

# CEO CFO



Issue:  
August 14, 2009

All rights reserved!  
ceocfointerviews.com

The Most Powerful Name In Corporate News and Information

## F.N.B. Corporation Strikes Balance Of Risk Management And Investing In The Future, Even During the Economic Downturn

**Financial  
Regional – Pennsylvania or  
Mid Atlantic Banking  
(FNB-NYSE)**

**F.N.B. Corporation**

**One FNB Boulevard  
Hermitage, PA 16148  
Phone: 724-981-6000**



**Brian F. Lilly  
Executive V.P and COO**

### **BIO:**

Brian F. Lilly currently serves as Executive Vice President and Chief Operating Officer of F.N.B. Corporation. Lilly is responsible for providing critical executive management support to the Company's strategic business planning in addition to overseeing the administration of Operations, Technology, Credit Administration, Risk Management, Finance and Accounting, Treasurer, Regency Finance, Investor Relations, Human Resources, Legal, Compliance, Facilities and other key support departments.

Mr. Lilly has over 29 years of financial services experience. Lilly joined F.N.B. Corporation in October 2003, after a 23 year career in financial services, mainly in senior level financial and strategic planning roles within the industry and with PNC Financial Services Group. Prior to joining F.N.B. Corporation, he was also a founder who built and sold the leading Business-to-Business electronic invoice presentment and payment consolidating company, BillingZone, LLC. Lilly serves on the boards of Regency Finance Company, First National Trust Company, First National Investment Services Company, First National Insurance Agency, F.N.B. Capital Corporation, Penn Ohio and serves as Chairman of the Corporate Asset Liability Committee.

Mr. Lilly received his bachelor's degree in business and mathematics from Adrian College in Adrian, Michigan, and attained his Accounting Degree from the University of Pittsburgh. He is a State of Pennsylvania Certified Public Accountant and is active in several civic and professional organizations.

### **Company Profile:**

F.N.B. Corporation, headquartered in Hermitage, PA, is a diversified financial services company with total assets of \$8.7 billion as of June 30, 2009. F.N.B. Corporation is a leading provider of commercial and retail banking, leasing, wealth management, insurance, merchant banking and consumer finance services in Pennsylvania and Ohio, where it owns and operates First National Bank of Pennsylvania, First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, F.N.B. Capital Corpora-

tion, LLC, Regency Finance Company and Bank Capital Services. It also operates consumer finance offices in Tennessee and loan production offices in Pennsylvania, Tennessee and Florida.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Lilly, what is the vision of F.N.B. today and has it changed over the last year or so?

**Mr. Lilly:** "Our vision has stayed firmly in place and continues to be that of an industry leader in creating value for our customers, employees, shareholders, and the communities that we serve. We look to accomplish this through our team's passion for providing an exceptional customer experience in a workplace that encourages, recognizes and rewards those who deliver on this vision. Over the past few years there has been an unprecedented challenge to the financial services industry. In our markets there has been tremendous opportunity created through bank mergers and weaker competitors. Our vision has not changed; in fact it is directly aligned with the opportunities in the marketplace and is enabling FNB to win."

**CEOCFO:** Is it the bank itself or is it the economy in the area that you are serving that's causing it to be less of an impact for you?

**Mr. Lilly:** "I believe that it's both. Although we are not immune to the economic environment, we are very proud that our focus on the needs of our customers, our strong risk management practices and a little luck of operating in the relatively stronger Pennsylvania markets has positioned FNB better than most. We never ventured into the riskier mortgage

lending products and have done an excellent job of diversifying our customer base. We are focused on lending in the communities where we live and work and not chasing riskier assets across the country.”

**CEO CFO:** You have a fair number of branches and you’ve incorporated a fair number of banks into the fold; how do you maintain that real community feel given the size and depth of F.N.B?

