FEDERAL RESERVE SYSTEM

F.N.B. Corporation
Hermitage, Pennsylvania

Order Approving the Acquisition of a Bank Holding Company

F.N.B. Corporation ("F.N.B."), a financial holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act to acquire Slippery Rock Financial Corporation ("SRFC") and its subsidiary bank, The First National Bank of Slippery Rock ("Slippery Rock Bank"), both in Slippery Rock, Pennsylvania.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (69 Federal Register 43,848 (2004)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

F.N.B., with total consolidated assets of $4.8 billion, is the 13th largest depository organization in Pennsylvania, controlling approximately $3.1 billion in deposits.[2] F.N.B. operates principally through its wholly owned subsidiary, First National Bank of Pennsylvania, Greenville, Pennsylvania ("F.N.B. Bank").[3] F.N.B. Bank also has branches in Ohio.

[1] 12 U.S.C. § 1842.

[2] Total asset data are as of June 30, 2004, and statewide deposit and ranking data are as of June 30, 2003. Data reflect subsequent merger activity through September 8, 2004.

[3] F.N.B. also owns a minority interest in Sun Bancorp, Inc., which wholly owns Sun Bank, both in Lewisburg, Pennsylvania.

SRFC, with total consolidated assets of approximately $330 million, is the 94th largest depository organization in Pennsylvania, controlling $274.1 million in deposits. SRFC has one subsidiary insured depository institution, Slippery Rock Bank, which has branches only in Pennsylvania.

On consummation of this proposal, F.N.B. would have total consolidated assets of approximately $5.1 billion. F.N.B. would remain the 13th largest depository organization in Pennsylvania, controlling approximately $3.3 billion in deposits, which represents 1.6 percent of the total amount of deposits of insured depository institutions in the state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or that would further any attempt to monopolize the business of banking in any relevant banking market. It also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal clearly are outweighed in the public interest by its effect in meeting the convenience and needs of the community to be served.[4]

F.N.B. and SRFC compete directly in the New Castle and Pittsburgh banking markets in Pennsylvania and the Sharon banking market in Pennsylvania and Ohio ("Sharon Market").[5] The Board has reviewed carefully the competitive effects of the proposal in each of these banking markets in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the markets, the relative shares of total deposits in depository

---

[4] 12 U.S.C. § 1842(c)(1).

[5] These banking markets are described in Appendix A.

institutions in the markets ("market deposits") controlled by F.N.B. and SRFC,[6] the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[7] and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in the Pittsburgh and New Castle banking markets.[8] After consummation, the Pittsburgh banking market would remain moderately concentrated, and the New Castle banking market would remain highly concentrated. In both banking markets the change in market shares would be small and numerous competitors would remain.

---

[6] Market share data are as of June 30, 2003, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Board 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[7] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered moderately concentrated if the post-merger HHI is between 1,000 and 1,800 and highly concentrated if the post-merger HHI is more than 1,800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1,800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

[8] The effects of the proposal on the concentration of banking resources in these banking markets are described in Appendix B.

In the Sharon Market the change in the HHI would slightly exceed DOJ Guidelines on consummation. F.N.B. is the largest insured depository organization in the market, controlling deposits of approximately $518 million, which represent 30.3 percent of market deposits. SRFC is the sixth largest depository organization with deposits of approximately $58.9 million, which represent 3.4 percent of market deposits. On consummation of the merger, F.N.B. would control deposits of $576.8 million, which represent approximately 33.7 percent of market deposits. The HHI would increase by 209 points to 2,233.

Several factors indicate that the proposal is not likely to have a significantly adverse effect on competition in the market. The presence and competitive strength of other depository institutions are important factors in this market. Nine bank and thrift competitors would remain in the market after consummation. In addition, two large commercial banking organizations besides F.N.B. would each control a significant share of market deposits, with approximately 25 percent and 17 percent of market deposits, respectively. Both of these competitors also have a substantial branch network in the Sharon Market that is similar in size to F.N.B.'s network. Moreover, one new competitor entered the market de novo during the last four years.

The Board also has considered that the market has an active credit union that offers a wide range of consumer banking products. The Mercer County Community Federal Credit Union, Sharon, Pennsylvania ("Mercer Credit Union"), controls $29.2 million in deposits in the Sharon Market. At least 90 percent of the residents in the market are eligible to become members of Mercer Credit Union. In addition, the credit union operates street-level branches with drive-up service lanes in the market.

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal is not likely to have a significantly adverse competitive effect in the Sharon Market or in any other relevant banking market. Moreover, the other federal banking agencies have been afforded an opportunity to comment on the proposal and have not objected to the proposal.[9]

Based on these considerations and all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in the Sharon Market or in any other relevant banking market and that competitive factors are consistent with approval.

