F.N.B. Corporation

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March 5, 2009

Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Attention: Neil M. Barofsky
Special Inspector General

Dear Mr. Barofsky:

This letter responds to your February 6, 2009, request for certain information concerning the use of the Capital Purchase Program ("CPP") funds invested with F.N.B. Corporation ("F.N.B."). F.N.B. understands that the ultimate purpose of the CPP is to help the American people by promoting lending and liquidity in the communities in which we operate. Accordingly, toward that end, since the January 9, 2009 investment of the CPP funds, F.N.B. has been working diligently to develop and implement initiatives to promote the types of lending practices designed to address the objective of the CPP.

In reviewing this response it is important to understand that the U.S. Treasury's $100 million investment in F.N.B. has helped to strengthen our capital ratios, which in turn enables F.N.B. to be better able to support existing lending and to fund new and increased lending initiatives in support of the U.S. economy, and especially, home owners and businesses located in our market area. Moreover, although F.N.B. is dedicated to fund new and increased lending initiatives it is important to note that the success of our efforts depends largely on loan demand in our communities, which declined substantially in the fourth quarter of 2008 and remains weak in 2009.

In this difficult economic climate, F.N.B. will not and cannot take excessive risk with the capital the American public and other investors have entrusted to the company. However, in view of the considerations attendant to the CPP funding and despite the existing adverse economic conditions, F.N.B. has not imposed inappropriate restrictions or otherwise tightened its underwriting standards so as to maintain the availability of credit to customers in our market. F.N.B. continues to lend responsibly to businesses and individuals based on their creditworthiness including such factors as a borrower's ability to repay, the size of the loan compared to the value of the underlying collateral, verifiable income and credit history.

Although the development and implementation of our formal CPP related initiatives is currently under way and will take some time to roll out I have summarized below certain activities and initiatives which demonstrate that F.N.B. understands and is committed to the obligations associated with the CPP investment.

As an organization, F.N.B. strives to optimize the level of capital it holds from a shareholder value perspective. In normal times [redacted] This has resulted in the organization operating at a tangible equity to tangible asset range between 4.50% and 5.00% for the last several years. Given the increased credit costs F.N.B. ended 2008 with a 4.51% tangible equity ratio.

As such, without the infusion of capital provided by the CPP funds, [redacted] With the investment of the CPP funds, F.N.B. [redacted]

[redacted]

The decision to participate in the CPP was also based on a desire to add to capital at a time of great economic uncertainty. Leveraging this capital will support lending and deposit taking not only in 2009, but will provide a base to grow from when the United States economy starts to improve, thereby enhancing our position in the marketplace as a strong provider of credit. [redacted]

Additionally, so far, **since F.N.B. received the CPP investment on January 9, 2009,** F.N.B. is happy to report the following specific developments:

(i) retail loans (direct and indirect have dramatically increased in 2009 as compared to the monthly volume of such loans in 2008. (See Exhibit "1" attached to this letter);

(ii) through February 2009, F.N.B. funded approximately $107 million in total commercial and business loans;

(iii) F.N.B. has utilized various homeowner retention and loss mitigation solutions

nd deployment of our customary loan modification strategies;

(iv)

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(v) in January 2009, F.N.B. closed approximately $15 million in mortgage loans (total of 110 mortgage loans) and in February 2009 (as of February 20, 2009) closed approximately $26 million in mortgage loans (total of 174 mortgage loans) as compared to January 2008 when mortgage loans totaled $10 million (64 mortgage loans) and February 2008 mortgage loans totaled $13 million (99 mortgage loans);

(vi) F.N.B. has a number of special residential mortgage loan programs designed to provide affordable terms and rates for low and moderate income borrowers or persons who are committed to repairing their credit histories or persons with sound credit history who require down payment assistance. Attached as Exhibit "3" is a description of the various special residential mortgage programs made available by F.N.B; and

(vii) recently, F.N.B. has taken important steps to improve an already sound

Community Reinvestment Act outreach program. Specifically, F.N.B. has partnered with local community service organizations, including Neighbor Works of Western Pennsylvania and GCAC of Erie. Both of these agencies provide robust financial literacy courses for not only potential borrowers but for low and moderate income youths in their late teens. The focal point for 2009 is our partnership with Neighbor Works. Our mutual plan is to expand services beyond Allegheny county, Pennsylvania into the multiple counties throughout western Pennsylvania.

