

# Annual Report 2004







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## LOCATIONS

### Pennsylvania

131 banking offices

23 consumer finance offices

### Ohio

11 banking offices

16 consumer finance offices

### Tennessee

16 consumer finance offices



banking

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## CORPORATE PROFILE

F.N.B. Corporation is a diversified financial services company headquartered in Hermitage, Pennsylvania. The company owns and operates First National Bank of Pennsylvania, First National Trust Company, First National Investment Services Company, F.N.B. Investment Advisors, Inc., First National Insurance Agency, Inc. and Regency Finance Company.

On January 1, 2004, F.N.B. Corporation completed the spin-off of its Florida operations into a separate, publicly traded company. Today, F.N.B. Corporation conducts business in Pennsylvania, Ohio and Tennessee. The company's common stock is traded on the New York Stock Exchange under the ticker symbol "FNB."

F.N.B. Corporation has been recognized as a Dividend Achiever by Mergent Inc., a leading provider of global business and financial information on publicly traded companies. This annual recognition is based on the company's consistently outstanding record of increased dividend performance. F.N.B. Corporation has increased dividend payments for 32 consecutive years.

## FINANCIAL HIGHLIGHTS

F.N.B. Corporation and Subsidiaries

(Dollars in thousands, except per share data)

2004

### For The Year

Net income	\$61,795
Return on average assets	1.29%
Return on average shareholders' equity	23.54%

### Per Common Share

Net income	
Basic	\$1.31
Diluted	\$1.29
Cash dividends paid	\$0.92
Book value at year end	\$6.47
Market price at year end	\$20.36

### Performance Ratios

Efficiency ratio	55.93%
Net interest margin	3.94%

### At Year End

Assets	\$5,027,009
Net loans	\$3,338,994
Deposits	\$3,598,087
Shareholders' equity	\$324,102
Common shares outstanding	50,058,119

Note: Comprehensive 2004 financial data is included in the form 10-K supplement to this annual report.

**Steve Gurgovits**  
President & Chief Executive Officer



## LETTER TO OUR SHAREHOLDERS

Dear Shareholder,

By any measure, 2004 was a year of success and accomplishment for F.N.B. Corporation. After the spin-off of our Florida operations in early 2004, we envisioned a corporation that would:

- **Maintain superior financial performance**
- **Grow by acquisition in multiple lines of business**
- **Maintain a low risk profile**
- **Grow organically**
- **Maintain a strong cash dividend**

I am pleased to report that we have maintained focus on these objectives. As a result, this annual report is dedicated to the star achievements that drove the company's performance in 2004 and provided the foundation for continued future success.

We were pleased to report improved financial results for 2004. Net income for the year was \$61.8 million, or \$1.29 per diluted share. That compared to 2003 net income from continuing

operations of \$27.0 million, or \$0.57 per diluted share, including after-tax restructuring charges of \$26.1 million, or \$0.55 per diluted share, related to the spin-off. Our return on assets for the year was 1.29 percent, and our return on equity was 23.5 percent. Return on tangible equity was 30.4 percent. This strong performance in the key measures of return on equity and return on tangible equity places F.N.B. in the top quartile of our peer group. And that's not the only place in which F.N.B. distinguishes itself. Our year-end 2004 dividend yield – at 4.5 percent – was the highest of all bank holding companies of similar size in the continental United States.

In addition to these financial highlights, we enjoyed a very active and successful year of expansion in all lines of business. In May, we announced the expansion of Regency Finance Company by acquiring eight offices in the Columbus, Ohio area. Regency continued its strong performance and is the most profitable affiliate of the company. Also in May, we announced the acquisition of Slippery Rock Financial Corporation, parent company of The First National Bank of Slippery Rock.





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“We balance our growth and expansion opportunities with our commitment to maintain our strong cash dividend.”