**Mr. Lilly:** “I think that’s an excellent question and one that we have asked ourselves several times since we started our acquisition expansion back in 2004. How do we export the culture and integrate a team that feels and operates as one? Our key is that we have excellent managers who have been with us for many years. The way we go to market is that we’ve arranged ourselves into four major regions. Those regions are led by very experienced management teams of commercial and retail banking managers. We also employ a local board of directors to help us get close to the community. As we moved ourselves into markets such as, Pittsburgh, and State College, we’ve been able to replicate that model. This is not a secret formula, but the execution is what separates FNB.”

**CEO CFO:** When a customer comes into a branch, what makes F.N.B stand out from the competition?

**Mr. Lilly:** “There are a handful of strategies that you can pursue to differentiate yourself in the business of banking, but service is absolutely critical. We focus our team on service to our customers. In fact, we have a placecard on each desk that reads, “We exist to help customers”. We run programs internally where we’re surveying not only our customer experience with FNB but also our internal teams service experience with each other. It’s a long service chain that will make each teammate successful with the customer. Customers will also learn to appreciate a deeply experienced and consistent team. Our commercial bankers have an average length of service in excess of 20 years. Our relationship managers really get to know the goals of our customers and be-

come a valuable source of ideas. That really does stand us out for us and this reputation makes it easier to get introductions to businesses and consumers.”

**CEO CFO:** How do you break down between commercial and consumer and would you like to see that change?

**Mr. Lilly:** “We have a very complimentary balance of commercial and consumer business. We like this balance and our strategies are focused on growing both customer segments. Most of our funding is coming from the retail side and most of our loans are coming from the commercial side, which is very normal for a community bank. We look to continue this balance.

**“Today we are in the middle of a very unique business opportunity for FNB. We have allocated additional resources to take advantage of our competitor distractions both from M&A conversions as well as financial challenges. Instead of pulling back, we have invested in adding teams of people, adding marketing and even adding capital through a recent secondary offering. Our focus is directly on gaining market share that will benefit our customers, employees, shareholders and communities for years to come. We are very encouraged by the early returns of winning customers.” - Brian Lilly**

There is a healthy savings mentality in our core markets, which is a good mix of demographics. Not long ago we received national recognition for our Lifestyle 50 deposit accounts, which provide value added services to this key consumer segment. We would argue that a successful banking franchise begins with a strong deposit franchise. On the lending side, our marketplace provides a great mix of businesses. Our sweet spot is with the small to middle market companies in a broad base of business activities. We have developed the right blend of big bank sophistication with the community bank delivery.”

**CEO CFO:** What are some of the areas on which you focus?

**Mr. Lilly:** “Today we are in the middle of a very unique business opportunity for FNB. We have allocated additional resources to take advantage of our competi-

tor distractions both from M&A conversions as well as financial challenges. Instead of pulling back, we have invested in adding teams of people, adding marketing and even adding capital through a recent secondary offering. Our focus is directly on gaining market share that will benefit our customers, employees, shareholders and communities for years to come. We are very encouraged by the early returns of winning customers.”

**CEO CFO:** What might be coming up by the way of new branches or acquisition?

**Mr. Lilly:** “Certainly in this market, it’s been an interesting time. We’ve completed nine acquisitions from 2004-2008 and things have been pretty quiet since mid-2008. We have our ears open and our CEO, Steve Gurgovits is well known in the banking community. This gives us the opportunity to grow the company and expand within our existing footprint as well as expand outside of our existing footprint. We’ve chosen to use the acquisition strategy to expand, and as we look forward, we’ve targeted areas further east and southeast in Pennsylvania.”

**CEO CFO:** Has online banking reached its peak for you or do you find it growing?

**Mr. Lilly:** “Online banking is clearly growing. If you just think about the demographics of who is moving through the demographic pipeline; our kids are all very electronic savvy. And don’t underestimate the more mature customers. Everyone has received an education over the years and electronic banking continues to grow. We have added some exciting electronic capabilities to our business services that continue to help these customers manage their cash flow more effectively and efficiently. In fact, our electronic sweep product grew balances over 30% on a year over year basis. The capabilities of electronic banking services will continue to grow and we are investing for our customers.”