The foregoing information demonstrates F.N.B.'s commitment to the objectives of the CPP. Please be assured that the initiatives to be developed by F.N.B. will adhere to our basic prudent lending principles, both with respect to F.N.B.'s CPP-related activities and across our lending business, in a way that balances F.N.B.'s commitment to providing support for the U.S. economy with F.N.B.'s responsibility to manage its risk appropriately and deliver value for our investors, including the taxpayer.

Additionally, your letter requests certain information regarding F.N.B.'s plans to address the executive compensation requirements associated with the CPP funding.

The F.N.B. Compensation Committee is currently reviewing the F.N.B. executive compensation program to ensure that it conforms with the executive compensation requirements of both the Emergency Economic Stabilization Act and the American Recovery and Reinvestment Act and the regulations to be promulgated by the U.S. Treasury Department. Consistent with the foregoing requirements, F.N.B.'s executive compensation program will take into consideration the following features: (i) limits on compensation incentives for undue risk taking by senior executives; (ii) prohibition on incentives that encourage manipulation of F.N.B.'s reported earnings; (iii) introduction of "clawback" provision to recoup executive compensation if F.N.B.'s statements of earnings, revenues, gains or other criteria are subsequently determined to be materially inaccurate; and (iv) prohibiting the payment or accrual of any bonus, retention award or incentive compensation (except for certain restricted stock awards) during F.N.B.'s participation in the CPP.

The overriding goal of the Compensation Committee is to develop principles and standards that govern the manner in which F.N.B. compensates and rewards its executives and employees through the use of key performance objectives that avoid inappropriate risk.

We recognize that the U.S. Treasury Department, on behalf of the American taxpayer, has invested in F.N.B. and understand that our corresponding obligation is to help in the efforts to put the U.S. economy back on track and toward that end F.N.B. will continue to evaluate its use of the CPP capital to help ensure that we deploy it appropriately and prudently.

Very truly yours,

Stephen J. Gurgovits,
Chairman, President & CEO

JGO:lp
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Enclosures

First National Bank

Extension Exceptions 2006 thru 2009

note this is not Note Count but # of Extension Exceptions....some loans may be in counted in more than one category