This transaction, which closed in October, provided F.N.B. with an expanded presence in the growing Butler County, Pennsylvania area.

pleased to welcome David J. Malone to our Board of Directors. Mr. Malone previously served on the board of NSD Bancorp, Inc.



In July, we acquired the Morrell, Butz and Junker, Inc. insurance agency in Pittsburgh. This acquisition not only doubled the size of First National Insurance Agency, Inc., but provided valuable leadership to continue the growth of this line of business.

Everything we have accomplished in our first year since returning to Pennsylvania was a result of the tireless and dedicated efforts of the 1,900 employees at F.N.B. Corporation. I extend my personal thanks to all of you for your hard work and dedication, and my gratitude to our Board of Directors and you – our shareholders – for your continued support of our company.

Finally, in October, we announced the acquisition of NSD Bancorp, Inc. parent company of NorthSide Bank in Pittsburgh. This transaction, which closed in February of this year, provides growth opportunity for F.N.B. in some of the best suburban markets of Pittsburgh. We see opportunity to provide banking services as well as Wealth Management and Insurance products to consumers and businesses in these new markets.

Sincerely,

Stephen J. Gurgovits  
President & Chief Executive Officer  
March 15, 2005

During the year we were saddened by the loss of R. Benjamin Wiley, a Director. Ben's unexpected death leaves a void in our F.N.B. family. His wisdom, counsel and friendship will be missed. In February of 2005, we were

## North Coast Processing

*First National Bank's commercial lending portfolio grew by more than 10 percent last year, thanks to relationships with customers like North Coast Processing in North East, Pennsylvania. Pictured here are Bill Lewis (left), President of NCP, and Jeff Tebaldi, Commercial Banker.*



## OUR 5 BASIC BUSINESS STRATEGIES



**WE ARE COMMITTED TO DELIVERING SHAREHOLDER VALUE BY FOCUSING ON FIVE BASIC BUSINESS STRATEGIES:**



1. Maintain superior financial performance
2. Grow by acquisition in multiple lines of business
3. Maintain a low risk profile
4. Grow organically
5. Maintain a strong cash dividend

These strategies require a balance. We are proactive and aggressive. Yet we are prudent and cautious. We manage our company to succeed along all five of these strategies.

## OUR IMAGE, OUR BRAND

We're First. In fact, we've been First for more than 140 years. We strive to be First not only in name, but in the way we position ourselves in the markets where we do business. As we compete with large national banks and local community banks, our goal is to exceed the strengths of each – to offer the broad product and technology benefits of a large bank and the personal service of a local bank. In our

Gary Roberts, President and Chief Executive Officer of First National Bank.

But being First is more than just talking about it. It's taking action that demonstrates our commitment to our local markets. As we have grown in size and sophistication over the past 140 years, we have also grown in terms of the volunteerism and financial support we provide to local community organizations. That support takes many forms, from raising



## BEING FIRST IS OUR POSITION, AND THE PROMISE BEHIND THE F.N.B. BRAND.

markets, we are the first bank to aggressively own and defend that position. In many of our markets we are first to introduce new products. In others we are the first to provide exceptional rates, or the first to respond to community needs. Being First is what we are. It is the promise behind the F.N.B. brand. It's a promise that we promote internally as well as externally. "We want to out-local the nationals and out-national the locals," says

and donating more than \$32,000 in tsunami relief in one week, to planting red, white and blue flowers to beautify a freeway interchange, or to teaching area high school students about money management. F.N.B. also sponsors a wide range of community events such as car shows, holiday celebrations, charitable events and school programs throughout Ohio and Pennsylvania, all of which enhance the quality of life in our communities.

**Being First**

*All of our marketing materials carry the "First" theme. This helps us position ourselves in the markets where we do business.*



The inviting feel of a community bank.  
The innovative services of a  
full-service financial company.

**GROWTH BY ACQUISITION**

When we spun off our Florida operations on January 1, 2004 and moved our headquarters back to Hermitage, Pennsylvania, we said we would focus on growth in our core markets. That is exactly what we have done – and we have done so in multiple lines of business.

