

REFINITIV

DELTA REPORT

10-Q

FNB CORP/PA/

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1710

■ CHANGES	537
■ DELETIONS	621
■ ADDITIONS	552

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

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)

Pennsylvania	25-1255406
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One North Shore Center, 12 Federal Street, Pittsburgh, PA	15212
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **800-555-5455**

(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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on which Registered
Common Stock, par value \$0.01 per share	FNB	New York Stock Exchange
Depository Shares each representing 1/40th interest in a share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E	FNBP <small>PrE</small>	
		New York Stock Exchange

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 2024	October 31, 2023 April 30,
Common Stock, \$0.01 Par Value	358,828,542 359,752,833 Shares	

F.N.B. CORPORATION

FORM 10-Q

September 30, 2023 March 31, 2024

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Glossary of Acronyms and Terms

Acronym	Description	Acronym	Description
ACL	Allowance for credit losses	FTE	Fully taxable equivalent
AFS	Available for sale	GAAP	U.S. generally accepted accounting principles
ALCO	Asset/Liability Committee	HTM	Howard
AOCI	Accumulated other comprehensive income	HTM	Howard
ASC	Accounting Standards Codification	LGD	Loss given default
ASU	Accounting Standards Update	LIHTC	LIBOR
			London Inter-bank Offered Rate Various partnerships of affordable housing
AULC	Allowance for unfunded loan commitments		Low-income housing tax credit Mortgage-backed securities
BTFPCECL	Bank Term Funding Program Current expected credit losses	MBS	LIHTC
CECL CET1	Current expected credit losses Common equity tier 1	MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
CET1CFPB	Common equity tier 1 Consumer Financial Protection Bureau	MSRs	Mortgage servicing rights
CFPB	Consumer Financial Protection Bureau	OCC	Office of the Comptroller of the Currency
DIF	Deposit Insurance Fund	OREO	Other real estate owned
DOJ	U.S. Department of Justice	PCD	Purchased credit deteriorated
EVE	Economic value of equity	OREO	R&S
DOJ	U.S. Department of Justice	R&S	Reasonable and Supportable Other real estate owned
EVE	Economic value of equity	R&S	Small Business
FASB	Financial Accounting Standards Board	SBA	SEC
FDIC	Federal Deposit Insurance Corporation	SEC	Securities and Exchange Commission Small Business Administration
FHLB	Federal Home Loan Bank	SOFR	Secured Overnight Financing Rate Securities and Exchange Commission
FICO	Fair Isaac Corporation	TPS	TDR
FNB	F.N.B. Corporation	U.S.	Troubled debt restructuring Secured Overnight Financing Rate
FNBPA	First National Bank of Pennsylvania	UST	Union
FOMC	Federal Open Market Committee	VIE	U.S. United States of America
FRB	Board of Governors of the Federal Reserve System	VIE	United States Department of the Treasury
			U.S. Department of the Treasury Variable interest entity

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share and per share data)

		December			
		September 30, 2023	31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Assets	Assets	(Unaudited)	(Unaudited)		
Cash and due from banks	Cash and due from banks	\$ 409	\$ 443		
Cash and due from banks					
Interest-bearing deposits with banks	Interest-bearing deposits with banks	1,228	1,231		
Cash and Cash Equivalents	Cash and Cash Equivalents	1,637	1,674		
Debt securities available for sale (amortized cost of \$3,520 and \$3,622; allowance for credit losses of \$0 and \$0)		3,145	3,275		
Debt securities held to maturity (fair value of \$3,403 and \$3,687; allowance for credit losses of \$0 and \$0)		3,922	4,087		
Loans held for sale (includes \$92 and \$91 measured at fair value) ⁽¹⁾		110	124		
Loans and leases, net of unearned income of \$87 and \$69 (includes \$40 and \$12 measured at fair value) ⁽¹⁾		32,151	30,255		
Debt securities available for sale (amortized cost of \$3,449 and \$3,460; allowance for credit losses of \$0 and \$0)					
Debt securities held to maturity (fair value of \$3,547 and \$3,593; allowance for credit losses of \$0 and \$0)					
Loans held for sale (includes \$93 and \$150 measured at fair value) ⁽¹⁾					
Loans and leases, net of unearned income of \$95 and \$91 (includes \$46 and \$45 measured at fair value)					
⁽¹⁾					
Allowance for credit losses on loans and leases	Allowance for credit losses on loans and leases	(401)	(402)		
Net Loans and Leases	Net Loans and Leases	31,750	29,853		

Premises and equipment, net	Premises and equipment, net	460	432
Goodwill	Goodwill	2,477	2,477
Core deposit and other intangible assets, net	Core deposit and other intangible assets, net	74	89
Bank owned life insurance	Bank owned life insurance	660	653
Other assets	Other assets	1,261	1,061
Total Assets	Total Assets	\$ 45,496	\$ 43,725
Liabilities	Liabilities		
Deposits:	Deposits:		
Deposits:			
Deposits:			
Non-interest-bearing demand			
Non-interest-bearing demand			
Non-interest-bearing demand	Non-interest-bearing demand	\$ 10,704	\$ 11,916
Interest-bearing demand	Interest-bearing demand	14,530	15,100
Savings	Savings	3,588	4,142
Certificates and other time deposits	Certificates and other time deposits	5,793	3,612
Total Deposits	Total Deposits	34,615	34,770
Short-term borrowings	Short-term borrowings	2,066	1,372
Long-term borrowings	Long-term borrowings	1,968	1,093
Other liabilities	Other liabilities	953	837
Other liabilities			
Other liabilities			
Total Liabilities	Total Liabilities	39,602	38,072
Stockholders' Equity	Stockholders' Equity		
Preferred stock - \$0.01 par value; liquidation preference of \$1,000 per share			
Authorized – 20,000,000 shares			
Issued – 110,877 shares		107	107
Preferred stock			
Preferred stock			
Preferred stock			
Issued – 0 and 110,877 shares - \$0.01 par value			
Issued – 0 and 110,877 shares - \$0.01 par value			
Issued – 0 and 110,877 shares - \$0.01 par value			
Common stock - \$0.01 par value	Common stock - \$0.01 par value		
Authorized – 500,000,000 shares	Authorized – 500,000,000 shares		
Issued – 374,939,004 and 374,907,245 shares		4	4
Authorized – 500,000,000 shares			
Authorized – 500,000,000 shares			

Issued – 374,970,621 and 374,939,537 shares	
Issued – 374,970,621 and 374,939,537 shares	
Issued – 374,970,621 and 374,939,537 shares	
Additional paid-in capital	Additional paid-in capital 4,689 4,696
Retained earnings	Retained earnings 1,664 1,370
Accumulated other comprehensive loss	Accumulated other comprehensive loss (382) (357)
Treasury stock – 16,110,462 and 14,437,135 shares at cost	(188) (167)
Treasury stock – 15,604,305 and 16,110,120 shares at cost	
Total Stockholders' Equity	5,894 5,653
Total Liabilities and Stockholders' Equity	\$ 45,496 \$ 43,725

(1) Amount represents loans for which we have elected the fair value option. See Note 19, 18.

See accompanying Notes to Consolidated Financial Statements (unaudited)

F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share data)

Unaudited

		Three Months Ended		Nine Months Ended		Three Months Ended March 31,	2024	2023			
		September 30,		September 30,							
		2023	2022	2023	2022						
Interest Income	Interest Income										
Loans and leases, including fees	Loans and leases, including fees	\$ 455	\$ 297	\$ 1,278	\$ 760						
Loans and leases, including fees											
Loans and leases, including fees											
Securities:	Securities:										
Taxable											
Taxable											
Taxable	Taxable	38	31	109	82						
Tax-exempt	Tax-exempt	7	7	21	20						
Other	Other	13	8	33	15						
Other											
Other											
Total Interest Income	Total Interest Income	513	343	1,441	877						
Interest Expense	Interest Expense										
Deposits											
Deposits											
Deposits	Deposits	139	31	335	54						

Short-term borrowings	Short-term borrowings	23	6	55	17
Long-term borrowings	Long-term borrowings	25	9	59	21
Total Interest Expense	Total Interest Expense	187	46	449	92
Net Interest Income	Net Interest Income	326	297	992	785
Provision for credit losses	Provision for credit losses	25	12	58	36
Net Interest Income After Provision for Credit Losses	Net Interest Income After Provision for Credit Losses	301	285	934	749
Non-Interest Income	Non-Interest Income				
Service charges	Service charges	35	36	101	102
Service charges					
Service charges					
Interchange and card transaction fees					
Trust services	Trust services	11	10	32	30
Insurance commissions and fees	Insurance commissions and fees	5	6	19	20
Securities commissions and fees	Securities commissions and fees	7	6	21	18
Capital markets income	Capital markets income	7	10	20	25
Mortgage banking operations	Mortgage banking operations	4	5	14	18
Dividends on non-marketable equity securities	Dividends on non-marketable equity securities	5	3	15	8
Bank owned life insurance	Bank owned life insurance	3	2	9	9
Other	Other	4	5	10	13
Other					
Other					
Total Non-Interest Income	Total Non-Interest Income	81	83	241	243
Non-Interest Expense	Non-Interest Expense				
Salaries and employee benefits	Salaries and employee benefits				
Salaries and employee benefits	Salaries and employee benefits	114	107	348	323
Net occupancy	Net occupancy	18	16	52	50
Equipment	Equipment	24	20	67	56
Amortization of intangibles	Amortization of intangibles	5	3	15	10
Outside services	Outside services	21	19	61	53
Marketing	Marketing	5	3	13	11
FDIC insurance	FDIC insurance	8	5	23	15
Bank shares and franchise taxes	Bank shares and franchise taxes	4	4	12	12
Merger-related	Merger-related	—	2	2	33
Other	Other	19	16	57	52
Other					
Other					
Total Non-Interest Expense	Total Non-Interest Expense	218	195	650	615
Income Before Income Taxes	Income Before Income Taxes	164	173	525	377

Income taxes	Income taxes	19	35	91	77
	Net Income	145	138	434	300
Preferred stock dividends	Preferred stock dividends	2	2	6	6
Net Income Available to Common Stockholders	Net Income Available to Common Stockholders	\$ 143	\$ 136	\$ 428	\$ 294
Earnings per Common Share	Earnings per Common Share				
Basic	Basic	\$0.40	\$0.39	\$ 1.19	\$0.84
Basic					
Diluted	Diluted	0.40	0.38	1.18	0.83

See accompanying Notes to Consolidated Financial Statements (unaudited)

F.N.B. CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

Unaudited

		Nine Months					
		Three Months Ended		September			
		September 30,	2023	September 30,	2023	September 30,	2022
Net income	Net income	\$145	\$ 138	\$434	\$300		
Other comprehensive income (loss):							
Securities available for sale:	Securities available for sale:						
	Unrealized losses arising during the period, net of tax benefit of \$(7), \$(33), \$(6) and \$(84)	(26)	(116)	(22)	(294)		
Securities available for sale:							
Securities available for sale:	Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(4) and \$10						
	Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(4) and \$10						
	Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(4) and \$10						
Derivative instruments:	Derivative instruments:						

Unrealized losses arising during the period, net of tax benefit of \$(2) , \$(4) , \$(5) and \$(9)	(7)	(13)	(17)	(30)
Reclassification adjustment for gains included in net income, net of tax expense of \$2 , \$1 , \$4 and \$2	6	2	13	6
Derivative instruments:				
Derivative instruments:				
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(3) and \$1				
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(3) and \$1				
Unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(3) and \$1				
Reclassification adjustment for gains included in net income, net of tax expense of \$2 and \$1				
Pension and postretirement benefit obligations:				
Unrealized gains arising during the period, net of tax expense of \$0 , \$0 , \$0 and \$0	—	1	1	2
Unrealized gains arising during the period, net of tax expense of \$0 and \$0				
Unrealized gains arising during the period, net of tax expense of \$0 and \$0				
Unrealized gains arising during the period, net of tax expense of \$0 and \$0				
Other Comprehensive Income (Loss)				
Comprehensive Income (Loss)	\$(27)	(126)	(25)	(316)
Comprehensive Income (Loss)	\$118	\$ 12	\$409	\$(16)

See accompanying Notes to Consolidated Financial Statements (unaudited)

F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in millions, except per share data)
Unaudited

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Total
Three Months Ended September 30, 2022							
Balance at beginning of period	\$ 107	\$ 4	\$ 4,562	\$ 1,182	\$ (252)	\$ (167)	\$ 5,436
Comprehensive income (loss)				138	(126)		12
Dividends declared:							
Preferred stock: \$18.13/share					(2)		(2)
Common stock: \$0.12/share					(43)		(43)
Restricted stock compensation			3				3
Balance at end of period	<u>\$ 107</u>	<u>\$ 4</u>	<u>\$ 4,565</u>	<u>\$ 1,275</u>	<u>\$ (378)</u>	<u>\$ (167)</u>	<u>\$ 5,406</u>
Three Months Ended September 30, 2023							
Balance at beginning of period	\$ 107	\$ 4	\$ 4,686	\$ 1,564	\$ (355)	\$ (188)	\$ 5,818
Comprehensive income (loss)				145	(27)		118
Dividends declared:							
Preferred stock: \$18.13/share					(2)		(2)
Common stock: \$0.12/share					(43)		(43)
Issuance of common stock		—	1	—	—	—	1
Restricted stock compensation			2				2
Balance at end of period	<u>\$ 107</u>	<u>\$ 4</u>	<u>\$ 4,689</u>	<u>\$ 1,664</u>	<u>\$ (382)</u>	<u>\$ (188)</u>	<u>\$ 5,894</u>

Preferred Stock	Accumulated						
	Additional			Other			
	Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Total
Nine Months Ended September 30, 2022							
Three Months Ended March 31, 2023							
Three Months Ended March 31, 2023							
Three Months Ended March 31, 2023							
Balance at beginning of period							
Balance at beginning of period							
Balance at beginning of period	\$ 107	\$ 3	\$ 4,109	\$ 1,110	\$ (62)	\$ (117)	\$ 5,150
Comprehensive income (loss)				300	(316)	(16)	
Dividends declared:							
Preferred stock: \$54.39/share				(6)		(6)	
Common stock: \$0.36/share				(129)		(129)	
Preferred stock: \$18.13/share							

Preferred stock: \$18.13/share						
Preferred stock: \$18.13/share						
Common stock: \$0.12/share						
Issuance of common stock	Issuance of common stock	—	1	(7)	(6)	
Issuance of common stock - acquisitions		1	442		443	
Repurchase of common stock	Repurchase of common stock			(43)	(43)	
Repurchase of common stock						
Restricted stock compensation						
Restricted stock compensation						
Restricted stock compensation						
Balance at end of period						
Balance at end of period						
Balance at end of period						
<i>Three Months Ended March 31, 2024</i>						
Balance at beginning of period						
Balance at beginning of period						
Balance at beginning of period						
Comprehensive income (loss)						
Dividends declared:						
Preferred stock: \$18.13/share						
Preferred stock: \$18.13/share						
Preferred stock: \$18.13/share						
Common stock: \$0.12/share						
Redemption of preferred stock						
Issuance of common stock						
Restricted stock compensation	Restricted stock compensation		13		13	
Balance at end of period		\$ 107	\$ 4	\$ 4,565	\$ 1,275	\$ (378) \$ (167) \$5,406
<i>Nine Months Ended September 30, 2023</i>						
Balance at beginning of period		\$ 107	\$ 4	\$ 4,696	\$ 1,370	\$ (357) \$ (167) \$5,653
Comprehensive income (loss)				434	(25)	409

Dividends declared:				
Preferred stock:				
\$54.39/share		(6)	(6)	
Common stock: \$0.36/share		(130)	(130)	
Issuance of common stock	—	(21)	(4)	16 (9)
Restricted stock compensation				
Repurchase of common stock			(37)	(37)
Restricted stock compensation	Restricted stock compensation	14		14
Adoption of new accounting standard				
Balance at end of period	Balance at end of period	\$ 107	\$ 4	\$ 4,689 \$ 1,664 \$ (382) \$ (188) \$5,894

See accompanying Notes to Consolidated Financial Statements (unaudited)

F.N.B. CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

Unaudited

		Nine Months Ended		Three Months Ended March 31, 2024	2023		
		September 30,					
		2023	2022				
Operating Activities	Operating Activities						
Net income	Net income	\$ 434	\$ 300				
Net income							
Net income							
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:	Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:						
Depreciation, amortization and accretion	Depreciation, amortization and accretion						
Depreciation, amortization and accretion	Depreciation, amortization and accretion	61	54				
Provision for credit losses	Provision for credit losses	58	36				
Deferred tax expense (benefit)	Deferred tax expense (benefit)	3	9				
Loans originated for sale	Loans originated for sale	(839)	(836)				
Loans originated for sale							
Loans originated for sale							
Loans sold	Loans sold	821	1,011				
Net (gain) loss on sale of loans	Net (gain) loss on sale of loans	(1)	(29)				
Net change in:	Net change in:						

Interest receivable				
Interest receivable				
Interest receivable	Interest receivable	(32)	(19)	
Interest payable	Interest payable	29	4	
Bank owned life insurance, excluding purchases	Bank owned life insurance, excluding purchases	(7)	(4)	
Other, net	Other, net	(84)	515	
Net cash flows provided by operating activities	Net cash flows provided by operating activities	443	1,041	
Investing Activities	Investing Activities			
Net change in loans and leases, excluding sales and transfers	Net change in loans and leases, excluding sales and transfers	(1,917)	(2,012)	
Net change in loans and leases, excluding sales and transfers				
Net change in loans and leases, excluding sales and transfers				
Debt securities available for sale:	Debt securities available for sale:			
Purchases	Purchases	(262)	(919)	
Sales		—	287	
Purchases				
Purchases				
Maturities/payments				
Maturities/payments				
Maturities/payments	Maturities/payments	359	598	
Debt securities held to maturity:	Debt securities held to maturity:			
Purchases	Purchases	(104)	(845)	
Purchases				
Purchases				
Maturities/payments				
Maturities/payments				
Maturities/payments	Maturities/payments	271	481	
Increase in premises and equipment	Increase in premises and equipment	(71)	(78)	
Net cash received in business acquisition		—	75	
Increase in premises and equipment				
Net cash flows used in investing activities		(1,724)	(2,413)	
Increase in premises and equipment				
Net proceeds from sales of portfolio loans				
Net proceeds from sales of portfolio loans				
Net proceeds from sales of portfolio loans				
Net cash flows provided by (used in) investing activities				
Net cash flows provided by (used in) investing activities				
Net cash flows provided by (used in) investing activities				

Financing Activities		Financing Activities	
Net change in:		Net change in:	
Net change in:			
Net change in:			
Demand (non-interest bearing and interest bearing) and savings accounts		Demand (non-interest bearing and interest bearing) and savings accounts	
Demand (non-interest bearing and interest bearing) and savings accounts		Demand (non-interest bearing and interest bearing) and savings accounts	
Demand (non-interest bearing and interest bearing) and savings accounts		Demand (non-interest bearing and interest bearing) and savings accounts	
Time deposits		Time deposits	
Short-term borrowings		Short-term borrowings	
Proceeds from issuance of long-term borrowings		Proceeds from issuance of long-term borrowings	
Repayment of long-term borrowings		Repayment of long-term borrowings	
Redemption of preferred stock			
Repurchases of common stock		Repurchases of common stock	
Cash dividends paid:		Cash dividends paid:	
Preferred stock		Preferred stock	
Preferred stock		Preferred stock	
Common stock		Common stock	
Other, net		Other, net	
Net cash flows provided by financing activities		1,244	155
Net Decrease in Cash and Cash Equivalents		(37)	(1,217)
Net cash flows provided by (used in) financing activities			
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and cash equivalents at beginning of period		Cash and cash equivalents at beginning of period	
Cash and Cash Equivalents at End of Period		Cash and Cash Equivalents at End of Period	

See accompanying Notes to Consolidated Financial Statements (unaudited)

F.N.B. CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2023 March 31, 2024

The terms "FNB," "the Corporation," "we," "us" and "our" throughout this Report mean F.N.B. Corporation and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, F.N.B. Corporation. When we refer to "FNBPA" in this Report, we mean our bank subsidiary, First National Bank of Pennsylvania, and its subsidiaries.

NATURE OF OPERATIONS

F.N.B. Corporation, headquartered in Pittsburgh, Pennsylvania, is a diversified financial services company operating in seven states and the District of Columbia. Our market coverage spans several major metropolitan areas including: Pittsburgh, Pennsylvania; Baltimore, Maryland; Cleveland, Ohio; Washington, D.C.; Charlotte, Raleigh, Durham and the Piedmont Triad (Winston-Salem, Greensboro and High Point) in North Carolina; and Charleston, South Carolina. As of **September 30, 2023** **March 31, 2024**, we had **346** **348** branches throughout Pennsylvania, Ohio, Maryland, West Virginia, North Carolina, South Carolina, Washington D.C. and Virginia.

We provide a full range of commercial banking, consumer banking and wealth management solutions through our subsidiary network which is led by our largest affiliate, FNBPA, founded in 1864. Commercial banking solutions include corporate banking, small business banking, investment real estate financing, government banking, business credit, capital markets and lease financing. Consumer banking provides a full line of consumer banking products and services, including deposit products, mortgage lending, consumer lending and a complete suite of mobile and online banking services. Wealth management services include asset management, private banking and insurance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements (unaudited) include subsidiaries in which we have a controlling financial interest. We own and operate FNBPA, First National Trust Company, First National Investment Services Company, LLC, F.N.B. Investment Advisors, Inc., First National Insurance Agency, LLC, Bank Capital Services, LLC, F.N.B. Capital Corporation, LLC and Waubank Securities, LLC, and include results for each of these entities in the accompanying Consolidated Financial Statements.

Companies in which we hold a controlling financial interest, or are a VIE in which we have the power to direct the activities of an entity that most significantly impact the entity's economic performance and have an obligation to absorb losses or the right to receive benefits which could potentially be significant to the VIE, are consolidated. For a voting interest entity, a controlling financial interest is generally where we hold more than 50% of the outstanding voting shares. VIEs in which we do not hold the power to direct the activities of the entity that most significantly impact the entity's economic performance or an obligation to absorb losses or the right to receive benefits which could potentially be significant to the VIE are not consolidated. Investments in companies that are not consolidated are accounted for using the equity method when we have the ability to exert significant influence or the cost method when we do not have the ability to exert significant influence. Investments in private investment partnerships that are accounted for under the equity method or the cost method are included in other assets and our proportional interest in the equity investments' earnings are included in other non-interest income. Investment interests accounted for under the cost and equity methods are periodically evaluated for impairment.

The accompanying interim unaudited Consolidated Financial Statements include all adjustments that are necessary, in the opinion of management, to fairly reflect our financial position and results of operations in accordance with GAAP. All significant intercompany balances and transactions have been eliminated. **Certain prior period amounts have been reclassified to the current period presentation. Such reclassifications had no impact on our net income and stockholders' equity.** Events occurring subsequent to **September 30, 2023** **March 31, 2024** have been evaluated for potential recognition or disclosure in the Consolidated Financial Statements through the date of the filing of the Consolidated Financial Statements with the SEC.

Certain information and Note disclosures normally included in Consolidated Financial Statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The interim operating results are not necessarily indicative of operating results we expect for the full year. These interim unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in our [2022 2023 Annual Report on Form 10-K](#) filed with the SEC on **February 24, 2023** **February 26, 2024**.

Use of Estimates

Our accounting and reporting policies conform with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements (unaudited). Actual results could materially differ from those estimates. Material estimates that are particularly susceptible to significant changes include the ACL, fair value of financial instruments, goodwill and other intangible assets **and income taxes and deferred tax assets, and litigation reserves**, which are listed in the critical accounting estimates. For a detailed description of our significant accounting policies and critical accounting estimates, see Note 1, "Summary of Significant Accounting Policies" and the "Application of Critical Accounting Policies" section in the MD&A, both in our [2022 2023 Annual Report on Form 10-K](#).

Adoption of New Accounting Standards

Effective January 1, 2024, we adopted the provision of ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, which permits reporting entities to make an accounting policy election to account for tax equity investments using the proportional amortization method if certain conditions are met. The election is to be made on a tax-credit-program-by-tax-credit-program basis and should be applied consistently to all investments within an elected tax credit program. Upon the adoption of ASU 2023-02, we elected to apply the proportional amortization method of accounting to our qualifying historic and new market tax credit investments. The proportional amortization method recognizes the amortized cost of the investment as a component of income tax expense on the consolidated statements of income and as a component of operating activities within other assets and other liabilities on the consolidated statements of cash flows. We historically applied proportional amortization to the majority of our

LIHTC investments. LIHTCs that do not meet the requirements of the proportional amortization method are recognized using the equity method. See Note 8, "Variable Interest Entities" for additional information.

NOTE 2. NEW ACCOUNTING STANDARDS

The following table summarizes accounting pronouncements issued by the FASB that we recently adopted or will be adopting in the future.

TABLE 2.1

Standard	Description	Financial Statements Impact
Income Taxes		
ASU 2023-09, <i>Income Taxes: Improvements to Income Tax Disclosures</i>	<p>This Update requires public business entities to disclose additional categories of information about federal, state, and foreign income taxes in the tabular rate reconciliation table. Additionally, entities must provide more details regarding reconciling items in some categories if the items are equal to or greater than a specified quantitative threshold.</p> <p>This Update also requires all entities to annually disclose income taxes paid, net of refunds received, disaggregated by federal, state, and foreign taxes and further disaggregated by jurisdiction based on a specified quantitative threshold.</p>	<p>This Update is to be applied using a prospective method with an option to apply it retrospectively for each period presented and will be effective as of January 1, 2025. Early adoption is permitted.</p> <p>We are currently evaluating the effect this Update will have on our consolidated financial statements, the related disclosures and our processes, systems, and controls related to disclosures.</p>

Standard	Description	Financial Statements Impact
Segment Reporting		
<i>ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure</i>	This Update requires all public entities to disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required in annual disclosures.	This Update is to be applied using a retrospective method to all prior periods presented and is effective for annual periods beginning on January 1, 2024, and will be effective for interim periods beginning on January 1, 2025. Early adoption is permitted. We do not expect the adoption of this Update to materially impact our consolidated financial statements and we are currently evaluating the effect this Update will have on the related disclosures.
Tax Equity Investments		
<i>ASU 2023-02, Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</i>	This Update expands the use of the proportional amortization method of accounting, previously only allowable for LIHTC investments, to equity investments in other tax credit structures that meet certain criteria. The Update also removed the specialized guidance for LIHTC investments that are not accounted for using the proportional amortization method or equity method and require that those investments are accounted for using Topic 321 regarding equity investments.	This Update is to be applied using either a modified retrospective or a retrospective method and will be effective as of January 1, 2024. Early adoption of this Update is permitted. We plan to adopt this Update on January 1, 2024. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.
Troubled Debt Restructuring and Charge-offs		
<i>ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i>	This Update eliminates the recognition and measurement guidance on TDRs for creditors that have adopted ASC 326 and requires entities to apply loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. The Update requires enhanced disclosures for certain loan modifications by creditors when a borrower is experiencing financial difficulty if the modification includes principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination of those modification types. This Update also requires public business entities to present current-period gross write-offs by year of origination in their vintage disclosures.	This Update is to be applied using a prospective method. For the transition method related to TDRs, an entity has the option to apply a modified retrospective transition method. We adopted this Update on January 1, 2023, January 1, 2024 on a prospective modified retrospective basis for all amendments. Adoption tax credit programs that are eligible to apply proportional amortization. As a result, we recorded a reduction of this Update did not have a material impact on our consolidated financial statements.

\$0.5 million in retained earnings for the cumulative effect of the adoption.

NOTE 3. MERGERS AND ACQUISITIONS

Howard Bancorp, Inc.

On January 22, 2022, we completed our acquisition of Howard, a bank holding company headquartered in Baltimore City, Maryland. The acquisition enhanced our presence in the Mid-Atlantic Region. Additionally, cost savings, efficiencies and other benefits were realized from the combined operations. On the acquisition date, Howard had assets with a net book value of approximately \$2.4 billion, including \$1.8 billion in both loans and deposits. The acquisition was valued at approximately \$443 million and resulted in the issuance of 34,074,495 shares of our common stock in exchange for 18,930,329 shares of Howard common stock. We also acquired restricted stock units and the fully vested outstanding stock options of Howard.

This merger was accounted for in accordance with the acquisition method of accounting. Fair values for all assets and liabilities are presented in Table 3.1. Determining the fair value of assets and liabilities is a complex process involving significant judgment regarding estimates and assumptions used to calculate fair values. We have completed the review of valuations for the acquired assets and liabilities.

Goodwill related to the Howard acquisition was recorded in the Community Banking business segment and is not deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange for tax purposes. We incurred merger expenses relating to the Howard acquisition of \$30.6 million for the first nine months of 2022. We did not record any merger expenses relating to the Howard acquisition in 2023.

Purchased loans and leases that reflect a more-than-insignificant deterioration of credit from origination are considered PCD. We consider various factors in connection with the identification of more-than-insignificant deterioration in credit, including but not limited to non-performing status, delinquency, risk ratings, TDR classification, FICO scores and other qualitative factors that indicate deterioration in credit quality since origination. For PCD loans and leases, the initial estimate of expected credit losses is recognized in the ACL on

the date of acquisition using the same methodology as other loans and leases held-for-investment. As part of the Howard acquisition, we acquired PCD loans and leases of \$186.9 million. We established an ACL at acquisition of \$10.0 million with a corresponding gross-up to the amortized cost of the PCD loans and leases. The non-credit discount on the PCD loans and leases was \$5.4 million and the Day 1 fair value was \$171.5 million. The initial provision expense for non-PCD loans associated with the Howard acquisition was \$19.1 million.

We integrated the systems and the operating activities of Howard into FNB in February 2022. Due to that integration, it is impracticable to disclose the revenue from the Howard assets acquired and income before income taxes subsequent to the acquisition.

UB Bancorp

On December 9, 2022, we completed our acquisition of Union, a bank holding company based in Greenville, North Carolina. This acquisition further increases our presence in North Carolina and adds low-cost granular deposits which continue to be value accretive in the current economic environment. On the acquisition date, Union had assets with a net book value of approximately \$1.1 billion, including \$0.7 billion in loans and \$1.0 billion in deposits. The acquisition was valued at approximately \$126 million and resulted in the issuance of 9,672,691 shares of our common stock in exchange for 6,008,123 shares of Union common stock.

This merger was accounted for in accordance with the acquisition method of accounting. Fair values for all assets and liabilities are presented in Table 3.1. Determining the fair value of assets and liabilities is a complex process involving significant judgment regarding estimates and assumptions used to calculate fair values. We have completed the review of valuations for the acquired assets and liabilities.

Goodwill related to the Union acquisition was recorded in the Community Banking business segment and is not deductible for income tax purposes as the acquisition was accounted for as a tax-free exchange for tax purposes. We incurred merger expenses relating to the Union acquisition of \$2.2 million for the first nine months of 2023. We recorded core deposit intangibles of \$41 million which reflect the much higher cost of alternative funding given the higher interest rate environment at the time of acquisition.

Purchased loans and leases that reflect a more-than-insignificant deterioration of credit from origination are considered PCD. We consider various factors in connection with the identification of more-than-insignificant deterioration in credit, including but not limited to non-performing status, delinquency, risk ratings, FICO scores and other qualitative factors that indicate deterioration in credit quality since origination. For PCD loans and leases, the initial estimate of expected credit losses is recognized in the ACL on the date of acquisition using the same methodology as other loans and leases held-for-investment. As part of the Union acquisition, we acquired PCD loans and leases of \$36.9 million. We established an ACL at acquisition of \$1.8 million with a corresponding gross-up to the amortized cost of the PCD loans and leases. The non-credit discount on the PCD loans and leases was \$0.5 million and the Day 1 fair value was \$34.7 million. The initial provision expense for non-PCD loans associated with the Union acquisition was \$9.4 million.

We integrated the systems and the operating activities of Union in December 2022. Due to that integration, it is impracticable to disclose the revenue from the Union assets acquired and income before income taxes subsequent to the acquisition.

The following table summarizes the amounts recorded on the consolidated balance sheets as of the acquisition dates in conjunction with the Howard and Union acquisitions discussed above.

TABLE 3.1

(in millions)	Howard	Union
Fair value of consideration paid	\$ 443	\$ 126
Fair value of identifiable assets acquired:		
Cash and cash equivalents	75	113
Securities	321	212
Loans	1,780	652
Core deposit and other intangible assets	19	41
Fixed and other assets	156	59
Total identifiable assets acquired	2,351	1,077
Fair value of liabilities assumed:		
Deposits	1,831	956
Borrowings	247	30
Other liabilities	7	3
Total liabilities assumed	2,085	989
Fair value of net identifiable assets acquired	266	88
Goodwill recognized	\$ 177	\$ 38

NOTE 43. SECURITIES

The amortized cost and fair value of AFS debt securities are presented in the table below. There was no ACL associated with the AFS portfolio at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. Accrued interest receivable on AFS debt securities totaled **\$10.4 million** **\$12.2 million** at **September 30, 2023** **March 31, 2024** and **\$8.9 million** **\$9.6 million** at **December 31, 2022** **December 31, 2023**, and is excluded from the estimate of credit losses and assessed separately in other assets in the Consolidated Balance Sheets. Accordingly, we have excluded accrued interest receivable from both the fair value and the amortized cost basis of AFS debt securities.

TABLE 4.1.3.1

(in millions)	(in millions)	Gross		Gross		(in millions)	(in millions)	Amortized	Gross	Gross	Fair
		Amortized	Unrealized	Unrealized	Value						
(in millions)	(in millions)	Cost	Gains	Losses	Value			Cost	Unrealized	Gains	Losses
Debt Securities	Debt Securities										
AFS:	AFS:										
September 30, 2023											
March 31, 2024											
March 31, 2024											
March 31, 2024											
U.S. Treasury											
U.S. Treasury	U.S. Treasury	\$ 327	\$ —	\$ (21)	\$ 306						
U.S. government agencies	U.S. government agencies	85	1	—	86						
U.S. government-sponsored entities	U.S. government-sponsored entities	323	—	(20)	303						
Residential mortgage-backed securities:											
Agency mortgage-backed securities		1,171	—	(139)	1,032						
Residential MBS:											
Agency MBS											
Agency MBS											
Agency MBS											
Agency collateralized mortgage obligations	Agency collateralized mortgage obligations	986	—	(146)	840						
Commercial mortgage-backed securities		565	—	(44)	521						
Agency commercial MBS											
Agency commercial MBS											
States of the U.S. and political subdivisions (municipals)	States of the U.S. and political subdivisions (municipals)	30	—	(4)	26						
Other debt securities	Other debt securities	33	—	(2)	31						
Total debt securities AFS	Total debt securities AFS	\$ 3,520	\$ 1	\$ (376)	\$ 3,145						
(in millions)	(in millions)	Gross	Gross					Amortized	Gross	Gross	Fair
		Amortized	Unrealized	Unrealized	Fair	(in millions)	Cost	Unrealized	Gains	Unrealized	Losses
		Cost	Gains	Losses	Value						Value

Debt Securities		Debt Securities	
AFS:		AFS:	
December 31, 2022			
December 31, 2023			
December 31, 2023			
December 31, 2023			
U.S. Treasury			
U.S. Treasury			
U.S. Treasury	U.S. Treasury	\$ 278	\$ (21) \$ 257
U.S. government agencies	U.S. government agencies	107	1 — 108
U.S. government-sponsored entities	U.S. government-sponsored entities	283	— (21) 262
Residential mortgage-backed securities:			
Agency mortgage-backed securities		1,360	— (128) 1,232
Residential MBS:			
Agency MBS			
Agency MBS			
Agency MBS			
Agency collateralized mortgage obligations	Agency collateralized mortgage obligations	1,110	— (138) 972
Commercial mortgage-backed securities			
Agency commercial MBS			
Agency commercial MBS			
Agency commercial MBS			
States of the U.S. and political subdivisions (municipals)	States of the U.S. and political subdivisions (municipals)	33	— (4) 29
Other debt securities	Other debt securities	21	— (1) 20
Total debt securities AFS	Total debt securities AFS	\$ 3,622	\$ 1 \$ (348) \$ 3,275

The amortized cost and fair value of HTM debt securities are presented in the following table. The ACL for the HTM portfolio was \$0.30 million \$0.27 million and \$0.23 million \$0.28 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. Accrued interest receivable on HTM debt securities totaled \$13.4 million \$13.2 million and \$14.0 million \$14.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and is excluded from the estimate of credit losses and assessed separately in other assets in the Consolidated Balance Sheets. Accordingly, we have excluded accrued interest receivable from both the fair value and the amortized cost basis of HTM debt securities.