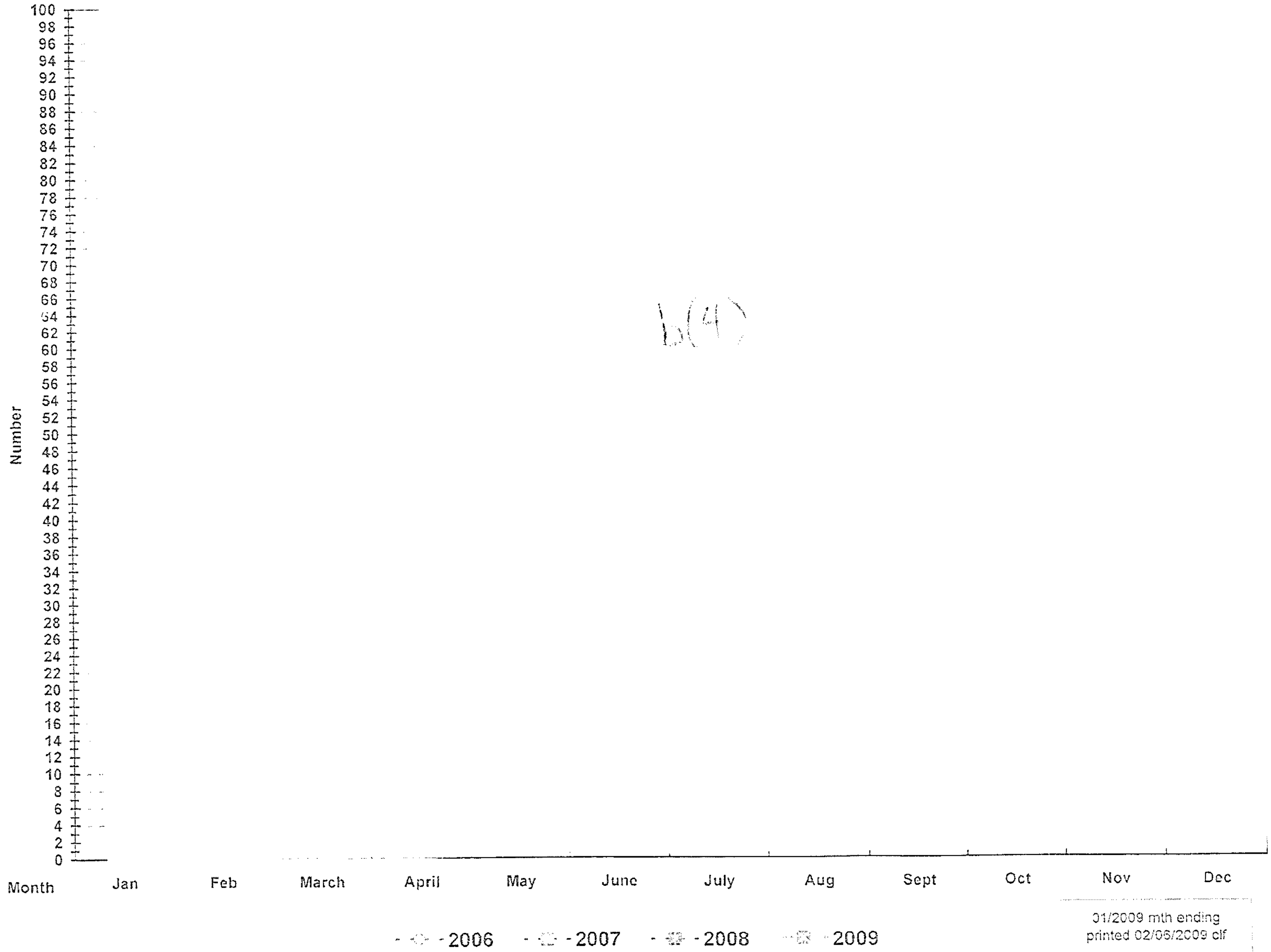

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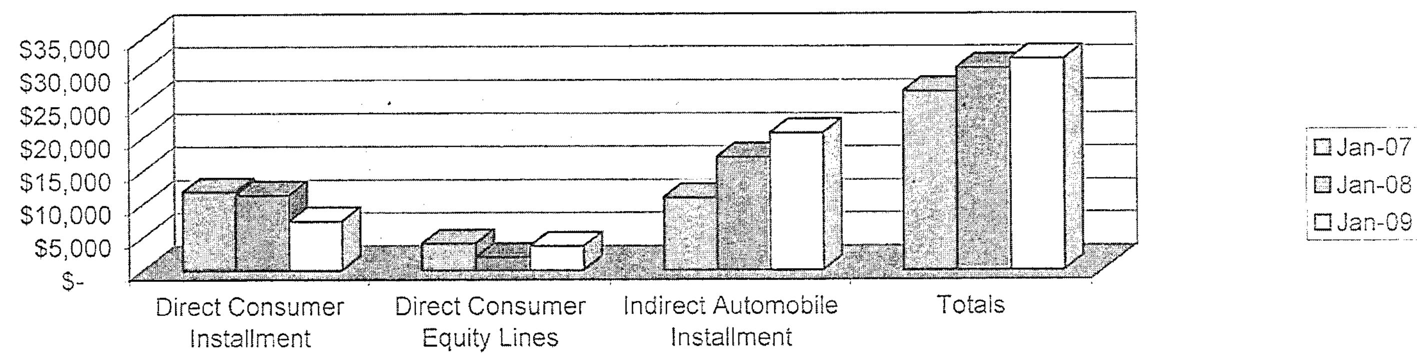
EXHIBIT "1"

EXHIBIT "2"

Despite very soft consumer demand, FNBPA has increased January originations since the recession became apparent. Direct Installment demand fell off in January 2009 as fixed rates remained high in comparison with rates tied to Prime in the Equity Lines product.