In October 2004, we completed the purchase of Slippery Rock Financial Corporation and merged its First National Bank of Slippery Rock offices into our First National Bank network.

In February of this year, we completed the purchase of Pittsburgh-based NSD Bancorp, Inc. and merged its NorthSide Bank offices into our First National Bank network.

These two acquisitions represented more than \$830 million in new assets and added strong concentrations of business adjacent to areas where First National Bank already had a solid presence. At year-end 2004, F.N.B.'s \$5 billion in assets (*not including the impact of the recent*

*NSD Bancorp, Inc. merger*) solidified our substantial market presence in Western Pennsylvania and Northeast Ohio.

Meanwhile, our July 2004 acquisition of insurance agency Morrell, Butz and Junker, Inc. doubled the size of our First National Insurance Agency subsidiary. With more than \$53 million in total Property and Casualty premiums last year, First National Insurance Agency is among the largest 10 percent of independent insurance agencies in the nation. We represent more than 25 major carriers and have a staff of over 70 employees doing business with 14,000 individuals and 4,500 commercial clients. In addition to adding size, the Morrell, Butz and Junker, Inc. purchase added a highly experienced management team, with James Morrell now serving as President of First National Insurance Agency.

Regency Finance Company, our consumer finance subsidiary, also grew last year through the acquisition of eight offices in the greater Columbus, Ohio area. Regency Finance now operates 55 offices

in Pennsylvania, Ohio and Tennessee, that specialize in loans to moderate-income consumers. At year-end 2004, Regency Finance's loan portfolio had grown to more than \$144 million. Although it represents about 3 percent of F.N.B.'s assets, Regency Finance accounted for nearly 8 percent of our 2004 net income.

Acquisitions are important to our future. They will not only add size that promotes economies of scale, but also will strengthen the breadth of service we offer our customers. We believe this is critical in banking today, as more individuals and companies are looking for not just a bank but a highly capable financial partner.

**COMMERCIAL BANKING**

Last summer, one of First National Bank's corporate customers decided to pursue not one, but two opportunities to acquire other companies. Both pursuits were time-consuming. Both due diligence reviews by that company took longer than expected, and neither of the closing deadlines could



## Lifestyle 50 Banking

*Our Lifestyle 50 Banking product is just right for the large volume of individuals 50 years or better in our markets.*

*Pictured are Alberta Fusselman (right), Market Manager, along with customers C.J. "Butch" Paluga and Suzanne Paluga.*



**“Service is about being there for the customer,  
whether it’s being in his office at 10:00 at night to make sure a deadline is met  
or answering the phone in person.”**

be moved. So when the time came to put the financing in place, First National Bank’s commercial banking team had another chance to demonstrate what service is all about.

“We helped this manufacturer close two large loans in a two-week period,” says Frank R. Krieder, Executive Vice President and Senior Lending Officer at First National Bank. “Service is about being there for the customer, whether it’s being in his office at 10:00 at night to make sure a deadline is met or answering the phone in person.”

That kind of service – responsiveness, personal presence and a whatever-it-takes commitment to the customer’s business – is at the core of First National Bank’s track record for commercial banking success in a region not widely known for business growth. Last year, the bank’s commercial loan portfolio – the largest portion of its assets – grew by more than 10 percent. At the same time, we adhered to a strong credit culture and low risk profile, both key to our successful basic business strategies.

Succeeding in commercial banking is a challenge in Western Pennsylvania and Northeast Ohio. But First National Bank knows how to succeed in these markets – by creating opportunities and then making the most of them. Our 55 commercial bankers are primarily local people, who get involved – and stay involved – in local organizations. We know our markets very well. We use that knowledge to offer products and services that small businesses and larger companies need. That goes far beyond bank loans and traditional banking services. Our customers also rely on us for cash management, group health insurance plans, investment services and more.