TABLE 3.2

TABLE 4.2

(in millions)		Amortized Cost	Gross Gains	Gross Losses	Fair Value
<u>Debt Securities HTM:</u>					
March 31, 2024					
U.S. Treasury		\$ 1	\$ —	\$ —	\$ 1
U.S. government agencies		1	—	—	1
U.S. government-sponsored entities		28	—	—	28
Residential MBS:					
Agency MBS		1,018	1	(105)	914
Agency collateralized mortgage obligations		797	—	(108)	689
Agency commercial MBS		1,023	2	(51)	974
States of the U.S. and political subdivisions (municipals)		1,009	1	(85)	925
Other debt securities		16	—	(1)	15
Total debt securities HTM		\$ 3,893	\$ 4	\$ (350)	\$ 3,547

(in millions)		Amortized Cost	Gross Gains	Gross Losses	Fair Value
<u>Debt Securities HTM:</u>					
September 30, 2023					
U.S. government agencies		\$ 1	\$ —	\$ —	\$ 1
U.S. government-sponsored entities		93	—	(1)	92
Residential mortgage-backed securities:					
Agency mortgage-backed securities		1,052	—	(144)	908
Agency collateralized mortgage obligations		852	—	(132)	720
Commercial mortgage-backed securities		891	—	(68)	823
States of the U.S. and political subdivisions (municipals)		1,017	—	(172)	845
Other debt securities		16	—	(2)	14
Total debt securities HTM		\$ 3,922	\$ —	\$ (519)	\$ 3,403

(in millions)	(in millions)	Amortized Cost	Gross Gains	Gross Losses	Fair Value
(in millions)					
(in millions)					
<u>Debt Securities HTM:</u> <u>Debt Securities HTM:</u>					
December 31, 2022					
<u>Debt Securities HTM:</u>					
<u>Debt Securities HTM:</u>					
December 31, 2023					
December 31, 2023					
December 31, 2023					
U.S. government agencies					
U.S. government agencies					
U.S. government agencies	U.S. government agencies	\$ 1	\$ —	\$ —	\$ 1
U.S. government-sponsored entities	U.S. government-sponsored entities	52	—	—	52
Residential mortgage-backed securities:					
Agency mortgage-backed securities		1,178	—	(125)	1,053
U.S. government-sponsored entities					

U.S. government-sponsored entities						
Residential MBS:						
Residential MBS:						
Residential MBS:						
Agency MBS						
Agency MBS						
Agency MBS						
Agency collateralized mortgage obligations						
Agency collateralized mortgage obligations						
Agency collateralized mortgage obligations	Agency collateralized mortgage obligations		953	—	(120)	833
Commercial mortgage-backed securities			866	2	(50)	818
Agency commercial MBS						
Agency commercial MBS						
Agency commercial MBS						
States of the U.S. and political subdivisions (municipals)						
States of the U.S. and political subdivisions (municipals)						
States of the U.S. and political subdivisions (municipals)	States of the U.S. and political subdivisions (municipals)		1,025	1	(107)	919
Other debt securities	Other debt securities		12	—	(1)	11
Other debt securities						
Other debt securities						
Total debt securities	Total debt securities					
HTM	HTM	\$	4,087	\$	3	\$ (403)
Total debt securities HTM						
Total debt securities HTM						

There were no significant gross gains or gross losses realized on securities during the **nine** three months ended **September 30, 2023** **March 31, 2024** or **2022**, 2023. In the fourth quarter of 2023, we sold \$648.7 million of AFS securities resulting in a realized loss of \$67.4 million as part of a proactive balance sheet management strategy. Unrealized losses on the AFS and HTM portfolios are due to the increase in market interest rates with **84.6%** **84.7%** of these securities backed or sponsored by the U.S. government as of **September 30, 2023** **March 31, 2024**.

As of **September 30, 2023** **March 31, 2024**, the amortized cost and fair value of debt securities, by contractual maturities, were as follows:

TABLE 4.3.3.3

		Available for Sale		Held to Maturity				Available for Sale		Held to Maturity	
		Available for Sale		Held to Maturity				Available for Sale		Held to Maturity	
		(in millions)	(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	(in millions)	Amortized Cost	Fair Value	Amortized Cost
Due in one year or less	Due in one year or less	\$ 54	\$ 54	\$ 2	\$ 2						
Due after one year but within five years	Due after one year but within five years	655	612	140	136						
Due after five years but within ten years	Due after five years but within ten years	53	51	224	196						

Due after ten years	Due after ten years	36	35	761	618
		798	752	1,127	952
Residential mortgage-backed securities:					
Agency mortgage-backed securities					
		1,171	1,032	1,052	908
		543			
Residential MBS:					
Agency MBS					
Agency MBS					
Agency MBS					
Agency collateralized mortgage obligations	Agency collateralized mortgage obligations	986	840	852	720
Commercial mortgage-backed securities					
		565	521	891	823
Agency commercial MBS					
Agency commercial MBS					
Agency commercial MBS					
Total debt securities	Total debt securities	\$ 3,520	\$ 3,145	\$ 3,922	\$ 3,403

Actual maturities may differ from contractual terms because security issuers may have the right to call or prepay obligations with or without penalties. Periodic principal payments are received on residential **mortgage-backed securities** **MBS** based on the payment patterns of the underlying collateral.

Following is information relating to securities pledged:

TABLE 4.4.3.4

	September December		(dollars in millions)	March 31, 2024	December 31, 2023
	30, 2023	31, 2022			
Securities pledged (carrying value):	Securities pledged (carrying value):				
To secure public deposits, trust deposits and for other purposes as required by law	To secure public deposits, trust deposits and for other purposes as required by law	\$ 5,995	\$ 6,403		
To secure public deposits, trust deposits and for other purposes as required by law	To secure public deposits, trust deposits and for other purposes as required by law				

As collateral for short-term borrowings	As collateral for short-term borrowings	281	348				
Securities pledged as a percent of total securities	Securities pledged as a percent of total securities	88.8 %	91.7 %	Securities pledged as a percent of total securities	85.9 %	89.9 %	

Following are summaries of the fair values of AFS debt securities in an unrealized loss position for which an ACL has not been recorded, segregated by security type and length of time in a continuous loss position:

TABLE 4.5 3.5

States of the U.S. and political subdivisions (municipals)		States of the U.S. and political subdivisions (municipals)		—		13		26		(4)		13		26		(4)											
Other debt securities		Other debt securities		2		8		(1)		7		17		(1)		9		25		(2)							
Total		Total		21		\$ 232		\$ (4)		250		\$ 2,810		\$ (372)		271		\$ 3,042		\$ (376)							
				Less than 12 Months				12 Months or More				Total															
				Less than 12 Months				Less than 12 Months				Less than 12 Months				12 Months or More											
				Less than 12 Months				Less than 12 Months				Less than 12 Months				More											
				Less than 12 Months				Less than 12 Months				Less than 12 Months				Total											

We evaluated the AFS debt securities that were in an unrealized loss position at **September 30, 2023** **March 31, 2024**. Based on the credit ratings and implied government guarantee for these securities, we concluded the loss position is temporary and caused by the significant movement of interest rates since 2022 and does not reflect any expected credit losses. We do not intend to sell these

AFS debt securities and it is not more likely than not that we will be required to sell these securities before the recovery of their amortized cost basis.

Credit Quality Indicators

We use credit ratings and the most recent financial information to help evaluate the credit quality of our credit-related AFS and HTM securities portfolios. Management reviews the credit profile of each issuer on an annual basis, and more frequently as needed. Based on the nature of the issuers and current conditions, we have determined that securities backed by the UST, Fannie Mae, Freddie Mac, FHLB, Ginnie Mae, and the SBA have zero expected credit loss.

Our municipal bond portfolio, with a carrying amount of \$1.0 billion as of **September 30, 2023** **March 31, 2024** is highly rated with an average rating of AA and **100% over 99%** of the portfolio **having an rated A or better rating**, **better**. All of the securities in the municipal portfolio are general obligation bonds. Geographically, municipal bonds support our primary footprint as 60% of the securities are from municipalities located in the primary states within which we conduct business. The average holding size of the securities in the municipal bond portfolio is \$2.5 million. In addition to the strong stand-alone ratings, 61% of the municipal bonds have some formal credit enhancement (e.g., insurance) that strengthens the creditworthiness of the bond.

The ACL on the HTM municipal bond portfolio is calculated on each bond using:

- The bond's underlying credit rating, time to maturity and exposure amount;
- Credit enhancements that improve the bond's credit rating (e.g., insurance); and
- *Moody's U.S. Bond Defaults and Recoveries, 1970-2022 study.*

By using these components, we derive the expected credit loss on the HTM general obligation municipal bond portfolio. We further refine the expected credit loss by factoring in economic forecast data using our Commercial and Industrial Non-Manufacturing loan portfolio forecast adjustment as derived through our assessment of the loan portfolio as a proxy for our municipal bond portfolio.

Our corporate bond portfolio, with a carrying amount of **\$47.0 million** **\$56.3 million** as of **September 30, 2023** **March 31, 2024** primarily consists of subordinated debentures of banks within our footprint. The average holding size of the securities in the corporate bond portfolio is **\$2.8 million** **\$3.1 million**.

The ACL on the HTM corporate bond portfolio is calculated using:

- The bond's credit rating, time to maturity and exposure amount;
- *Moody's Annual Default Study, 03/13/2023; 02/26/2024*, and
- **Most** **The most** recent financial statements.

By using these components, we derive the expected credit loss on the HTM corporate bond portfolio. We further refine the expected credit loss by factoring in economic forecast data using our bank-wide loan portfolio forecast adjustment as derived through our assessment of **the Bank's FNBPA's** loan portfolio as a proxy for our corporate bond portfolio.

For the year-to-date periods ending **September 30, 2023** **March 31, 2024** and **2022, 2023**, we had no significant provision expense and no charge-offs or **recoveries**. **recoveries** for the securities portfolio. The ACL on the HTM portfolio was **\$0.30 million** **\$0.27 million**, consisting of **\$0.06 million** relating to the municipal bond portfolio and **\$0.24 million** **\$0.21 million** relating to other debt securities, as of **September 30, 2023** **March 31, 2024**, and **\$0.07** **\$0.06 million** relating to the municipal bond portfolio and **\$0.16 million** **\$0.22 million** relating to other debt securities as of **December 31, 2022** **December 31, 2023**. The AFS securities portfolios did not have an ACL at **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023** and there were no securities that were past due or on non-accrual at either date.

NOTE 5.4. LOANS AND LEASES

Accrued interest receivable on loans and leases, which totaled **\$124.0 million** **\$139.2 million** at **September 30, 2023** **March 31, 2024** and **\$99.3 million** **\$128.6 million** at **December 31, 2022** **December 31, 2023**, is excluded from the estimate of credit losses and assessed separately in other assets in the Consolidated Balance Sheets for both periods and is not included in the following tables.

Loans and Leases by Portfolio Segment

Following is a summary of total loans and leases, net of unearned income:

TABLE 5.14.1

(in millions)
(in millions)

(in millions)	(in millions)	September 30, 2023		March 31, 2024	December 31, 2023
		Commercial real estate	December 31, 2022		
Commercial real estate	Commercial real estate	\$ 11,962	\$ 11,526		
Commercial and industrial leases	Commercial and industrial leases	7,462	7,131		
Other	Other	562	519		
Total commercial loans and leases	Total commercial loans and leases	160	114		
Total commercial loans and leases	Total commercial loans and leases	20,146	19,290		
Direct installment	Direct installment	2,754	2,784		
Residential mortgages	Residential mortgages	6,434	5,297		
Indirect installment	Indirect installment	1,519	1,553		
Consumer lines of credit	Consumer lines of credit	1,298	1,331		
Total consumer loans	Total consumer loans	12,005	10,965		
Total loans and leases, net of unearned income	Total loans and leases, net of unearned income	\$ 32,151	\$ 30,255		

The remaining accretable discount included in the amortized cost of acquired loans was \$46.7 million \$38.4 million and \$58.6 million \$42.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, which included \$10.1 million and \$30.9 million established for Howard and Union, respectively, at the time of acquisition, respectively.

The loans and leases portfolio categories are comprised of the following types of loans, where in each case the LGD is dependent on the nature and value of the respective collateral:

- Commercial real estate includes both owner-occupied and non-owner-occupied loans, including construction loans, secured by commercial properties where operational cash flows on owner-occupied properties or rents received by our borrowers from their tenant(s) on both a property and global basis are the primary default risk drivers, including rents paid by stand-alone business customers for owner-occupied properties;
- Commercial and industrial includes loans to businesses that are not secured by real estate where the borrower's leverage and cash flows from operations are the primary default risk drivers;
- Commercial leases consist of leases for new or used equipment where the borrower's cash flow from operations is the primary default risk driver;
- Other is comprised primarily of credit cards and mezzanine loans where the borrower's cash flow from operations is the primary default risk driver;
- Direct installment is comprised of fixed-rate, closed-end consumer loans for personal, family or household use, such as home equity loans and automobile loans where the primary default risk driver is the borrower's employment status and income;
- Residential mortgages consist of conventional and jumbo mortgage loans, including construction loans, for 1-4 family properties where the primary default risk driver is the borrower's employment status and income;
- Indirect installment is comprised of loans originated by approved third parties and underwritten by us, primarily automobile loans where the primary default risk driver is the borrower's employment status and income; and
- Consumer lines of credit include home equity lines of credit and consumer lines of credit that are either unsecured or secured by collateral other than home equity where the primary default risk driver is the borrower's employment status and income.

The loans and leases portfolio consists principally of loans to individuals and small- and medium-sized businesses within our primary market in seven states and the District of Columbia. Our primary market coverage spans several major metropolitan areas including: Pittsburgh, Pennsylvania; Baltimore, Maryland; Cleveland, Ohio; Washington, D.C.; Charlotte, Raleigh, Durham and the Piedmont Triad (Winston-Salem, Greensboro and High Point) in North Carolina; and Charleston, South Carolina.

The following table shows occupancy information relating to commercial real estate loans:

TABLE 5.2.4.2

		September		December		March 31, 2024	December 31, 2023
		(dollars in millions)	30, 2023	31, 2022	(dollars in millions)		
Commercial real estate:	Commercial real estate:						
Percent owner- occupied	Percent owner- occupied	29.0	%	30.2	%		
Percent owner- occupied							
Percent owner- occupied						29.0	%
Percent non- owner- occupied	Percent non- owner- occupied	71.0		69.8			

Credit Quality

We monitor the credit quality of our loan portfolio using several performance measures based on payment activity and borrower performance. We use an internal risk rating assigned to a commercial loan or lease at origination, summarized below.

TABLE 5.3.4.3

<u>Rating Category</u>	<u>Definition</u>
Pass	in general, the condition of the borrower and the performance of the loan is satisfactory or better
Special Mention	in general, the condition of the borrower has deteriorated, requiring an increased level of monitoring
Substandard	in general, the condition of the borrower has significantly deteriorated and the performance of the loan could further deteriorate if deficiencies are not corrected
Doubtful	in general, the condition of the borrower has significantly deteriorated and the collection in full of both principal and interest is highly questionable or improbable

The use of these internally assigned credit quality categories within the commercial loan and lease portfolio permits our use of transition matrices to establish a basis which is then impacted by quantitative inputs from our econometric model forecasts over the R&S period. Our internal credit risk grading system is based on past experiences with similarly graded loans and leases and conforms to regulatory categories. In general, loan and lease risk ratings within each category are reviewed on an ongoing basis according to our policy for each class of loans and leases. Each quarter, we analyze the resulting ratings, as well as other external statistics and factors such as delinquency, to track the migration performance of the commercial loan and lease portfolio. Loans and leases within the Pass credit category or that migrate toward the Pass credit category generally have a lower risk of loss compared to loans and leases that migrate toward the Substandard or Doubtful credit categories. Accordingly, we apply higher risk factors to Substandard and Doubtful credit categories.

The following table summarizes the designated loan rating category by loan class including term loans on an amortized cost basis by origination year and year-to-date gross charge-offs by originating year:

TABLE 5.4.4.4

September 30, 2023	Revolving Loans Amortized Cost Basis							Total
	2023	2022	2021	2020	2019	Prior		
March 31, 2024							March 31, 2024	Revolving Loans Amortized Cost Basis
							2024	Total

(in millions)	(in millions)										
COMMERCIAL	COMMERCIAL										
COMMERCIAL	COMMERCIAL										
Commercial Real Estate:	Commercial Real Estate:										
Commercial Real Estate:	Commercial Real Estate:										
Risk Rating:	Risk Rating:										
Risk Rating:	Risk Rating:										
Pass	Pass										
Pass	Pass	\$ 964	\$ 2,043	\$ 2,356	\$ 1,513	\$ 1,153	\$ 2,825	\$ 234	\$ 11,088		
Special Mention	Special Mention	1	74	37	131	99	216	7	565		
Substandard	Substandard	3	23	17	14	65	170	17	309		
Total commercial real estate	Total commercial real estate	968	2,140	2,410	1,658	1,317	3,211	258	11,962		
Total commercial real estate											
Commercial real estate	Commercial real estate										
current period	current period										
gross charge-offs	gross charge-offs	—	0.1	0.2	—	—	8.6	—	8.9		
Commercial and Industrial:	Commercial and Industrial:										
Risk Rating:	Risk Rating:										
Risk Rating:	Risk Rating:										
Pass	Pass										
Pass	Pass	1,240	1,464	930	667	460	584	1,650	6,995		
Special Mention	Special Mention	12	9	69	3	18	38	33	182		
Substandard	Substandard	28	14	48	8	19	57	111	285		
Total commercial and industrial	Total commercial and industrial	1,280	1,487	1,047	678	497	679	1,794	7,462		
Total commercial and industrial											
Commercial and industrial	Commercial and industrial										
current period	current period										
gross charge-offs	gross charge-offs	0.1	0.3	0.4	0.6	1.6	45.5	—	48.5		
Commercial Leases:	Commercial Leases:										
Risk Rating:	Risk Rating:										
Risk Rating:	Risk Rating:										

Risk Rating: Pass									
Pass									
Pass									
Pass	Pass	177	142	89	54	29	45	—	536
Special	Special								
Mention	Mention	—	—	—	—	1	—	—	1
Substandard	Substandard	7	3	5	7	2	1	—	25
Total commercial leases	Total commercial leases	184	145	94	61	32	46	—	562
Total commercial leases									
Total commercial leases									
Commercial leases current period gross charge-offs	Commercial leases current period gross charge-offs	—	—	—	—	—	—	—	—
Other	Other								
Commercial:	Commercial:								
Risk Rating:	Risk Rating:								
Risk Rating:									
Risk Rating:									
Pass									
Pass									
Pass	Pass	78	—	—	—	—	9	73	160
Total other commercial									
Total other commercial									
Total other commercial	Total other commercial	78	—	—	—	—	9	73	160
Other commercial current period gross charge-offs	Other commercial current period gross charge-offs	—	—	—	—	—	3.3	—	3.3
Total commercial loans and leases	Total commercial loans and leases	2,510	3,772	3,551	2,397	1,846	3,945	2,125	20,146

September 30, 2023 (in millions)	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost								
							Basis	Total							
CONSUMER															
Direct Installment:															
Current	261	735	809	408	143	386	—	2,742							
Past due	—	1	1	1	—	9	—	12							
Total direct installment	261	736	810	409	143	395	—	2,754							
Direct installment current period gross charge-offs	—	0.1	0.1	0.1	—	0.2	—	0.5							
Residential Mortgages:															
Current	1,145	1,684	1,542	815	351	853	1	6,391							
Past due	1	5	2	2	2	31	—	43							
Total residential mortgages	1,146	1,689	1,544	817	353	884	1	6,434							
Residential mortgages current period gross charge-offs	—	—	—	0.1	—	0.6	—	0.7							

Indirect Installment:								
Current	371	638	266	114	51	59	—	1,499
Past due	1	8	7	2	1	1	—	20
Total indirect installment	372	646	273	116	52	60	—	1,519
Indirect installment current period gross charge-offs	0.2	2.8	2.9	0.5	0.2	0.3	—	6.9
Consumer Lines of Credit:								
Current	31	64	15	2	2	119	1,050	1,283
Past due	—	—	1	—	1	12	1	15
Total consumer lines of credit	31	64	16	2	3	131	1,051	1,298
Consumer lines of credit current period gross charge-offs	—	—	0.1	—	—	0.7	—	0.8
Total consumer loans	1,810	3,135	2,643	1,344	551	1,470	1,052	12,005
Total loans and leases	\$ 4,320	\$ 6,907	\$ 6,194	\$ 3,741	\$ 2,397	\$ 5,415	\$ 3,177	\$ 32,151
Total charge-offs	\$ 0.3	\$ 3.3	\$ 3.7	\$ 1.3	\$ 1.8	\$ 59.2	\$ —	\$ 69.6

	Revolving Loans Amortized Cost							
March 31, 2024	2024	2023	2022	2021	2020	Prior	Basis	Total
(in millions)								
CONSUMER								
Direct Installment:								
Current	68	326	691	759	379	474	—	2,697
Past due	—	1	2	1	1	10	—	15
Total direct installment	68	327	693	760	380	484	—	2,712
Direct installment current period gross charge-offs	—	—	—	0.1	—	0.1	—	0.2
Residential Mortgages:								
Current	283	1,464	1,666	1,493	783	1,138	1	6,828
Past due	—	7	8	5	3	36	—	59
Total residential mortgages	283	1,471	1,674	1,498	786	1,174	1	6,887
Residential mortgages current period gross charge-offs	—	—	—	—	—	—	—	—
Indirect Installment:								
Current	101	293	356	214	86	74	—	1,124
Past due	—	2	7	6	2	1	—	18
Total indirect installment	101	295	363	220	88	75	—	1,142
Indirect installment current period gross charge-offs	—	0.5	1.3	0.9	0.1	0.1	—	2.9
Consumer Lines of Credit:								
Current	2	36	59	14	2	117	1,049	1,279
Past due	—	—	—	1	1	12	1	15
Total consumer lines of credit	2	36	59	15	3	129	1,050	1,294
Consumer lines of credit current period gross charge-offs	—	—	0.1	—	—	0.2	—	0.3
Total consumer loans	454	2,129	2,789	2,493	1,257	1,862	1,051	12,035
Total loans and leases	\$ 1,098	\$ 5,478	\$ 6,534	\$ 5,839	\$ 3,368	\$ 6,987	\$ 3,280	\$ 32,584
Total charge-offs	\$ —	\$ 0.9	\$ 1.7	\$ 1.4	\$ 0.7	\$ 10.8	\$ —	\$ 15.5

The following table summarizes the designated loan rating category by loan class including term loans on an amortized cost basis by origination year:

TABLE 5.5

Revolving Loans Amortized Cost Basis Total									
December 31, 2022	2022	2021	2020	2019	2018	Prior	Cost Basis	Total	
December 31, 2023							December 31, 2023	2023	2022 2021 2020 2019 Prior Revolving Loans Amortized Cost Basis Total
(in millions)	(in millions)								
COMMERCIAL COMMERCIAL									
COMMERCIAL COMMERCIAL									
Commercial Real Estate:									
Commercial Real Estate:									
Commercial Real Estate:									
Commercial Real Estate:									
Real Estate: Real Estate:									
Risk Rating: Risk Rating:									
Risk Rating:									
Risk Rating:									
Pass	Pass	\$1,967	\$2,348	\$1,678	\$1,283	\$700	\$2,447	\$258	\$10,681
Special	Special								
Mention	Mention	43	35	67	74	104	208	5	536
Substandard	Substandard	3	7	20	47	45	167	20	309
Total commercial real estate	Total commercial real estate								
2,013	2,390	1,765	1,404	849	2,822	283	11,526		
Total commercial real estate	Total commercial real estate								
Commercial real estate current period gross charge-offs									
Commercial and Industrial: and Industrial:									
Risk Rating: Risk Rating:									
Risk Rating:									
Risk Rating:									
Pass	Pass	1,635	1,194	760	533	289	453	1,856	6,720
Special	Special								
Mention	Mention	15	43	16	27	48	48	54	251
Substandard	Substandard	5	12	11	8	38	34	52	160
Total commercial and industrial	Total commercial and industrial	1,655	1,249	787	568	375	535	1,962	7,131
Total commercial and industrial	Total commercial and industrial								

Commercial and industrial current period gross charge-offs									
Commercial Leases:	Commercial Leases:								
Risk Rating:	Risk Rating:								
Risk Rating:	Risk Rating:								
Pass	Pass								
Pass	Pass	187	121	69	59	36	27	—	499
Special Mention	Special Mention	—	1	—	1	—	—	—	2
Substandard	Substandard	2	5	8	1	1	1	—	18
Total commercial leases	Total commercial leases	189	127	77	61	37	28	—	519
Total commercial leases									
Total commercial leases									
Commercial leases current period gross charge-offs									
Other Commercial:	Other Commercial:								
Risk Rating:	Risk Rating:								
Risk Rating:	Risk Rating:								
Pass	Pass								
Pass	Pass	58	—	—	—	—	12	44	114
Total other commercial	Total other commercial	58	—	—	—	—	12	44	114
Total other commercial									
Total other commercial									
Other commercial current period gross charge-offs									
Total commercial loans and leases	Total commercial loans and leases	3,915	3,766	2,629	2,033	1,261	3,397	2,289	19,290
CONSUMER									
Direct Installment:									
Current	801	887	453	163	91	374	—	2,769	
Past due	—	1	1	1	1	11	—	15	
Total direct installment	801	888	454	164	92	385	—	2,784	
Residential Mortgages:									
Current	1,464	1,587	871	378	128	819	2	5,249	
Past due	2	3	3	2	5	33	—	48	

Total residential mortgages	1,466	1,590	874	380	133	852	2	5,297
Indirect Installment:								
Current	800	357	166	88	80	40	—	1,531
Past due	5	11	3	1	1	1	—	22
Total indirect installment	805	368	169	89	81	41	—	1,553
Consumer Lines of Credit:								
Current	74	17	1	3	4	126	1,086	1,311
Past due	—	1	1	—	—	15	3	20
Total consumer lines of credit	74	18	2	3	4	141	1,089	1,331
Total consumer loans	3,146	2,864	1,499	636	310	1,419	1,091	10,965
Total loans and leases	\$7,061	\$6,630	\$4,128	\$2,669	\$1,571	\$4,816	\$3,380	\$30,255

December 31, 2023 (in millions)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total							
							Amortized Cost Basis								
CONSUMER															
Direct Installment:															
Current	340	712	784	392	136	364	—	2,728							
Past due	—	1	—	1	1	10	—	13							
Total direct installment	340	713	784	393	137	374	—	2,741							
Direct installment current period gross charge-offs	—	0.2	0.1	0.1	—	0.2	—	0.6							
Residential Mortgages:															
Current	1,421	1,686	1,516	799	343	819	1	6,585							
Past due	3	6	5	3	3	35	—	55							
Total residential mortgages	1,424	1,692	1,521	802	346	854	1	6,640							
Residential mortgages current period gross charge-offs	—	—	—	—	—	0.7	—	0.7							
Indirect Installment:															
Current	311	387	238	100	42	49	—	1,127							
Past due	2	8	8	2	1	1	—	22							
Total indirect installment	313	395	246	102	43	50	—	1,149							
Indirect installment current period gross charge-offs	0.4	4.3	3.7	0.6	0.3	1.4	—	10.7							
Consumer Lines of Credit:															
Current	38	61	14	2	3	117	1,044	1,279							
Past due	—	1	1	—	—	13	3	18							
Total consumer lines of credit	38	62	15	2	3	130	1,047	1,297							
Consumer lines of credit current period gross charge-offs	0.1	—	—	—	—	0.9	—	1.0							
Total consumer loans	2,115	2,862	2,566	1,299	529	1,408	1,048	11,827							
Total loans and leases	\$ 5,486	\$ 6,624	\$ 6,015	\$ 3,537	\$ 2,255	\$ 5,148	\$ 3,258	\$ 32,323							
Total charge-offs	\$ 0.8	\$ 5.2	\$ 5.2	\$ 2.4	\$ 2.7	\$ 64.8	\$ —	\$ 81.1							

We use delinquency transition matrices within the consumer and other loan classes to establish the basis for the R&S forecast portion of the credit risk. Each month, management analyzes payment and volume activity, FICO scores and Debt-to-Income (DTI) scores and other external factors such as unemployment, to determine how consumer loans are performing.

Non-Performing and Past Due

The following table provides an analysis of the aging of loans by class.

TABLE 5.6.4.5

(in millions)	(in millions)	Non-accrual								(in millions)	30-89 Days			(in millions)	≥ 90 Days			
		30+ 89 Days Past Due	≥ 90 Days Past Due and Still Accruing	Total Non- Accrual	Total Past Due	Total Loans and Leases	No ACL	Total Past Due	30-89 Days Past Due		Total Non- Accrual	Total Past Due	Total Loans and Leases		Total Non- accrual with No ACL			
September 30, 2023																		
March 31, 2024																		
Commercial real estate																		
Commercial real estate																		
Commercial real estate	Commercial real estate	\$ 15	\$ —	\$ 44	\$ 59	\$ 11,903	\$ 11,962	\$ 20										
Commercial and industrial	Commercial and industrial	7	—	44	51	7,411	7,462	9										
Commercial leases	Commercial leases	—	—	1	1	561	562	—										
Other	Other	1	—	—	1	159	160	—										
Total commercial loans and leases	Total commercial loans and leases	23	—	89	112	20,034	20,146	29										
Direct installment	Direct installment	5	1	6	12	2,742	2,754	—										
Residential mortgages	Residential mortgages	29	4	10	43	6,391	6,434	—										
Indirect installment	Indirect installment	16	2	2	20	1,499	1,519	—										
Consumer lines of credit	Consumer lines of credit	7	2	6	15	1,283	1,298	—										
Total consumer loans	Total consumer loans	57	9	24	90	11,915	12,005	—										
Total loans and leases	Total loans and leases	\$ 80	\$ 9	\$ 113	\$ 202	\$31,949	\$32,151	\$ 29										
December 31, 2022																		
December 31, 2023																		
Commercial real estate																		
Commercial real estate																		
Commercial real estate	Commercial real estate	\$ 13	\$ —	\$ 39	\$ 52	\$ 11,474	\$ 11,526	\$ 15										
Commercial and industrial	Commercial and industrial	9	1	44	54	7,077	7,131	11										
Commercial leases	Commercial leases	3	—	1	4	515	519	—										
Other	Other	1	—	—	1	113	114	—										

Total commercial loans and leases	Total commercial loans and leases	26	1	84	111	19,179	19,290	26
Direct installment	Direct installment	7	1	7	15	2,769	2,784	—
Residential mortgages	Residential mortgages	28	6	14	48	5,249	5,297	—
Indirect installment	Indirect installment	20	1	1	22	1,531	1,553	—
Consumer lines of credit	Consumer lines of credit	10	3	7	20	1,311	1,331	—
Total consumer loans	Total consumer loans	65	11	29	105	10,860	10,965	—
Total loans and leases	Total loans and leases	\$ 91	\$ 12	\$ 113	\$216	\$30,039	\$30,255	\$ 26

Following is a summary of non-performing assets:

TABLE 5.7.4.6

		September December			March 31, 2024		December 31, 2023
		30, 2023	31, 2022				
(dollars in millions)	(dollars in millions)			(dollars in millions)			
Non-accrual loans	Non-accrual loans	\$ 113	\$ 113				
Total non-performing loans and leases	Total non-performing loans and leases	113	113				
Other real estate owned	Other real estate owned	3	6				
Total non-performing assets	Total non-performing assets	\$ 116	\$ 119				
Asset quality ratios: Asset quality ratios:							
Non-performing loans and leases / total loans and leases	Non-performing loans and leases / total loans and leases	0.35 %	0.37 %				
Non-performing loans and leases / total loans and leases	Non-performing loans and leases / total loans and leases				0.32	%	0.33 %
Non-performing assets plus 90 days or more past due / total loans and leases plus OREO	Non-performing assets plus 90 days or more past due / total loans and leases plus OREO	0.39	0.44				

The carrying value of residential-secured consumer OREO held as a result of obtaining physical possession upon completion of a foreclosure or through completion of a deed in lieu of foreclosure amounted to \$1.6 million \$1.3 million at September 30, 2023 March 31, 2024 and \$1.1 million \$1.2 million at December 31, 2022 December 31, 2023. The recorded

investment of residential-secured consumer OREO for which formal foreclosure proceedings are in process at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** totaled **\$9.9 million** **\$13.1 million** and **\$11.8 million** **\$9.4 million**, respectively.

Approximately **\$47.3 million** **\$63.6 million** of commercial loans are collateral dependent at **September 30, 2023** **March 31, 2024**. Repayment is expected to be substantially made through the operation or sale of the collateral on the loan. These loans are primarily secured by business assets or commercial real estate.

Loan Modifications

During the period, there are loans whose contractual terms have been modified in a manner that grants a concession to a borrower experiencing financial difficulties. These modifications typically result from loss mitigation activities and could include a term extension, interest rate reduction, principal forgiveness and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. Accrued interest receivable on loan modifications totaled **\$0.08 million** **\$0.01 million** and **\$0.02 million** at **September 30, 2023** **March 31, 2024** and **March 31, 2023**, respectively, and is excluded from the amortized cost of loan modifications in the tables below that follow.

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable, type of concession granted and the financial effect of the modifications made to borrowers experiencing financial difficulty:

TABLE 5.84.7

(dollars in millions)	(dollars in millions)	% of Total			(dollars in millions)	Amortized Cost Basis	% of Total Class of Financing Receivable	Financial Effect					
		Amortized Cost Basis	Class of Financing Receivable	Financial Effect									
Three Months Ended September 30, 2023													
Term Extension													
Commercial real estate													
Commercial real estate	\$ 0.8	0.01	%	The modified loans had an average increase in term of 46 months, extending the maturity date.									
Commercial and industrial	0.7	0.01		The modified loans had an average increase in term of 25 months, extending the maturity date.									
Direct installment	0.4	0.01		The modified loans had an average increase in term of 74 months, extending the maturity date.									
Residential mortgages	1.1	0.02		The modified loans had an average increase in term of 42 months, extending the maturity date.									
Consumer lines of credit	0.2	0.02		The lines were termed to an average of 243 months.									

Total	<u>3.2</u>	
Term Extension and Rate Reduction		
Commercial and industrial 0.1 — The term was extended and the rate was reduced, lowering the monthly payment.		
Direct installment	0.1	— The term was extended and the rate was reduced, lowering the monthly payment.
Residential mortgages	0.1	— The term was extended and the rate was reduced, lowering the monthly payment.
Total	<u>0.3</u>	
Other		
Commercial real estate	0.2	— Multiple modifications were made with no material financial effect.

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Term Extension

Term Extension

Term Extension

Direct	Direct	0.1	—	Multiple modifications were made with no material financial effect.
installment	installment			

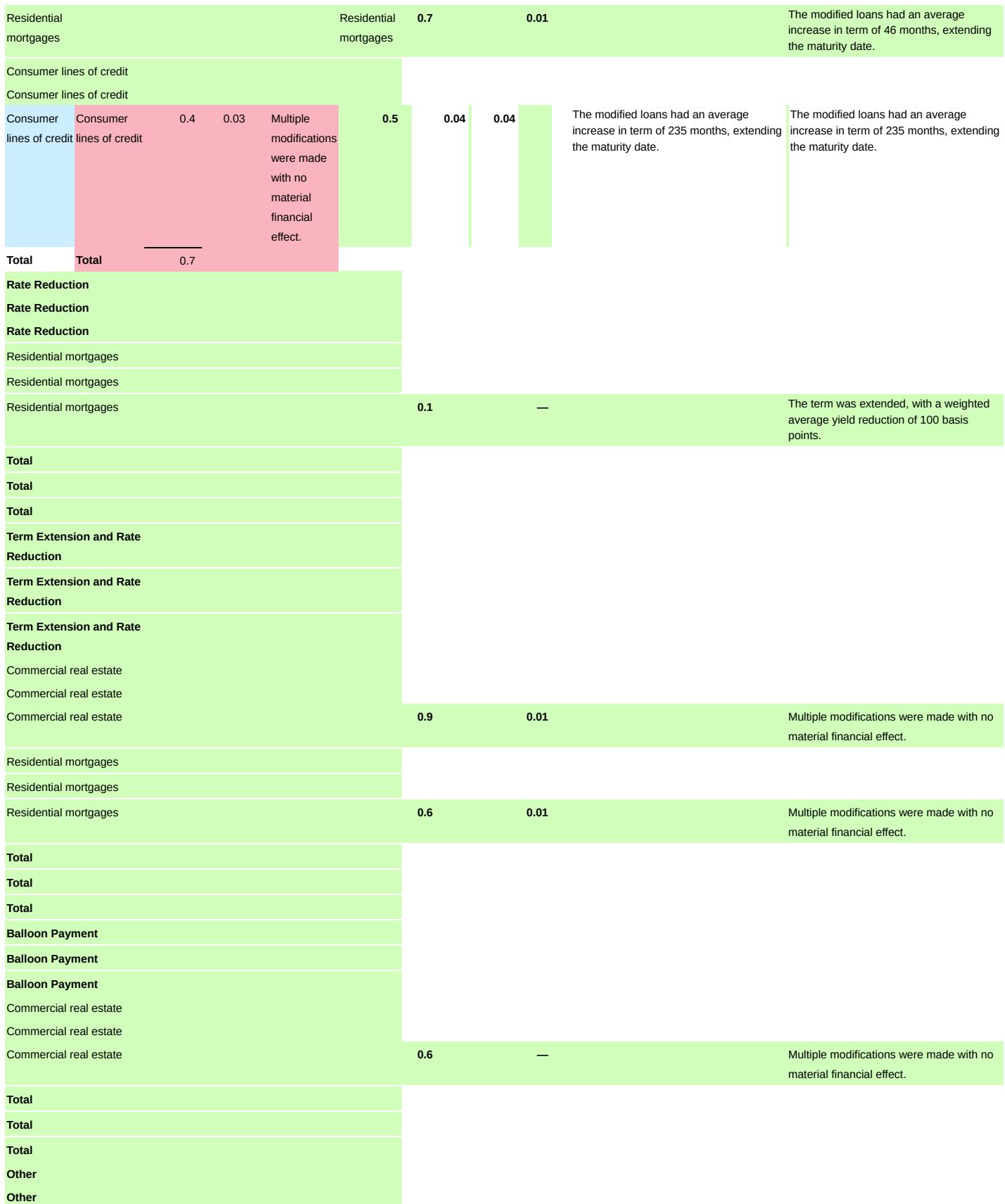
Direct installment

Direct installment

\$ 0.2

0.01 %

The modified loans had an average increase in term of 114 months, extending the maturity date.



