were purchased in open-market transactions under SEC Rule 10b-18, and were not purchased as part of a publicly announced purchase plan or program. The

Corporation has funded the shares required for employee benefit plans and the Corporation s dividend reinvestment plan through open-market transactions or purchases directly from the Corporation. This practice may be discontinued at the Corporation s discretion.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NONE

ITEM 5. OTHER INFORMATION

NONE

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ITEM 6. EXHIBITS

11 Computation of Per Share Earnings *

15 Letter Re: Unaudited Interim Financial Information. (filed herewith).

31.1. Certification of Chief Executive Officer Sarbanes-Oxley Act Section 302. (filed herewith).

31.2. Certification of Chief Financial Officer Sarbanes-Oxley Act Section 302. (filed herewith).

32.1. Certification of Chief Executive Officer Sarbanes-Oxley Act Section 906. (filed herewith).

32.2. Certification of Chief Financial Officer Sarbanes-Oxley Act Section 906. (filed herewith).

* This information is provided under the heading Earnings Per Share in Item 1, Part I in this Report on Form 10-Q.

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SIGNATURES

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, thereunto duly authorized.

F.N.B. Corporation

(Registrant)

Dated: November 7, 2007

/s/ Stephen J. Gurgovits
Stephen J. Gurgovits
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 7, 2007

/s/ Brian F. Lilly
Brian F. Lilly
Chief Financial Officer
(Principal Financial Officer)