A case in point is an Ohio enterprise that provides medical and dental treatment to low-income individuals. Two years ago, the organization’s bank quit returning phone calls. So First National Bank received a call about financing for an expansion. By late 2004, we had helped that group open two new offices and upgrade its dental equipment. We also helped it build a retirement plan for employees. During an Ohio campaign stop last October,





President Bush recognized the organization as a prime example of American excellence in health care. "We are positioned well to help both large corporations and small business owners," Krieder says. "We have the range of products and services found at the larger banks. And we have a fundamental value of customer service that helps us preserve relationships."

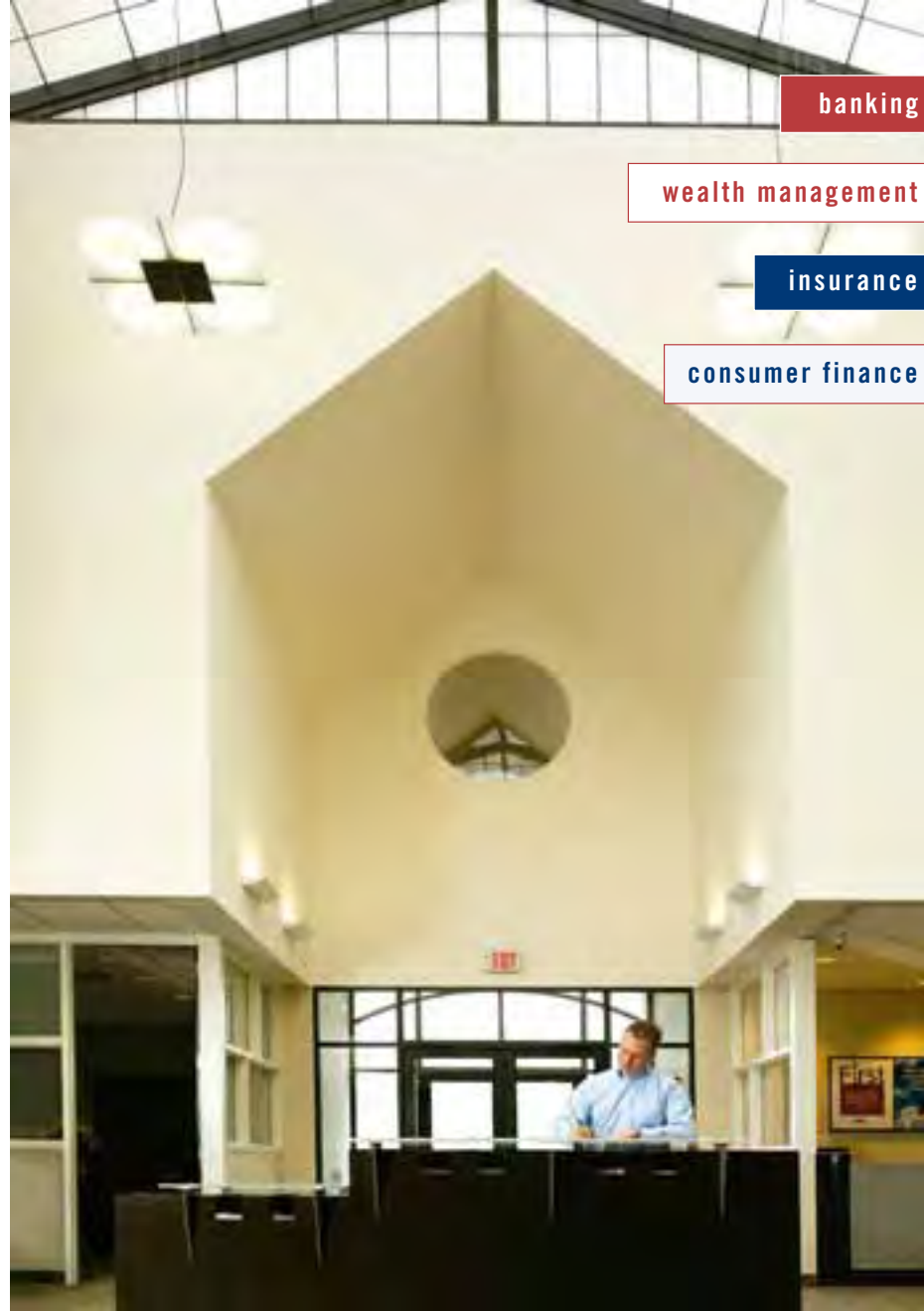
The upcoming year will bring more opportunities for achievement in the commercial banking area. Many former customers of The First National Bank of Slippery Rock and NorthSide Bank need the wider scope of services that First National Bank offers.