Other				
Commercial real estate				
Commercial real estate				
Commercial real estate		4.1	0.03	3 to 12 month payment deferrals with no income being earned on these loans.
Commercial and industrial	Commercial and industrial	0.6	0.01	Multiple modifications were made with no material financial effect.
Total				
Total				
Total				
Total Outstanding				
Modified				
Total Outstanding				
Modified				
Total	Total	\$ 4.2		
Outstanding	Outstanding			
Modified	Modified			

(dollars in millions)	Amortized Cost Basis	% of Total Class of		Financial Effect		
		Financing	Receivable			
Nine Months Ended September 30, 2023						
Term Extension						
Commercial real estate	\$ 12.3	0.10 %	The modified loans had an average increase in term of 24 months, extending the maturity date.			
Commercial and industrial	3.0	0.04	The modified loans had an average increase in term of 16 months, extending the maturity date.			
Direct installment	0.8	0.03	The modified loans had an average increase in term of 99 months, extending the maturity date.			
Residential mortgages	2.7	0.04	The modified loans had an average increase in term of 105 months, extending the maturity date.			
Consumer lines of credit	0.4	0.03	The repayment on the loans modified was extended, lowering the monthly repayment.			
Total	19.2					
Term Extension and Rate Reduction						
Commercial and industrial	0.3	—	The term was extended, with a weighted average yield reduction of 462 bps.			
Direct installment	0.4	0.01	The modified loans had an average increase in term of 330 months, extending the maturity date.			
Residential mortgages	0.8	0.01	The term was extended, with a weighted average yield reduction of 267 bps.			
Consumer lines of credit	0.6	0.05	The term was extended, with a weighted average yield reduction of 321 bps.			
Total	2.1					
Other						
Commercial real estate	0.5	—	Multiple modifications were made with no material financial effect.			
Direct installment	0.1	—	Multiple modifications were made with no material financial effect.			
Residential mortgages	0.1	—	Multiple modifications were made with no material financial effect.			
Consumer lines of credit	0.6	0.05	Multiple modifications were made with no material financial effect.			
Total	1.3					
Total Outstanding Modified	\$ 22.6					

(dollars in millions)	Amortized Cost Basis	% of Total Class of		Financial Effect		
		Financing	Receivable			
Three Months Ended March 31, 2023						
Term Extension						
Commercial and industrial	\$ 2.4	0.03 %	The modified loans had an average increase in term of 9 months, extending the maturity date.			
Direct installment	0.1	—	The repayment on the loans modified were extended, lowering the monthly repayment.			
Residential mortgages	0.1	—	The repayment on the loans modified was extended, lowering the monthly repayment.			
Consumer lines of credit	0.2	0.02	The repayment on the loans modified was extended, lowering the monthly repayment.			

Total	2.8	
Term Extension and Rate Reduction		
Direct installment	0.1	— The term was extended, with a weighted average yield reduction of 134 basis points.
Residential mortgages	0.3	0.01 The term was extended, with a weighted average yield reduction of 113 basis points.
Total	0.4	
Other		
Commercial real estate	0.6	0.01 Multiple modifications were made with no material financial effect.
Residential mortgages	0.1	— Multiple modifications were made with no material financial effect.
Total	0.7	
Total Outstanding Modified	\$ 3.9	

Some loan modifications may not ultimately result in the full collection of principal and interest, as modified, and may result in potential incremental losses which are factored into the ACL. There were no additional funds committed to borrowers whose loans were modified during the first **nine** **three** months of **2023**, **2024**.

Commercial loans over \$1.0 million whose terms have been modified may be placed on non-accrual, individually analyzed and measured based on the fair value of the underlying collateral. Our ACL includes specific reserves for commercial loans modified. There **was** **\$1.4 million** **were** **\$0.5 million** and **no** **\$5.3 million** **in** **specific** **reserve** **reserves** for commercial loans modified at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, and pooled reserves for individual loans of **\$1.5 million** **\$2.5 million** and **\$1.1 million** **\$2.0 million** for those same periods, respectively, based on loan segment LGD. Upon default, the amount of the recorded investment of the modified loan balance in excess of the fair value of the collateral, less estimated selling costs, is generally considered a confirmed loss and is charged-off against the ACL.

All other classes of loans whose terms have been modified are pooled and measured based on the loan segment LGD. Our ACL included pooled reserves for these classes of loans of \$3.8 million at both **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. Upon default of an individual loan, our charge-off policy is followed for that class of loan.

Following is a summary of loans modified in a manner that grants a concession to a borrower experiencing financial difficulties, by class, for which there was a payment default, excluding loans that have been paid off and/or sold. Default occurs when a loan is 90 days or more past due or in non-accrual and is within 12 months of restructuring.

TABLE 5.9.4.8

Amortized cost basis of modified financing receivables that subsequently defaulted:	Amortized cost basis of modified financing receivables that subsequently defaulted:				
	Amortized cost basis of modified financing receivables that subsequently defaulted:				
(in millions)	(in millions)	Term Extension and Rate Reduction			
		Term Extension	Reduction	Other	Total Outstanding Modified
Three Months Ended September 30, 2023					
(in millions)					
(in millions)					
Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Commercial real estate					

Commercial real estate						
Commercial real estate	Commercial real estate	\$ —	\$ —	\$ 0.2	\$ 0.2	
Commercial and industrial	Commercial and industrial	0.5	0.1	—	0.6	
Total commercial loans and leases	Total commercial loans and leases	0.5	0.1	0.2	0.8	
Direct installment		0.1	—	—	0.1	
Total commercial loans and leases						
Total commercial loans and leases						
Residential mortgages						
Residential mortgages	Residential mortgages	0.1	—	—	0.1	
Total consumer loans	Total consumer loans	0.2	—	—	0.2	
Total		\$ 0.7	\$ 0.1	\$ 0.2	\$ 1.0	
Nine Months Ended September 30, 2023						
Commercial real estate	\$ 0.4	\$ —	\$ 0.9	\$ 1.3		
Commercial and industrial	2.0	0.3	—	2.3		
Total consumer loans						
Total commercial loans and leases						
Direct installment	0.1	—	—	0.1		
Residential mortgages	0.1	0.3	—	0.4		
Consumer lines of credit	0.1	—	—	0.1		
Total consumer loans	Total consumer loans	0.3	0.3	—	0.6	
Total	Total	\$ 2.7	\$ 0.6	\$ 0.9	\$ 4.2	

(in millions)	Term Extension and		Total Outstanding	
	Term Extension	Rate Reduction	Other	Modified
Three Months Ended March 31, 2023				
Commercial real estate	\$ —	\$ —	\$ 0.6	\$ 0.6
Commercial and industrial	1.6	—	—	1.6
Total commercial loans and leases	1.6	—	0.6	2.2
Residential mortgages	—	0.3	—	0.3
Consumer lines of credit	0.1	—	—	0.1
Total consumer loans	0.1	0.3	—	0.4
Total	\$ 1.7	\$ 0.3	\$ 0.6	\$ 2.6

We closely monitor the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of our modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months:

TABLE 5.10 4.9

(in millions)	(in millions)	Payment status - amortization cost basis:						
		30-89 Days Past Due		90+ Days Past Due		(in millions)	Current	
		Days	Days	Days	Days			
		Past	Past	Past	Past			
(in millions)	(in millions)	Current	Due	Due	(in millions)	Current	30-89 Days Past Due	90+ Days Past Due
September 30, 2023								
March 31, 2024								
Commercial real estate								
Commercial real estate								
Commercial real estate	Commercial real estate	\$12.9	\$ —	\$ —				
Commercial and industrial	Commercial and industrial	3.2	—	—				
Total commercial loans and leases								
Total commercial loans and leases								
Total commercial loans and leases	Total commercial loans and leases	16.1	—	—				
Direct installment	Direct installment	1.2	0.2	—				
Residential mortgages	Residential mortgages	2.6	0.8	0.1				
Consumer lines of credit	Consumer lines of credit	1.6	—	—				
Consumer lines of credit								
Consumer lines of credit								
Total consumer loans	Total consumer loans	5.4	1.0	0.1				
Total	Total	\$21.5	\$1.0	\$0.1				
(in millions)								
(in millions)								
(in millions)								
March 31, 2023						Current	30-89 Days Past Due	90+ Days Past Due
Commercial real estate								
Commercial real estate								
Commercial real estate								
Commercial and industrial								
Total commercial loans and leases								
Total commercial loans and leases								
Total commercial loans and leases								
Direct installment								
Residential mortgages								
Consumer lines of credit								

Consumer lines of credit	
Consumer lines of credit	
Total consumer loans	
Total	

Prior to the adoption of ASU 2022-02, below are the tables relating to the TDR disclosures as of September 30, 2022.

Following is a summary of TDR loans, by class, for loans that were modified during the periods indicated.

TABLE 5.11

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Number of Contracts	Pre-Modification		Number of Contracts	Post-Modification	
		Outstanding Recorded Investment	Outstanding Recorded Investment		Outstanding Recorded Investment	Outstanding Recorded Investment
(dollars in millions)						
Commercial real estate	2	\$ —	\$ —	14	\$ 5	\$ 4
Commercial and industrial	3	—	—	10	1	1
Total commercial loans	5	—	—	24	6	5
Direct installment	8	1	1	33	1	1
Residential mortgages	14	2	2	34	5	5
Consumer lines of credit	6	—	—	12	1	1
Total consumer loans	28	3	3	79	7	7
Total	33	\$ 3	\$ 3	103	\$ 13	\$ 12

Following is a summary of TDRs, by class, for which there was a payment default, excluding loans that have been paid off and/or sold. Default occurs when a loan is 90 days or more past due and is within 12 months of restructuring.

TABLE 5.12

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
(dollars in millions)				
Commercial real estate	7	\$ 3	10	\$ 3
Commercial and industrial	1	—	1	—
Total commercial loans	8	3	11	3
Direct installment	3	—	5	—
Residential mortgages	5	1	8	1
Total consumer loans	8	1	13	1
Total	16	\$ 4	24	\$ 4

NOTE 6.5. ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LEASES

The ACL is maintained for credit losses expected in the existing loan and lease portfolio and is presented as a reserve against loans and leases on the Consolidated Balance Sheets. Loan and lease losses are charged off against the ACL, with recoveries of amounts previously charged off credited to the ACL. Provisions for credit losses are charged to operations based on management's periodic evaluation of the appropriate level of the ACL.

Following is a summary of changes in the ACL, by loan and lease class:

TABLE 6.15.1

(in millions)	(in millions)	Net						(in millions)			
		Balance at Beginning of Period	Charge- Offs	Recoveries	(Charge- Offs)	Recoveries	Provision for Credit Losses				
Three Months Ended											
September 30, 2023											
(in millions)											
Three Months Ended March 31,											
2024											
Three Months Ended March 31,											
2024											
Three Months Ended March 31,											
2024											
Commercial real estate											
Commercial real estate											
Commercial real estate	Commercial real estate	\$ 154.2	\$ (0.6)	\$ 0.9	\$ 0.3	\$ 0.5	\$ 155.0				
Commercial and industrial	Commercial and industrial	114.3	(37.2)	1.4	(35.8)	17.1	95.6				
Commercial leases	Commercial leases	15.2	—	—	—	2.9	18.1				
Other	Other	3.8	(0.9)	0.2	(0.7)	1.1	4.2				
Total commercial loans and leases	Total commercial loans and leases	287.5	(38.7)	2.5	(36.2)	21.6	272.9				
Direct installment	Direct installment	35.6	(0.1)	0.2	0.1	(1.0)	34.7				
Residential mortgages	Residential mortgages	63.4	(0.1)	0.1	—	4.0	67.4				
Indirect installment	Indirect installment	16.6	(2.1)	0.5	(1.6)	1.1	16.1				
Consumer lines of credit	Consumer lines of credit	9.6	(0.2)	0.2	—	(0.1)	9.5				
Total consumer loans	Total consumer loans	125.2	(2.5)	1.0	(1.5)	4.0	127.7				
Total allowance for credit losses on loans and leases	Total allowance for credit losses on loans and leases	412.7	(41.2)	3.5	(37.7)	25.6	400.6				
Allowance for unfunded loan commitments	Allowance for unfunded loan commitments	21.0	—	—	—	0.3	21.3				
Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	\$ 433.7	\$ (41.2)	3.5	\$ (37.7)	\$ 25.9	\$ 421.9				

Nine Months Ended September 30, 2023						
Commercial real estate						
Commercial real estate	\$ 162.1	\$ (8.9)	\$ 3.2	\$ (5.7)	\$ (1.4)	\$ 155.0
Commercial and industrial	102.1	(48.5)	3.0	(45.5)	39.0	95.6
Commercial leases	13.5	—	—	—	4.6	18.1
Other	4.0	(3.3)	0.7	(2.6)	2.8	4.2
Total commercial loans and leases	281.7	(60.7)	6.9	(53.8)	45.0	272.9
Direct installment	35.9	(0.5)	0.5	—	(1.2)	34.7
Residential mortgages	55.5	(0.7)	0.3	(0.4)	12.3	67.4
Indirect installment	17.3	(6.9)	1.6	(5.3)	4.1	16.1
Consumer lines of credit	11.3	(0.8)	0.7	(0.1)	(1.7)	9.5
Total consumer loans	120.0	(8.9)	3.1	(5.8)	13.5	127.7
Total allowance for credit losses on loans and leases	401.7	(69.6)	10.0	(59.6)	58.5	400.6
Allowance for unfunded loan commitments	21.4	—	—	—	(0.1)	21.3
Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	\$ 423.1	\$ (69.6)	\$ 10.0	\$ (59.6)	\$ 58.4	\$ 421.9

(in millions)	Balance at Beginning of Period		Charge-Offs		Net Recoveries		Provision (Charge-Offs) Recoveries for Credit Losses		Balance at End of Period	
	Commercial real estate	Commercial and industrial	Commercial leases	Other	Total commercial loans and leases	Direct installment	Residential mortgages	Indirect installment	Consumer lines of credit	Total consumer loans
Three Months Ended September 30, 2022										
Commercial real estate	\$ 157.9	\$ (1.3)	\$ 0.5	\$ (0.8)	\$ (0.8)	34.2	0.1	(0.1)	2.0	36.1
Commercial and industrial	94.3	(0.8)	0.9	—	94.3	47.2	0.2	(0.1)	1.8	96.2
Commercial leases	13.7	—	—	—	13.7	16.0	0.6	(1.3)	0.5	14.2
Other	4.2	(0.9)	0.3	(0.6)	4.2	10.5	0.3	—	0.6	4.2
Total commercial loans and leases	270.1	(3.0)	1.7	(1.3)	270.1	107.9	1.2	(1.5)	9.0	115.4
Direct installment	34.2	(0.2)	0.1	(0.1)	34.2	378.0	2.9	(2.8)	10.1	385.3
Residential mortgages	47.2	(0.3)	0.2	(0.1)	47.2	18.2	—	—	1.1	19.3
Indirect installment	16.0	(1.9)	0.6	(1.3)	16.0	10.5	(0.3)	—	0.3	10.8
Consumer lines of credit	10.5	(0.3)	0.3	—	10.5	107.9	(2.7)	1.2	(1.5)	115.4
Total consumer loans	107.9	(2.7)	1.2	(1.5)	107.9	378.0	2.9	(2.8)	10.1	385.3
Total allowance for credit losses on loans and leases	378.0	(5.7)	2.9	(2.8)	378.0	18.2	—	—	1.1	19.3
Allowance for unfunded loan commitments	18.2	—	—	—	18.2	\$ 396.2	\$ (5.7)	\$ 2.9	\$ (2.8)	\$ 404.6
Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	\$ 396.2	\$ (5.7)	\$ 2.9	\$ (2.8)	\$ 396.2	\$ 11.2	\$ 11.2	\$ 11.2	\$ 404.6	\$ 404.6

(in millions)	Allowance for PCD										Net Recoveries	Provision for Credit Losses	Balance at End of Period
	Balance at Beginning of Period	Charge-Offs	Net Recoveries	(Charge-Offs)	Provision for Credit Losses	Loans and Leases at Acquisition	Balance at End of Period	Balance at Beginning of Period	Charge-Offs	Net Recoveries	(Charge-Offs)		
(in millions)	(in millions)	Period	Offs	Recoveries	Recoveries	Losses	Acquisition	Period	Offs	Recoveries	Recoveries		
Nine Months Ended September 30, 2022													
Three Months Ended March 31, 2023													
Three Months Ended March 31, 2023													

Three Months Ended March 31,
2023

Commercial real estate	Commercial real estate	\$ 156.5	\$ (2.9)	\$ 2.6	\$ (0.3)	\$ (5.3)	\$ 4.4	\$ 155.3
Commercial and industrial leases	Commercial and industrial leases	87.4	(5.1)	4.9	(0.2)	5.6	3.4	96.2
Other	Other	14.7	(0.1)	—	(0.1)	(0.4)	—	14.2
Total commercial loans and leases	Total commercial loans and leases	261.2	(10.4)	8.3	(2.1)	3.0	7.8	269.9
Direct installment	Direct installment	26.4	(0.4)	0.5	0.1	9.1	0.5	36.1
Residential mortgages	Residential mortgages	33.1	(0.6)	0.5	(0.1)	17.1	1.3	51.4
Indirect installment	Indirect installment	13.5	(4.1)	1.7	(2.4)	6.0	—	17.1
Consumer lines of credit	Consumer lines of credit	10.1	(0.7)	0.9	0.2	0.1	0.4	10.8
Total consumer loans	Total consumer loans	83.1	(5.8)	3.6	(2.2)	32.3	2.2	115.4
Total allowance for credit losses on loans and leases	Total allowance for credit losses on loans and leases	344.3	(16.2)	11.9	(4.3)	35.3	10.0	385.3
Allowance for unfunded loan commitments	Allowance for unfunded loan commitments	19.1	—	—	—	0.2	—	19.3
Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	Total allowance for credit losses on loans and leases and allowance for unfunded loan commitments	\$ 363.4	\$ (16.2)	\$ 11.9	\$ (4.3)	\$ 35.5	\$ 10.0	\$ 404.6

Following is a summary of changes in the AULC by portfolio segment:

TABLE 6.25.2

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Three Months Ended				
March 31,				

		Three Months Ended March 31,			
		Three Months Ended March 31,		2024	
				2023	
		(in millions)	(in millions)		
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period	Balance at beginning of period	\$21.0	\$18.2	\$21.4	\$19.1
Provision for unfunded loan commitments and letters of credit:	Provision for unfunded loan commitments and letters of credit:				
Commercial portfolio	Commercial portfolio	0.3	1.1	(0.1)	0.2
Commercial portfolio	Commercial portfolio				
Commercial portfolio	Commercial portfolio				
Consumer portfolio	Consumer portfolio				
Balance at end of period	Balance at end of period	\$21.3	\$19.3	\$21.3	\$19.3
Balance at end of period	Balance at end of period				

The model used to calculate the ACL is dependent on the portfolio composition and credit quality, as well as historical experience, current conditions and forecasts of economic conditions and interest rates. Specifically, the following considerations are incorporated into the ACL calculation:

- a third-party macroeconomic forecast scenario;
- a 24-month R&S forecast period for macroeconomic factors with a reversion to the historical mean on a straight-line basis over a 12-month period; and
- the historical through-the-cycle mean was calculated using an expanded period to include a prior recessionary period.

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we utilized a third-party consensus macroeconomic forecast reflecting the current and projected macroeconomic environment. For our ACL calculation at **September 30, 2023** **March 31, 2024**, the macroeconomic variables that we utilized included, but were not limited to: (i) the purchase only Housing Price Index, which increases **0.5%** **7.4%** over our R&S forecast period, (ii) a Commercial Real Estate Price Index, which **declines 3.9%** **increases 3.6%** over our R&S forecast period, (iii) S&P Volatility, which decreases **35.0%** in **2023** and **14.5%** **increases 19.6%** in **2024** and **decreases 3.5%** in **2025** and (iv) personal and business bankruptcies, which increase steadily over the R&S forecast period but average below historical through the cycle period. Macroeconomic variables that we utilized for our ACL calculation as of **December 31, 2022** **December 31, 2023** included, but were not limited to: (i) the purchase only Housing Price Index, which **declines 3.7%** **increases 5.3%** over our R&S forecast period, (ii) a Commercial Real Estate Price Index, which **declines 0.9%** **increases 0.1%** over our R&S forecast period, (iii) S&P Volatility, which decreases **41.0%** **4.0%** in **2023** **2024** and **8.1%** **2.9%** in **2024** **2025** and (iv) bankruptcies, which increase steadily over the R&S forecast period but average below historical levels, through the cycle period.

The ACL on loans and leases of **\$400.6 million** **\$406.3 million** at **September 30, 2023** decreased **\$1.1 million** **March 31, 2024** increased **\$0.7 million**, or **0.3%** **0.2%**, from **December 31, 2022** **December 31, 2023**. Our ending ACL coverage ratio at **September 30, 2023** **March 31, 2024** was **1.25%**, compared to **1.33%** **1.25%** at **December 31, 2022** **December 31, 2023**. Total provision for credit losses for the three months ended **September 30, 2023** **March 31, 2024** was **\$25.9 million** **\$13.9 million** compared to **\$11.2 million** **\$14.1 million** for the same period of **2022** with the increase supporting loan growth and **\$18.8 million** for the previously disclosed **\$31.9 million** isolated commercial loan that was downgraded to non-performing status in the second **2023**. The first quarter of **2023** based upon initial indications of alleged fraud determined late in the second quarter. Findings uncovered during our ongoing investigation, including subsequent bankruptcy filings by our borrower and its primary supplier in the third quarter of **2023**, resulted in the outstanding balance being fully charged-off. The third quarter of **2023** **2024** reflected net charge-offs of **\$37.7 million** **\$12.8 million**, or **0.47%** **0.16%** annualized of average total loans, compared to **\$2.8 million** **\$13.2 million**, or **0.04%** **0.18%** annualized, in the **third** **first** quarter of **2022**. Total provision for credit losses for the nine months ended **September 30, 2023** was **\$58.5 million** including **\$31.9 million** in provision for the previously disclosed isolated commercial loan, compared to **\$35.6 million** that included **\$19.1 million** of initial provision for non-PCD loans associated with the Howard acquisition for the same period of **2022**. Net charge-offs were **\$59.6 million**, or **0.26%** annualized of average total loans, during the nine months ended **September 30, 2023**, compared to **\$4.3 million**, or **0.02%** annualized, for the same period of **2022**, **2023**.

NOTE 7.6. LOAN SERVICING

Mortgage Loan Servicing

We retain the servicing rights on certain mortgage loans sold. The unpaid principal balance of mortgage loans serviced for others is listed below:

TABLE 7.1.6.1

	September December		March 31, 2024	December 31, 2023
(in millions)	30, 2023	31, 2022		
Mortgage loans sold with servicing retained	\$ 5,638	\$ 5,242		

The following table summarizes activity relating to mortgage loans sold with servicing retained:

TABLE 7.2.6.2

	Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended March 31,					
(in millions)	2023	2022	2023	2022	2023	2022	2023	2022
Mortgage loans sold with servicing retained	\$322	\$204	\$781	\$870				
Pre-tax net gains (losses) resulting from above loan sales (1)	1	(2)	1	(9)				
Mortgage servicing fees (1)	3	3	10	9				

(1) Recorded in mortgage banking operations on the Consolidated Statements of Income.

Following is a summary of activity relating to MSRs:

TABLE 7.3.6.3

		Three Months		Nine Months									
		Ended	Ended	Ended	Ended								
		September 30, September 30,											
Three Months													
Ended													
March 31,													
Three Months													
Ended													
March 31,													
Three Months													
Ended													
March 31,													
(in millions)	(in millions)	2023	2022	2023	2022	(in millions)							
Balance at beginning of period	Balance at beginning of period	\$55.7	\$50.7	\$52.8	\$44.4								
Additions													
Additions	Additions	3.8	2.4	9.0	10.5								
Payoffs and curtailments	Payoffs and curtailments	(1.3)	(0.8)	(1.6)	(3.8)								
Impairment (charge) / recovery	Impairment (charge) / recovery	—	—	—	2.5								
Amortization / other	Amortization / other	0.2	(0.6)	(1.8)	(1.9)								
Balance at end of period	Balance at end of period	\$58.4	\$51.7	\$58.4	\$51.7								
Fair value, beginning of period	Fair value, beginning of period	\$72.1	\$64.1	\$68.6	\$46.0								
Fair value, end of period	Fair value, end of period	75.1	69.6	75.1	69.6								

We had There was no valuation allowance for MSRs at March 31, 2024 and the valuation allowance for MSRs as of September 30, 2023 or December 31, 2022 December 31, 2023 was \$0.2 million.

The fair value of MSRs is highly sensitive to changes in assumptions and is determined by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, discount rates and other assumptions validated through comparison to trade information, industry surveys and the use of independent third-party valuations. Changes in prepayment speed assumptions have the most significant impact on the fair value of MSRs. Generally, as interest rates decline, mortgage loan prepayments accelerate due to increased refinance activity, which results in a decrease in the fair value of MSRs and as interest rates increase, mortgage loan prepayments decline, which results in an increase in the fair value of MSRs. Measurement of fair value is limited to the conditions existing and the assumptions utilized as of a particular point in time, and those assumptions may not be appropriate if they are applied at a different point in time.

Following is a summary of the sensitivity of the fair value of MSRs to changes in key assumptions:

TABLE 7.4.6.4

(dollars in millions)	(dollars in millions)	September 30, 2023		December 31, 2022		(dollars in millions)	March 31, 2024	December 31, 2023
		2023	2022	2023	2022			
Weighted average life (months)	Weighted average life (months)	97	96	Weighted average life (months)		93		92

Constant prepayment rate (annualized)	Constant prepayment rate (annualized)	7.2 %	7.3 %	Constant prepayment rate (annualized)	7.8 %	7.9 %
Discount rate	Discount rate	10.7 %	10.0 %	Discount rate	10.3 %	10.2 %
Effect on fair value due to change in interest rates:	Effect on fair value due to change in interest rates:					
+2.00%						
+2.00%						
+2.00%	+2.00%	\$ 3	\$ 9			
+1.00%	+1.00%	2	4			
+0.50%	+0.50%	1	2			
+0.25%	+0.25%	1	1			
-0.25%	-0.25%	(1)	(1)			
-0.50%	-0.50%	(2)	(3)			
-1.00%	-1.00%	(6)	(6)			
-2.00%	-2.00%	(14)	(15)			
-3.00%						

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. Changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the changes in assumptions to fair value may not be linear. Also, in this table, the effects of an adverse variation in a particular assumption on the fair value of MSRs is calculated without changing any other assumptions, while, in reality, changes in one factor may result in changing another, which may magnify or contract the effect of the change.

NOTE 8.7. LEASES

We have operating leases primarily for certain branches, office space, land and office equipment. We have finance leases for certain branches. Our operating leases expire at various dates through the year 2046 and generally include one or more options to renew. Our finance leases expire at various dates through the year 2051 and generally include one or more options to renew. The exercise of lease renewal options is at our sole discretion. As of **September 30, 2023** **March 31, 2024**, we had operating lease right-of-use assets and operating lease liabilities of **\$158.6 million** **\$180.2 million** and **\$178.9 million** **\$212.4 million**, respectively. We have finance lease right-of-use assets and finance lease liabilities of **\$31.9 million** **\$31.1 million** and **\$32.9 million** **\$32.4 million**, respectively.

Our operating lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of **September 30, 2023** **March 31, 2024**, we have certain operating lease agreements, primarily for administrative office space, that have not yet commenced. At commencement, it is expected that these leases will add approximately **\$45.4 million** **\$39.6 million** in right-of-use assets and **\$60.0 million** **\$44.8 million** in other liabilities. These operating leases are currently expected to commence **throughout the remainder of 2023** **in 2024** and **into 2024** **2025** with lease terms of up to **21** **20** years. These operating leases include the lease, with a related party, of the future new FNB headquarters building in Pittsburgh, Pennsylvania. During 2023, several floors of the FNB headquarters building have been made available to FNB for the purpose of constructing our office spaces, and we commenced the lease of those floors. The related party operating lease is accounted for in a manner consistent with all other leases on the basis of the legally enforceable terms and conditions of the lease and the related party represents a VIE for which we are not the primary beneficiary.

The components of lease expense were as follows:

TABLE 8.17.1

Three Months Ended September 30,	Nine Months Ended September 30,

		Three Months Ended March 31,					
		Three Months Ended March 31,					
		Three Months Ended March 31,					
(dollars in millions)		(dollars in millions)					
		2023	2022	2023	2022	(dollars in millions)	
Operating lease cost		\$ 9	\$ 8	\$25	\$24		
Variable lease cost		1	1	3	3		
Variable lease cost							
Finance lease cost		1	—	3	—		
Finance lease cost							
Total lease cost	Total lease cost	\$11	\$ 9	\$31	\$27		

Other information related to leases is as follows:

TABLE 8.27.2

		Nine Months Ended September 30,					
		Three Months Ended March 31,					
(dollars in millions)		(dollars in millions)					
		2023	2022	(dollars in millions)			
Cash paid for amounts included in the measurement of lease liabilities:		Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash flows from operating leases							
Operating cash flows from operating leases							
Operating cash flows from operating leases							
Operating cash flows from operating leases		\$ 7	\$ 7				

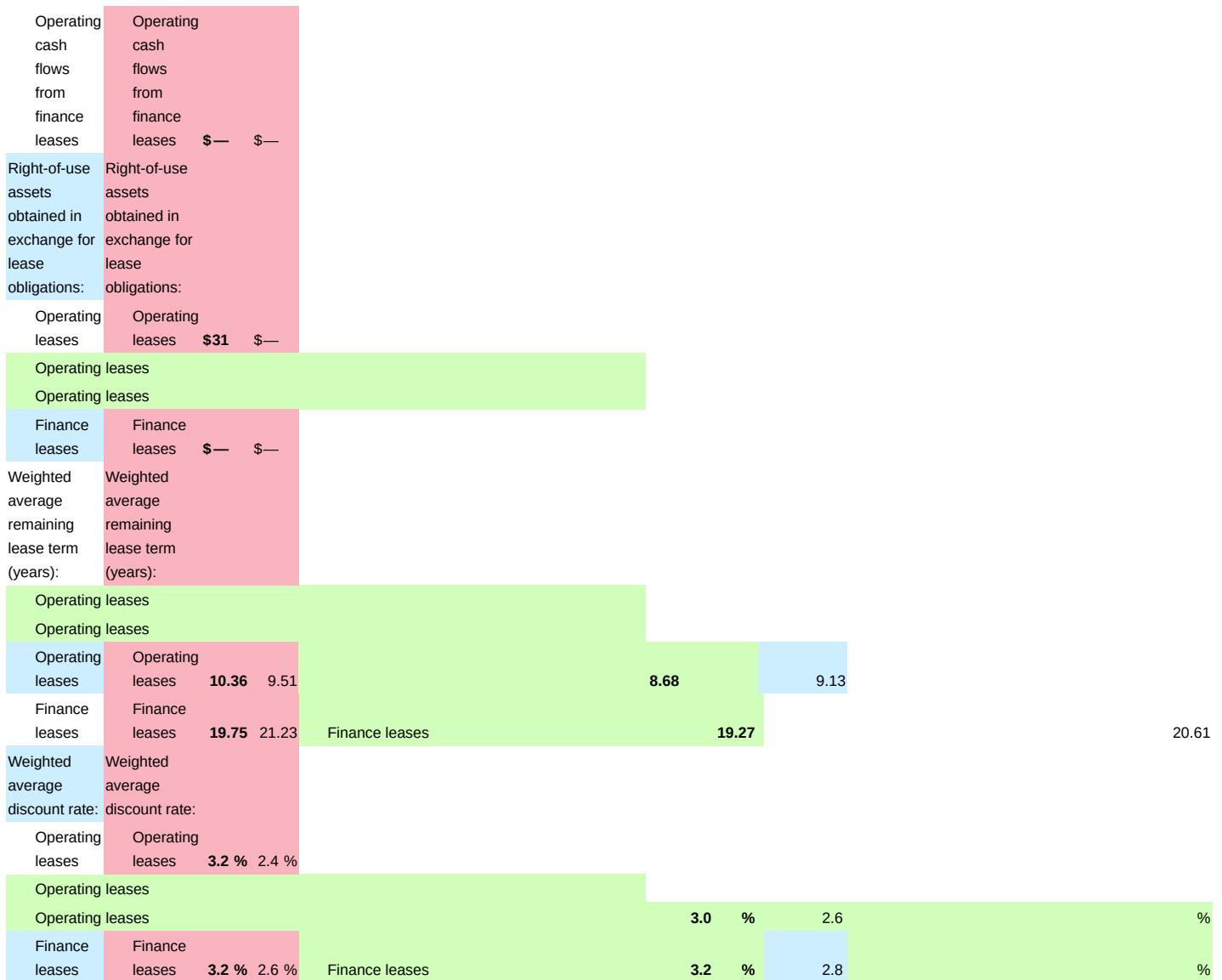


TABLE 8.23.2

Later years	Later years	117	36	153
Total lease payments	Total lease payments	218	45	263
Less: imputed interest	Less: imputed interest	(39)	(12)	(51)
Present value of lease liabilities	Present value of lease liabilities	<u>\$ 179</u>	<u>\$ 33</u>	<u>\$ 212</u>

As a lessor we offer commercial leasing services to customers in need of new or used equipment primarily within our market areas of Pennsylvania, Ohio, Maryland, North Carolina, South Carolina and West Virginia. Additional information relating to commercial leasing is provided in Note 5.4, "Loans and Leases" in the Notes to Consolidated Financial Statements.

NOTE 9.8. VARIABLE INTEREST ENTITIES

We evaluate our interest in certain entities to determine if these entities meet the definition of a VIE and whether we are the primary beneficiary and required to consolidate the entity based on the variable interest we held both at inception and when there is a change in circumstances that requires a reconsideration.

Unconsolidated VIEs

The following table provides a summary of the assets and liabilities included in our Consolidated Financial Statements, as well as the maximum exposure to losses, associated with our interests related to VIEs for which we hold an interest, but are not the primary beneficiary.

TABLE 9.8.1

(in millions)	(in millions)	Maximum Exposure			Total Assets (in millions)	Total Liabilities	Maximum Exposure to Loss
		Total Assets	Total Liabilities	to Loss			
September 30, 2023							
March 31, 2024							
Trust preferred securities (1)	Trust preferred securities (1)	\$ 3	\$ 73	\$ —			
Affordable housing tax credit partnerships		122	40	122			
Trust preferred securities (1)							
Trust preferred securities (1)							
Tax credit partnerships							
Other investments	Other investments	41	6	41			
Total	Total	\$ 166	\$ 119	\$ 163			
December 31, 2022							
December 31, 2023							
Trust preferred securities (1)	Trust preferred securities (1)	\$ 1	\$ 72	\$ —			
Affordable housing tax credit partnerships		123	37	123			

Trust preferred securities			
(1)			
Trust preferred securities			
(1)			
Tax credit			
partnerships			
Other	Other		
investments	investments	33	9
			33
Total	Total	\$ 157	\$ 118
			\$ 156

(1) Represents our investment in unconsolidated subsidiaries.