In Thousands of Dollars	Jan-07	Jan-08	Jan-09
Direct Consumer Installment	$ 11,893	$ 11,415	$ 7,442
Direct Consumer Equity Lines	$ 4,047	$ 1,948	$ 3,625
Indirect Automobile Installment	$ 10,984	$ 17,086	$ 20,734
Totals	$ 26,924	$ 30,449	$ 31,801

EXHIBIT "3"

1. Family Home Improvement/Rehabilitation Program

Program Guidelines - "Purchase with Improvements" and "Refinance with Improvements" transactions. All improvements must be "rehabilitative" in nature or add square footage to living space. Eligible projects will include but are not limited to:

- Structural Repairs
- Handicap access
- Mechanical upgrades
- Roofing/spouting
- Kitchen and bath upgrades

Credit standards for applicants - Applicants must have an established acceptable credit history or a qualified co-signer. Four hours of home ownership counseling from an approved agency is required on all purchase transactions Counseling must cover at least four topics:

- Down payment savings
- Predatory lending
- Mortgage finance
- Household budgeting
- Home maintenance
- Credit-worthiness

Eligible Properties - Single Family Residence

Maximum LTV/Down Payment Requirements - 100% LTV on "As completed" value up to $60,000. 5% down payment required on the total amount above $60,000.00 up to $150,000.00.

2. Family Home Ownership Program

Program Guidelines - Primary Residence Only. Geared specifically to low - and moderate - income borrowers. Household income must be at or below 80% of the area median income for the county in which the property is located.

Credit standards for applicants - Applicants must have an established acceptable credit history or a qualified co-signer. Four hours of home ownership counseling from an approved agency is required on all purchase transactions. Counseling must cover at least four topics:

- Down payment savings
- Predatory lending
- Mortgage finance
- Household budgeting
- Home maintenance
- Credit-worthiness

Eligible Properties - Single Family Residence (no duplexes)

Down Payment Requirement - None up to $60,000.00 sales price. 5% down payment required on the total amount above $60,000.00.

3. **FHA Program**

Program Guidelines - Purchase or Refinance of Primary Residence Only. Geared towards low - and moderate - income or first time borrowers.

Credit Standards for Applicants - Minimum credit score is 580 with Automated Underwriting Approve or Accept.

Eligible Properties - 1-4 unit, Condo, PUD

Down Payment Requirement/Closing Cost Source - Borrower must always contribute 3%. Borrower's contribution can come from funds accumulated through normal savings pattens, a gift, secured borrowed funds. The Seller is permitted to pay all of the closing costs, however the seller contribution is limited to 6%.

4. **80-10-10 / 80-15-5 Purchase Program**

Program Guidelines - Targeted to borrowers with limited down payments or borrowers wishing to leverage equity in the property to be financed.

Credit Standards for Applicants - Credit score must be over 640.

Eligible Properties - Single Family Residence, 2 unit (Primary Residence Only), Condo, PUD

Max LTV/Down Payment Requirements - 80% LTV First Mortgage, 10% 2nd Mortgage, 10% Borrowers Funds or 80% LTV First Mortgage, 15% 2nd Mortgage, 5% Borrowers Funds (the later applicable only to Primary Residences Only, Single Family Residences Only)

5. **Flex 97% Program**

Program Guidelines - This loan is a reward for borrowers that have good credit history but have had trouble saving money for a down payment. The borrower does not have to be a first time home buyer and is not required to attend classes.

Credit Standards for Applicants - Credit scores MUST be 720 or greater. All loans must receive an "approve eligible" rating from an automated underwriting system. Borrower generally must have two months reserves.

Eligible Properties - Primary Residence Only; 1 Unit, low rise condos, and PUD.

Down Payment Requirement - 3% of the selling price is required as down payment.

CERTIFICATION

By my signature below I hereby certify the accuracy of all statements, representations, and supporting information offered in this letter, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Attest:

James G. Orie,
Chief Legal Officer

F.N.B. Corporation

Stephen J. Gurgovits, Chairman
President and Chief Executive Officer