### LIFESTYLE 50

Another way First National Bank capitalizes on opportunities is through products that are just right for our markets. An excellent example is Lifestyle 50 Banking. This is a package of products and services designed for individuals 50 years old or better. Many competitors offer such a package, but we see few promoting theirs the way we market Lifestyle 50. We were one of the first banks in our region to offer free checking in combination with such an extensive list of lifestyle and travel benefits in one package to the over-50 segment of our customer base.

We successfully win customers with this offering, because it is right in line with customer needs and market trends. Western Pennsylvania has one of the nation's highest concentrations of individuals over 50 years old. In fact, in this population segment, Allegheny County is second in the nation only to Dade County in Florida.

Last year, the number of First National Bank's Lifestyle 50 accounts surpassed



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### Seven Fields Branch

*We opened our new office in Seven Fields, Pennsylvania in 2004. Seven Fields is one of the fastest growing areas in the state.*

33,000. That includes the almost 500 Lifestyle 50 Plus members, who enjoy additional benefits for having combined deposits of more than \$100,000. Total deposit balances held by the Lifestyle 50 households now exceed \$820 million, representing more than 23 percent of

our deposits. Our Lifestyle 50 members represent a very stable and profitable customer base.

### CUSTOMER SERVICE

Our research shows that individuals in our markets appreciate friendly Five-Star service regarding their financial





#### Call Center Customer Service

*A key to Five-Star service at F.N.B. is our Customer Service Center. Pictured above are Customer Service Representatives Guyla Porterfield (front) and Dave Bell.*

affairs. So First National Bank strives to gain an edge by making Five-Star service a part of our culture. We recruit and develop local talent. We nurture and reward excellent performance. As a result, we enjoy a low rate of turnover among our top-performing personnel. We conduct routine customer satisfaction surveys that measure how our customers view our service. In fact, according to the results of a 2004 focus group study, First National Bank was consistently ranked higher in customer service than our competitors. All of our tellers and personal bankers –

our front-line staff – master specific and stringent customer service standards that are designed to preserve our reputation for friendly service. These standards are also built into our Internet and telephone banking centers and prevail throughout our state-of-the-art call center that interacts with customers.

A key component of Five-Star service is knowledgeable employees who can answer customers' questions quickly and effectively. We deliver that with a product knowledge curriculum that includes an eight-module course and a series of

tests. This is part of our "Customers First" philosophy, which has three components – First-Class Service, First-Hand Knowledge and First in Sales. All include specific tools designed to promote service, knowledge and a sales orientation. We believe our commitment to excellent service sets us apart in an era when banks are undergoing tremendous change and consumers are looking for continuity.

Service also distinguishes us in our other lines of business – wealth management, consumer finance and insurance. F.N.B.'s wealth management group routinely conducts customer satisfaction surveys and uses the results to sharpen the products we offer and the ways we interact with customers. At Regency Finance, service is key to the sales finance segment of our business, through which we provide financing for local merchants. "We stay with our programs, while some others tend to move in and out of the sales finance business," says Robert T. Rawl, Regency Finance's President and Chief Executive Officer. "Our customers and dealers can count on us day in and day out."