Trust-Preferred Securities

We have certain wholly-owned trusts whose assets, liabilities, equity, income and expenses are not included within our Consolidated Financial Statements. These trusts have been formed for the sole purpose of issuing TPS, from which the proceeds are then invested in our junior subordinated debentures, which are reflected in our Consolidated Balance Sheets as junior subordinated debt. The TPS are the obligations of the trusts, and as such, are not consolidated within our Consolidated Financial Statements. For additional information relating to our TPS, see Note 10.9, "Borrowings" in the Notes to Consolidated Financial Statements.

Each issue of the junior subordinated debentures has an interest rate equal to the corresponding TPS distribution rate. We have the right to defer payment of interest on the debentures at any time, or from time-to-time for a period not exceeding five years provided that no extension period may extend beyond the stated maturity of the related debentures. During any such extension period, distributions to the TPS will also be deferred and our ability to pay dividends on our common stock will be restricted. Periodic cash payments and payments upon liquidation or redemption with respect to TPS are guaranteed by us to the extent of funds held by the trusts. The guarantee ranks subordinate and junior in right of payment to all of our indebtedness to the same extent as the junior subordinated debt. The guarantee does not place a limitation on the amount of additional indebtedness that may be incurred by us.

Affordable Housing, Historic and New Market Tax Credit Partnerships

We make equity investments as a limited partner in various partnerships that sponsor of affordable housing projects utilizing the LIHTC (LIHTC), historic tax credit (HTC) and new market tax credit (NMTC) programs pursuant to Section Sections 42, 47 and 45d of the Internal Revenue Code. Code,

respectively. The purpose of many of these investments is to support initiatives associated with the Community Reinvestment Act while earning a satisfactory return. The activities of these LIHTC partnerships include the development and operation of multi-family housing that is leased to qualifying residential tenants. HTC partnerships allow us to make investments in projects that involve the rehabilitation of historic structures, often combining our investments with bank financing. NMTC partnerships are designed to channel investments into distressed communities, fostering community development and stimulating economic growth. These tax credit partnerships are generally located in communities where we have a banking presence and meet the definition of a VIE; however, we are not the primary beneficiary of the entities, as the general partner or managing member has both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses beyond our own equity investment.

We apply the proportional amortization method of accounting for our investments in LIHTC partnerships. Effective January 1, 2024, upon the adoption of ASU 2023-02, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*, we also began applying the proportional amortization method of accounting to our investments in HTC and NMTC partnerships. The proportional amortization method recognizes the amortized cost of the investments in these tax credit partnerships as a component of income tax expense on the Consolidated Statements of Income. Prior to the adoption of ASU 2023-02, we applied the equity method of accounting to the investments in HTC and NMTC partnerships. The adoption of this ASU 2023-02 did not have a material impact on our consolidated financial statements. We record our investment in LIHTC tax credit partnerships as a component of other assets and use the proportional amortization method to account for our investments in LIHTC partnerships. Amortization related to our LIHTC investments is recorded on a net basis as a component of the provision for income taxes on the Consolidated Statements of Income assets.

The following table presents the balances of our affordable housing tax credit LIHTC, HTC and NMTC investments and related unfunded commitments:

TABLE 9.28.2

	September 30, 2023	December 31, 2022
(in millions)		
LIHTC investments included in other assets	\$ 82	\$ 86
Unfunded LIHTC commitments	40	37

	March 31, 2024	December 31, 2023
(in millions)		
Tax credit investments included in other assets	\$ 95	\$ 81
Unfunded tax credit investments	79	62

In the first quarter of 2024, we adopted ASU 2023-02, resulting in the amortization of HTC and NMTC investments being recognized in the provision for income taxes as of the adoption of this standard. These activities were previously recognized in non-interest expense.

The following table summarizes the impact of these LIHTC tax credit investments on the provision for income taxes in our Consolidated Statements of Income:

TABLE 9.3.8.3

	Three Months Ended September 30,	Nine Months Ended September 30,		
	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,	
	(in millions)	(in millions)	2023 2022 2023 2022	(in millions)
Provision for income taxes:	Provision for income taxes:	Provision for income taxes:	2024	2023
Amortization of LIHTC investments under proportional method	\$ 4	\$ 4	\$12	\$11
Low-income housing tax credits	(4)	(3)	(12)	(11)
Amortization of tax credit investments under proportional method				
Amortization of tax credit investments under proportional method				
Tax credits from tax credit investments				
Other tax benefits related to tax credit investments	Other tax benefits related to tax credit investments	(1)	(1)	(2)

Total impact on provision for income taxes	Total impact on provision for income taxes	<u><u>\$ (1)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ (2)</u></u>
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Other Investments

Other investments we also consider to be unconsolidated VIEs include investments in Small Business Investment Companies [Historic Tax Credit investments](#), [New Market Tax Credit investments](#) and other equity method investments.

NOTE 10.9. BORROWINGS

Following is a summary of short-term borrowings:

TABLE 10.19.1

(in millions)	September 30, 2023		December 31, 2022	(in millions)	March 31, 2024	December 31, 2023
	(in millions)	2023	2022		2024	
Securities sold under repurchase agreements	Securities sold under repurchase agreements	\$ 259	\$ 317			
Federal Home Loan Bank advances	Federal Home Loan Bank advances	1,665	930			
Federal funds purchased	Federal funds purchased	30	—			
Subordinated notes	Subordinated notes	112	125			
Total short-term borrowings	Total short-term borrowings	\$ 2,066	\$ 1,372			

Borrowings with original maturities of one year or less are classified as short-term. Securities sold under repurchase agreements are comprised of customer repurchase agreements, which are sweep accounts with next-day maturities utilized by larger commercial customers to earn interest on their funds. Securities are pledged to these customers in an amount at least equal to the outstanding balance. Of the total short-term FHLB advances, **15.9%** \$540.0 million, or **37.5%**, had overnight maturities as of **September 30, 2023** **March 31, 2024**. We did not have any had \$450.0 million, or 23.7%, of short-term FHLB advances with overnight maturities as of **December 31, 2022** **December 31, 2023**. At **September 30, 2023** **March 31, 2024**, \$600.0 million \$300.0 million, or **36.0%** 20.8%, of the short-term FHLB advances were swapped to fixed rates with various maturities through 2024. This compares to \$930.0 million \$400.0 million, or **100.0%** 21.1%, as of **December 31, 2022** **December 31, 2023**. Federal funds purchased are overnight funds borrowed from other financial institutions. Subordinated notes are unsecured and subordinated to our other indebtedness. The short-term subordinated notes mature within one year.

Following is a summary of long-term borrowings:

TABLE 10.29.2

(in millions)	September 30, 2023	December 31, 2022
Federal Home Loan Bank advances	\$ 1,200	\$ —
Senior notes	348	648
Subordinated notes	80	70
Junior subordinated debt	73	72
Other subordinated debt	267	303
Total long-term borrowings	\$ 1,968	\$ 1,093

During the third quarter of 2022, we completed a debt offering in which we issued \$350 million aggregate principal amount of 5.150% fixed-rate senior notes due in 2025. The net proceeds of the debt offering after deducting underwriting discounts and commissions and offering costs were \$347.4 million. These proceeds were used for general corporate purposes, which included the repayment of \$300 million in 2.200% Senior Notes that matured in February 2023, and may also include investments at the holding company level, capital to support the growth of FNBPA and refinancing of outstanding indebtedness.

During 2022, we assumed \$25 million of other subordinated debt and \$5 million of junior subordinated debt from the Howard acquisition and \$31 million of other subordinated debt from the Union acquisition. During the second quarter of 2023, we called \$6 million in other subordinated debt acquired from the Union acquisition and we repurchased and retired \$15.0 million in other subordinated debt assumed in a previous acquisition. Additionally, during the third quarter of 2023, \$13.6 million in other subordinated debt assumed in a previous acquisition matured and we repurchased and retired \$1.0 million in other subordinated debt acquired from the Howard acquisition.

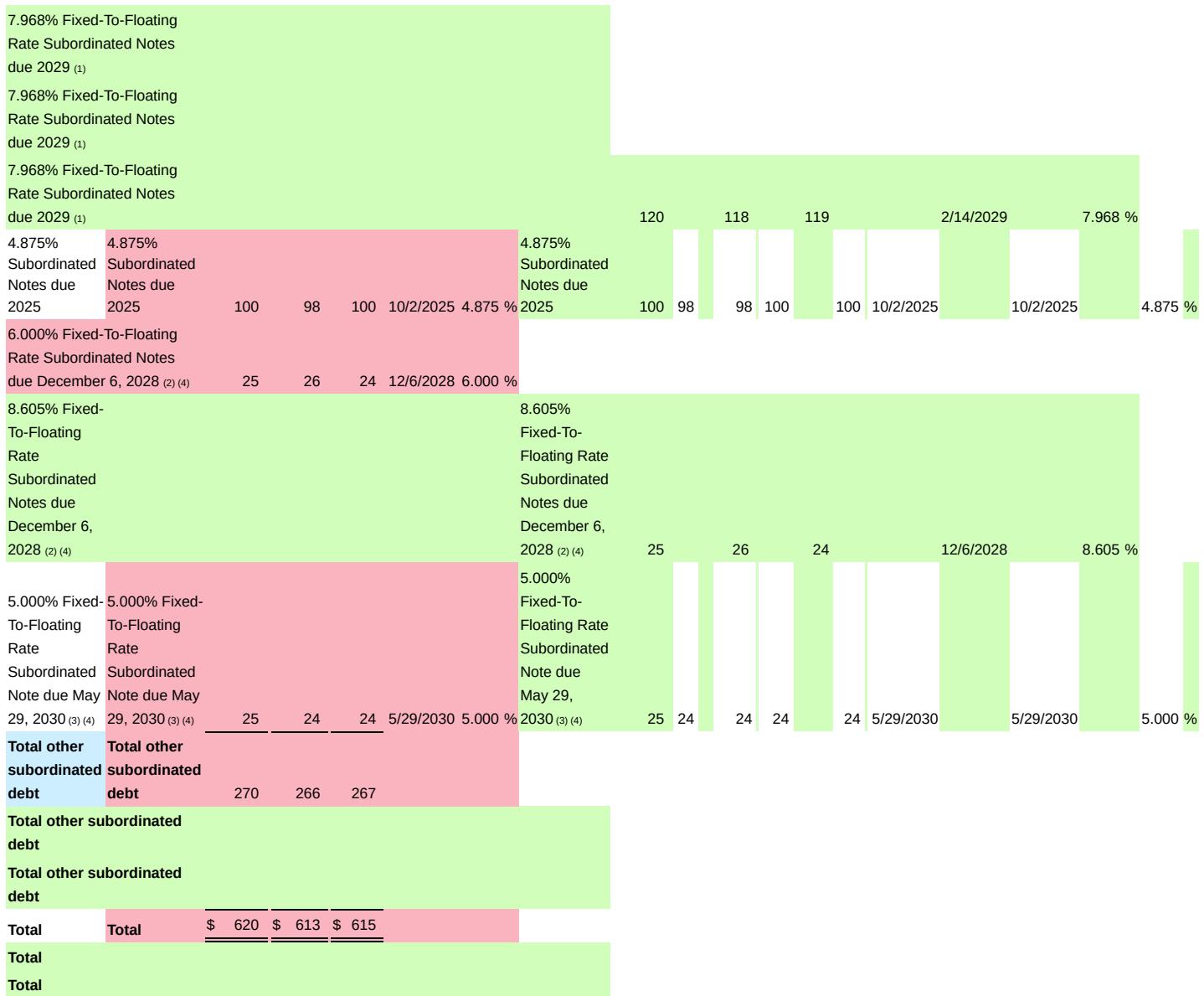
	March 31, 2024	December 31, 2023
(in millions)		
Federal Home Loan Bank advances	\$ 1,350	\$ 1,200
Senior notes	349	349
Subordinated notes	82	82
Junior subordinated debt	73	73
Other subordinated debt	267	267
Total long-term borrowings	\$ 2,121	\$ 1,971

Our banking affiliate has available credit with the FHLB of \$10.6 billion \$11.4 billion, of which \$2.9 billion \$2.8 billion was utilized and included in short-term and long-term borrowings and \$700.0 million \$650.0 million was utilized for a letter of credit for pledging of public funds as of September 30, 2023 March 31, 2024. These advances are secured by loans collateralized by residential mortgages, home equity lines of credit, commercial real estate and FHLB stock. The short-term borrowings are scheduled to mature in various amounts periodically during 2023 2024 while the long-term borrowings are scheduled to mature periodically through 2027. Effective interest rates paid on the fixed rate long-term FHLB advances held during 2023 ranged from 4.23% to 4.88% for both the three months ended September 30, 2023 March 31, 2024 and for the year ended December 31, 2023. The effective interest rate paid on variable rate long-term FHLB advances was Overnight SOFR plus a spread of 32.6 basis points for the three months ended March 31, 2024. There were no long-term FHLB borrowings during variable rate advances for the first nine months of 2022, or as of December 31, 2022. Our banking affiliate has additional unused other wholesale credit availability of \$8.6 billion as of September 30, 2023 year ended December 31, 2023.

The following table provides information relating to our senior notes and other subordinated debt as of September 30, 2023 March 31, 2024. The subordinated notes are eligible for treatment as tier 2 capital for regulatory capital purposes.

TABLE 10.39.3

(dollars in millions)	(dollars in millions)	Aggregate					(dollars in millions)	Aggregate					Stated Maturity Date	Interest Rate
		Principal Amount Issued	Net Proceeds (\$)	Carrying Value	Maturity Date	Interest Rate		Principal Amount Issued	Net Proceeds (\$)	Carrying Value	Maturity Date	Interest Rate		
Senior Notes:	Senior Notes:													
5.150%	5.150%													
Senior Notes due August 25, 2025	Senior Notes due August 25, 2025	\$ 350	\$ 347	\$ 348	8/25/2025	5.150 %								
5.150% Senior Notes due August 25, 2025														
5.150% Senior Notes due August 25, 2025							\$ 350	\$ 347	\$ 349		8/25/2025	5.150 %		
Total senior notes	Total senior notes	350	347	348										
Other Subordinated Debt:	Other Subordinated Debt:													
4.950% Fixed-To-Floating Rate Subordinated Notes due 2029 ⁽¹⁾		120	118	119	2/14/2029	4.950 %								
Other Subordinated Debt:														
Other Subordinated Debt:														



(1) Fixed-to-floating Floating rate until effective February 14, 2024, at which time the floating rate will be determined by the Benchmark Replacement (three-month CME term SOFR plus a tenor spread adjustment of 26 basis points) plus 240 basis points.

(2) Fixed-to-floating Floating rate until effective December 6, 2023, at which time the floating rate will be determined by the Benchmark Replacement (three-month CME term SOFR plus a tenor spread adjustment of 26 basis points) plus 302 basis points.

(3) Fixed-to-floating Fixed rate until May 29, 2025, at which time it converts to a floating rate will be determined by three-month SOFR plus 464 basis points.

(4) Assumed from an acquisition and adjusted to fair value at the time of acquisition.

(5) After deducting underwriting discounts and commissions and offering costs. For the debt assumed from acquisitions, this is the fair value of the debt at the time of the acquisition.

The junior subordinated debt is comprised of the debt securities issued by FNB, or companies we acquired, in relation to our four unconsolidated subsidiary trusts (collectively, the Trusts), which are unconsolidated VIEs, and are included on the Consolidated Balance Sheets in long-term borrowings. Since third-party investors are the primary beneficiaries, the Trusts are not consolidated in our Financial Statements. We record the distributions on the junior subordinated debt issued to the Trusts as interest expense.

The following table provides information relating to the Trusts as of **September 30, 2023** **March 31, 2024**:

TABLE 10.4.9.4

(dollars in millions)	Trust			Junior			Stated			Trust			(dollars in millions)	Junior			Stated		
	Preferred Securities	Common Securities	Subordinated Debt	Maturity Date	Interest Rate	Rate Reset Factor	Preferred Securities	Common Securities	Subordinated Debt	Preferred Securities	Common Securities	Subordinated Debt		Preferred Securities	Common Securities	Subordinated Debt	Preferred Securities	Common Securities	Subordinated Debt

The SOFR rate used for the rate reset factors in the above table is the Benchmark Replacement (three-month CME term SOFR plus a tenor spread adjustment of 26 basis points).

Other Credit Availability

Our banking affiliate has additional unused other wholesale credit availability of \$8.1 billion as of March 31, 2024.

NOTE 11 | 10 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate risk, primarily by managing the amount, source, and duration of our assets and liabilities, and through the use of derivative instruments. Derivative instruments are used to reduce the effects that changes in interest rates may have on net income and cash flows. We also use derivative instruments to facilitate transactions on behalf of our customers.

All derivatives are carried on the Consolidated Balance Sheets at fair value and do not take into account the effects of master netting arrangements we have with other financial institutions. Credit risk is included in the determination of the estimated fair value of derivatives. Derivative assets are reported in the Consolidated Balance Sheets in other assets and derivative liabilities are reported in other liabilities. Changes in fair value are recognized in earnings except for certain changes related to derivative instruments designated as part of a cash flow hedging relationship, which are recognized in other comprehensive income.

The following table presents notional amounts and gross fair values of our derivative assets and derivative liabilities which are not offset in the Consolidated Balance Sheets:

TABLE 11.110.1

Subject to master netting arrangements:						
Subject to master netting arrangements:						
Interest rate contracts – designated						
Interest rate contracts – designated						
Interest rate contracts – designated	Interest rate contracts – designated	\$ 2,000	\$ —	\$ 4	\$ 2,180	\$ —
Interest rate swaps – not designated	Interest rate swaps – not designated	5,577	140	2	5,333	89
Total subject to master netting arrangements	Total subject to master netting arrangements	7,577	140	6	7,513	89
Total subject to master netting arrangements	Total subject to master netting arrangements	7				
Not subject to master netting arrangements:	Not subject to master netting arrangements:					
Interest rate swaps – not designated	Interest rate swaps – not designated					
Interest rate swaps – not designated	Interest rate swaps – not designated					
Interest rate swaps – not designated	Interest rate swaps – not designated	5,577	2	460	5,333	6
Interest rate lock commitments – not designated	Interest rate lock commitments – not designated	234	—	3	163	—
Forward delivery commitments – not designated	Forward delivery commitments – not designated	198	3	—	203	1
Credit risk contracts – not designated	Credit risk contracts – not designated	649	—	—	506	—
Total not subject to master netting arrangements	Total not subject to master netting arrangements	6,658	5	463	6,205	7
Total not subject to master netting arrangements	Total not subject to master netting arrangements	404				
Total	Total	\$14,235	\$145	\$ 469	\$13,718	\$ 96
						\$ 411

Certain derivative exchanges have enacted a rule change which in effect results in the legal characterization of variation margin payments for certain derivative contracts as settlement of the derivatives mark-to-market exposure and not collateral. Accordingly, we have changed our reporting of certain derivatives to record variation margin on trades cleared through these exchanges as settled. The daily settlement of the derivative exposure does not change or reset the contractual terms of the instrument.

We adopted Reference Rate Reform (RRR) on October 1, 2020, and the guidance will be followed until the Update terminates on December 31, 2024. As of October 16, 2020, we changed our valuation methodology to reflect changes made by central clearinghouses that changed the discounting methodology and interest calculation of cash migration from overnight index swap (OIS) to SOFR for U.S. dollar cleared interest rate swaps to better reflect prices obtainable in the markets in which we transact. Certain of these valuation methodology changes were applied to eligible hedging relationships. Accordingly, we have updated our hedge documentation to reflect the election of certain expedites and exceptions related to our cash flow hedging programs. The change in valuation methodology was applied prospectively as a change in accounting estimate and did not have a material impact on our consolidated financial position or results of operations.

Derivatives Designated as Hedging Instruments under GAAP

Interest Rate Contracts. We entered into interest rate derivative agreements to modify the interest rate characteristics of certain commercial loans and certain of our FHLB advances from variable rate to fixed rate in order to reduce the impact of changes in future cash flows due to market interest rate changes. These agreements are designated as cash flow hedges, in the form of interest rate swaps and collars, hedging the exposure to variability in expected future cash flows. The derivative's gain or loss, including any ineffectiveness, is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same line item associated with the forecasted transaction when the forecasted transaction affects earnings.

The following table shows amounts reclassified from AOCI:

TABLE 11.2 10.2

	Amount of Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income	
	Nine Months Ended September 30,			Nine Months Ended September 30,
Amount of Gain (Loss)				
Recognized in OCI on Derivatives		Amount of Gain (Loss) Recognized in OCI on Derivatives	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,
(in millions)	(in millions)	2023 2022	2023 2022 millions 2024	2024 2023
Derivatives in cash flow hedging relationships:	Derivatives in cash flow hedging relationships:			
Interest rate contracts	Interest rate contracts	\$ (21) \$ (39)	Interest income (expense) \$(16) \$(8)	
			Other income	— —
Interest rate contracts				
Interest rate contracts			Other income	

The following table represents gains (losses) recognized in the Consolidated Statements of Income on cash flow hedging relationships:

TABLE 11.3 10.3

Nine months ended September 30,

	2023	2022				
	Three months ended March 31,					
	2024					
	Interest Income - Loans and Leases	Interest Income - Leases	Interest Expense - Short-Term Leases	Interest Income - Short-Term Borrowings	Interest Expense - Short-Term Leases	Interest Expense - Short-Term Borrowings
(in millions)	(in millions)			(in millions)		
Total amounts of income and expense line items presented in the Consolidated Statements of Income (the effects of cash flow hedges are included in these line items)	\$1,278	\$ 55	\$ 760	\$ 17		
The effects of cash flow hedging:						
Gain (loss) on cash flow hedging relationships:						
Gain (loss) on cash flow hedging relationships:						
Interest rate contracts:						
Interest rate contracts:						
Amount of gain (loss) reclassified from AOCI into net income						
Amount of gain (loss) reclassified from AOCI into net income						
Amount of gain (loss) reclassified from AOCI into net income	(33)	17	(1)	(7)		

As of **September 30, 2023** **March 31, 2024**, the maximum length of time over which forecasted interest cash flows are hedged is **2.6** **2.1** years. In the twelve months that follow **September 30, 2023** **March 31, 2024**, we expect to reclassify from the amount currently reported in AOCI net derivative losses of **\$36.4** million **\$37.8** million (**\$28.2** **29.4** million net of tax), in association with interest on the hedged loans and FHLB advances. This amount could differ from amounts actually recognized due to changes in interest rates, hedge designations, and the addition of other hedges subsequent to **September 30, 2023** **March 31, 2024**.

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness related to these cash flow hedges. Also, during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, there were no gains or losses from cash flow hedge derivatives reclassified to earnings because it became probable

that the original forecasted transactions would not occur.

Derivatives Not Designated as Hedging Instruments under GAAP

A description of interest rate swaps, interest rate lock commitments, forward delivery commitments and credit risk contracts can be found in Note 16, "Derivative Instruments and Hedging Activities" in the Consolidated Financial Statements included in our [2022 2023 Annual Report on Form 10-K](#) filed with the SEC on [February 24, 2023](#) [February 26, 2024](#).

Interest rate swap agreements with loan customers and with the offsetting counterparties are reported at fair value in other assets and other liabilities on the Consolidated Balance Sheets with any resulting gain or loss recorded in current period earnings as other income or other expense.

Risk participation agreements sold with notional amounts totaling [\\$529.6 million](#) [\\$583.5 million](#) as of [September 30, 2023](#) [March 31, 2024](#) have remaining terms ranging from [one day](#) [two months](#) to [eighteen](#) [seventeen](#) years. Under these agreements, our maximum exposure assuming a customer defaults on their obligation to perform under certain derivative swap contracts with third parties would be \$0.1 million at [September 30, 2023](#) both [March 31, 2024](#) and [\\$0.1 million](#) at [December 31, 2022](#) [December 31, 2023](#). The fair values of risk participation agreements purchased and sold were \$0.1 million and \$0.1 million, respectively, at [September 30, 2023](#) [March 31, 2024](#) and [\\$0.1 million](#) [\\$0.2 million](#) and \$0.1 million, respectively at [December 31, 2022](#) [December 31, 2023](#).

The following table presents the effect of certain derivative financial instruments on the Consolidated Statements of Income:

TABLE 11.4 10.4

		Nine Months Ended September 30,		Three Months Ended March 31,		Three Months Ended March 31,	
(in millions)	(in millions)	Consolidated Statements of Income Location		2023	2022	2024	2023
Interest rate swaps	Interest rate swaps	Non-interest income - other		\$ (1)	\$ —		
Interest rate lock commitments	Interest rate lock commitments	Mortgage banking operations		—	—		
Forward delivery contracts	Forward delivery contracts	Mortgage banking operations		4	2		
Credit risk contracts	Credit risk contracts	Non-interest income - other		—	—		

Counterparty Credit Risk

We are party to master netting arrangements with most of our swap derivative dealer counterparties. Collateral, usually marketable securities and/or cash, is exchanged between FNB and our counterparties, and is generally subject to thresholds and transfer minimums. For swap transactions that require central clearing, we post cash and securities to our clearing agency. Collateral positions are settled or valued daily, and adjustments to amounts received and pledged by us are made as appropriate to maintain proper collateralization for these transactions.

Certain master netting agreements contain provisions that, if violated, could cause the counterparties to request immediate settlement or demand full collateralization under the derivative instrument. If we had breached our agreements with our derivative counterparties we would be required to settle our obligations under the agreements at the termination value and would be required to pay nothing as of [September 30, 2023](#) and an additional [\\$0.1 million](#) as of [December 31, 2022](#) [March 31, 2024](#) or [December 31, 2023](#), in excess of amounts previously posted as collateral with the respective counterparty.

The following table presents a reconciliation of the net amounts of derivative assets and derivative liabilities presented in the Consolidated Balance Sheets to the net amounts that would result in the event of offset:

TABLE 11.5 10.5

		Amount Not Offset in the Consolidated Balance Sheets				Amount Not Offset in the Consolidated Balance Sheets				
(in millions)	(in millions)	Net Amount Presented in the Consolidated Balance Sheets				Net Amount Presented in the Consolidated Balance Sheets				
		Balance Sheets	Financial Instruments	Cash Collateral	Net Amount (in millions)	Balance Sheets	Financial Instruments	Cash Collateral	Net Amount	
September 30, 2023										
March 31, 2024										
Derivative Assets	Derivative Assets									
Derivative Assets										
Derivative Assets										
Interest rate contracts:										
Interest rate contracts:										
Interest rate contracts:	Interest rate contracts:									
Not designated	Not designated	\$ 140	\$ —	\$ 140	\$ —					
Not designated										
Not designated										
Total	Total	\$ 140	\$ —	\$ 140	\$ —					
Total										
Total										
Derivative Liabilities	Derivative Liabilities									
Interest rate contracts:										
Interest rate contracts:										
Interest rate contracts:										
Interest rate contracts:										
Designated	Designated	\$ 4	\$ —	\$ 4	\$ —					
Designated	Not designated	\$ 2	\$ —	\$ 2	\$ —					
Total	Total	\$ 6	\$ —	\$ 6	\$ —					
December 31, 2022										
December 31, 2023										
Derivative Assets	Derivative Assets									
Derivative Assets										
Derivative Assets	Derivative Assets									
Interest rate contracts:										
Interest rate contracts:										
Interest rate contracts:										
Interest rate contracts:										
Designated	Designated	\$ 89	\$ —	\$ 88	\$ 1					
Designated	Not designated	\$ 89	\$ —	\$ 88	\$ 1					
Total	Total	\$ 89	\$ —	\$ 88	\$ 1					
Total										

Total							
Derivative Liabilities		Derivative Liabilities					
Interest rate contracts:		Interest rate contracts:					
Designated		\$	1	\$	—	\$	1
Interest rate contracts:							
Interest rate contracts:							
Not designated							
Not designated							
Not designated	Not designated		6		—		6
Total	Total	\$	7	\$	—	\$	7

NOTE 12.11.1 COMMITMENTS, CREDIT RISK AND CONTINGENCIES

We have 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 Sheets. Our 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 and leases 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.

Following is a summary of off-balance sheet credit risk information:

TABLE 12.11.1

(in millions)		September		December		March 31, 2024	December 31, 2023
		30,	31,				
		2023	2022	(in millions)			
Commitments	Commitments						
to extend	to extend						
credit	credit	\$ 13,457	\$ 13,250				
Standby	Standby						
letters of	letters of						
credit	credit	232	207				

At September 30, 2023 March 31, 2024, funding of 74.9% 76.4% of the commitments to extend credit was dependent on the financial condition of the customer. We have the ability to withdraw such commitments at our 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 us that may require payment at a future date. The credit risk involved in issuing letters of credit is actively monitored through review of the historical performance of our portfolios.

Our AULC for commitments that are not unconditionally cancellable, which is included in other liabilities on the Consolidated Balance Sheets, was \$21.3 million \$21.9 million at September 30, 2023 March 31, 2024 and \$21.4 million \$21.5 million at December 31, 2022 December 31, 2023. Additional information relating to the AULC is provided in Note 6.5, "Allowance for Credit Losses on Loans and Leases" in the Notes to Consolidated Financial Statements.

In addition to the above commitments, subordinated notes issued by FNB Financial Services, LP, a wholly-owned finance subsidiary, are fully and unconditionally guaranteed by FNB. These subordinated notes are included in the summaries of short-term borrowings and long-term borrowings in Note 10.9, "Borrowings" in the Notes to Consolidated Financial Statements.

Other Legal Proceedings

In the ordinary course of business, we may assert claims in legal proceedings against another party or parties, and we are routinely named as defendants in, or made parties to, pending and potential legal actions. Also, as regulated entities, we are subject to governmental and regulatory examinations, information-gathering requests, and may be subject to investigations and proceedings (both formal and informal). Such threatened claims, litigation, investigations, regulatory and administrative proceedings typically entail matters that are considered incidental to the normal conduct of business. Claims for significant monetary damages may be asserted in many of these types of legal actions, while claims for disgorgement, reimbursement, restitution, penalties and/or other remedial actions or sanctions may be sought in regulatory matters. In these instances, if we determine that we have meritorious defenses, we will engage in an aggressive defense. However, if management determines, in consultation with counsel, that settlement of a matter is in the best interest of FNB and our shareholders, we may do so. It is inherently difficult to predict the eventual outcomes of such matters given their complexity and the particular facts and circumstances at issue in each of these matters. However, on the basis of current knowledge and understanding, and advice of counsel, we do not believe that judgments, sanctions, settlement resolutions, regulatory actions, investigations, settlements or orders, if any, that have arisen or may arise from these matters (either individually or in the

aggregate, after giving effect to applicable reserves and insurance coverage) will have a material adverse effect on our financial position or liquidity, although they could potentially have a material effect on net income in a given period.

In view of the inherent unpredictability of outcomes in litigation and governmental and regulatory matters, particularly where (i) the damages sought are indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel legal theories or a large number of parties, as a matter of course, there is considerable uncertainty surrounding the timing or ultimate resolution of litigation and governmental and regulatory matters, including a possible eventual loss, financial or other commitments, fine, restitution, penalty, business or adverse reputational impact, if any, associated with each such matter. In accordance with applicable accounting guidance, we establish accruals for litigation and governmental and regulatory matters when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. We will continue to monitor such matters, including ongoing reviews, examinations, and investigations by banking regulatory agencies and other government authorities, for developments that could affect the amount of the accrual, and will adjust the accrual amount as appropriate. If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. We believe that our accruals for legal proceedings are appropriate and, in the aggregate, are not material to our consolidated financial position, although future accruals could have a material effect on net income in a given period.

On February 5, 2024, we announced that Yadkin Bank and its successor by merger, FNBPA, reached a settlement with the DOJ and the State of North Carolina to resolve their fair lending concerns, which FNBPA disputes, related to the assessment of mortgage lending activities during a four-year period in the Winston-Salem and Charlotte, North Carolina markets that began prior to Yadkin's merger with FNBPA in March 2017. Under the settlement, FNBPA has agreed to provide \$11.75 million in mortgage loan subsidies on mortgages originated in the Charlotte and Winston-Salem, North Carolina markets beginning in 2024. This subsidy amount is part of our existing, previously announced commitment to underserved communities, including the Winston-Salem and Charlotte markets. The settlement was not initiated through a referral by a federal bank regulatory agency or consumer complaint, and included no civil money penalties levied against FNBPA.

NOTE 13.12. STOCK INCENTIVE PLANS

Restricted Stock

We issue restricted stock awards to key employees under our Incentive Compensation Plan (Plan). We issue time-based awards and performance-based awards under this Plan, both of which are based on a three-year vesting period. The grant date fair value of the time-based awards is equal to the price of our common stock on the grant date. The fair value of the performance-based awards is based on a Monte-Carlo simulation valuation of our common stock as of the grant date. The assumptions used for this valuation include stock price volatility, risk-free interest rate and dividend yield. We granted 1,426,146 546,838 and 1,266,821 470,173 restricted stock units during the **nine** **three** months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, including 290,764 328,104 and 297,508

282,106 performance-based restricted stock units during those same periods, respectively. We have shareholder approval under the Plan to issue up to 7,397,956 shares of common stock. As of September 30, 2023 March 31, 2024, we had 5,529,405 1,816,061 remaining shares available for awards under the Plan.

The unvested restricted stock unit awards are eligible to receive cash dividends or dividend equivalents which are ultimately used to purchase additional shares of stock and 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** **in** control as defined in the award agreements.

The following table summarizes the activity relating to restricted stock units during the periods indicated:

TABLE 13.12.1

		Nine Months Ended September 30,				Three Months Ended March 31,			
		2023		2022		2024		2023	
		Weighted	Weighted	Average	Average	Weighted	Weighted	Average	Average
		Grant	Grant	Grant	Grant	Grant	Grant	Grant	Grant
		Price per	Price per	Price per	Price per	Price per	Price per	Price per	Price per
		Units	Share	Units	Share	Units	Share	Units	Share
		Three Months Ended March 31,				Three Months Ended March 31,			
		2024		2024		2023		2023	
		Weighted		Weighted		Weighted		Weighted	
		Average		Average		Average		Average	
		Grant		Grant		Grant		Grant	
		Price per		Price per		Price per		Price per	
		Units		Units		Units		Units	
Unvested units outstanding at beginning of period	Unvested units outstanding at beginning of period	4,821,182	\$ 10.30	4,680,786	\$ 9.71	4,821,182	\$ 10.30	4,680,786	\$ 9.71
Granted	Granted	1,426,146	12.71	1,266,821	13.07	1,426,146	12.71	1,266,821	13.07

Acquired	—	—	60,300	9.41
Net adjustment				
Net adjustment				
Net adjustment	Net adjustment	172,874	—	244,258 9.34
Vested	Vested	(2,310,042)	7.03	(1,683,372) 10.58
Forfeited/expired/canceled	Forfeited/expired/canceled	(605,383)	7.93	(219,058) 10.95
Dividend reinvestment	Dividend reinvestment	—	—	137,976 11.91
Unvested units outstanding at end of period	Unvested units outstanding at end of period	<u>3,504,777</u>	<u>12.88</u>	<u>4,487,711</u> 10.31

The following table provides certain information related to restricted stock units:

TABLE 13.2 12.2

(in millions)	Nine Months Ended September			2023	
		30, (in millions)	2023 2022		
Stock-based compensation expense	Stock-based compensation expense	\$15	\$15		
Tax benefit related to stock-based compensation expense	Tax benefit related to stock-based compensation expense	3	3		
Fair value of units vested	Fair value of units vested	18	21		

As of September 30, 2023 March 31, 2024, there was \$13.0 million \$8.7 million of unrecognized compensation cost related to unvested restricted stock units.

The components of the restricted stock units as of September 30, 2023 March 31, 2024 are as follows:

TABLE 13.3 12.3

(dollars in millions)		Service-Based Units	Performance-Based Units	Total
		2,541,229	963,548	3,504,777
Unvested restricted stock units				
Unrecognized compensation expense		\$ 13	\$ —	\$ 13
Intrinsic value		\$ 27	\$ 10	\$ 37
Weighted average remaining life (in years)		1.90	1.61	1.82

Stock Options

All outstanding stock options were assumed from acquisitions and are fully vested. Upon consummation of our acquisitions, all outstanding stock options issued by the acquired companies were converted into equivalent FNB stock options. We issue shares of treasury stock or authorized but unissued shares to satisfy stock options exercised.

As of September 30, 2023, we had 104,223 stock options outstanding and exercisable at a weighted average exercise price per share of \$9.96, compared to 167,948 stock options outstanding and exercisable at a weighted average exercise price per share of \$9.03 as of September 30, 2022.

The intrinsic value of outstanding and exercisable stock options at September 30, 2023 was \$0.1 million. The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the option exercise price.