Financial, Managerial, and Supervisory Considerations

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and depository institutions involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including reports of examination, other confidential supervisory information from the primary federal supervisors for the subsidiary banks of F.N.B. and SRFC, publicly reported and other financial information, and information provided by F.N.B. In addition, the Board has consulted with the OCC, the primary federal supervisor of F.N.B. Bank and Slippery Rock Bank on the proposal.

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important. F.N.B. is well capitalized and would remain so on consummation of the proposal. Moreover, F.N.B. has indicated that the cash portion of the transaction would be funded with available liquid resources.

---

9 On September 8, 2004, the Office of the Comptroller of the Currency ("OCC") approved the application to merge Slippery Rock Bank with and into F.N.B. Bank.

The Board also has considered the managerial resources of F.N.B. and SRFC and the bank to be acquired, and the effect of the proposal on these resources. The Board has reviewed assessments of their management and risk-management systems by the relevant bank supervisory agencies and the organizations' records of compliance with applicable banking laws. In addition, the Board has considered F.N.B.'s plans to integrate SRFC and its subsidiary on consummation of the proposal and the proposed management of the resulting organization.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of F.N.B., SRFC, and their subsidiary banks are consistent with approval, as are the other supervisory factors under the BHC Act.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board also is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant insured depository institutions under the Community Reinvestment Act ("CRA").[10] An institution's most recent CRA performance evaluation is a particularly important consideration in the application process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[11]

---

[10] 12 U.S.C. § 2901 et seq.

[11] See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

The Board has carefully considered the effects of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including the CRA performance records of the subsidiary banks of F.N.B. and SRFC and other information from the banks. At their most recent CRA performance evaluations by the OCC, F.N.B. Bank and Slippery Rock Bank each received a "satisfactory" rating.[12] The Board notes that the proposal would allow F.N.B. to provide a broader range of products and services to SRFC's customers.

Based on these and all the facts of record, the Board has concluded that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the institutions involved, are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by F.N.B. with the conditions imposed in this order and the commitments made to the Board in connection with the application, including compliance with state law. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

---

[12] The rating of F.N.B. Bank is as of August 13, 2001, and the rating of Slippery Rock Bank is as of May 10, 1999. In addition, Sun Bank received a "satisfactory" performance evaluation rating from the Federal Deposit Insurance Corporation, as of April 1, 2004.

The acquisition of Slippery Rock Bank shall not be consummated before the fifteenth calendar day after the effective date of this order or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors,[13] effective September 23, 2004.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

[13] Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

APPENDIX A

Banking Markets Where F.N.B. and SRFC Compete Directly

New Castle, Pennsylvania
Lawrence County, excluding the townships of Little Beaver, New Beaver, Perry, and Wayne; and Wilmington township in Mercer County.

Pittsburgh, Pennsylvania
Allegheny, Beaver, and Washington Counties; the townships of South Buffalo, Gilpin, Parks, and Kiskiminetas in Armstrong County; the townships of Muddy Creek, Lancaster, Jackson, Forward, Penn, Jefferson, Winfield, Cranberry, Adams, Middlesex, Clinton, and Buffalo in Butler County; the townships of Washington, Jefferson, Perry, Lower Tyrone, Upper Tyrone, Bullskin, and Salt Lick in Fayette County; the townships of Conernaugh, Burrell, and West Wheatfield in Indiana County; the townships of Little Beaver, New Beaver, Perry, and Wayne in Lawrence County; and Westmoreland County, excluding St. Clair township.

Sharon, Pennsylvania and Ohio
Mercer County, excluding Wilmington township, and Mercer township in Butler County, all in Pennsylvania; and the townships of Brookfield and Hartford in Trumbull County, Ohio.

APPENDIX B

Market Data

New Castle, Pennsylvania
F.N.B. operates the fourth largest depository institution in the New Castle banking market, controlling $146.1 million in deposits, which represents 8.5 percent of market deposits. SRFC operates the sixth largest depository institution in the market, controlling $41.4 million in deposits, which represents 2.4 percent of market deposits. On consummation of the proposal, F.N.B. would operate the third largest depository institution in the market, controlling deposits of $187.5 million, which represent approximately 10.9 percent of market deposits. Seven bank and thrift competitors would remain in the market. The HHI would increase 118 points to 3,337.

Pittsburgh, Pennsylvania
F.N.B. operates the eighth largest depository institution in the Pittsburgh banking market, controlling $689.3 million in deposits, which represents 1.4 percent of market deposits. SRFC operates the 39th largest depository institution in the market, controlling $26.9 million in deposits, which represents less than 1 percent of market deposits. On consummation of the proposal, F.N.B. would remain the eighth largest depository institution in the market, controlling $716.2 million in deposits, which represent 1.5 percent of market deposits. Fifty-three bank and thrift competitors would remain in the market. The HHI would remain at 1,584.