#### CONVENIENCE

Recent surveys confirm what we have always believed about bank customers – that convenience is very important to them. That is why we maintain more than 140 banking offices and more than 145 automated teller machines, as well as offer user-friendly Internet banking and telephone banking. We want to be where the customers are, and we want customers to interact with us when, where and how they prefer. As First National Bank has grown, we've made it very convenient for our customers to handle all of their financial





**Cyber Café Seven Fields Branch**

*Nothing says convenience like our new Seven Fields office, which is open 7 days a week and includes a cyber café. Pictured here is Anita Fox (right), Personal Banker, demonstrating online banking to a customer.*



affairs with us. All of our offices provide service from not only our personal bankers, but commercial lenders, investment professionals, insurance agents and trust officers. Or, if customers are unable to come into any of our offices, F.N.B. employees are always willing to accommodate their needs and schedule personal appointments outside of the office.

**EXPANDING CUSTOMER RELATIONSHIPS**

Our customers can count on us for much more than loans and deposits. That is why we work hard and successfully to expand relationships with our customers. For example, at the start of 2004, less than 2 percent of First National Bank's customer households were doing business with F.N.B. Wealth

**OPPORTUNITIES WILL GROW AS WE ACQUIRE BANKS THAT DO NOT OFFER COMPREHENSIVE WEALTH MANAGEMENT SOLUTIONS.**

Our new office in Seven Fields, Pennsylvania, takes convenience to a new level. It is open seven days a week. Beyond all of our banking services, Seven Fields includes a cyber café with coffee and Internet access. This new office embodies First National Bank's organic growth strategy. We chose to build a new office in Seven Fields because it is a community on the move, achieving superb growth in population and business activity. We are prepared to secure a strong position here, and will continue to grow organically as we invest in the region's opportunity areas.

Management, our wealth management group. By the end of the year, however, F.N.B. Wealth Management customer household penetration improved by approximately 35 percent.

"Opportunities will grow as we acquire banks that do not offer comprehensive wealth management solutions," points out Kim Craig, President and Chief Executive Officer of F.N.B. Wealth Management's eastern region. "These new customers provide us with an opportunity to establish new, expanded relationships."

**"We want to be where the customers are, and we want customers to interact with us when, where and how they prefer."**

### Thiel College

*Organizations like Thiel College, a liberal arts college in Greenville, Pennsylvania, rely on F.N.B.'s Wealth Management solutions. Pictured here are Brian Wildman (left), F.N.B. Wealth Management, and Betsy Hildebrand, Thiel College.*



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## F. N. B. RECOGNIZED AS DIVIDEND ACHIEVER



F.N.B. has a long history of paying a strong cash dividend. In fact, the company has increased its cash dividend each year for 32 consecutive years. Our targeted dividend yield is between 4 and 5 percent, which is an attractive return considering today's interest rates and tax treatment of dividends. In fact, Mergent Inc., the publishers of the Mergent Dividend Achievers Index, recognized F.N.B. as a dividend achiever again in 2004.

Our wealth management group has three components – First National Investment Services Company, First National Trust Company and F.N.B. Investment Advisors Inc. All operate under the umbrella of F.N.B. Wealth Management. We recently began promoting the umbrella organization as a full-service provider of integrated wealth management solutions which include annuities, mutual funds, stocks, bonds, investment management, trust services, life insurance and long-term care insurance.

The same customer cross-sell opportunities exist for First National Insurance Agency. In fact, we just created the insurance agency brand last year, combining Morrell, Butz and Junker, Inc., the former Gelvin, Jackson & Starr, and other previously acquired independent

agencies under a single, recognized and trusted banner. Insurance agents regularly team up with loan officers, branch managers and wealth managers to offer integrated solutions to customers of the bank and the other business units. Says James Morrell, President of First National Insurance Agency, "We are building a platform upon which to grow both organically and via acquisition."