(dollars in millions)	Service-Based Units	Performance-Based Units	Total
Unvested restricted stock units	2,527,342	956,796	3,484,138
Unrecognized compensation expense	\$ 8	\$ 1	\$ 9
Intrinsic value	\$ 36	\$ 13	\$ 49
Weighted average remaining life (in years)	1.66	1.83	1.71

NOTE 14.13. INCOME TAXES

Income Tax Expense

Federal and state income tax expense and the statutory tax rate and the actual effective tax rate consist of the following:

TABLE 14.13.1

		Three Months		Nine Months			
		Ended	Ended	Ended	Ended		
		September 30,	September 30,	September 30,	September 30,		
(dollars in millions)	(dollars in millions)	2023	2022	2023	2022	(dollars in millions)	
Current income taxes:							
Federal taxes	Federal taxes	\$ 12	\$ 32	\$ 79	\$ 61		
State taxes	State taxes	3	2	8	7		
Total current income taxes	Total current income taxes	15	34	87	68		
Deferred income taxes:	Deferred income taxes					2024	2023
Federal taxes	Federal taxes						
State taxes	State taxes	3	—	2	8		
Total deferred income taxes	Total deferred income taxes	4	1	4	9		

Total income taxes	Total income taxes	\$ 19	\$ 35	\$ 91	\$ 77				
Statutory federal tax rate	Statutory federal tax rate	21.0 %	21.0 %	21.0 %	21.0 %	Statutory federal tax rate		21.0 %	21.0 %
Effective tax rate	Effective tax rate	11.5	20.7	17.4	20.5				

Income tax expense was **higher** **lower** for the **nine** three months ended **September 30, 2023** **March 31, 2024** due to **higher** **lower** pre-tax earnings, as we had merger-related expenses from the Howard and Union acquisitions in 2022. This was partially offset by lower stock compensation vesting deductions and higher levels of proportional amortization for certain tax credit investments resulting from the recording adoption of tax benefits from renewable energy investment tax credits in 2023 as part of a solar project financing transaction. FASB ASU 2023-02. The decrease in the effective tax rate for increased in the **nine** months ended **September 30, 2023** compared to 2022 was primarily due to tax benefits from the investment tax credits recorded in 2023. first quarter of 2024 as a result of these offsetting items.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax purposes. Deferred tax assets and liabilities are measured based on the enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Net deferred tax assets were \$153.7 million \$110.1 million and \$147.7 million \$120.8 million at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

NOTE 15.14. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in AOCI, net of tax, by component:

TABLE 15.14.1

		Unrealized			Unrealized		Unrealized		
		Net Gains			Net Gains (Losses) on		Net Gains		
		(Losses)			Debt Securities		(Losses) on		
		on	Unrealized				Derivative		
		Debt	Net Gains	Unrecognized			Instruments		
		Securities	(Losses) on	Pension and			Postretirement		
		Available	Derivative	Obligations	Total	(in millions)	Available	for Sale	
(in millions)	(in millions)	for Sale	Instruments	Obligations	Total	(in millions)	for Sale	Instruments	Total
Nine Months Ended September 30, 2023									
Three Months Ended March 31, 2024									
Balance at beginning of period									
Balance at beginning of period									
Balance at beginning of period									
Other comprehensive (loss) income before reclassifications									
Amounts reclassified from AOCI									
Net current period other comprehensive (loss) income									
(loss) income									
(22)	(4)	1	(25)						

Balance at end of period	Balance at end of period	\$ (291)	\$ (48)	\$ (43)	\$ (382)
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The amounts reclassified from AOCI related to debt securities AFS are included in net securities gains (losses) on the Consolidated Statements of Income, while the amounts reclassified from AOCI related to derivative instruments in cash flow hedge programs are generally included in interest income on loans and leases on the Consolidated Statements of Income. The tax (benefit) expense amounts reclassified from AOCI in connection with the debt securities AFS and derivative instruments reclassifications are included in income taxes on the Consolidated Statements of Income.

NOTE 16.15. EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing net income available to common stockholders 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 available to common stockholders by the weighted average number of shares of common stock outstanding, adjusted for the dilutive effect of potential common shares issuable for stock options and restricted shares, as calculated using the treasury stock method. Adjustments to the weighted average number of shares of common stock outstanding are made only when such adjustments dilute earnings per common share.

The following table sets forth the computation of basic and diluted earnings per common share:

TABLE 16.15.1

		Three Months Ended		Nine Months Ended							
		September 30,		September 30,							
		Three Months Ended		Three Months Ended							
		March 31,		March 31,							
Three Months Ended		March 31,		March 31,							
March 31,		March 31,		March 31,							
(dollars in millions, except per share data)		(dollars in millions, except per share data)		(dollars in millions, except per share data)							
Net income	Net income	\$ 145	\$ 138	\$ 434	\$ 300	2024	2023				
Less:	Less:										
Preferred stock dividends	Preferred stock dividends	2	2	6	6						
Net income available to common stockholders	Net income available to common stockholders	\$ 143	\$ 136	\$ 428	\$ 294						
Basic weighted average common shares outstanding	Basic weighted average common shares outstanding	360,847,457	350,910,562	360,603,432	348,868,423						
Net effect of dilutive stock options and restricted stock	Net effect of dilutive stock options and restricted stock	930,968	3,743,917	2,501,504	3,917,702						
Diluted weighted average common shares outstanding	Diluted weighted average common shares outstanding	361,778,425	354,654,479	363,104,936	352,786,125						
Earnings per common share:	Earnings per common share:										

Basic	Basic	\$ 0.40	\$ 0.39	\$ 1.19	\$ 0.84
Basic					
Basic					
Diluted	Diluted	\$ 0.40	\$ 0.38	\$ 1.18	\$ 0.83

There were no anti-dilutive shares for either the three months or nine months ended September 30, 2023 March 31, 2024 and 2022.

NOTE 17.16. CASH FLOW INFORMATION

Following is a summary of supplemental cash flow information:

TABLE 17.16.1

		Nine Months Ended September 30,		Three Months Ended March 31,	
(in millions)	(in millions)	2023	2022	(in millions)	2024
Interest paid on deposits and other borrowings	Interest paid on deposits and other borrowings	\$420	\$88		
Income taxes paid		94	56		
Transfers of loans to other real estate owned					
Transfers of loans to other real estate owned					
Transfers of loans to other real estate owned	Transfers of loans to other real estate owned	2	1		
Loans transferred to portfolio from held for sale	Loans transferred to portfolio from held for sale	33	—		
Loans transferred to portfolio from held for sale					
Loans transferred to portfolio from held for sale					

We did not have any restricted cash as of September 30, 2023 March 31, 2024 and 2022.

Supplemental non-cash information relating to the Howard and Union acquisitions is included in Note 3, Mergers and Acquisitions.

NOTE 18.17. BUSINESS SEGMENTS

We operate in three reportable segments: Community Banking, Wealth Management and Insurance.

- The Community Banking segment provides commercial and consumer banking services. Commercial banking solutions include corporate banking, small business banking, investment real estate financing, business credit, capital markets and lease financing. Consumer banking products and services include deposit products, mortgage lending, consumer lending and a complete suite of mobile and online banking services.
- 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 (under a third-party arrangement) and investment advisory services, mutual funds and annuities.
- The Insurance segment includes a full-service insurance brokerage service offering all lines of commercial and personal insurance through major carriers. The Insurance segment also includes a reinsurer.

The following **table** provides financial information for these segments of FNB. The information provided under the caption "Parent and Other" represents operations not considered to be reportable segments and/or general operating expenses of FNB, and includes the parent company, other non-bank subsidiaries and eliminations and adjustments to reconcile to the Consolidated Financial Statements.

TABLE 18.1 17.1

(in millions)	Community Banking	Wealth Management	Insurance	Parent and Other	Consolidated
At or for the Three Months Ended September 30, 2023					
Interest income	\$ 512	\$ —	\$ —	1 \$ —	\$ 513
Interest expense	180	—	—	7	187
Net interest income	332	—	—	(6)	326
Provision for credit losses	25	—	—	—	25
Non-interest income	60	18	4	(1)	81
Non-interest expense ⁽¹⁾	194	12	5	2	213
Amortization of intangibles	5	—	—	—	5
Income tax expense (benefit)	19	2	—	(2)	19
Net income (loss)	149	4	(1)	(7)	145
Total assets	45,305	40	30	121	45,496
Total intangibles	2,516	9	26	—	2,551
At or for the Three Months Ended September 30, 2022					
Interest income	\$ 342	\$ —	\$ —	1 \$ —	\$ 343
Interest expense	41	—	—	5	46
Net interest income	301	—	—	(4)	297
Provision for credit losses	12	—	—	—	12
Non-interest income	62	16	7	(2)	83
Non-interest expense ⁽¹⁾	174	11	5	2	192
Amortization of intangibles	3	—	—	—	3
Income tax expense (benefit)	36	1	—	(2)	35
Net income (loss)	138	4	2	(6)	138
Total assets	42,458	37	33	62	42,590
Total intangibles	2,451	9	27	—	2,487

(1) Excludes amortization of intangibles, which is presented separately.

(in millions)	Community Banking	Wealth Management	Parent and Other	Consolidated	(in millions)	Community Banking	Wealth Management	Insurance	Parent and Other	Consolidated
At or for the Nine Months Ended September 30, 2023										
September 30, 2023										

At or for
the Three
Months
Ended
March 31,
2024

Interest income

Interest income

Interest income	Interest income	\$ 1,437	\$ —	\$ —	\$ 4	\$ 1,441
Interest expense	Interest expense	425	—	—	24	449
Net interest income	Net interest income	1,012	—	—	(20)	992
Provision for credit losses	Provision for credit losses	58	—	—	—	58
Non-interest income	Non-interest income	172	54	18	(3)	241
Non-interest expense ⁽¹⁾	Non-interest expense ⁽¹⁾	576	38	14	7	635
Amortization of intangibles	Amortization of intangibles	15	—	—	—	15
Income tax expense (benefit)	Income tax expense (benefit)	96	4	1	(10)	91
Net income (loss)	Net income (loss)	439	12	3	(20)	434
Total assets	Total assets	45,305	40	30	121	45,496
Total intangibles	Total intangibles	2,516	9	26	—	2,551

At or for the Nine Months Ended
September 30, 2022

At or for
the Three
Months
Ended
March 31,
2023

Interest income

Interest income

Interest income	Interest income	\$ 874	\$ —	\$ —	\$ 3	\$ 877
Interest expense	Interest expense	82	—	—	10	92
Net interest income	Net interest income	792	—	—	(7)	785
Provision for credit losses	Provision for credit losses	35	—	—	1	36
Non-interest income	Non-interest income	179	48	20	(4)	243
Non-interest expense ⁽¹⁾	Non-interest expense ⁽¹⁾	554	32	14	5	605
Amortization of intangibles	Amortization of intangibles	9	—	1	—	10

Income tax expense	Income tax expense					
(benefit)	(benefit)	78	3	1	(5)	77
Net income (loss)	Net income (loss)	295	13	4	(12)	300
Total assets	Total assets	42,458	37	33	62	42,590
Total intangibles	Total intangibles	2,451	9	27	—	2,487

(1) Excludes amortization of intangibles, which is presented separately.

NOTE 19.18. FAIR VALUE MEASUREMENTS

Refer to Note 26, "Fair Value Measurements" to the Consolidated Financial Statements included in our [2022 2023 Annual Report on Form 10-K](#) filed with the SEC on [February 24, 2023](#) [February 26, 2024](#) for a description of additional valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis:

TABLE 19.18.1

(in millions)	(in millions)	Level 1	Level 2	Level 3	Total
		Level 1	Level 2	Level 3	
		Total			
September 30, 2023					
March 31, 2024					
Assets Measured at Fair Value					
Assets Measured at Fair Value					
Assets Measured at Fair Value					
Debt securities available for sale	Debt securities available for sale				
Debt securities available for sale	Debt securities available for sale				
U.S. Treasury	U.S. Treasury	\$306	\$ —	\$ —	\$ 306
U.S. government agencies	U.S. government agencies	—	86	—	86
U.S. government-sponsored entities	U.S. government-sponsored entities	—	303	—	303
Residential mortgage-backed securities:					
Agency mortgage-backed securities	Agency mortgage-backed securities	—	1,032	—	1,032
Residential MBS:	Residential MBS:				
Agency MBS	Agency MBS				
Agency MBS	Agency MBS				
Agency MBS	Agency MBS				
Agency collateralized mortgage obligations	Agency collateralized mortgage obligations	—	840	—	840
Commercial mortgage-backed securities	Commercial mortgage-backed securities	—	521	—	521

Agency commercial MBS				
Agency commercial MBS				
Agency commercial MBS				
States of the U.S. and political subdivisions (municipals)	States of the U.S. and political subdivisions (municipals)	—	26	— 26
Other debt securities	Other debt securities	—	31	— 31
Total debt securities available for sale	Total debt securities available for sale	306	2,839	— 3,145
Loans held for sale	Loans held for sale	—	92	— 92
Loans receivable				
Derivative financial instruments	Derivative financial instruments			
Derivative financial instruments				
Trading				
Trading	Trading	—	142	— 142
Not for trading	Not for trading	—	3	— 3
Total derivative financial instruments	Total derivative financial instruments	—	145	— 145
Total assets measured at fair value on a recurring basis	Total assets measured at fair value on a recurring basis	\$306	\$3,076	\$ — \$3,382
Liabilities	Liabilities			
Measured at Fair Value	Measured at Fair Value			
Derivative financial instruments	Derivative financial instruments			
Derivative financial instruments				
Trading				
Trading	Trading	\$ — \$ 462	\$ — \$ 462	
Not for trading	Not for trading	— 4	3	7
Total derivative financial instruments	Total derivative financial instruments	—	466	3 469
Total liabilities measured at fair value on a recurring basis	Total liabilities measured at fair value on a recurring basis	\$ — \$ 466	\$ 3	\$ 469

(in millions)	Level 1	Level 2	Level 3	Total
December 31, 2022				
Assets Measured at Fair Value				
Debt securities available for sale				

U.S. Treasury	\$ 257	\$ —	\$ —	\$ —	\$ 257
U.S. government agencies	—	108	—	—	108
U.S. government-sponsored entities	—	262	—	—	262
Residential mortgage-backed securities:					
Agency mortgage-backed securities	—	1,232	—	—	1,232
Agency collateralized mortgage obligations	—	972	—	—	972
Commercial mortgage-backed securities	—	395	—	—	395
States of the U.S. and political subdivisions (municipals)	—	29	—	—	29
Other debt securities	—	20	—	—	20
Total debt securities available for sale	257	3,018	—	—	3,275
Loans held for sale	—	91	—	—	91
Derivative financial instruments					
Trading	—	95	—	—	95
Not for trading	—	1	—	—	1
Total derivative financial instruments	—	96	—	—	96
Total assets measured at fair value on a recurring basis	\$ 257	\$ 3,205	\$ —	\$ —	\$ 3,462
Liabilities Measured at Fair Value					
Derivative financial instruments					
Trading	\$ —	\$ 396	\$ —	\$ —	\$ 396
Not for trading	—	3	12	—	15
Total derivative financial instruments	—	399	12	—	411
Total liabilities measured at fair value on a recurring basis	\$ —	\$ 399	\$ 12	\$ —	\$ 411

(in millions)	Level 1	Level 2	Level 3	Total
December 31, 2023				
Assets Measured at Fair Value				
Debt securities available for sale				
U.S. Treasury	\$ 420	\$ —	\$ —	\$ 420
U.S. government agencies	—	79	—	79
U.S. government-sponsored entities	—	223	—	223
Residential MBS:				
Agency MBS	—	752	—	752
Agency collateralized mortgage obligations	—	832	—	832
Agency commercial MBS	—	884	—	884
States of the U.S. and political subdivisions (municipals)	—	27	—	27
Other debt securities	—	37	—	37
Total debt securities available for sale	420	2,834	—	3,254
Loans held for sale	—	150	—	150
Derivative financial instruments				
Trading	—	109	—	109
Not for trading	—	2	5	7
Total derivative financial instruments	—	111	5	116
Total assets measured at fair value on a recurring basis	\$ 420	\$ 3,095	\$ 5	\$ 3,520
Liabilities Measured at Fair Value				
Derivative financial instruments				
Trading	\$ —	\$ 324	\$ —	\$ 324
Not for trading	—	4	—	4
Total derivative financial instruments	—	328	—	328
Total liabilities measured at fair value on a recurring basis	\$ —	\$ 328	\$ —	\$ 328

The following table presents additional information about assets measured at fair value on a recurring basis and for which we have utilized Level 3 inputs to determine fair value:

TABLE 19.2 18.2

Purchases, issuances, sales and settlements:				
Issuances				
Issuances				
Issuances				
Settlements	Settlements	(1)	(9)	(10)
Transfers from Level 3		(1)	—	(1)
Settlements				
Settlements				
Balance at end of period	Balance at end of period	\$ —	\$ —	\$ —
Balance at end of period				
Balance at end of period				

We review fair value hierarchy classifications on a quarterly basis. Changes in the observability of the valuation attributes may result in reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in/out of Level 3 at fair value at the beginning of the period in which the changes occur. During the first three months of 2024, \$46.5 million in loans receivable were measured using the fair value option at Level 3 on a recurring basis. There were no transfers of assets or liabilities between the hierarchy levels during the first nine three months of 2023 or 2022. 2023.

From time to time, we measure certain assets at fair value on a non-recurring basis. These adjustments to fair value usually result from the application of the lower of cost or fair value accounting or write-downs of individual assets. Valuation methodologies used to measure these fair value adjustments were described in Note 26, "Fair Value Measurements" to the Consolidated Financial Statements included in [2022 2023 Annual Report on Form 10-K](#). For assets measured at fair value on a non-recurring basis still held at the Balance Sheet date, the following table provides the hierarchy level and the fair value of the related assets or portfolios:

TABLE 19.3 18.3

		Level 1	Level 2	Level 3	Total
(in millions)	(in millions)	1	2	3	Total (in millions)
September 30, 2023					
March 31, 2024					
Collateral dependent loans					
Collateral dependent loans					
Collateral dependent loans	Collateral dependent loans	\$ —	\$ —	\$ 31	\$31
Other assets - MSRs					
Other assets - MSRs					
Other assets - MSRs					
December 31, 2023					
December 31, 2023					
December 31, 2023					
Collateral dependent loans					
Collateral dependent loans					
Collateral dependent loans					

Indirect installment loans held for sale				
Other assets -				
MSRs				
Other assets -	Other assets -			
SBA	SBA			
servicing asset	servicing asset	—	2	2
Other real estate owned	Other real estate owned	—	2	2
December 31, 2022				
Collateral dependent loans		\$ —	\$ 34	\$34
Other assets - SBA servicing asset		—	2	2
Other real estate owned		—	3	3

The fair value amounts for collateral dependent loans and OREO in the table above were estimated at a date during the **nine** **three** months or twelve months ended **September 30, 2023** **March 31, 2024** and **December 31, 2022** December 31, 2023, respectively. Consequently, the fair value information presented is not necessarily as of the period's end. Collateral dependent loans measured or re-measured at fair value on a non-recurring basis during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** had a carrying amount of **\$31.4 million** **\$29.4 million**, which includes an allocated ACL of **\$6.2 million** **\$2.5 million**. The ACL includes a credit to the provision applicable to the current period fair value measurements of **\$46.1 million** **\$2.5 million**, which was included in provision for credit losses for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

SBA servicing assets **MSRs** measured at fair value on a non-recurring basis had a carrying value of **\$1.5 million**. During 2023, the **\$0.6 million**, there was no valuation allowance decreased **\$0.2 million** to **\$1.4 million**, as of September 30, 2023, down from **\$1.6 million** at December 31, 2022, which is reflected in the year-to-date provision expense.

OREO measured at fair value on a non-recurring basis during 2023 had a carrying amount of **\$2.0 million**, which included a valuation allowance of **\$0.3 million**, as of September 30, 2023 **March 31, 2024**. The valuation allowance includes a loss provision of **\$0.7 million**, which was **\$0.2 million** included in earnings for the **nine** months ended September 30, 2023 **2024**.

Fair Value of Financial Instruments

Refer to Note 26, "Fair Value Measurements" to the Consolidated Financial Statements included in our [2022 2023 Annual Report on Form 10-K](#) filed with the SEC on **February 24, 2023** **February 26, 2024** for a description of methods and assumptions that were used to estimate the fair value of each financial instrument.

The fair values of our financial instruments are as follows:

TABLE 19.4 18.4

(in millions)	Fair Value Measurements					(in millions)	Fair Value Measurements									
	Carrying Amount (in millions)	Fair Value (in millions)	Level				Carrying Amount (in millions)	Fair Value (in millions)	Fair Value Measurements							
			Level 1	2	Level 3				Level 1	Level 2	Level 3					
September 30, 2023																
March 31, 2024																
Financial Assets	Financial Assets															
Financial Assets																
Financial Assets																

Cash and cash equivalents						
Cash and cash equivalents						
Cash and cash equivalents	Cash and cash equivalents	\$ 1,637	\$ 1,637	\$ 1,637	\$ —	\$ —
Debt securities available for sale	Debt securities available for sale	3,145	3,145	306	2,839	—
Debt securities held to maturity	Debt securities held to maturity	3,922	3,403	—	3,403	—
Net loans and leases, including loans held for sale	Net loans and leases, including loans held for sale	31,860	29,733	—	92	29,641
Loan servicing rights	Loan servicing rights	60	77	—	—	77
Derivative assets	Derivative assets	145	145	—	145	—
Derivative assets						
Accrued interest receivable	Accrued interest receivable	158	158	158	—	—
Financial Liabilities	Financial Liabilities					
Deposits						
Deposits	Deposits	34,615	34,534	28,822	5,712	—
Short-term borrowings	Short-term borrowings	2,066	2,064	2,064	—	—
Long-term borrowings	Long-term borrowings	1,968	1,923	—	1,187	736
Derivative liabilities	Derivative liabilities	469	469	—	466	3
Accrued interest payable	Accrued interest payable	60	60	60	—	—
December 31, 2022						
December 31, 2023						
Financial Assets	Financial Assets					
Financial Assets						
Cash and cash equivalents						
Cash and cash equivalents						

Cash and cash equivalents	Cash and cash equivalents	\$ 1,674	\$ 1,674	\$ 1,674	\$ —	\$ —
Debt securities available for sale	Debt securities available for sale	3,275	3,275	257	3,018	—
Debt securities held to maturity	Debt securities held to maturity	4,087	3,687	—	3,687	—
Net loans and leases, including loans held for sale	Net loans and leases, including loans held for sale	29,977	29,008	—	91	28,917
Loan servicing rights	Loan servicing rights	55	71	—	—	71
Derivative assets	Derivative assets	96	96	—	96	—
Derivative assets						
Accrued interest receivable	Accrued interest receivable	126	126	126	—	—
Financial Liabilities						
Deposits						
Deposits	Deposits	34,770	34,673	31,158	3,515	—
Short-term borrowings	Short-term borrowings	1,372	1,369	1,369	—	—
Long-term borrowings	Long-term borrowings	1,093	1,061	—	—	1,061
Derivative liabilities	Derivative liabilities	411	411	—	399	12
Accrued interest payable	Accrued interest payable	31	31	31	—	—

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

MD&A represents an overview of and highlights material changes to our financial condition and consolidated results of operations at and for the three- and nine-month three-month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**. This MD&A should be read in conjunction with the Consolidated Financial Statements and Notes thereto contained herein and our **2022 2023 Annual Report on Form 10-K** filed with the SEC on **February 24, 2023** **February 26, 2024**. Our results of operations for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of results expected for the full year.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Report may contain statements regarding our outlook for earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset quality levels, financial position and other matters regarding or affecting our current or future business and operations. These statements can be considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve various assumptions, risks and uncertainties which can change over time. Actual results or future events may be different from those anticipated in our forward-looking statements and may not align with historical performance and events. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance upon such statements. Forward-looking statements are typically identified by

words such as "believe," "plan," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "will," "should," "project," "goal," and other similar words and expressions. We do not assume any duty to update forward-looking statements, except as required by federal securities laws.

Our forward-looking statements are subject to the following principal risks and uncertainties:

- Our business, financial results and balance sheet values are affected by business, economic and political circumstances, including, but not limited to: (i) developments with respect to the U.S. and global financial markets; (ii) supervision, regulation, enforcement and other actions by several governmental agencies, including the FRB, FDIC, Financial Stability Oversight Council (FSOC), DOJ, CFPB, UST, OCC and Department of Housing and Urban Development (HUD), state attorney generals and other governmental agencies whose actions may affect, among other things, our consumer and mortgage lending and deposit practices, capital structure, investment practices, dividend policy, annual FDIC insurance premium assessment and growth, money supply, market interest rates or otherwise affect business activities of the financial services industry; (iii) a slowing of the U.S. economy in general and regional and local economies within our market area; (iv) inflation concerns; (v) the impacts of tariffs or other trade policies of the U.S. or its global trading partners; and (vi) the sociopolitical environment in the U.S.
- Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of systems and controls, third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards.
- Competition can have an impact on customer acquisition, growth and retention, and on credit spreads, deposit gathering and product pricing, which can affect market share, loans, deposits and revenues. Our ability to anticipate, react quickly and continue to respond to technological changes and significant adverse industry and economic events can also impact our ability to respond to customer needs and meet competitive demands.
- Business and operating results can also be affected by difficult to predict uncertainties, such as widespread natural and other disasters, wars, pandemics, including post-pandemic return to normalcy, global events and geopolitical instability, including the Ukraine-Russia conflict and the ~~emerging~~ military conflict in Israel and Gaza, shortages of labor, supply chain disruptions and shipping delays, terrorist activities, system failures, security breaches, significant political events, cyber-attacks, international hostilities or other extraordinary events which are beyond our control and may significantly impact the U.S. or global economy and financial markets generally, or us or our counterparties, customers or third-party vendors specifically.
- Legal, regulatory and accounting developments could have an impact on our ability to operate and grow our businesses, financial condition, results of operations, competitive position, and reputation. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and the ability to attract and retain talent. These developments could include:
 - Policies and priorities of the current U.S. presidential administration, including legislative and regulatory reforms, more aggressive approaches to supervisory or enforcement priorities with consumer and anti-discrimination lending laws by the federal banking regulatory agencies and the DOJ, changes affecting oversight of the financial services industry, regulatory obligations or restrictions, consumer protection, taxes,

employee benefits, compensation practices, pension, bankruptcy and other industry aspects, and changes in accounting policies and principles.

- Ability to continue to attract, develop and retain key talent.
- Changes to regulations or accounting standards governing bank capital requirements, loan loss reserves and liquidity standards.
- Changes in monetary and fiscal policies, including interest rate policies and strategies of the FOMC.
- Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or inquiries. These matters may result in monetary judgments or settlements, enforcement actions or other remedies, including fines, penalties, restitution or alterations in our business practices, including financial and other types of commitments, and in additional expenses and collateral costs, and may cause reputational harm to ~~FNB~~.us.
- Results of the regulatory examination and supervision process, including our failure to satisfy requirements imposed by the federal bank regulatory agencies or other governmental agencies.
- Business and operating results are affected by our ability to effectively identify and manage risks inherent in our businesses, including, where appropriate, through effective use of policies, processes, systems and controls, third-party insurance, derivatives, and capital and liquidity management techniques.
- The impact on our financial condition, results of operations, financial disclosures and future business strategies related to the impact on the ACL due to changes in forecasted macroeconomic conditions as a result of applying the "current expected credit loss" accounting standard, or CECL.
- A failure or disruption in or breach of our operational or security systems or infrastructure, or those of third parties, including as a result of cyber-attacks or campaigns.
- Increased funding costs and market volatility due to market illiquidity and competition for funding.

We caution that the risks identified here are not exhaustive of the types of risks that may adversely impact us and actual results may differ materially from those expressed or implied as a result of these risks and uncertainties, including, but not limited to, the risk factors and other uncertainties described under Item 1A. Risk Factors and the Risk Management sections of our ~~2022~~²⁰²³ Annual Report on Form 10-K (including the MD&A section), our subsequent ~~2023~~²⁰²⁴ Quarterly Reports on Form 10-Q (including the risk factors and risk management discussions) and our other ~~2023~~²⁰²⁴ filings with the SEC, which are available on our corporate website at <https://www.fnb-online.com/about-us/investor-information/reports-and-filings> or the SEC's website at www.sec.gov. We have included our web address as an inactive textual reference only. Information on our website is not part of our SEC filings.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

A description of our critical accounting policies is included in the MD&A section of our [2022 2023 Annual Report on Form 10-K](#) filed with the SEC on [February 24, 2023](#) [February 26, 2024](#) under the heading "Application of Critical Accounting Policies". There have been no significant changes in critical accounting policies or the assumptions and judgments utilized in applying these policies since [December 31, 2022](#) [December 31, 2023](#).

USE OF NON-GAAP FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

To supplement our Consolidated Financial Statements presented in accordance with GAAP, we use certain non-GAAP financial measures, such as operating net income available to common stockholders, operating earnings per diluted common share, return on average tangible common equity, operating return on average tangible common equity, return on average tangible assets, tangible book value per common share, the ratio of tangible equity to tangible assets, the ratio of tangible common equity to tangible assets, [net loan charge-offs, excluding an isolated commercial loan charge-off due to alleged fraud \(annualized\)](#) to total average loans and leases, operating non-interest expense, efficiency ratio and net interest margin (FTE) to provide information useful to investors in understanding our operating performance and trends, and to facilitate comparisons with the performance of our peers. Management uses these measures internally to assess and better understand our underlying business performance and trends related to core business activities. The non-GAAP financial measures and key performance indicators we use may differ from the non-GAAP financial measures and key performance indicators other financial institutions use to assess their performance and trends.

These non-GAAP financial measures should be viewed as supplemental in nature, and not as a substitute for, or superior to, our reported results prepared in accordance with GAAP. When non-GAAP financial measures are disclosed, the SEC's Regulation

G requires: (i) the presentation of the most directly comparable financial measure calculated and presented in accordance with

GAAP and (ii) a reconciliation of the differences between the non-GAAP financial measure presented and the most directly comparable financial measure calculated and presented in accordance with GAAP. Reconciliations of non-GAAP operating measures to the most directly comparable GAAP financial measures are included later in this report under the heading "Reconciliations of Non-GAAP Financial Measures and Key Performance Indicators to GAAP".

Management believes items such as merger expenses, [initial provision for non-PCD loans acquired](#) [preferred deemed dividend at redemption](#), [FDIC special assessment](#), loss on [indirect auto loan sale](#) and branch consolidation costs are not organic to run our operations and facilities. These items are considered significant items impacting earnings as they are deemed to be outside of ordinary banking activities. [The merger expenses and branch consolidation costs principally represent expenses to satisfy contractual obligations of the acquired entity or closed branch without any useful ongoing benefit to us.](#) These costs are specific to each individual transaction and may vary significantly based on the size and complexity of the transaction.

To facilitate peer comparisons of net interest margin and efficiency ratio, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets (loans and investments) to make it fully equivalent to interest income earned on taxable investments (this adjustment is not permitted under GAAP). Taxable-equivalent amounts for [the 2024 and 2023 and 2022 periods](#) were calculated using a federal statutory income tax rate of 21%.

FINANCIAL SUMMARY

Net income available to common stockholders for the [third first quarter of 2023 2024](#) was [\\$143.3 million](#) [\\$116.3 million](#) or [\\$0.40](#) [\\$0.32](#) per diluted common share, compared to net income available to common stockholders for the [third first quarter of 2022 2023](#) of [\\$135.5 million](#) [\\$144.5 million](#) or [\\$0.38](#) [\\$0.40](#) per diluted common share. On an operating basis, earnings per diluted common share (non-GAAP) was [\\$0.40](#) [\\$0.34](#) for the [third first quarter of 2024](#), excluding [\\$0.02](#) of significant items impacting earnings per diluted common share, while the [first quarter of 2023](#) while the [third quarter was \\$0.40](#), excluding less than [\\$0.01](#) of [2022](#) was [\\$0.39](#), excluding [\\$2.1 million \(pre-tax\) in merger-related significant items](#) items impacting earnings per diluted common share.

Given the current macroeconomic backdrop, we reported strong growth with our linked-quarter loan and deposit increases of 2.5% and 2.3%, respectively, while adhering A key contributor to our conservative risk management standards. Total revenue of \$408.1 million represented earnings this quarter was a 7.5% increase from the year-ago quarter, while the efficiency ratio (non-GAAP) remained at a good near-record level of 51.7%. non-interest income totaling \$87.9 million as capital markets, wealth management, treasury management and mortgage banking produced strong results. Our continued profitability grew our capital ratios remained solid as base and led to a record tangible common equity ratio (non-GAAP) of 7.99%. Tangible book value (non-GAAP) grew 11%, year-over-year, reaching an all-time high of \$9.64 per share. We experienced strong credit results in this environment which is a testament to tangible assets (non-GAAP) finished the quarter at 7.54% our risk management culture with net charge-offs of \$12.8 million, CET1 equalled 10.2% or 0.16%, and tangible book value per common share (non-GAAP) was \$9.02 delinquencies and non-performing assets remaining at September 30th, an increase or near historically low levels. We experienced growth in the number of \$1.00, or 12.5%, year over year customers and prospects opening multiple accounts since introducing the Common Application to our eStore® platform, contributing to year-over-year growth of 6% and 2% for loans and deposits, respectively.

Income Statement Highlights (Third (First quarter of 2023 2024 compared to third first quarter of 2022, 2023, except as noted)

- Net interest income increased \$29.5 million decreased \$17.6 million, or 9.9% 5.2%, to \$326.6 million \$319.0 million primarily due to the benefit of higher deposit costs, including migration to higher yielding deposit products, as well as higher total average borrowings, partially offset by growth in earning assets the impact from the and higher interest rate environment, and deposit growth accompanied by prudent management of deposit betas, earning asset yields.
- Net interest margin (FTE) (non-GAAP) increased 7 decreased 38 basis points to 3.26% 3.18% as a result of higher yields 72 basis point increase in the total yield on loans, investment securities and interest-bearing deposits with banks reflecting the higher interest rate environment, partially earnings assets (non-GAAP) was more than offset by increased total cost of funds, funds increasing 115 basis points.

- On a linked-quarter basis, the net interest margin (FTE) (non-GAAP) decreased 11 only 3 basis points to 3.26% moderating from 3.18% as a 15 basis point increase in the total yield on earning assets (non-GAAP) to 5.40% was more than offset by a 19 basis points decline reported last quarter. This quarter's change is largely due to point increase in total cost of funds to increases in the rates paid on interest-bearing deposits and total borrowings more than offsetting the increases in yields on earning assets. 2.33%.
- The provision for credit losses of \$25.9 million \$13.9 million supported loan growth and included \$18.8 million in additional provision for the previously disclosed \$31.9 million isolated commercial loan that was downgraded to non-performing status late in the second quarter of 2023 based upon initial indications of alleged fraud. Upon later findings uncovered during our ongoing investigation, including subsequent bankruptcy filings by our borrower and its primary supplier in the third quarter of 2023, the outstanding balance was fully charged-off. net charge-off activity.
- On a linked-quarter basis, non-interest Non-interest income totaled \$81.6 million \$87.9 million, a \$1.2 million, or 1.5% increase, benefiting from our diversified business model with strong contributions from mortgage banking, capital markets and record wealth management revenues.
- Non-interest expense totaled \$218.0 million \$237.1 million, an increase a decrease of \$6.0 million \$28.5 million, or 2.9% 10.7%, on a linked-quarter basis. The first three months of 2024 included significant items of \$1.2 million (pre-tax) of branch consolidation costs and \$4.4 million (pre-tax) of FDIC special assessment, partially offset by a \$2.6 million (pre-tax) reduction to the previously estimated loss on the indirect auto loan sale. The first three months of 2023 included a significant item of \$2.1 million (pre-tax) of merger expenses. On an operating basis, non-interest expense (non-GAAP) totaled \$234.1 million and increased \$16.2 million, or 7.5%, when adjusting for significant items of \$3.0 million in the first three months of 2024 compared to \$2.1 million.

- The effective tax rate was 11.5% 21.5%, compared to 20.7% 19.5%, primarily due to renewable energy investment lower stock compensation vesting deductions and higher levels of proportional amortization on certain tax credits recognized in the third quarter of 2023 as part of a solar project financing transaction originated by our commercial leasing business credit investments.