**CEO CFO:** Do you see any new products on the horizon that you would like to add to the mix for F.N.B.?

**Mr. Lilly:** “We’ve done an excellent job of meeting market demands and continuing to add to our capabilities as we have grown from \$4 billion to \$8 ½ billion over the past 5 years. In the recent past there are many examples of added products and services including that we were one of the first in the country to provide a means for business customers to truncate physical checks at their office and still process the information electronically. I mentioned our Lifestyle 50 deposit account earlier and we also developed a small business deposit account whereby they receive same day credit. On the commercial banking side, we continue to add services that meet the needs of our growing business base. Last year we added Equipment Leasing and just this week announced that we added a team of experienced Asset Based lenders. Our team has done an excellent job of identifying the products and services that will enable FNB to meet the needs of the marketplace.”

**CEOCFO:** Are more people coming into the branches looking for reassurance and how do you convince them that F.N.B. is a safe place to bank?

**Mr. Lilly:** “I think that is a great question because in the last 12 months, we have experienced that first hand and I’m happy to say that we’re on the winning side. There was a national view of gloom and our markets had several challenged organizations that received local and national media attention. Justifiably, it frightens the customers. We put out information pieces and our team was fully prepared. We talked about our capital strength, our market, the history of the company and where we stack up against competitors, which has always been very favorable. We were a net winner as people have brought in savings from competitors and have said that they felt better

with F.N.B. That has continued through today. We have a very strong reputation in the market based on the way we’ve operated, but also with the way we’ve been able to deliver.”

**CEOCFO:** How is business these days and what is the financial picture for F.N.B.?

**Mr. Lilly:** “The first six months have been excellent in terms of growing the business and consumer relationships. And we fully expect this to continue well into 2010. In all of my years of banking, I have not experienced the competitor disruption that we see in our markets today. There are rumors on the future ownership of Citizens, which is part of Royal bank of Scotland, PNC and National City have come together which has forced a divestiture of many branches, and several competitors have announced sizable loan losses this year. So we’re pretty fired up. In a market where you’re watching your expenses, we’ve approved some additional marketing dollars to get our name out there. We have gotten our name on the street and we’re getting calls from customers. Many examples of customers that we’ve wanted to have a relationship with are getting a call today to inform them that their relationship has now been sold from National City to PNC or First Niagara out of Buffalo. If you’re a successful business person, you’re not going to take very well to someone who is telling you that you are now part of a transfer of business. You’ve made your decisions your whole life and you’re going to pick up your phone and make another decision and we want to be the winner. So it’s very exciting from that standpoint.

From a financial standpoint, we just reported a successful second quarter where we met the analyst estimates, grew revenues, improved asset quality and

strengthened the balance sheet with a capital raise. We continue to be cautious in this uncertain economy but there are many reasons to be optimistic.

**CEOCFO:** Address potential investors; why look at F.N.B.?

**Mr. Lilly:** “Our investment thesis has been consistent for many years. We look to deliver a double digit total shareholder return through a balance of a strong dividend complementing a mid single digit EPS growth. Our realistic view of the growth in our markets allows us to manage the risk profile. Our market is mature, so we’re not trying to deliver 10% EPS growth. If we were, we would be reaching out all over the country. We believe in maintaining a very profitable company with high returns on tangible equity, delivering a large portion of these profits back to the shareholders through dividends and then growing with the market and gaining some share. So the EPS growth is the right formula for our shareholders. We’re committed to this investment thesis for the long term.”

**CEOCFO:** What should people remember most when they read about F.N.B.?

**Mr. Lilly:** “We are led by a deeply experienced and shareholder attentive management team and board of directors. We have a diversified revenue stream and strong risk management practices. More recently, the market opportunities have been very exciting and we are winning. We know that we exist to meet the needs of our customers and this philosophy is keeping us focused. We’re committed to delivering on our investment thesis for our shareholders in the long term.”



**F.N.B. Corporation**

**F.N.B. Corporation**  
**One FNB Boulevard**  
**Hermitage, PA 16148**  
**Phone: 724-981-6000**