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**Board of Directors**

*Seated: (L to R) William J. Strimbu, Stephen J. Gurgovits, Peter Mortensen, John W. Rose.  
Standing: (L to R) Earl K. Wahl, Jr., Henry M. Ekker, William B. Campbell, Robert B.  
Goldstein, Harry F. Radcliffe, Archie O. Wallace. Missing from photo: David J. Malone*



**“The experienced leadership of the company  
starts with our Directors**

*who have a combined 200 years of ‘hands on’ banking experience.”*



**F.N.B. Corporation**

One F.N.B. Boulevard Hermitage, PA 16148 Telephone: 724-981-6000 [www.fnbcorporation.com](http://www.fnbcorporation.com)

## CORPORATE INFORMATION

### CORPORATE HEADQUARTERS

F.N.B. Corporation  
One F.N.B. Boulevard  
Hermitage, Pennsylvania 16148  
Telephone: (724) 981-6000  
Website: [www.fnbcorporation.com](http://www.fnbcorporation.com)

### ANNUAL MEETING

The Annual Meeting of Shareholders will be held on Wednesday, May 18, 2005, at 4 p.m., at the Howard Miller Student Center of Thiel College in Greenville, Pennsylvania.

### INTERNET INFORMATION

Information about F.N.B. Corporation's financial results, acquisitions and its products and services is available on the Internet at [www.fnbcorporation.com](http://www.fnbcorporation.com).

### FINANCIAL INFORMATION

The Annual Report on Form 10-K is filed with the Securities and Exchange Commission (SEC). Copies of this document and other filings, including exhibits thereto, may be obtained electronically at the SEC's home page at [www.sec.gov](http://www.sec.gov) or at F.N.B.'s home page at [www.fnbcorporation.com](http://www.fnbcorporation.com).

### QUARTERLY REPORTS

Quarterly earnings release dates for 2005 are January 20, April 21, July 21 and October 20. Results are released to the press and then posted on F.N.B. Corporation's website.

Quarterly reports are also mailed to shareholders. Shareholders may request reports at any time.

### DIVIDEND PAYMENT DATES

F.N.B. Corporation pays regular quarterly dividends in March, June, September and December.

### ANNUAL REPORT

To order additional copies of the 2004 annual report, please contact the F.N.B. Corporation Marketing Department at One F.N.B. Boulevard, Hermitage, Pennsylvania 16148. Telephone: (724) 983-3430 Fax: (724) 983-3309.

### COMMON STOCK INFORMATION AT DECEMBER 31, 2004

Shares issued	50,210,113
Shares outstanding	50,058,119
Treasury shares	151,994
Number of shareholders of record	11,367
Closing market price per share	\$20.36
Book value per share	\$6.47
Stock exchange	NYSE
Stock symbol	FNB

### DIVIDEND REINVESTMENT PLAN

F.N.B. Corporation offers a Dividend Reinvestment Plan that allows shareholders to reinvest their dividends in additional company common stock at the prevailing

market price. A prospectus and an enrollment form may be obtained upon request by visiting our website at [www.fnbcorporation.com](http://www.fnbcorporation.com), by phoning Shareholder Relations at (724) 983-4944, or by writing to F.N.B. Corporation, Shareholder Relations, One F.N.B. Boulevard, Hermitage, Pennsylvania 16148.

### BOARD OF DIRECTORS

William B. Campbell  
Henry M. Ekker  
Robert B. Goldstein  
Stephen J. Gurgovits  
David J. Malone  
Peter Mortensen  
Harry F. Radcliffe  
John W. Rose  
William J. Strimbu  
Earl K. Wahl, Jr.  
Archie O. Wallace



### CORPORATE OFFICERS

Stephen J. Gurgovits, President and CEO  
Brian F. Lilly, Chief Financial Officer  
Gale E. Wurster, Vice President  
David B. Mogle, Secretary  
Scott D. Free, Treasurer  
Tito L. Lima, Controller  
James G. Orie, Chief Legal Officer

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