Balance Sheet Highlights (period-end balances, September 30, 2023 March 31, 2024 compared to December 31, 2022 December 31, 2023, unless otherwise indicated)

- On a linked-quarter basis, period-end total loans and leases increased \$261.4 million, or 3.3% annualized, as consumer loans increased \$208.7 million and commercial loans and leases increased \$52.6 million. Average loans and leases increased \$113.4 million, or 1.4% annualized, linked quarter, with growth of \$253.8 million in average commercial loans and leases offsetting the decrease in average consumer loans of \$140.4 million with the consumer loan decline due to the sale of \$332 million of indirect auto loans which closed in the first quarter of 2024.
- Period-end total loans and leases increased \$3.4 billion \$1.9 billion, or 11.7% 6.2%, as compared to September 30, 2022 March 31, 2023, reflecting solid organic growth across our footprint led by the Pittsburgh, Cleveland and North Carolina markets and includes the Union acquisition that closed in the fourth quarter of 2022, diverse geographic footprint. Commercial loans and leases increased \$2.0 billion \$1.0 billion, or 10.8% 5.3%, and consumer loans increased \$1.4 billion \$873.8 million, or 13.3% 7.8%. Our organic loan growth was driven by the continued success of our strategy to grow high-quality loans and deepen customer relationships across our diverse geographic footprint.
- On a linked-quarter basis, period-end total loans and leases deposits slightly increased \$796.4 million, or 2.5%, as commercial loans and leases increased \$470.0 million and consumer loans increased \$326.4 million with strong seasonal contributions from the Physicians First mortgage program. Average loans and leases increased \$691.2 million, or 2.2%, linked quarter, with growth of \$449.4 million in average consumer loans and \$241.8 million in average commercial loans and leases.
- On a linked-quarter basis, period-end deposits increased \$790.6 \$24.5 million, or 2.3%, primarily due to 0.3% annualized, even with the seasonal commercial deposit inflows and organic deposit growth. outflows during the current quarter. The mix of non-interest-bearing deposits to total deposits was relatively stable and equaled 31% 29% at September 30, 2023, compared to 32% at June 30, 2023 both March 31, 2024 and December 31, 2023. We ended September 30, 2023 with approximately 78% of deposits insured by the FDIC or collateralized.
- Total average deposits grew \$507.3 million, or 1.5%, from totaled \$34.2 billion consistent with the year-ago prior year quarter, led by increases in average time deposits of \$2.7 billion, \$2.1 billion that offset the decline in other deposit categories as customers continue to migrate deposits into higher-yielding deposit products.
- The ratio of loans to deposits was 92.9% 93.8% and relatively stable with the prior quarter.
- The ratio of non-performing loans plus OREO to total loans and leases plus OREO increased 4 decreased 5 basis points to 0.36% 0.33%. Total delinquency increased 4 basis points to 0.63% 0.64%, compared to 0.59% 0.60% at September 30, 2022 March 31, 2023. Both measures continue to remain at or near historically low levels.
- The third first quarter of 2023 2024 reflected net charge-offs of \$37.7 million \$12.8 million, or 0.47% 0.16% annualized of total average loans. Excluding the previously mentioned \$31.9 million charge-off, net charge-offs would have been \$5.8 million, or 0.07% annualized of total average loans (non-GAAP).
- The ACL was \$400.6 million \$406.3 million, an increase of \$15.3 million \$2.9 million compared to September 30, 2022 March 31, 2023, with the ratio of the ACL to total loans and leases decreasing 97 basis points to 1.25% due to charge-off activity and strong reflecting net loan growth in the third quarter of 2023, and charge-off activity.
- Tangible book value per common share (non-GAAP) of \$9.02, \$9.64, increased \$1.00, 0.98, or 12.5% 11.3%, compared to September 30, 2022 March 31, 2023. AOCI reduced the tangible book value per common share (non-GAAP) by \$1.06 \$0.70 as of September 30, 2023 March 31, 2024, primarily due to the impact of higher interest rates on the fair value of AFS securities, compared to a \$0.99 \$0.65 reduction as of June 30, 2023, and December 31, 2022 December 31, 2023, and a \$1.08 \$0.87 reduction as of September 30, 2022 March 31, 2023.

- The CET1 regulatory capital ratio was **10.17%** **10.21%** benefiting from retained earnings growth and the aforementioned indirect auto loan sale in the quarter, compared to **9.72%** **10.04%** at **September 30, 2022** **March 31, 2023**.
- On February 15, 2024, we redeemed all our outstanding Series E Perpetual Preferred Stock and the final preferred dividend of \$2.0 million was paid on the redemption date. The excess of the redemption value over the carrying value on the Series E Perpetual Preferred Stock of \$4.0 million was considered a significant item impacting earnings.

TABLE 1

	Three Months Ended September 30,			
	2023		2022	
Quarterly Results Summary				
Reported results				
Net income available to common stockholders (millions)	\$	143.3	\$	135.5
Net income per diluted common share		0.40		0.38
Book value per common share (period-end)		16.13		15.11
Operating results (non-GAAP)				
Operating net income available to common stockholders (millions)		143.3		137.2
Operating net income per diluted common share		0.40		0.39
Average diluted common shares outstanding (thousands)		361,778		354,654
Significant items impacting earnings⁽¹⁾ (millions)				
Pre-tax merger-related expenses	\$	—	\$	(2.1)
After-tax impact of merger-related expenses		—		(1.7)
Total significant items pre-tax	\$	—	\$	(2.1)
Total significant items after-tax	\$	—	\$	(1.7)
Capital measures				
Common equity tier 1		10.17 %		9.72 %
Tangible common equity to tangible assets (period-end) (non-GAAP)		7.54		7.02
Tangible book value per common share (period-end) (non-GAAP)	\$	9.02	\$	8.02
Year-to-Date Results Summary				
Reported results				
Net income available to common stockholders (millions)	\$	428.1	\$	293.6
Net income per diluted common share		1.18		0.83
Operating results (non-GAAP)				
Operating net income available to common stockholders (millions)		429.9		337.9
Operating net income per diluted common share		1.18		0.96
Average diluted common shares outstanding (thousands)		363,105		352,786
Significant items impacting earnings⁽¹⁾ (millions)				
Pre-tax merger-related expenses	\$	(2.2)	\$	(32.8)
After-tax impact of merger-related expenses		(1.8)		(25.9)
Pre-tax provision expense related to acquisition		—		(19.1)
After-tax impact of provision expense related to acquisition		—		(15.1)
Pre-tax branch consolidation costs		—		(4.2)
After-tax impact of branch consolidation costs		—		(3.3)
Total significant items pre-tax	\$	(2.2)	\$	(56.1)
Total significant items after-tax	\$	(1.8)	\$	(44.3)

(1) Favorable (unfavorable) impact on earnings

Industry Developments

BANKING INDUSTRY DISRUPTION

During the second week of March 2023, Silicon Valley Bank failed and was taken over by federal regulators. The size of the bank, being over \$200 billion in assets, made it the second largest U.S. bank to fail. Subsequently, that week, Signature Bank with assets over \$100 billion, was also closed by federal regulators. On May 1, 2023, it was announced that First Republic Bank was another bank closed by federal regulators. While these failures were idiosyncratic in nature, these events called into question the stability of the entire banking sector and sparked customer fears of potential loss of deposit balances exceeding the FDIC's \$250,000 insurance limit.

While the high-profile bank failures had a diminishing effect on public confidence of the banking system, the federal government took mitigating action. To strengthen public confidence, the federal government announced that that all depositors of Silicon Valley Bank and Signature Bank would be protected with any losses to the DIF recovered by a special assessment on banks. In addition to those actions, the FRB made available additional funding to eligible depository institutions to help assure banks the ability to meet the needs of all their depositors. This action will bolster the capacity of the banking system to safeguard deposits and ensure the ongoing provision of money and credit to the economy.

The additional funding was made available through the creation of a new BTFP, offering loans of up to one year in length to banks, savings associations, credit unions and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities and other qualifying assets as collateral. These assets will be valued at par. The BTFP will be an additional source of liquidity against high-quality securities, eliminating an institution's need to quickly sell those securities in times of stress. As of September 30, 2023, we have not participated in this program. Additionally, our total deposit balances have remained stable as a result of our granular deposit base with our average customer deposit account balance at approximately \$30,000 (below the peer median) and our median consumer deposit account balance at approximately \$5,400 as of September 30, 2023. FDIC-insured or collateralized deposits represented approximately 78% of our total deposits at September 30, 2023, which was higher than our peer median (based on peer data as of June 30, 2023) and we had ample liquidity to fund up to an estimated 139.5% of our uninsured and non-collateralized deposits.

LIBOR and SOFR

The United Kingdom's Financial Conduct Authority (FCA), who is the regulator of LIBOR, announced on March 5, 2021 that they will no longer require any panel bank to continue to submit LIBOR after December 31, 2021. As it pertains to U.S. Dollar LIBOR, the FCA announced that certain LIBOR tenors would continue to be published through June 30, 2023. Bank regulators, in a joint statement urged banks to stop using LIBOR altogether on new transactions by the end of 2021 to avoid the possible creation of safety and soundness risk.

We had LIBOR exposure in various agreements, including variable rate loans, derivatives and debt we issued and acquired. We determined that the primary index to be utilized for loans is SOFR-based.

Beginning in September 2020, adjustable rate mortgage loans have been originated with SOFR as the underlying index. We started originating commercial loans utilizing SOFR and other indices in the fourth quarter of 2021, and effective January 1, 2022, ceased origination of LIBOR-based loans. Remediation for the remaining LIBOR-based loans was completed by June 30, 2023.

	Three Months Ended March 31,	
	2024	2023
Quarterly Results Summary		
Reported results		
Net income available to common stockholders (millions)	\$ 116.3	\$ 144.5
Net income per diluted common share	0.32	0.40
Book value per common share (period-end)	16.71	15.76
Operating results (non-GAAP)		
Operating net income available to common stockholders (millions)	122.7	146.1
Operating net income per diluted common share	0.34	0.40
Average diluted common shares outstanding (thousands)	362,619	364,930
Significant items impacting earnings⁽¹⁾ (millions)		
Preferred dividend equivalent at redemption	\$ (4.0)	\$ —
Pre-tax merger-related expenses	—	(2.1)
After-tax impact of merger-related expenses	—	(1.6)
Pre-tax branch consolidation costs	(1.2)	—
After-tax impact of branch consolidation costs	(0.9)	—
Pre-tax FDIC assessment	(4.4)	—
After-tax impact of FDIC assessment	(3.5)	—
Pre-tax loss on indirect auto loan sale	2.6	—
After-tax impact of loss on indirect auto loan sale	2.1	—
Total significant items after-tax	\$ (6.3)	\$ (1.6)
Capital measures		
Common equity tier 1	10.21 %	10.04 %
Tangible common equity to tangible assets (period-end) (non-GAAP)	7.99	7.50
Tangible book value per common share (period-end) (non-GAAP)	\$ 9.64	\$ 8.66

(1) Favorable (unfavorable) impact on earnings

RESULTS OF OPERATIONS

Three Months Ended September 30, 2023 March 31, 2024 Compared to the Three Months Ended September 30, 2022 March 31, 2023

Net income available to common stockholders for the first three months ended September 30, 2023 of 2024 was \$143.3 million \$116.3 million or \$0.32 per diluted common share, compared to \$144.5 million or \$0.40 per diluted common share for the first three months of 2023. On an operating basis (non-GAAP), net income available to common stockholders for the first three months of 2024 was \$122.7 million, or \$0.34 per diluted common share, compared to \$135.5 million \$146.1 million or \$0.38 \$0.40 per diluted common share for the first three months ended September 30, 2022 of 2023. Net interest income totaled \$319.0 million, a decrease of \$17.6 million, or 5.2%, compared to \$336.7 million, as total average earning assets increased \$2.0 billion, or 5.3%, including a \$2.0 billion increase in average loans and leases from organic origination activity, partially offset by a \$106.7 million decrease in average investment securities. The net interest margin (FTE) (non-GAAP) decreased 38 basis points to 3.18%, as the total cost of funds increased 115 basis points to 2.33% with a 132-basis point increase in interest-bearing deposit costs to 2.82%, as well as an increase of 28 basis points in long-term debt costs which includes the impact of additional liquidity following the banking industry disruption in 2023. These funding cost increases were partially offset by an increase in the yield on earning assets (non-GAAP) of 72 basis points to 5.40%, primarily due to higher yields on loans, investment securities and interest-bearing deposits with banks. Between March 31, 2023 and March 31, 2024, the FOMC raised the target Federal Funds interest rate by 50 basis points (with the last increase in July 2023). The provision for credit losses for the first three months of 2024 totaled \$13.9 million, compared to \$14.1 million. Non-interest income totaled \$87.9 million, a 10.7% increase compared to \$79.4 million, reflecting increased mortgage banking operations income, record wealth management revenues and higher levels of dividends on non-marketable equity securities, partially offset by lower insurance commissions and fees. Non-interest expense totaled \$237.1 million, increasing \$17.2 million, or 7.8%. On an operating basis third quarter of 2023 earnings per diluted common share (non-GAAP) was \$0.40. By comparison, third quarter of 2022 earnings per diluted common share (non-GAAP) was \$0.39 on an operating basis, excluding \$2.1 million (pre-tax) in merger-related significant items. The second quarter of 2023 earnings per diluted common share (non-GAAP) was \$0.39 on an operating basis, excluding \$0.2 million (pre-tax) of merger-related significant items.

The results for the third quarter of 2023 reflect total revenue of \$408.1 million, non-interest expense totaled \$234.1 million, an increase of \$28.5 million \$16.2 million, or 7.5%, driven by an increase in net interest income compared to the first three months of \$29.5 million 2023. Salaries and benefits increased \$8.9 million, or 9.9% 7.4%, due largely to \$326.6 million primarily due to the benefit of growth in earning assets, the impact from the higher interest rate environment, and deposit growth accompanied by prudent management of normal annual deposit betas. The provision for credit losses was \$25.9 million, compared to \$11.2 million with the current quarter's level reflecting loan growth and \$18.8 million for the previously disclosed \$31.9 million commercial loan that was downgraded to non-performing status in the second quarter of 2023 and fully charged-off during the third quarter of 2023 due to alleged fraud. Our non-performing loan coverage position remains strong at 354%. Non-interest income declined slightly by \$0.9 million, or 1.1%, reflecting increased wealth management revenues and bank-owned life insurance, offset by reduced capital markets income, mortgage banking operations income, insurance commissions and fees and service charges income. Non-interest expense for the third quarter of 2023 increased \$22.9 million, or 11.8%. The biggest drivers of the non-interest expense increase were salaries and benefits with an increase of \$6.7 million, or 6.3%, primarily from production-related commissions, normal annual

merit increases and the addition of the acquired Union expense base, and higher production-related commissions from strong non-interest income activity. Additionally, net occupancy and equipment with an increase of \$6.7 million expense increased \$3.9 million, or 19.3% 10.0%, largely from the acquired Union expense base, as well as continued technology-related investments. Income taxes of \$18.9 million declined \$16.9 million, or 47.2%, due to renewable energy investment tax credits recognized in the third quarter of 2023 as part of a solar project financing transaction originated by our commercial leasing business.

Financial highlights are summarized below:

TABLE 2

		Three Months Ended September 30,				Three Months Ended March 31,				
(in thousands, except per share data)	(in thousands, except per share data)	2023	2022	Change	Change	(in thousands, except per share data)	2024	2023	Change	
Net interest income	Net interest income	\$326,581	\$297,125	\$29,456	9.9 %	Net interest income	\$319,008	\$336,654	\$ (17,646)	(5.2) %
Provision for credit losses	Provision for credit losses	25,934	11,188	14,746	131.8					
Non-interest income	Non-interest income	81,551	82,464	(913)	(1.1)					
Non-interest expense	Non-interest expense	217,998	195,057	22,941	11.8					
Income taxes	Income taxes	18,919	35,846	(16,927)	(47.2)					
Net income	Net income	145,281	137,498	7,783	5.7					
Less: Preferred stock dividends	Less: Preferred stock dividends	2,010	2,010	—	—					

Net income available to common stockholders	Net income available to common stockholders	\$143,271	\$135,488	\$ 7,783	5.7 %	Net income available to common stockholders	\$116,326	\$ 144,495	\$ (28,169)	(19.5)	(19.5)%
Earnings per common share – Basic	Earnings per common share – Basic	\$ 0.40	\$ 0.39	\$ 0.01	2.6 %	Earnings per common share – Basic	\$ 0.32	\$ 0.40	\$ (0.08)	(20.0)	(20.0)%
Earnings per common share – Diluted	Earnings per common share – Diluted	0.40	0.38	0.02	5.3						
Cash dividends per common share	Cash dividends per common share	0.12	0.12	—	—						

The following table presents selected financial ratios and other relevant data used to analyze our performance:

TABLE 3

	Three Months Ended September 30,		Three Months Ended March 31,				
	2023		2024		2024		2023
	2024	2023	2024	2023	2024	2023	
Return on average equity	9.80 %	9.91 %	Return on average equity		8.15 %		10.37 %
Return on average tangible common equity (1)	18.15	18.84					
Return on average assets	1.28	1.30					
Return on average tangible assets (1)	1.39	1.41					
Book value per common share	\$16.13	\$15.11					
Tangible book value per common share (1)	9.02	8.02					
Equity to assets	12.96 %	12.69 %	Equity to assets		13.09 %		13.11 %

Average assets	Average assets	13.04	13.10
Common assets	Common assets	12.72	12.44
Tangible assets (1)	Tangible assets (1)	7.78	7.28
Tangible assets (1)	Tangible assets (1)	7.54	7.02
Common equity tier 1 capital ratio	Common equity tier 1 capital ratio	10.17	9.72
Dividend payout ratio	Dividend payout ratio	30.34	31.43

(1) Non-GAAP

The following table provides information regarding the average balances and yields earned on interest-earning assets (non-GAAP) and the average balances and rates paid on interest-bearing liabilities:

TABLE 4

(dollars in thousands)	(dollars in thousands)	Three Months Ended September 30,						Three Months Ended March 31,					
		2023			2022			2024			2023		
		Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Assets	Assets												
Interest-earning assets:	Interest-earning assets:												
Interest-earning assets:	Interest-earning assets:												
Interest-bearing deposits with banks	Interest-bearing deposits with banks												
Interest-bearing deposits with banks	Interest-bearing deposits with banks	\$ 1,223,226	\$ 12,835	4.16 %	\$ 1,570,094	\$ 8,197	2.07 %	\$ 872,353	\$ 9,178	4.23 %	\$ 817,910	\$ 6,653	
Taxable investment securities (1)	Taxable investment securities (1)	6,046,294	37,140	2.46	6,245,951	30,662	1.96						
Taxable investment securities (1)	Taxable investment securities (1)												
Tax-exempt investment securities (1)(2)	Tax-exempt investment securities (1)(2)	1,051,475	9,107	3.46	999,718	8,523	3.41						

Loans held for sale	Loans held for sale	109,568	2,416	8.80	158,356	1,778	4.48
Loans and leases ⁽²⁾⁽³⁾		31,739,561	454,780	5.69	28,431,137	296,470	4.14
Loans and leases ⁽²⁾⁽³⁾							
Total interest-earning assets ⁽²⁾	Total interest-earning assets ⁽²⁾	40,170,124	516,278	5.11	37,405,256	345,630	3.67
Cash and due from banks	Cash and due from banks	445,341			435,258		
Allowance for credit losses	Allowance for credit losses	(415,722)			(381,120)		
Allowance for credit losses							
Allowance for credit losses							
Premises and equipment	Premises and equipment	461,598			411,306		
Other assets	Other assets	4,432,826			4,169,232		
Other assets							
Other assets							
Total assets							
Total assets							
Total assets	Total assets	\$45,094,167			\$42,039,932		
Liabilities	Liabilities						
Interest-bearing liabilities:							
Interest-bearing liabilities:							
Interest-bearing liabilities:	Interest-bearing liabilities:						
Deposits:	Deposits:						
Deposits:							
Deposits:							
Interest-bearing demand							
Interest-bearing demand							
Interest-bearing demand	Interest-bearing demand	\$13,997,552	75,840	2.15	\$14,905,755	24,044	0.64
Savings	Savings	3,676,239	9,875	1.07	3,986,090	2,366	0.24
Certificates and other time	Certificates and other time	5,698,129	53,293	3.71	2,966,630	4,725	0.63
Total interest-bearing deposits	Total interest-bearing deposits	23,371,920	139,008	2.36	21,858,475	31,135	0.57
Short-term borrowings	Short-term borrowings	2,245,089	23,207	4.09	1,389,747	6,135	1.75
Long-term borrowings	Long-term borrowings	1,974,017	24,565	4.94	851,432	8,319	3.88

Total interest-bearing liabilities	Total interest-bearing liabilities	27,591,026	186,780	2.69	24,099,654	45,589	0.75
Non-interest-bearing demand	Non-interest-bearing demand	<u>10,772,923</u>			<u>11,779,069</u>		
Total deposits and borrowings	Total deposits and borrowings	38,363,949		1.93	35,878,723		0.50
Total deposits and borrowings	Total deposits and borrowings						
Other liabilities	Other liabilities	<u>850,382</u>			<u>654,260</u>		
Total liabilities	Total liabilities	<u>39,214,331</u>			<u>36,532,983</u>		
Total liabilities							
Total liabilities							
Stockholders' equity	Stockholders' equity	<u>5,879,836</u>			<u>5,506,949</u>		
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	<u>\$45,094,167</u>			<u>\$42,039,932</u>		
Total liabilities and stockholders' equity							
Total liabilities and stockholders' equity							
Net interest-earning assets	Net interest-earning assets	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Net interest-earning assets	Net interest-earning assets	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Net interest-earning assets	Net interest-earning assets	<u>\$12,579,098</u>			<u>\$13,305,602</u>		
Net interest income (FTE) (2)	Net interest income (FTE)	<u>(2)</u>	<u>(2)</u>		<u>329,498</u>	<u>300,041</u>	
Net interest income (FTE) (2)							
Net interest income (FTE) (2)							
Tax-equivalent adjustment	Tax-equivalent adjustment	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Tax-equivalent adjustment	Tax-equivalent adjustment	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Tax-equivalent adjustment	Tax-equivalent adjustment	<u>(2,917)</u>			<u>(2,916)</u>		
Net interest income	Net interest income	<u>\$326,581</u>			<u>\$297,125</u>		
Net interest income							
Net interest income							
Net interest spread	Net interest spread	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Net interest spread	Net interest spread	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Net interest spread	Net interest spread	<u>2.42 %</u>			<u>2.92 %</u>		
Net interest margin (2)	Net interest margin (2)	<u>3.26 %</u>			<u>3.19 % (2)</u>		
Net interest margin (2)	Net interest margin (2)	<u>2.26 %</u>			<u>3.18 %</u>		

- (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 (non-GAAP), which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 21%. The yield on earning assets and the net interest margin are presented on an FTE basis (non-GAAP). We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.
- (3) Average loans and leases consist of average total loans, including non-accrual loans, less average unearned income.

Net Interest Income

Net interest income on an FTE basis (non-GAAP) increased \$29.5 million totaled \$321.9 million, decreasing \$18.0 million, or 9.8% 5.3%, primarily due to \$329.5 million for higher interest-bearing deposit costs including continued migration to higher yielding deposit products in the third quarter of 2023, current interest rate environment and higher total average borrowings, partially offset by growth in earning assets and higher earning asset yields. Average earning assets of \$40.2 billion increased \$2.8 billion grew \$2.0 billion, or 7.4% 5.3%, from 2022. In addition to primarily driven by organic loan origination activity. Additionally, we reinvested the growth in average earning assets, net interest income benefited from the repricing impact proceeds of the AFS securities sold in December 2023 as part of our balance sheet repositioning with an average yield of 1.08% into securities with yields approximately 350 basis points higher interest rate environment on earning asset yields, which was partially offset by the higher cost of interest-bearing deposit accounts given that customer preferences migrated toward time deposits. Average interest-bearing liabilities of \$27.6 billion increased \$3.5 billion, or 14.5%, from 2022, driven by an increase of \$1.5 billion in average interest-bearing deposits, which included organic growth in new and existing customer relationships, a similar duration and an increase in convexity profile. Total average borrowings of \$2.0 billion increased \$1.8 billion due to maintaining additional liquidity on the balance sheet following the banking industry disruption. Our disruption in 2023 and to support strong loan growth. The net interest margin FTE (FTE) (non-GAAP) increased 7 decreased 38 basis points to 3.26%, as the yield on earning assets (non-GAAP) increased 144 basis points. The total cost of funds increased 143 basis points to 1.93% with a 179 basis-point increase in interest-bearing deposit costs, as well as an increase of 106 basis points in long-term debt cost. Between September 30, 2022 and September 30, 2023, the FOMC raised the target Federal Funds rate by 225 basis points, 3.18%.

The following table provides certain information regarding changes in net interest income on an FTE basis (non-GAAP) attributable to changes in the average volumes and yields earned on interest-earning assets and the average volume and rates paid for interest-bearing liabilities for the three months ended September 30, 2023 March 31, 2024, compared to the three months ended September 30, 2022 March 31, 2023:

TABLE 5

(in thousands)	(in thousands)	Volume	Rate	Net	(in thousands)	Volume	Rate	Net
Interest	Interest							
Income (1)	Income (1)							
Interest-bearing deposits with banks	Interest-bearing deposits with banks	\$1,812	\$ 6,450	\$ 4,638				
Interest-bearing deposits with banks								
Interest-bearing deposits with banks								
Securities (2)	Securities (2)	(242)	7,304	7,062				
Loans held for sale	Loans held for sale	(557)	1,195	638				
Loans and leases (2)	Loans and leases (2)	36,424	121,886	158,310				
Total interest income (2)	Total interest income (2)	<u>33,813</u>	<u>136,835</u>	<u>170,648</u>				
Interest Expense (1)	Interest Expense (1)							
Deposits:	Deposits:							
Deposits:								
Interest-bearing demand								
Interest-bearing demand								

Interest-bearing demand	Interest-bearing demand	(26)	51,822	51,796
Savings	Savings	1,355	6,154	7,509
Certificates and other time	Certificates and other time	7,874	40,694	48,568
Short-term borrowings	Short-term borrowings	6,770	10,302	17,072
Long-term borrowings	Long-term borrowings	13,188	3,058	16,246
Total interest expense	Total interest expense	<u>29,161</u>	<u>112,030</u>	<u>141,191</u>
Net change (2)	Net change (2)	<u><u>\$ 4,652</u></u>	<u><u>\$24,805</u></u>	<u><u>\$29,457</u></u>

(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 (non-GAAP) which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 21%. We believe 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 an FTE basis (non-GAAP) of **\$516.3 million** **\$546.4 million** for the **third quarter** **first three months of 2023, 2024**, increased **\$170.6 million** **\$99.6 million**, or **49.4%**, from the same quarter of 2022, primarily due to the impact of the 2022 and 2023 interest rate increases by the FOMC and an increase in average earning assets of \$2.8 billion. The increase in earning assets was primarily driven by a \$3.3 billion, or 11.6%, increase in average loans and leases, partially offset by a decrease of \$346.9 million in average cash balances and a decrease in average securities. Average commercial loan growth of \$1.8 billion, or 10.1%, was led by increases of \$955.7 million in commercial real estate and \$718.6 million in commercial and industrial loans, primarily by organic growth in the Pittsburgh, Cleveland and North Carolina markets. Average consumer loans increased \$1.5 billion, or 14.4%, with a \$1.5 billion increase in residential mortgages largely reflecting adjustable-rate mortgages which we retained on the balance sheet and the continued success of the Physicians First mortgage program, as well as a \$64.1 million increase in indirect auto loans. The yield on average earning assets (non-GAAP) increased 144 basis points to 5.11% for the third quarter of 2023, primarily due to higher yields on loans, investment securities and interest-bearing deposits with banks reflecting the higher interest rate environment.

Interest expense of \$186.8 million for the third quarter of 2023 increased \$141.2 million, from the same quarter of 2022, due to an increase in rates paid on average interest-bearing liabilities and growth in average interest-bearing deposits. Average interest-bearing deposits increased \$1.5 billion, or 6.9%, while average non-interest-bearing deposits decreased \$1.0 billion, or 8.5%. The growth in average total deposits reflected organic growth in new and existing customer relationships and inflows from the Union acquisition. Average short-term borrowings increased \$855.3 million, or 61.5%, primarily reflecting increases of \$773.6 million and \$160.5 million in short-term FHLB advances and Federal Funds purchased, respectively, partially offset by a decrease of \$57.5 million in repurchase agreements. Average long-term borrowings increased \$1.1 billion, or 131.8%, primarily reflecting an increase of \$1.2 billion in long-term FHLB advances as we have maintained additional liquidity following the banking industry disruption, partially offset by a decrease of \$91.2 million in senior notes during the third quarter of 2023. The rate paid on interest-bearing liabilities increased 194 basis points from 0.75% to 2.69% for the third quarter of 2023, primarily due to market trends resulting from interest rate actions taken by the FOMC, combined with the issuance of senior debt in August 2022.

Provision for Credit Losses

Provision for credit losses is determined based on management's estimates of the appropriate level of ACL needed to absorb expected life-of-loan losses in the loan and lease portfolio, after giving consideration to charge-offs and recoveries for the period. The following table presents information regarding the provision for credit loss expense and net charge-offs:

TABLE 6

(dollars in thousands)	Three Months Ended			\$	%		
	September 30,		Change				
	2023	2022					
Provision for credit losses on loans and leases	\$ 25,597	\$ 10,069	\$ 15,528		154.2 %		
Provision for unfunded loan commitments	364	1,125	(761)		(67.6)		
Total provision for credit losses on loans and leases	25,961	11,194	14,767		131.9		
Provision for securities	(27)	(6)	(21)		350.0		
Total provision for credit losses	\$ 25,934	\$ 11,188	\$ 14,746		131.8 %		
Net loan charge-offs	\$ 37,699	\$ 2,812	\$ 34,887		1,240.6 %		
Net loan charge-offs (annualized) / total average loans and leases	0.47 %	0.04 %					

Provision for credit losses was \$25.9 million during the third quarter of 2023, an increase of \$14.7 million 22.3%, from the same period of 2022. The third quarter of 2023, is comprised of a \$25.6 million provision for loans and leases outstanding and a \$0.4 million provision for unfunded loan commitments. The net increase reflects loan growth and included \$18.8 million in additional provision for the previously disclosed \$31.9 million commercial loan that was downgraded to non-performing status in the second quarter of 2023 and was fully charged-off during the third quarter of 2023 due to alleged fraud. The third quarter of 2023 reflected net charge-offs of \$37.7 million, or 0.47% annualized of total average loans, compared to \$2.8 million, or 0.04% annualized, in the third quarter of 2022. Excluding the impact of the previously mentioned charge-off, the third quarter of 2023 net

charge-offs would have been \$5.8 million, or 0.07% annualized of total average loans (non-GAAP). For additional information relating to the allowance and provision for credit losses, refer to the Allowance for Credit Losses on Loans and Leases section of this Management's Discussion and Analysis.

Non-Interest Income

The breakdown of non-interest income for the three months ended September 30, 2023 and 2022 is presented in the following table:

TABLE 7

(dollars in thousands)	Three Months Ended			\$	%		
	September 30,		Change				
	2023	2022					
Service charges	\$ 34,766	\$ 35,954	\$ (1,188)	\$	(3.3)%		
Trust services	10,526	9,600	926		9.6		
Insurance commissions and fees	5,047	5,790	(743)		(12.8)		
Securities commissions and fees	6,577	5,747	830		14.4		
Capital markets income	7,077	9,605	(2,528)		(26.3)		
Mortgage banking operations	3,914	5,148	(1,234)		(24.0)		
Dividends on non-marketable equity securities	5,779	3,258	2,521		77.4		
Bank owned life insurance	3,196	2,645	551		20.8		
Net securities gains (losses)	(55)	—	(55)		—		
Other	4,724	4,717	7		0.1		
Total non-interest income	\$ 81,551	\$ 82,464	\$ (913)	\$	(1.1)%		

Total non-interest income decreased slightly by \$0.9 million, or 1.1%, to \$81.6 million for the third quarter of 2023, compared to \$82.5 million for the third quarter of 2022. The variances in the individual non-interest income items are explained in the following paragraphs.

Service charges of \$34.8 million decreased \$1.2 million, or 3.3%, with strong treasury management services and interchange fees partially offsetting the impact of overdraft practice changes that we implemented in the first quarter of 2023.

Wealth management revenues increased \$1.8 million, or 11.4%, as securities commissions and fees and trust income increased 14.4% and 9.6%, respectively, through contributions across the geographic footprint and an increase in assets under management.

Capital markets income decreased \$2.5 million, or 26.3%, reflecting increased contributions from international banking offset by decreases in swap fees, syndications and debt capital markets income as commercial customer transactions have slowed in this macroeconomic environment.

Mortgage banking operations income decreased \$1.2 million, or 24.0%, driven primarily by negative fair value marks given the sharp increase in mortgage rates during the current quarter which were partially offset by the loan sold volume increase of 56% compared to the year-ago quarter. During the third quarter of 2023, we sold \$334.4 million of residential mortgage loans, compared to \$214.2 million for the same period of 2022.

Dividends on non-marketable equity securities increased \$2.5 million, or 77.4%, reflecting higher FHLB dividends due to additional borrowings.

Non-Interest Expense

The breakdown of non-interest expense for the three months ended September 30, 2023 and 2022 is presented in the following table:

TABLE 8

(dollars in thousands)	Three Months Ended			\$	%		
	September 30,		Change				
	2023	2022					
Salaries and employee benefits	\$ 113,351	\$ 106,620	\$ 6,731	\$	6.3 %		
Net occupancy	18,241	15,597	2,644		17.0		
Equipment	23,332	19,242	4,090		21.3		
Amortization of intangibles	5,040	3,547	1,493		42.1		
Outside services	20,796	19,008	1,788		9.4		
Marketing	5,419	3,196	2,223		69.6		
FDIC insurance	8,266	5,221	3,045		58.3		
Bank shares and franchise taxes	3,927	3,991	(64)		(1.6)		
Merger-related	—	2,105	(2,105)		(100.0)		

Other	19,626	16,530	3,096	18.7
Total non-interest expense	\$ 217,998	\$ 195,057	\$ 22,941	11.8 %

Total non-interest expense of \$218.0 million for the third quarter of 2023 increased \$22.9 million, or 11.8%, from the same period of 2022. Non-interest expense increased \$25.0 million, or 13.0%, when excluding merger-related significant items of \$2.1 million in the third quarter 2022. The variances in the individual non-interest expense items are explained in the following paragraphs.

Salaries and employee benefits of \$113.4 million increased \$6.7 million, or 6.3%, primarily from production-related commissions, normal annual merit increases and the addition of the acquired Union expense base.

Net occupancy and equipment of \$41.6 million increased \$6.7 million, or 19.3%, largely from the acquired Union expense base, as well as continued technology-related investments.

Amortization of intangibles of \$5.0 million increased \$1.5 million, or 42.1%, primarily due to core deposit intangibles resulting from the Union acquisition.

Outside services of \$20.8 million increased \$1.8 million, or 9.4%, with higher volume-related technology and third-party costs, and the impact of the inflationary macroeconomic environment.

Marketing expense of \$5.4 million increased \$2.2 million, or 69.6%, due to the timing of digital marketing campaigns which helped drive deposit growth and acquire additional households.

FDIC insurance of \$8.3 million increased \$3.0 million, or 58.3%, reflecting the previously announced FDIC assessment rate increase which was effective in the first quarter of 2023 as well as loan growth and balance sheet mix changes.

Other non-interest expense of \$19.6 million increased \$3.1 million, or 18.7%, primarily due to increases in litigation and other operational costs.

The following table presents non-interest expense excluding significant items for the three months ended September 30, 2023 and 2022:

TABLE 9

(dollars in thousands)	Three Months Ended September			
	30,	\$	%	
	2023	2022	Change	Change
Total non-interest expense, as reported	\$ 217,998	\$ 195,057	\$ 22,941	11.8 %
Significant items:				
Merger-related	—	(2,105)	2,105	
Total non-interest expense, excluding significant items ⁽¹⁾	\$ 217,998	\$ 192,952	\$ 25,046	13.0 %

(1) Non-GAAP

Income Taxes

The following table presents information regarding income tax expense and certain tax rates:

TABLE 10

(dollars in thousands)	Three Months Ended	
	September 30,	
	2023	2022
Income tax expense	\$ 18,919	\$ 35,846
Effective tax rate	11.5 %	20.7 %
Statutory federal tax rate	21.0	21.0

Income tax expense and the effective tax rate decreased primarily due to renewable energy investment tax credits recognized in the third quarter of 2023 as part of a solar project financing transaction.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Net income available to common stockholders for the first nine months of 2023 was \$428.1 million or \$1.18 per diluted common share, compared to \$293.6 million or \$0.83 per diluted common share for the first nine months of 2022. On an operating basis (non-GAAP), net income available to common stockholders for the first nine months of 2023 was \$429.9 million, or \$1.18 per diluted common share, compared to \$337.9 million or \$0.96 per diluted common share for the first nine months of 2022. Net interest income totaled \$992.5 million, an increase of \$207.6 million, or 26.4%, compared to \$784.9 million, as total average earning assets increased \$2.4 billion, or 6.4%, including a \$3.8 billion increase in average loans and leases from organic origination activity and acquired Union loans, as well as a \$78.4 million increase in average investment securities. The net interest margin (FTE) (non-GAAP) increased 53 basis points to 3.39%, as the yield on earning assets (non-GAAP) increased 172 basis points to 4.91%, primarily due to higher yields on variable-rate loans, new originations of fixed-rate loans, investment securities and interest-bearing deposits with banks reflecting the higher interest rate environment. The total cost of funds increased 124 basis points to 1.59% with a 162-basis point increase in interest-bearing deposit costs to 1.95%. Between September 30, 2022 and September 30, 2023, the FOMC

raised the target Federal Funds interest rate by 225 basis points. The provision for credit losses for the first nine months of 2023 totaled \$58.5 million, compared to \$35.6 million including \$19.1 million of initial provision for non-PCD loans associated with the Howard acquisition in the year-ago period. The increase in provision for credit losses was driven primarily by loan growth, charge-off activity, and \$31.9 million in provision for the previously disclosed commercial loan downgraded to non-performing status during the second quarter of 2023 and fully charged-off during the third quarter of 2023 due to alleged fraud. Non-interest income totaled \$241.2 million, essentially flat with the year-ago period reflecting increased contributions from wealth management and dividends on non-marketable equity securities, partially offset by lower capital markets income, reduced contributions from mortgage banking due to the sharp increase in interest rates, service charges and other non-interest income. Non-interest expense totaled \$649.9 million, increasing \$34.6 million, or 5.6%. On an operating basis (non-GAAP), non-interest expense totaled \$647.7 million, an increase of \$69.3 million, or 12.0%, compared to the first nine months of 2022. Salaries and benefits increased \$24.9 million, or 7.7%, due to annual merit increases, reduced salary deferrals given lower loan origination volumes and the addition of the acquired Union expense base. Additionally, net occupancy and equipment expense increased \$13.6 million, or 12.9%, primarily from continued technology-related investments and the acquired Union expense base.

Financial highlights are summarized below:

TABLE 11

	Nine Months Ended				% Change	
	September 30,		\$			
	2023	2022	Change			
(in thousands, except per share data)						
Net interest income	\$ 992,479	\$ 784,891	\$ 207,588		26.4 %	
Provision for credit losses	58,511	35,569	22,942		64.5	
Non-interest income	241,249	242,940	(1,691)		(0.7)	
Non-interest expense	649,870	615,257	34,613		5.6	
Income taxes	91,169	77,367	13,802		17.8	
Net income	434,178	299,638	134,540		44.9	
Less: Preferred stock dividends	6,030	6,030	—		—	
Net income available to common stockholders	\$ 428,148	\$ 293,608	\$ 134,540		45.8 %	
Earnings per common share – Basic	\$ 1.19	\$ 0.84	\$ 0.35		41.7 %	
Earnings per common share – Diluted	1.18	0.83	0.35		42.2	
Cash dividends per common share	0.36	0.36	—		—	

The following table presents selected financial ratios and other relevant data used to analyze our performance:

TABLE 12

	Nine Months Ended		2022
	September 30,	2023	
Return on average equity		9.98 %	7.33 %
Return on average tangible common equity ⁽¹⁾		18.68	13.99
Return on average assets		1.31	0.96
Return on average tangible assets ⁽¹⁾		1.43	1.05
Book value per common share	\$ 16.13		15.11
Tangible book value per common share ⁽¹⁾		9.02	8.02
Equity to assets		12.96 %	12.69 %
Average equity to average assets		13.12	13.11
Common equity to assets		12.72	12.44
Tangible equity to tangible assets ⁽¹⁾		7.78	7.28
Tangible common equity to tangible assets ⁽¹⁾		7.54	7.02
Common equity tier 1 capital ratio		10.17	9.72
Dividend payout ratio		30.50	43.55

(1) Non-GAAP

The following table provides information regarding the average balances and yields earned on interest-earning assets (non-GAAP) and the average balances and rates paid on interest-bearing liabilities:

TABLE 13

	2023	2022
Interest-earning assets		
Interest-earning assets, average balance		
Interest-earning assets, average yield		
Interest-bearing liabilities		
Interest-bearing liabilities, average balance		
Interest-bearing liabilities, average rate		

(dollars in thousands)	Nine Months Ended September 30,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets						
Interest-earning assets:						
Interest-bearing deposits with banks	\$ 1,093,206	\$ 32,619	3.99 %	\$ 2,465,800	\$ 14,737	0.80 %
Taxable investment securities ⁽¹⁾	6,114,577	107,860	2.35	6,083,200	81,359	1.78
Tax-exempt investment securities ⁽¹⁾⁽²⁾	1,055,505	27,473	3.47	1,008,438	25,779	3.41
Loans held for sale	109,282	5,854	7.15	208,718	6,234	3.99
Loans and leases ⁽²⁾⁽³⁾	31,070,965	1,276,718	5.49	27,313,051	757,133	3.70
Total interest-earning assets ⁽²⁾	39,443,535	1,450,524	4.91	37,079,207	885,242	3.19
Cash and due from banks	438,456			427,118		
Allowance for credit losses	(410,701)			(372,163)		
Premises and equipment	454,738			396,804		
Other assets	4,388,894			4,155,280		
Total assets	\$ 44,314,922			\$ 41,686,246		
Liabilities						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand	\$ 14,170,285	191,992	1.81	\$ 14,946,096	37,915	0.34
Savings	3,846,225	26,832	0.93	3,940,100	3,106	0.11
Certificates and other time	4,966,835	116,074	3.12	2,961,870	12,889	0.58
Total interest-bearing deposits	22,983,345	334,898	1.95	21,848,066	53,910	0.33
Short-term borrowings	2,051,516	54,992	3.58	1,440,034	17,697	1.64
Long-term borrowings	1,589,842	58,695	4.94	758,373	20,574	3.63
Total interest-bearing liabilities	26,624,703	448,585	2.25	24,046,473	92,181	0.51
Non-interest-bearing demand	11,061,043			11,600,639		
Total deposits and borrowings	37,685,746		1.59	35,647,112		0.35
Other liabilities	813,745			574,336		
Total liabilities	38,499,491			36,221,448		
Stockholders' equity	5,815,431			5,464,798		
Total liabilities and stockholders' equity	\$ 44,314,922			\$ 41,686,246		
Net interest-earning assets	\$ 12,818,832			\$ 13,032,734		
Net interest income (FTE) ⁽²⁾		1,001,939			793,061	
Tax-equivalent adjustment		(9,460)			(8,170)	
Net interest income	\$ 992,479			\$ 784,891		
Net interest spread			2.66 %			2.68 %
Net interest margin ⁽²⁾		3.39 %				2.86 %

(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 (non-GAAP), which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 21%. The yield on earning assets and the net interest margin are presented on an FTE basis (non-GAAP). We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

(3) Average loans and leases consist of average total loans, including non-accrual loans, less average unearned income.

Net Interest Income

Net interest income on an FTE basis (non-GAAP) totaled \$1.0 billion, increasing \$208.9 million, or 26.3%, as the higher interest rate environment benefited earning asset yields given the asset sensitive positioning of the balance sheet and the higher yields on new loan originations, which was partially offset by the higher cost of interest-bearing deposits given that customer preferences are migrating toward time deposits and the current competitive interest rate environment. Average earning assets grew \$2.4 billion, or 6.4%, primarily driven by organic loan origination activity and acquired Union loans and an increase in average investment securities offset by a decline in interest-bearing deposits with

banks. The net interest margin (FTE) (non-GAAP) increased 53 basis points to 3.39%, primarily reflecting higher yields on loans, investment securities and interest-bearing deposits with banks due to the impact of the higher interest rate environment.

The following table provides certain information regarding changes in net interest income on an FTE basis (non-GAAP) attributable to changes in the average volumes and yields earned on interest-earning assets and the average volume and rates paid for interest-bearing liabilities for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022:

TABLE 14

(in thousands)	Volume	Rate	Net
Interest Income⁽¹⁾			
Interest-bearing deposits with banks	\$ (8,182)	\$ 26,064	\$ 17,882
Securities ⁽²⁾	2,444	25,751	28,195
Loans held for sale	(2,902)	2,522	(380)
Loans and leases ⁽²⁾	111,140	408,445	519,585
Total interest income⁽²⁾	102,500	462,782	565,282
Interest Expense⁽¹⁾			
Deposits:			
Interest-bearing demand	(632)	154,709	154,077
Savings	1,633	22,093	23,726
Certificates and other time	14,224	88,961	103,185
Short-term borrowings	14,663	22,632	37,295
Long-term borrowings	28,356	9,765	38,121
Total interest expense	58,244	298,160	356,404
Net change⁽²⁾	\$ 44,256	\$ 164,622	\$ 208,878

(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 (non-GAAP) which adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 21%. We believe 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 an FTE basis (non-GAAP) of \$1.5 billion for the first nine months of 2023, increased \$565.3 million, or 63.9%, from the same period of 2022, resulting from the interest rate increases by the FOMC and a \$2.4 billion \$2.0 billion increase in average earning assets. The increase in earning assets was primarily driven by a \$3.8 billion \$2.0 billion, or 13.8% 6.5%, increase in average loans and an increase in average investment securities of \$78.4 million, partially offset by a decrease of \$1.4 billion, or 55.7%, in average interest-bearing deposits with banks. Growth in total average commercial loans included \$978.3 million \$755.1 million, or 9.2% 6.6%, in commercial real estate loans and \$904.5 million \$225.3 million, or 14.2% 3.1%, in commercial and industrial loans, driven by a combination of organic loan origination activity led by the Pittsburgh, Charlotte, Cleveland Pittsburgh and Charlotte markets, as well as adding the Union loans to portfolio balances. Raleigh markets. Average consumer loans increased \$1.8 billion \$861.8 million, or 18.3% 7.8%, with an increase in residential mortgage loans of \$1.4 billion \$1.3 billion, or 32.9% 24.4%, reflecting adjustable-rate mortgages held in portfolio on the balance sheet and the continued success of the Physicians First mortgage program, which is a program that provides a bundled suite of specialized products to meet the personal and professional needs of physicians, dentists, veterinarians and other healthcare professionals. Additionally, indirect installment loans increased \$206.3 million decreased \$401.8 million, or 15.5% 26.1%, and direct home equity installment loans increased \$106.2 million, or 4.0%, driven by strong organic reflecting the \$332 million indirect auto loan origination activity throughout 2023, sale that closed in the first quarter of 2024. Additionally, the net increase in securities interest income was a result of replacing maturing securities with higher yielding securities, as the average total securities portfolio yield increased 50 60 basis points. For the first nine three months of 2023, 2024, the yield on average earning assets (non-GAAP) increased

172 72 basis points to 4.91% 5.40%, compared to the first nine three months of 2022, primarily due to higher yields on variable-rate loans, new origination fixed-rate loan originations, investment securities and interest-bearing deposits with banks reflecting the higher interest rate environment. 2023.

Interest expense of \$448.6 million \$224.5 million for the first nine three months of 2023 2024 increased \$356.4 million \$117.6 million, or 386.6% 110.1%, from the same period of 2022, 2023, primarily due to the higher interest rate environment and an increase in average interest-bearing deposits. Average interest-bearing deposits increased \$1.1 billion, or 5.2%, which reflects the benefit of solid organic growth in customer relationships and the addition of the Union acquisition. borrowings. Average time deposits increased \$2.0 billion \$2.1 billion, or 67.7% 50.6%, as customer preferences shifted given interest rate increases, the continued migration into higher-yielding deposit products. Average short-term borrowings increased \$611.5 million \$838.8 million, or 42.5% 53.7%, primarily due to an increase in short-term FHLB borrowings of \$636.6 million. Average \$682.6 million and average long-term borrowings increased \$831.5 million \$975.8 million, or 109.6% 90.2%, primarily due to an increase of \$741.4 million \$1.2 billion in long-term FHLB borrowings, as we have maintained additional liquidity following the banking industry disruption in early 2023. Additionally, senior debt increased \$60.8 million resulting from the issuance of \$350 million 2023 and in 5.150% fixed-rate senior notes during August 2022, partially offset by the maturity of \$300 million in 2.20% fixed-rate senior notes in February 2023, a continued effort to support strong loan growth. The rate paid on interest-bearing liabilities increased 174 144 basis points to 2.25% 3.14% for the first nine three months of 2023, 2024, compared to the first nine three months of 2022, 2023, as the cost of interest-bearing deposits increased 162 132 basis points from 0.33% 1.50% to 1.95% 2.82%. These increases

were primarily due to increased deposit competition and market trends resulting from the interest rate actions taken by the FOMC combined with the issuance of senior debt banking industry market disruptions that occurred in August 2022, early 2023.

Provision for Credit Losses

The following table presents information regarding the provision for credit loss expense and net charge-offs:

TABLE 15.6

		Nine Months Ended				Three Months Ended			
		September 30,				March 31,			
		\$		%		\$		%	
		2023	2022	Change	Change	2024	2023	Change	Change
(dollars in thousands)	(dollars in thousands)								
Provision for credit losses on loans and leases	Provision for credit losses on loans and leases	\$58,514	\$35,294	\$23,220	65.8 %	\$13,509	\$14,891	\$ (1,382)	(9.3) %
Provision for unfunded loan commitments	Provision for unfunded loan commitments	(71)	206	(277)	(134.5)				
Total provision for credit losses on loans and leases	Total provision for credit losses on loans and leases	58,443	35,500	22,943	64.6				
Provision for securities	Provision for securities	68	69	(1)	(1.4)				
Total provision for credit losses	Total provision for credit losses	58,511	35,569	22,942	64.5 %	\$13,889	\$14,061	\$ (172)	(1.2) %
Net loan charge-offs	Net loan charge-offs	\$59,596	\$4,319	\$55,277	1,279.9 %	\$12,776	\$13,197	\$ (421)	(3.2) %
Net loan charge-offs (annualized) / total average loans and leases	Net loan charge-offs (annualized) / total average loans and leases	0.26 %	0.02 %						

The provision for credit losses was \$58.5 million \$13.9 million, compared to \$35.6 million \$14.1 million in the first nine three months of 2022, 2023. The provision for credit losses for the first three months of 2024 was primarily due to loan growth and charge-off activity. The provision for credit losses in the first nine months of 2022 included \$19.1 million of initial provision for non-PCD loans associated with the Howard acquisition. The provision for credit losses for the first nine three months of 2023 was primarily due to loan growth, CECL-related model impacts from forecasted macroeconomic conditions and charge-off activity and \$31.9 million in provision for the previously disclosed commercial loan that was downgraded to non-performing status in the second quarter of 2023 and was fully charged-off during the third quarter of 2023 due to alleged fraud activity. Our non-performing loan coverage position remains strong at 354% 389%. The nine first three months of 2023 2024 reflected net charge-offs of \$59.6 million \$12.8 million, or 0.26% 0.16% annualized of total average loans, compared to \$4.3 million \$13.2 million, or 0.02% 0.18% annualized, in the first nine three months of 2022. Excluding the previously mentioned charge-off, net charge-offs would have been \$27.7 million, or 0.12% annualized of total average loans (non-GAAP), remaining at historically low levels. 2023. The ACL was \$400.6 million \$406.3 million, an increase of \$15.3 million \$2.9 million, with the ratio of the ACL to total loans and leases decreasing 9.7 basis points to 1.25%, reflecting strong net loan growth and the previously mentioned charge-off activity.

Non-Interest Income

The breakdown of non-interest income for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 is presented in the following table:

TABLE 167

		Nine Months Ended								
		September 30,		\$	%			\$	%	
		Three Months Ended				Three Months Ended				
		March 31,				March 31,				
(dollars in thousands)	(dollars in thousands)	2023	2022	Change	Change	(dollars in thousands)	2024	2023	Change	
Service charges	Service charges	\$101,462	\$102,162	\$ (700)	(0.7)%	Service charges	\$ 20,569	\$ 20,264	\$ 305	1.5 %
Interchange and card transaction fees										
Trust services	Trust services	31,767	29,662	2,105	7.1					
Insurance commissions and fees	Insurance commissions and fees	18,830	19,747	(917)	(4.6)					
Securities commissions and fees	Securities commissions and fees	20,980	17,490	3,490	20.0					
Capital markets income	Capital markets income	19,754	25,279	(5,525)	(21.9)					
Mortgage banking operations	Mortgage banking operations	13,676	17,935	(4,259)	(23.7)					
Dividends on non-marketable equity securities	Dividends on non-marketable equity securities	15,354	8,178	7,176	87.7					
Bank owned life insurance	Bank owned life insurance	9,016	9,330	(314)	(3.4)					
Net securities gains (losses)	Net securities gains (losses)	(78)	48	(126)	(262.5)					
Other	Other	10,488	13,109	(2,621)	(20.0)					
Other										
Total non-interest income	Total non-interest income	\$241,249	\$242,940	\$(1,691)	(0.7)%	Total non-interest income	\$ 87,862	\$ 79,389	\$ 8,473	10.7 %

Total non-interest income decreased slightly by \$1.7 million \$8.5 million, or 0.7% 10.7%. The variances in significant individual non-interest income items are explained in the following paragraphs.

Service charges decreased \$0.7 million, or 0.7%, with strong treasury management services, interchange fees and higher customer activity largely offsetting the impact of overdraft practice changes that FNB implemented in the first quarter of 2023.

Wealth management revenues were at record levels and increased \$5.6 million \$1.6 million, or 11.9% 8.8%, as securities commissions and fees and trust income increased 20.0% 10.5% and 7.1% 7.7%, respectively, through continued strong contributions across the geographic footprint, strong annuity sales footprint.

Insurance commissions and an increase in assets under management.

Capital markets income fees decreased \$5.5 million \$1.0 million, or 21.9% 13.3%, as swap activity declined consistent with lower commercial loan production in contingent revenues compared to the current macroeconomic environment, partially offset by an increase in debt capital markets and international banking income year-ago quarter, combined with a book of business decline.

Mortgage banking operations income of \$13.7 million decreased \$4.3 million \$7.9 million increased \$3.1 million, or 23.7% 63.0%, as secondary market revenue declined from 2022 due to the sharp increase in interest rates and the driven by improved gain on sale margins moderating to historical levels, from strong production volumes. During the first nine three months of 2023, 2024, we sold \$772.7 million \$329.2 million of residential mortgage loans, a 15.1% decrease 57.1% increase compared to \$909.6 million \$209.6 million for the same period of 2022, 2023.

Dividends on non-marketable equity securities of \$15.4 million \$6.2 million increased \$7.2 million \$2.1 million, or 87.7% 50.8%, reflecting higher FHLB dividends due to additional borrowings.

Other non-interest income was \$10.5 million and \$13.1 million for the first nine months of 2023 and 2022, respectively, as SBA premium income declined from elevated levels reflecting the higher interest rate environment, reduced market premiums and correspondingly lower sold loan volumes. Additionally, Small Business Investment Company (SBIC) funds income decreased, reflecting normal fluctuations based on the performance of the underlying portfolio companies.

Non-Interest Expense

The breakdown of non-interest expense for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 is presented in the following table:

TABLE 17.8

		Nine Months Ended								
		September 30,				\$ %				
		Three Months Ended				Three Months Ended				
		March 31,				March 31,				
(dollars in thousands)	(dollars in thousands)	2023	2022	Change	Change	(dollars in thousands)	2024	2023	Change	
Salaries and employee benefits	Salaries and employee benefits	\$347,544	\$322,679	\$24,865	7.7 %	Salaries and employee benefits	\$ 129,126	\$ \$ 120,247	\$ \$ 8,879	7.4 %
Net occupancy	Net occupancy	52,300	49,554	2,746	5.5					
Equipment	Equipment	66,749	55,934	10,815	19.3					
Amortization of intangibles	Amortization of intangibles	15,203	10,323	4,880	47.3					
Outside services	Outside services	60,733	53,306	7,427	13.9					
Marketing	Marketing	13,063	11,080	1,983	17.9					
FDIC insurance	FDIC insurance	23,102	15,090	8,012	53.1					
Bank shares and franchise taxes	Bank shares and franchise taxes	12,025	11,923	102	0.9					
Merger-related	Merger-related	2,215	32,761	(30,546)	(93.2)					
Other	Other	56,936	52,607	4,329	8.2					
Total non-interest expense	Total non-interest expense	\$649,870	\$615,257	\$34,613	5.6 %	Total non-interest expense	\$ 237,096	\$ \$ 219,917	\$ \$ 17,179	7.8 %

Total non-interest expense of \$649.9 million \$237.1 million for the first nine three months of 2023 2024 increased \$34.6 million \$17.2 million, a 5.6% 7.8% increase from the same period of 2022, 2023. On an operating basis, non-interest expense (non-GAAP) totaled \$234.1 million and increased \$69.3 million \$16.2 million, or 12.0% 7.5%, when excluding adjusting for significant items of \$2.2 million in merger-related costs \$3.0 million in the first nine three months of 2023 2024 and \$32.8 million in merger-related costs and \$4.2 million in branch consolidation costs \$2.1 million in the first nine three months of 2022, 2023. See Table 9 in this section for a list of significant items. The variances in the individual non-interest expense items are further explained in the following paragraphs.

Salaries and employee benefits increased \$24.9 million \$8.9 million, or 7.7% 7.4%, related to normal annual merit increases reduced salary deferrals given lower loan origination volumes and higher production-related commissions from strong non-interest income activity. Included in salaries and employee benefits in the addition first quarter of the acquired Union expense base, 2024 and 2023 were \$6.9 million and \$6.7 million, respectively, related to normal seasonal long-term compensation expense.

Net occupancy and equipment expense of **\$119.0 million** **\$43.4 million** increased **\$13.6 million** **\$3.9 million**, or **12.9%** **10.0%**, primarily from continued technology-related investments, the acquired Union expense base and the impact of the inflationary macroeconomic environment.

Amortization of intangibles increased \$4.9 million, or 47.3%, primarily related to the Union core deposit intangible investments.

Outside services increased **\$7.4 million** **\$3.5 million**, or **13.9%** **18.0%**, with higher volume-related technology and third-party costs, including the impact of the inflationary macroeconomic environment costs.

Marketing expense of **\$13.1 million** **\$5.4 million** increased **\$2.0 million** **\$1.7 million**, or **17.9%** **46.7%**, primarily due to the timing of digital marketing campaigns which helped drive deposit growth and acquire additional households.

FDIC insurance increased **\$8.0 million** **\$5.5 million**, or **53.1%** **77.9%**, primarily due to a \$4.4 million estimated special assessment to further replenish the previously announced FDIC's Deposit Insurance Fund associated with protecting uninsured depositors following the failed banks in early 2023 based on updated loss information provided by the FDIC, assessment rate increase which was effective in the first quarter of 2023 as well as loan growth and balance sheet mix changes.

We recorded \$2.2 million in merger-related costs in Other non-interest expense was \$15.1 million and \$18.7 million for the first nine three months of 2024 and 2023, related respectively. The first three months of 2024 included a \$2.6 million reduction to the Union acquisition completed in December 2022, compared to \$32.8 million in previously estimated loss on the first nine months of 2022 related to the Howard acquisition completed in January 2022 and the Union acquisition completed in December 2022, indirect auto loan sale.

The following table presents non-interest expense excluding significant items impacting earnings:

TABLE 189

		Nine Months Ended									
		September 30,				\$	%				
		Three Months Ended								Three Months Ended	
		March 31,								March 31,	
(dollars in thousands)	(dollars in thousands)	2023	2022	Change	Change	(dollars in thousands)				2024	2023
Total non-interest expense, as reported	Total non-interest expense, as reported	\$649,870	\$615,257	\$34,613	5.6 %	Total non-interest expense, as reported	\$237,096	\$219,917	\$	17,179	7.8 %
Significant items:	Significant items:										
Branch consolidations	Branch consolidations	—	(4,178)	4,178							
Branch consolidations	Branch consolidations										
Merger-related	Merger-related	(2,215)	(32,761)	30,546							
Merger-related	Merger-related										
FDIC special assessment	FDIC special assessment										
Reduction in previously estimated loss on indirect auto loan sale	Reduction in previously estimated loss on indirect auto loan sale										
Reduction in previously estimated loss on indirect auto loan sale	Reduction in previously estimated loss on indirect auto loan sale										

Total non-interest expense, excluding significant items ⁽¹⁾	Total non-interest expense, excluding significant items ⁽¹⁾	\$647,655	\$578,318	\$69,337	12.0 %
Total non-interest expense, excluding significant items ⁽¹⁾					
Total non-interest expense, excluding significant items ⁽¹⁾		\$234,097	\$217,865	\$ 16,232	7.5 %

(1) Non-GAAP

Income Taxes

The following table presents information regarding income tax expense and certain tax rates:

TABLE 19.10

	Nine Months Ended September 30,		Three Months Ended March 31,		2023	
	(dollars in thousands)	2023	2022	(dollars in thousands)		
Income tax expense	Income tax expense	\$91,169	\$77,367			
Effective tax rate	Effective tax rate	17.4 %	20.5 %	Effective tax rate	21.5 %	
Statutory federal tax rate	Statutory federal tax rate	21.0	21.0		19.5 %	

Income tax expense was higher lower in 2023 the first quarter of 2024 due to higher lower pre-tax earnings, as we had merger-related expense from the Union and Howard acquisitions in 2022. However, the earnings. The higher effective tax rate was lower in 2023 primarily due compared to renewable energy investment tax credits recognized in the third first quarter of 2023 as part was driven by lower stock compensation vesting deductions and higher levels of a solar project financing transaction. proportional amortization for certain tax credit investments resulting from the adoption of FASB ASU 2023-02.

FINANCIAL CONDITION

The following table presents our condensed Consolidated Balance Sheets:

TABLE 20.11

	September December				March 31, 2024	December			
	30, 2023	31, 2022	\$ Change	% Change		31, 2023	\$ Change	% Change	
(dollars in millions)	(dollars in millions)				(dollars in millions)				
Assets	Assets								
Cash and cash equivalents									
Cash and cash equivalents									
Cash and cash equivalents	Cash and cash equivalents	\$ 1,637	\$ 1,674	\$ (37) (2.2)%	\$ 1,487	\$ 1,576	\$ (89) (5.6)%		
Securities	Securities	7,067	7,362	(295) (4.0)					
Loans held for sale	Loans held for sale	110	124	(14) (11.3)					
Loans and leases, net	Loans and leases, net	31,750	29,853	1,897 6.4					

Goodwill and other intangibles	Goodwill and other intangibles	2,551	2,566	(15)	(0.6)
Other assets	Other assets	2,381	2,146	235	11.0
Total Assets	Total Assets	\$ 45,496	\$ 43,725	\$ 1,771	4.1 %
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity				
Deposits	Deposits	\$ 34,615	\$ 34,770	\$ (155)	(0.4)%
Deposits					
Deposits				\$34,735	\$ 34,711
Borrowings	Borrowings	4,034	2,465	1,569	63.7
Other liabilities	Other liabilities	953	837	116	13.9
Total Liabilities	Total Liabilities	39,602	38,072	1,530	4.0
Stockholders' Equity	Stockholders' Equity	5,894	5,653	241	4.3
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity				
				\$45,896	\$ 46,158
				\$ (262)	(0.6)
					(0.6)%

Lending Activity

The loan and lease portfolio consists principally of loans and leases to individuals and small- and medium-sized businesses within our primary markets in seven states and the District of Columbia. Our market coverage spans several major metropolitan areas including: Pittsburgh, Pennsylvania; Baltimore, Maryland; Cleveland, Ohio; Washington, D.C.; Charlotte, Raleigh, Durham and the Piedmont Triad (Winston-Salem, Greensboro and High Point) in North Carolina; and Charleston, South Carolina. Loans held for sale declined \$381 million, or 78.1%, from December 31, 2023 due primarily to the sale of \$332 million of indirect auto loans that closed in the first quarter of 2024.

Following is a summary of loans and leases:

TABLE 21.12

		September		December			
		30, 2023	31, 2022	\$ Change	% Change		
March 31, 2024						March 31, 2024	
(in millions)	(in millions)						
Commercial real estate							
Commercial real estate	Commercial real estate	\$ 11,962	\$ 11,526	\$ 436	3.8 %	\$ 12,447	\$ 12,305
Commercial and industrial	Commercial and industrial	7,462	7,131	331	4.6		
Commercial leases	Commercial leases	562	519	43	8.3		
Other	Other	160	114	46	40.4		
Total commercial loans and leases	Total commercial loans and leases	20,146	19,290	856	4.4		
Direct installment	Direct installment	2,754	2,784	(30)	(1.1)		
Residential mortgages	Residential mortgages	6,434	5,297	1,137	21.5		

Indirect installment	Indirect installment	1,519	1,553	(34)	(2.2)
Consumer lines of credit	Consumer lines of credit	1,298	1,331	(33)	(2.5)
Total consumer loans	Total consumer loans	12,005	10,965	1,040	9.5
Total loans and leases	Total loans and leases	\$ 32,151	\$ 30,255	\$ 1,896	6.3 %
				Total loans and leases	\$ 32,584

The organic quarterly growth in commercial loans and industrial growth leases was led by activity in the Pittsburgh, Raleigh, South Carolina and Cleveland and North Carolina markets while the growth in markets. For consumer lending, average residential mortgages reflected increased \$216.2 million, driven by growth in adjustable-rate mortgages retained on the balance sheet and the continued success of our Physicians First mortgage program. Our commercial real estate portfolio included \$8.5 billion \$8.8 billion of non-owner occupied loans of which 21.9% 21.2% represented office space. Our top 25 non-owner occupied commercial real estate loans averaged approximately \$30 million \$31 million per exposure although the office space was primarily made up of mid-sized offices located outside of metropolitan business districts with 40% 39% of the office portfolio averaging less than \$5 million per exposure.

Non-Performing Assets

Following is a summary of non-performing assets:

TABLE 22.13

(in millions)	Commercial real estate	September December				Commercial real estate	\$	March 31, 2024	December 31, 2023	\$	%	
		30, 2023	31, 2022	\$	%							
Commercial real estate	Commercial real estate	\$ 44	\$ 39	\$ 5	12.8 %	Commercial real estate	\$	\$ 38	\$ \$	42	\$ \$	(9.5) %
Commercial and industrial	Commercial and industrial	44	44	—	—							
Commercial leases	Commercial leases	1	1	—	—							
Other												
Total commercial loans and leases	Total commercial loans and leases	89	84	5	6.0							
Direct installment	Direct installment	6	7	(1)	(14.3)							
Residential mortgages	Residential mortgages	10	14	(4)	(28.6)							
Indirect installment	Indirect installment	2	1	1	100.0							
Consumer lines of credit	Consumer lines of credit	6	7	(1)	(14.3)							
Total consumer loans	Total consumer loans	24	29	(5)	(17.2)							
Total non-performing loans and leases	Total non-performing loans and leases	113	113	—	—							
Other real estate owned	Other real estate owned	3	6	(3)	(50.0)							
Non-performing assets		\$ 116	\$ 119	\$ (3)	(2.5)%							

Total non-performing assets	Total non-performing assets	\$ 108	\$ 110	\$ (2)	(1.8)	%
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Non-performing assets decreased \$3.0 million \$2.5 million, from \$119.5 million \$110.0 million at December 31, 2022 December 31, 2023 to \$116.5 million \$107.5 million at September 30, 2023 March 31, 2024 and remain at or near historically low levels.

Allowance for Credit Losses on Loans and Leases

The CECL model takes into consideration the expected credit losses over the life of the loan at the time the loan is originated. The model used to calculate the ACL is dependent on the portfolio composition and credit quality, as well as historical experience, current conditions and forecasts of economic conditions and interest rates. Specifically, the following considerations are incorporated into the ACL calculation:

- a third-party macroeconomic forecast scenario;
- a 24-month R&S forecast period for macroeconomic factors with a reversion to the historical mean on a straight-line basis over a 12-month period; and
- the historical through-the-cycle default mean calculated using an expanded period to include a prior recessionary period.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we utilized a third-party consensus macroeconomic forecast reflecting the current and projected macroeconomic environment. For our ACL calculation at September 30, 2023 March 31, 2024, the macroeconomic variables that we utilized included, but were not limited to: (i) the purchase only Housing Price Index, which increases 0.5% 7.4% over our R&S forecast period, (ii) a Commercial Real Estate Price Index, which declines 3.9% increases 3.6% over our R&S forecast period, (iii) S&P Volatility, which decreases 35.0% in 2023 and 14.5% increases 19.6% in 2024 and decreases 3.5% in 2025 and (iv) personal and business bankruptcies, which increase steadily over the R&S forecast period but average below historical through-the-cycle period. Macroeconomic variables that we utilized for our ACL calculation as of December 31, 2022 December 31, 2023 included, but were not limited to: (i) the purchase only Housing Price Index, which declines 3.7% increases 5.3% over our R&S forecast period, (ii) a Commercial Real Estate Price Index, which declines 0.9% increases 0.1% over our R&S forecast period, (iii) S&P Volatility, which decreases 41.0% 4.0% in 2023 2024 and 8.1% 2.9% in 2024 2025 and (iv) bankruptcies, which increase steadily over the R&S forecast period but average below historical levels, through the cycle period.

Following is a summary of certain data related to the ACL and loans and leases:

TABLE 23.14

	Net Loan Charge-Offs to Average			ACL at		
	Net Loan Charge-Offs	Offs to Average	Loans			
	Charge-Offs	Loans	ACL at			
	Nine Months Ended					
	September 30, 2023	Nine Months Ended September 30, 2023	September 30, 2022	September 30, 2023		
	2023	2022	2023	2023		
Net Loan Charge-Offs						
Three Months Ended						
March 31,						
2024		2024	2023	2024		
(dollars in millions)		(dollars in millions)				
Commercial real estate						
Commercial real estate						
Commercial real estate	Commercial real estate	\$ 5.7	\$ 0.3	0.03 %		
		—	—	— %		
		\$ 155.0				
Commercial and industrial	Commercial and industrial	45.5	0.2	0.20		
		—	—	—		
		95.6				
Commercial leases	Commercial leases	—	0.1	—		
		—	—	—		
		18.1				
Other commercial	Other commercial	2.6	1.5	0.01		
		—	0.01	0.01		
		4.2				
Direct installment	Direct installment	—	(0.1)	—		
		—	—	—		
		34.7				
Residential mortgages	Residential mortgages	0.4	0.1	—		
		—	—	—		
		67.4				

Indirect installment	Indirect installment	5.3	2.4	0.02	0.01	16.1
Consumer lines of credit	Consumer lines of credit	0.1	(0.2)	—	—	9.5
Total net loan charge-offs on loans and leases, net loan charge-offs (annualized)/average loans	Total net loan charge-offs on loans and leases, net loan charge-offs (annualized)/average loans	\$59.6	\$4.3	0.26 %	0.02 %	\$ 400.6
Allowance for credit losses/total loans and leases	Allowance for credit losses/total loans and leases			1.25 %	1.34 %	
Allowance for credit losses/non-performing loans	Allowance for credit losses/non-performing loans			353.73 %	439.94 %	
Allowance for credit losses/non-performing loans	Allowance for credit losses/non-performing loans					
Allowance for credit losses/non-performing loans	Allowance for credit losses/non-performing loans					

The ACL on loans and leases of \$400.6 million at September 30, 2023 decreased \$1.1 million March 31, 2024 increased \$0.7 million, or 0.3% 0.2%, from December 31, 2022 December 31, 2023. Our ending ACL coverage ratio at September 30, 2023 both March 31, 2024 and December 31, 2023 was 1.25%, compared to 1.33% at December 31, 2022. Total provision for credit losses for the nine three months ended September 30, 2023 March 31, 2024 was \$58.5 million \$13.9 million, compared to \$35.6 million \$14.1 million for the same period in 2022 with the year-ago period reflecting \$19.1 million of initial provision for non-PCD loans associated with the Howard acquisition. The year-over-year increase was driven primarily by loan growth and provision plus \$31.9 million for the previously disclosed commercial loan downgraded to non-performing status in the second quarter of 2023 and fully charged-off during the third quarter of 2023 due to alleged fraud. 2023. Net charge-offs were \$59.6 million \$12.8 million for the nine three months ended September 30, 2023 March 31, 2024, compared to \$4.3 million \$13.2 million for the first nine three months of 2022. Excluding the previously mentioned commercial charge-off, net charge-offs would have been \$27.7 million, or 0.12% annualized of total average loans (non-GAAP), remaining at historically low levels. 2023. The ACL as a percentage of non-performing loans for the total portfolio was stable at 354% 389% as of September 30, 2023 March 31, 2024, compared to 354% 378% as of December 31, 2022 December 31, 2023.

Deposits

Our primary source of funds is deposits. Our diversified and granular deposit base are provided by business, consumer and municipal customers who we serve within our footprint.

Following is a summary of deposits:

TABLE 24.15

(in millions)	(in millions)	September				December				(in millions)	\$	%	
		30, 2023	31, 2022	\$ Change	% Change	March 31, 2024	December 31, 2023	\$ Change	% Change				
Non-interest-bearing demand	Non-interest-bearing demand	\$ 10,704	\$ 11,916	\$ (1,212)	(10.2)%	Non-interest-bearing demand	\$ 9,982	\$ \$	10,222	\$ \$	(240)	(2.3)	(2.3) %
Interest-bearing demand	Interest-bearing demand	14,530	15,100	(570)	(3.8)								
Savings	Savings	3,588	4,142	(554)	(13.4)								
Certificates and other time deposits	Certificates and other time deposits	5,793	3,612	2,181	60.4								
Total deposits	Total deposits	\$ 34,615	\$ 34,770	\$ (155)	(0.4)%	Total deposits	\$ 34,735	\$ \$	34,711	\$ \$	24	0.1	0.1 %

Total deposits decreased \$154.4 million increased \$24.5 million, or 0.4% 0.1%, from December 31, 2022 December 31, 2023, primarily due even with the seasonal outflows during the current quarter, however we continued to the banking industry disruption in March 2023 and inflationary pressures on customers. Compared to June 30, 2023, period-end total deposits increased \$790.6

million, or 2.3% experience balance migration into higher-yielding deposit products. We ended the quarter with approximately 78% of all deposits insured by the FDIC or collateralized. Additionally, customer preferences have continued to shift to higher-yielding deposit products as interest rates increased.

Capital Resources and Regulatory Matters

The Our capital position depends in part on the access to, and cost of, funding for new business initiatives, the ability to engage in expanded business activities, the ability to pay dividends and the level and nature of regulatory oversight depend, in part, on our capital position. oversight.

The assessment of capital adequacy depends on a number of factors such as expected organic growth in the Consolidated Balance Sheet, asset quality, liquidity, earnings performance and sustainability, changing competitive conditions, regulatory changes or actions, and economic forces. We seek to maintain a strong capital base to support our growth and expansion activities, to provide stability to current operations and to promote public confidence.

We have an effective shelf registration statement filed with the SEC. Pursuant to this registration statement, we may, from time to time, issue and sell in one or more offerings any combination of common stock, preferred stock, debt securities, depositary shares, warrants, stock purchase contracts or units. On August 25, 2022, we completed an offering of \$350 million of 5.150% fixed-rate senior notes due in 2025 under this registration statement. The net proceeds of the debt offering after deducting underwriting discounts and commissions and offering expenses were \$347.4 million. We used the net proceeds from the sale of the notes for general corporate purposes, including repayment of the \$300 million in 2.200% senior notes that matured in February 2023, investments at the holding company level, capital to support the growth of FNBPA and refinancing of outstanding indebtedness.

On April 18, 2022, we announced that our Board of Directors approved an additional \$150 million for the repurchase Since inception of our common \$300 million stock through our existing share repurchase purchase program, bringing the total authorization to \$300 million. Since inception, we repurchased 14.1 million shares at a weighted average share price of \$11.39 for \$160.9 million under this repurchase program, with \$139.1 million remaining for repurchase. The Any repurchases will be made from time to time on the open market at prevailing market prices or in privately negotiated transactions. The purchases will be funded from available working capital. There is no guarantee as to the exact number of shares that will be repurchased and we may discontinue purchases at any time. The Inflation Reduction Act of 2022 includes a 1% excise tax on stock repurchases beginning January 1, 2023.

On February 15, 2024, we redeemed all our Series E, 7.25% Fixed Rate / Floating Rate Non-Cumulative Perpetual Preferred Stock in the amount of \$111 million. The preferred stock is no longer outstanding and dividends will no longer accrue on such securities.

Capital management is a continuous process, with capital plans and stress testing for FNB and FNBPA updated at least annually. These capital plans include assessing the adequacy of expected capital levels assuming various scenarios by projecting capital needs for a forecast period of 2-3 years beyond the current year. From time to time, we issue shares initially acquired by us as treasury stock under our various benefit plans. We may issue additional preferred or common stock to maintain our well-capitalized status.

FNB and FNBPA are subject to various regulatory capital requirements administered by the federal banking agencies (see discussion under "Enhanced Regulatory Capital Standards"). agencies. Quantitative measures established by regulators to ensure capital adequacy require FNB and FNBPA to maintain minimum amounts and ratios of total, tier 1 and CET1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of leverage ratio (as defined). Failure to meet minimum capital requirements could lead to initiation of certain mandatory, and possibly additional discretionary actions, by regulators that, if undertaken, could have a direct material effect on our Consolidated Financial Statements, dividends and future business and corporate strategies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, FNB 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. FNB's and FNBPA's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

At September 30, 2023 March 31, 2024, the capital levels of both FNB and FNBPA exceeded all regulatory capital requirements and their regulatory capital ratios were above the minimum levels required to be considered "well-capitalized" for regulatory purposes.

In December 2018, the FRB and other U.S. banking agencies approved a rule to address the impact of CECL on regulatory capital by allowing bank holding companies (BHCs) and banks, including FNB, the option to phase in the day-one impact of CECL over a three-year period. In March 2020, the FRB and other U.S. banking agencies issued a final rule that became effective on March 31, 2020, and provides BHCs and banks with an alternative option to temporarily delay the impact of CECL, relative to the incurred loss methodology for the ACL, on regulatory capital. We have elected this alternative option instead of the one described in the December 2018 rule. As a result, under the final rule, we delayed recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we were required to phase in 25% of the previously deferred capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025.

Under the final rule, the estimated impact of CECL on regulatory capital that we will defer and later phase in is calculated as the entire day-one impact at adoption plus 25% of the subsequent change in the ACL during the two-year deferral period. As of September 30, 2023 March 31, 2024, the total deferred impact on CET1 capital related to our adoption of CECL was approximately \$34.4 million \$17.2 million, or 105 basis points, which will continue to be reduced by approximately \$17.2 million annually. eliminated in 2025.

In this unprecedented economic and uncertain environment, we frequently run stress tests for a variety of economic situations, including severely adverse scenarios that have economic conditions like the current conditions. Under these scenarios, the results of these stress tests indicate that our regulatory capital ratios would remain above the regulatory requirements and we would be able to maintain appropriate liquidity levels, demonstrating our expected ability to continue to support our constituencies customers and communities under stressful financial conditions.

Following are the capital amounts and related ratios for FNB and FNBPA:

TABLE 25.16

(dollars in millions)	(dollars in millions)	Minimum Capital Requirements plus Capital Conservation Buffer						Well-Capitalized Requirements (1)						Well-Capitalized Requirements (1)						Well-Capitalized Requirements plus Capital Conservation Buffer									
		Actual		Well-Capitalized Requirements (1)		Conservation Buffer		Actual		Well-Capitalized Requirements (1)		Actual		Well-Capitalized Requirements (1)		Actual		Well-Capitalized Requirements (1)		Actual		Well-Capitalized Requirements (1)							
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio						
As of September 30, 2023																													
As of March 31, 2024																													
F.N.B. Corporation																													
F.N.B. Corporation																													
Total capital																													
Total capital																													
Total capital	Total capital	\$4,461	12.38 %	\$3,605	10.00 %	\$3,785	10.50 %	\$ 4,413	12.03	12.03 %	\$3,668	10.00	10.00 %	\$							3,852	10.50	10.50 %						
Tier 1 capital	Tier 1 capital	3,773	10.47	2,163	6.00	3,064	8.50																						
Common equity tier 1	Common equity tier 1	3,667	10.17	n/a	n/a	2,523	7.00																						
Leverage	Leverage	3,773	8.77	n/a	n/a	1,720	4.00																						
Risk-weighted assets	Risk-weighted assets	36,050																											
FNBPA	FNBPA																												
FNBPA																													
Total capital																													
Total capital																													
Total capital	Total capital	\$4,563	12.70 %	\$3,592	10.00 %	\$3,772	10.50 %	\$ 4,619	12.66	12.66 %	\$3,649	10.00	10.00 %	\$								3,831	10.50	10.50 %					
Tier 1 capital	Tier 1 capital	3,857	10.74	2,874	8.00	3,053	8.50																						
Common equity tier 1	Common equity tier 1	3,777	10.52	2,335	6.50	2,514	7.00																						
Leverage	Leverage	3,857	8.99	2,146	5.00	1,717	4.00																						
Risk-weighted assets	Risk-weighted assets	35,919																											
As of December 31, 2022																													
As of December 31, 2023																													
As of December 31, 2023																													
As of December 31, 2023																													
F.N.B. Corporation																													
F.N.B. Corporation																													
Total capital																													
Total capital																													
Total capital	Total capital	\$4,563	12.70 %	\$3,592	10.00 %	\$3,772	10.50 %	\$ 4,619	12.66	12.66 %	\$3,649	10.00	10.00 %	\$															
Tier 1 capital	Tier 1 capital	3,857	10.74	2,874	8.00	3,053	8.50																						
Common equity tier 1	Common equity tier 1	3,777	10.52	2,335	6.50	2,514	7.00																						
Leverage	Leverage	3,857	8.99	2,146	5.00	1,717	4.00																						
Risk-weighted assets	Risk-weighted assets	35,919																											
FNBPA	FNBPA																												
FNBPA																													
Total capital																													
Total capital																													
Total capital	Total capital	\$4,563	12.70 %	\$3,592	10.00 %	\$3,772	10.50 %	\$ 4,619	12.66	12.66 %	\$3,649	10.00	10.00 %	\$															
Tier 1 capital	Tier 1 capital	3,857	10.74	2,874	8.00	3,053	8.50																						
Common equity tier 1	Common equity tier 1	3,777	10.52	2,335	6.50	2,514	7.00																						
Leverage	Leverage	3,857	8.99	2,146	5.00	1,717	4.00																						
Risk-weighted assets	Risk-weighted assets	35,919																											

Total capital	Total capital	\$4,183	12.06 %	\$3,467	10.00 %	\$3,640	10.50 %	\$ 4,456	12.16	12.16 %	\$ 3,664	10.00	10.00 %	\$ 3,847	10.50	10.50 %
Tier 1 capital	Tier 1 capital	3,511	10.13	2,080	6.00	2,947	8.50									
Common equity tier 1	Common equity tier 1	3,405	9.82	n/a	n/a	2,427	7.00									
Leverage	Leverage	3,511	8.64	n/a	n/a	1,626	4.00									
Risk-weighted assets	Risk-weighted assets			34,671												
FNBPA	FNBPA															
FNBPA	FNBPA															
Total capital																
Total capital																
Total capital	Total capital	\$4,327	12.51 %	\$3,459	10.00 %	\$3,632	10.50 %	\$ 4,559	12.50	12.50 %	\$ 3,647	10.00	10.00 %	\$ 3,829	10.50	10.50 %
Tier 1 capital	Tier 1 capital	3,640	10.52	2,767	8.00	2,940	8.50									
Common equity tier 1	Common equity tier 1	3,560	10.29	2,248	6.50	2,421	7.00									
Leverage	Leverage	3,640	8.97	2,029	5.00	1,623	4.00									
Risk-weighted assets	Risk-weighted assets			34,589												

(1) Reflects the well-capitalized standard under Regulation Y for F.N.B. Corporation and the prompt corrective action framework for FNBPA.

In accordance with Basel III Capital Rules, the minimum capital requirements plus capital conservation buffer, which are presented for each period above, represent the minimum requirements needed to avoid limitations on distributions of dividends and certain discretionary bonus payments.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)

The Dodd-Frank Act broadly affects the financial services industry by establishing a framework for systemic risk oversight, creating a resolution authority for institutions determined to be systemically important, mandating higher capital and liquidity requirements, requiring banks to pay increased fees to regulatory agencies and containing numerous other provisions aimed at strengthening the sound operation of the financial services sector that significantly change the system of regulatory oversight as described in more detail under Part I, Item 1, "Business - Government Supervision and Regulation" included in our [2022 2023 Annual Report on Form 10-K](#) as filed with the SEC on [February 24, 2023](#) [February 26, 2024](#).

LIQUIDITY

Our primary liquidity management goal is to satisfy the cash flow requirements of customers and the operating cash needs of FNB with cost-effective funding. Our Board of Directors has established an Asset/Liability Management Policy to guide management in achieving and maintaining earnings performance consistent with long-term goals, while maintaining acceptable levels of interest rate risk, a "well-capitalized" Balance Sheet and appropriate levels of liquidity. Our Board of Directors has also established Liquidity and Contingency Funding Policies to guide management in addressing the ability to identify, measure, monitor and control both normal and stressed liquidity conditions. These policies designate our ALCO as the body responsible for meeting these objectives. The ALCO, which is comprised of members of executive management, reviews liquidity on a continuous basis and approves significant changes in strategies that affect Balance Sheet or cash flow positions. Liquidity is centrally managed daily by our Treasury Department.

Parent Company 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. Liquidity sources from liabilities are generated primarily through the banking offices of FNBPA in the form of deposits and customer repurchase agreements. FNB also has access to reliable and cost-effective wholesale sources of liquidity. Short- and long-term funds are available for use to help fund normal business operations, and unused credit availability can be utilized to serve as contingency funding if faced with a liquidity crisis.

Management has utilized various strategies to ensure sufficient cash on hand is available to meet the parent's funding needs. The principal sources of the parent company's liquidity are its strong existing cash resources plus funding requirements primarily consist of shareholder dividends, debt service, income taxes, operating expenses, funding of non-bank subsidiaries, and stock repurchases. The parent company's funding sources primarily consist of dividends and interest it receives received from its subsidiaries. These the Bank and other direct subsidiaries, net taxes collected from subsidiaries included in the consolidated tax returns, fees for services provided to subsidiaries and the issuance of debt instruments. The dividends received from the Bank and other direct subsidiaries may be impacted by the parent's or its subsidiaries' capital and liquidity needs, statutory laws and regulations, corporate policies, contractual restrictions, profitability and other factors. In addition, through one of our subsidiaries, we regularly issue subordinated notes, which are guaranteed by FNB.

Management utilizes various strategies to ensure sufficient cash on hand is available to meet the parent company's funding needs. During the third quarter of 2022, we completed a Senior Debt offering for \$347.7 million in net proceeds. A portion of these proceeds ~~were~~ was used to retire debt maturing that matured in February 2023 (for additional information,

see Note 10, 9, "Borrowings" in the Notes to the Consolidated Financial Statements in this Report). The parent company's cash position at **September 30, 2023** **March 31, 2024** was **\$349.0 million** **\$268.3 million**, down **\$305.3 million** **\$107.1 million** from year-end, primarily due to the **repayment** **redemption** of **\$300 million** in Senior Notes maturing in February 2023. Additionally, in May, we purchased and retired **\$15 million** par value all **\$111 million** of our Series E, 7.25% Fixed Rate / Floating Rate Non-Cumulative Perpetual Preferred Stock. The Board of Directors declared the redemption of the 7.625% Subordinated Notes due August 12, 2023, preferred stock given its higher relative cost of capital and our strong capital position with the regulatory CET1 ratio and Total Capital ratios at 10.2% and 12.0%, respectively, at March 31, 2024 with the Total Capital ratio reflecting the preferred stock redemption.

Two metrics that are used to gauge the adequacy of the parent company's cash position are the Liquidity Coverage Ratio (LCR) and Months of Cash on Hand (MCH). The LCR is defined as the sum of cash on hand plus projected cash inflows over the next 12 months divided by projected cash outflows over the next 12 months. The MCH is defined as the number of months of corporate expenses and dividends that can be covered by the existing cash on hand.

The LCR and MCH ratios and Parent company cash on hand are presented in the following table:

TABLE 26.17

		September December		Internal Limit
	30, 2023	31, 2022		
March 31, 2024				March 31, 2024
Liquidity coverage ratio	2.8 times	1.7 times	> 1 time	Liquidity coverage ratio
Months of cash on hand	17.2 months	13.6 months	> 12 months	Months of cash on hand
Parent company cash on hand (millions)	\$ 349.0	\$ 654.3	n/a	Parent company cash on hand (millions)
				\$ 268.3
				\$ 375.4
				n/a
				n/a

Management has concluded that our cash levels remain appropriate given the current market environment.

Bank Liquidity

Bank-level 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. Liquidity sources from liabilities are generated primarily through the banking offices of FNBPA in the form of deposits and customer repurchase agreements. The Bank also has access to reliable and cost-effective wholesale sources of liquidity. Short- and long-term funds are available for use to help fund normal business operations, and unused credit availability can be utilized to serve as contingency funding if faced with a liquidity crisis.

Over time, our liquidity position has been positively impacted by our FNBPA's ability to generate growth in relationship-based accounts. Organic growth in low-cost transaction deposits was complemented by management's continued strategy of deposit gathering efforts focused on attracting new customer relationships across our geographic footprint and deepening relationships with existing customers, in part through internal lead generation efforts leveraging data analytics capabilities. Consistent with industry trends, we have experienced a shift in deposits from non-interest-bearing deposits and checking into certificates of deposit (CDs). The March 2023 banking disruption caused an acceleration of this shift. We ended the quarter with At March 31, 2024 approximately 78% of our deposits were insured by the FDIC or collateralized, an improvement from approximately 74% at December 31, 2022 stable with December 31, 2023. Non-interest-bearing demand deposit accounts decreased \$1.2 billion \$240.4 million, compared to December 31, 2022 December 31, 2023. Interest-bearing demand deposits decreased \$568.8 million \$129.8 million and savings account balances decreased \$554.2 million \$75.4 million, while time deposits increased \$2.2 billion \$470.0 million, compared to December 31, 2022 December 31, 2023, as customers' preferences have shifted customers continue to CDs as interest rates have increased substantially. migrate deposits into higher-yielding deposit products. The mix of non-interest-bearing deposits to total deposits remained stable with the prior quarter at 29%. Our cash balances held at the FRB increased \$93.4 million from December 31, 2022 to \$1.2 billion were \$1.1 billion at September 30, 2023 both March 31, 2024 and December 31, 2023. Management will continue to evaluate appropriate levels of liquidity based on expected loan and deposit growth and other balance sheet activity.

The following table presents certain information relating to FNBPA's credit availability and salable unpledged securities:

TABLE 18

(dollars in millions)	March 31, 2024		December 31, 2023	
	\$	16,176	\$	15,899
Unused wholesale credit availability				
Unused wholesale credit availability as a % of FNBPA assets		35.4 %		34.6 %

Salable unpledged government and agency securities	\$ 918	\$ 657
Salable unpledged government and agency securities as a % of FNBPA assets	2.0 %	1.4 %
Cash and salable unpledged government and agency securities as a % of FNBPA assets	4.4 %	3.8 %

Our bank-level liquidity position was strong throughout the first quarter of 2024. Our contingency funding policy and periodic liquidity stress testing of multiple stress scenarios is particularly valuable as we successfully manage our liquidity. We continue to have ample unused borrowing capacity that could cover 1.9 2.0 times of the uninsured deposit and non-collateralized deposit balances as of **September 30, 2023** **March 31, 2024**. A portion of this capacity includes the FRB's Discount Window and their BTFP Window. We have no borrowings under either this facility. Additional sources of unused wholesale credit availability for FNBPA include the ability to borrow from the FHLB, correspondent bank lines, and access to other channels. In addition to credit availability, FNBPA also possesses salable unpledged government and agency securities that could be utilized to meet funding needs. We currently have needs and has excess cash to meet our its pledging requirements. At **September 30, 2023** **March 31, 2024**, we have \$1.9 billion FNBPA has \$2.0 billion of cash and salable unpledged government and agency securities representing 4.2% 4.4% of total assets. This compares to a policy minimum of 3.0%.

The following table presents certain information relating to FNBPA's credit availability and salable unpledged securities:

TABLE 27

(dollars in millions)	September 30, 2023		December 31, 2022	
	\$	15,615	\$	15,669
Unused wholesale credit availability				
Unused wholesale credit availability as a % of FNBPA assets		34.4 %		35.9 %
Salable unpledged government and agency securities	\$	701	\$	592
Salable unpledged government and agency securities as a % of FNBPA assets		1.5 %		1.4 %
Cash and salable unpledged government and agency securities as a % of FNBPA assets		4.2 %		3.9 %

Another metric for measuring liquidity risk is the liquidity gap analysis. The following liquidity gap analysis as of **September 30, 2023** **March 31, 2024** compares the difference between our cash flows from existing earning assets and interest-bearing liabilities over future time intervals. Management calculates this ratio at least quarterly and it is reviewed regularly by ALCO. Management monitors the size of the liquidity gaps so that sources and uses of funds are reasonably matched in the normal course of business and in relation to implied forward rate expectations. A reasonably matched position lays a better foundation for dealing with additional funding needs during a potential liquidity crisis. A positive gap position means that more assets are expected to mature over the next 12 months than liabilities. The allocation of non-maturity deposits and customer repurchase agreements to the twelve-month categories is based on the estimated lives of each product.

TABLE 19

(dollars in millions)	Within	2-3	4-6	7-12	Total
	1 Month	Months	Months	Months	1 Year
Assets					
Loans	\$ 890	\$ 1,610	\$ 1,852	\$ 3,408	\$ 7,760
Investments	1,230	147	215	456	2,048
	2,120	1,757	2,067	3,864	9,808
Liabilities					
Non-maturity deposits	293	585	878	1,756	3,512
Time deposits	965	1,255	1,799	2,038	6,057
Borrowings	1,377	214	219	787	2,597
	2,635	2,054	2,896	4,581	12,166
Period Gap (Assets - Liabilities)	\$ (515)	\$ (297)	\$ (829)	\$ (717)	\$ (2,358)
Cumulative Gap	\$ (515)	\$ (812)	\$ (1,641)	\$ (2,358)	
Cumulative Gap to Total Assets	(1.1)%	(1.8)%	(3.6)%	(5.1)%	

The twelve-month cumulative gap to total assets ratio was (1.7) (5.1)% as of **September 30, 2023** **March 31, 2024**, compared to 3.8% (2.6)% as of **December 31, 2022** **December 31, 2023**. The change in the twelve-month cumulative gap to total assets was primarily related to the active management of deposit pricing across the deposit product maturity tenors which reduced our asset sensitivity. Management calculates this ratio at least quarterly and it is reviewed regularly by ALCO.

TABLE 28

(dollars in millions)	Within	2-3	4-6	7-12	Total
	1 Month	Months	Months	Months	1 Year

Assets								
Loans	\$ 774	\$ 1,553	\$ 1,976	\$ 3,228	\$ 7,531			
Investments	1,318	229	269	513	2,329			
	2,092	1,782	2,245	3,741	9,860			
Liabilities								
Non-maturity deposits	296	592	888	1,776	3,552			
Time deposits	524	965	1,796	1,838	5,123			
Borrowings	1,100	312	117	441	1,970			
	1,920	1,869	2,801	4,055	10,645			
Period Gap (Assets - Liabilities)	\$ 172	\$ (87)	\$ (556)	\$ (314)	\$ (785)			
Cumulative Gap	\$ 172	\$ 85	\$ (471)	\$ (785)				
Cumulative Gap to Total Assets	0.4 %	0.2 %	(1.0)%	(1.7)%				

In addition, the ALCO regularly monitors various liquidity ratios, stress scenarios of our liquidity position and assumptions considering market disruptions, lending demand, deposit behavior, and funding availability. The stress scenarios forecast that adequate funding will be available even under severe conditions. Management believes we have sufficient liquidity available to meet our normal operating and contingency funding cash needs.

MARKET RISK

Market risk refers to potential losses arising predominately from changes in interest rates, foreign exchange rates, equity prices and commodity prices. **Interest rate risk is comprised of repricing risk, basis risk, yield curve risk and options risk.** We are primarily exposed to interest rate risk inherent in our lending and deposit-taking activities as a financial intermediary. To succeed in this capacity, we offer an extensive variety of financial products to meet the diverse needs of our customers. These products sometimes contribute to interest rate risk for us when product groups do not complement one another. For example, depositors may want short-term deposits, while borrowers may desire long-term loans.

Changes in market interest rates may result in changes in the fair value of our financial instruments, cash flows and net interest income. Subject to its ongoing oversight, the Board of Directors has given ALCO the responsibility for market risk management, which involves devising policy guidelines, risk measures and limits, and managing the amount of interest rate risk and its effect on net interest income and capital. We use derivative financial instruments for interest rate risk management purposes and not for trading or speculative purposes.

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 indices, 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, which may be with or without penalty, when rates change, while certain depositors can redeem their certificates of deposit early, which may be with or without penalty, when rates change.

We use an asset/liability model to measure our interest rate risk. Interest rate risk measures we utilize include earnings simulation, 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. In these simulations, our current financial position is combined with assumptions regarding future business activities to calculate net interest income under various hypothetical rate scenarios. The ALCO regularly reviews earnings simulations over multiple years under various interest rate scenarios. Reviewing these various measures provides us with a comprehensive view of our interest rate risk profile, which provides the basis for balance sheet management strategies.

The following repricing gap analysis as of **September 30, 2023** **March 31, 2024** compares the difference between the amount of interest-earning assets and interest-bearing liabilities subject to repricing over a period of time. **Management utilizes the repricing gap analysis as a diagnostic tool in managing net interest income and EVE risk measures.**

TABLE 29

(dollars in millions)	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Assets					
Loans	\$ 14,601	\$ 1,108	\$ 896	\$ 1,507	\$ 18,112
Investments	1,327	236	341	503	2,407
	15,928	1,344	1,237	2,010	20,519
Liabilities					
Non-maturity deposits	7,315	—	—	—	7,315
Time deposits	632	964	1,792	1,832	5,220
Borrowings	1,081	479	6	317	1,883

	9,028	1,443	1,798	2,149	14,418
Off-balance sheet	(1,000)	200	(100)	(200)	(1,100)
Period Gap (Assets – Liabilities + Off-balance sheet)	\$ 5,900	\$ 101	\$ (661)	\$ (339)	\$ 5,001
Cumulative Gap	\$ 5,900	\$ 6,001	\$ 5,340	\$ 5,001	
Cumulative Gap to Earning Assets	14.5 %	14.8 %	13.2 %	12.3 %	

The twelve-month cumulative repricing gap to total assets was 12.3% and 8.4% as of September 30, 2023 and December 31, 2022, respectively. The positive cumulative gap positions indicate that we have a greater amount of repricing earning assets than repricing interest-bearing liabilities over the subsequent twelve months. The change in the cumulative repricing gap at September 30, 2023, compared to December 31, 2022, is primarily related to customers moving into higher yielding deposit products and shorter-term time deposits.

The allocation of non-maturity deposits and customer repurchase agreements to the one-month maturity category **above** **below** 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.

Management utilizes the repricing gap analysis as a diagnostic tool in managing net interest income and EVE risk measures.

TABLE 20

(dollars in millions)	Within 1 Month	2-3 Months	4-6 Months	7-12 Months	Total 1 Year
Assets					
Loans	\$ 15,146	\$ 930	\$ 821	\$ 1,508	\$ 18,405
Investments	1,238	153	278	453	2,122
	16,384	1,083	1,099	1,961	20,527
Liabilities					
Non-maturity deposits	7,955	—	—	—	7,955
Time deposits	1,066	1,253	1,796	2,032	6,147
Borrowings	1,479	527	108	614	2,728
	10,500	1,780	1,904	2,646	16,830
Off-balance sheet	(1,100)	100	(100)	150	(950)
Period Gap (Assets – Liabilities + Off-balance sheet)	\$ 4,784	\$ (597)	\$ (905)	\$ (535)	\$ 2,747
Cumulative Gap	\$ 4,784	\$ 4,187	\$ 3,282	\$ 2,747	
Cumulative Gap to Earning Assets	11.7 %	10.2 %	8.0 %	6.7 %	

The twelve-month cumulative repricing gap to total assets was 6.7% and 10.3% as of March 31, 2024 and December 31, 2023, respectively. The positive cumulative gap positions indicate that we have a greater amount of repricing earning assets than repricing interest-bearing liabilities over the subsequent twelve months. The change in the cumulative repricing gap at March 31, 2024, compared to December 31, 2023, is primarily related to customers moving into shorter-term time deposits.

In addition to the repricing gap analysis above, we model rate scenarios which move all rates gradually over twelve months (Rate Ramps). We also model rate scenarios which move all rates in an immediate and parallel fashion (Rate Shocks) and model scenarios that gradually change the shape of the yield curve. Using a static Balance Sheet structure and utilizing net interest income simulations, the following table presents an analysis of the potential sensitivity of our net interest income metrics were calculated to changes in interest rates using rate shocks which move market rates in an immediate Rate Ramps and parallel fashion. The sensitivity of EVE using Rate Shocks. The variance percentages represent the change between the net interest income and EVE calculated under the particular rate scenario compared to the net interest income and EVE that was calculated assuming market rates as of September 30, 2023 March 31, 2024. The measures calculated results do not reflect management's potential actions.

The following table presents an analysis

TABLE 21

	March 31, 2024	December 31, 2023	ALCO Limits
Net interest income change over 12 months (Rate Ramps):			
+ 300 basis points	5.0 %	5.8 %	n/a
+ 200 basis points	3.4	3.9	(5.0)%
+ 100 basis points	1.7	2.0	(5.0)
- 100 basis points	(1.7)	(2.0)	(5.0)
- 200 basis points	(3.5)	(4.1)	(5.0)

Economic value of equity (Rate Shocks):

+ 300 basis points	4.6	4.6	(25.0)
+ 200 basis points	3.4	3.2	(15.0)
+ 100 basis points	1.9	1.6	(10.0)
- 100 basis points	(2.6)	(2.5)	(10.0)
- 200 basis points	(6.8)	(8.0)	(15.0)

Management continues to be proactive in managing our interest rate risk (IRR) position with the intention to manage to a more neutral position given the current market expectations for future interest rates. During the first quarter of 2024, management adjusted the IRR position by managing cash balances, slightly extending the duration of the potential sensitivity investment securities portfolio, originating adjustable rate mortgage loans with longer-duration fixed periods, strategically meeting our customers' preferences for higher yielding deposit products, in particular, with shorter-term time deposits, and utilizing borrowings of our variable rates and varying maturities. As a result, the net interest income change over 12 months shown above in both the up and EVE down rate ramp scenarios is closer to changes in interest rates using rate shocks.

TABLE 30

	September 30, 2023	December 31, 2022	ALCO Limits
Net interest income change (12 months):			
+ 300 basis points	12.5 %	5.5 %	n/a
+ 200 basis points	8.3	3.3	(5.0)%
+ 100 basis points	4.1	1.1	(5.0)
- 100 basis points	2.3	1.2	(5.0)
- 200 basis points	4.4	0.9	(5.0)
Economic value of equity:			
+ 300 basis points	3.1	(6.8)	(25.0)
+ 200 basis points	2.1	(4.0)	(15.0)
+ 100 basis points	1.0	(1.4)	(10.0)
- 100 basis points	0.6	(2.0)	(10.0)
- 200 basis points	(0.7)	(5.8)	(15.0)

neutral compared to December 31, 2023.

We also model utilize derivatives to manage the IRR position and we continue to make use of interest rate swaps to commercial borrowers (commercial swaps) to manage our IRR position as the commercial swaps effectively increase our level of adjustable-rate loans. Total variable and adjustable-rate loans were 62.7% of total net loans and leases as of March 31, 2024 and 62.2% as of December 31, 2023. As of March 31, 2024, the commercial swaps totaled \$5.6 billion of notional principal, down from \$5.7 billion at December 31, 2023. Furthermore, we regularly sell long-term fixed-rate residential mortgages in the secondary market and have been successful in the origination of consumer and commercial loans with short-term repricing characteristics. For additional information regarding interest rate swaps, see Note 10, "Derivative Instruments and Hedging Activities" in the Notes to the Consolidated Financial Statements in this Report.

In addition to the rate ramp scenarios which move all rates gradually over twelve months (Rate Ramps) and model scenarios that gradually change the shape of the yield curve. The comparative percentages are based on the projected base for net interest income at the respective measurement dates. Assuming a static Balance Sheet, a +100 basis point Rate Ramp increases net changes shown above, we also model immediate interest income (12 months) by 2.0% at September 30, 2023 and 0.5% at December 31, 2022. For a +200 basis point Rate Ramp, net interest income (12 months) increases by 4.2% at September 30, 2023 and 2.0% at December 31, 2022. The corresponding metrics for a minus 100 basis point Rate Ramp are 1.2% and 0.6% at September 30, 2023 and December 31, 2022, respectively. These results use historical long-term deposit rate beta assumptions that are regularly analyzed and adjusted as necessary for both rising and falling rate scenarios. Assuming a static Balance Sheet, a +100 basis point Rate Shock increases net interest income (12 months) by 3.0% at March 31, 2024 and 3.4% at December 31, 2023. For a +200 basis point Rate Shock, net interest income (12 months) increases by 5.8% at March 31, 2024 and 6.7% at December 31, 2023. The corresponding metrics for a minus 100 basis point Rate Shock are (3.1)% and (3.6)% at March 31, 2024 and December 31, 2023, respectively. The drivers of the positive change in net interest income in the down rate shock scenarios include a September 30, 2023 starting point for deposit rates that is higher than comparable historical periods, the recent mix shift into higher beta of deposit products into shorter-term time deposits, the pace of deposit repricing and the increased level of shorter-term borrowings. Management's intention is to manage to assumed betas and loan prepayments. These results reflect a more neutral position given net interest income change over 12 months in both the current market expectations for future rates.

up and down rate shock scenarios compared to December 31, 2023, consistent with the rate ramp results.

The FOMC increased the Federal Funds rate 425 basis points in 2022 and 100 basis points in the first nine seven months of 2023. Forty-seven Forty-eight percent of our net loans and leases reprice within the next three months and are indexed to short-term SOFR, Prime and other indices which benefit from higher rates. Our cash position has also been a significant factor in our asset sensitivity metrics. Projected base net interest income has decreased from year-end as deposit rates have increased faster than asset repricing indices.

There are multiple factors that influence our interest rate risk position and impact net interest income. These include external factors such as the shape of the yield curve, the competitive landscape and expectations regarding future interest rates, as well as internal factors regarding product offerings, product mix and pricing of loans and deposits.

Management continues to be proactive in managing our interest rate risk (IRR) position with the intention to manage to a more neutral position given the current market expectations for future rates. During 2023, management has adjusted the IRR position by managing cash balances, originating higher yielding loans, strategically meeting our customers' preferences for higher yielding deposit products, in particular, shorter-term time deposits, and utilizing borrowings of varying maturities. We also utilize derivatives to manage the IRR position. We continue to make use of interest rate swaps to commercial borrowers (commercial swaps) to manage our IRR position as the commercial swaps effectively increase our level of adjustable-rate loans. Total variable and adjustable-rate loans were 61.0% of total net loans and leases as of September 30, 2023 and 60.2% as of December 31, 2022. As of September 30, 2023, the commercial swaps totaled \$5.6 billion of notional principal, with \$725 million in original notional swap principal originated during the first nine months of 2023, up from \$5.3 billion at December 31, 2022. Furthermore, we regularly sell long-term fixed-rate residential mortgages in the secondary market and have been successful in the origination of consumer and commercial loans with short-term repricing characteristics. For additional information regarding interest rate swaps, see Note 11, "Derivative Instruments and Hedging Activities" in the Notes to the Consolidated Financial Statements in this Report.

We recognize that all asset/liability models have some inherent shortcomings. Asset/liability models require certain assumptions to be made, such as prepayment rates on interest-earning assets and repricing impact on non-maturity deposits, which may differ from actual experience. These business assumptions are based upon our experience, business plans, economic

and market trends and available industry data. While management believes that its methodology for developing such assumptions is reasonable, there can be no assurance that modeled results will be achieved. Furthermore, the metrics are based upon the Balance Sheet structure as of the valuation date and do not reflect the planned growth or management actions that could be taken.

CREDIT RATINGS

Our credit ratings affect the cost and availability of short- and long-term funding and collateral requirements for certain derivative instruments.

Credit ratings are subject to ongoing review by rating agencies, which consider a number of factors, including our financial strength, performance, prospects and operations as well as factors not under our control. Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; current or future regulatory and legislative initiatives; and the agencies' views on whether the U.S. government would provide meaningful support to us or our subsidiaries in a crisis.

Credit rating downgrades or negative watch warnings could negatively impact our reputation with lenders, investors and other third parties, which could also impair our ability to compete in certain markets or engage in certain transactions. In particular, holders of deposits which exceed FDIC insurance limits may perceive such a downgrade or warning negatively and withdraw all or a portion of such deposits.

The following table presents the credit ratings for FNB and FNBPA as of March 31, 2024:

TABLE 22

	Moody's	Standard & Poor's	Kroll
F.N.B. Corporation			
Issuer credit rating	Baa2	BBB-	A-
Senior debt	Baa2	BBB-	A-
Subordinated debt	Baa2	n/a	BBB+
First National Bank of Pennsylvania			
Baseline credit assessment	Baa1	n/a	n/a
Issuer credit rating	Baa1	BBB	A
Senior debt	n/a	n/a	A
Subordinated debt	n/a	n/a	A-
Bank deposits	A2/P-1	n/a	A
Short-term borrowings	n/a	A-2	K1
Outlook for F.N.B. Corporation and First National Bank of Pennsylvania	Negative	Stable	Stable
n/a - not applicable			

RISK MANAGEMENT

As a financial institution, we take on a certain amount of risk in every business decision, transaction and activity. Accordingly, we have designed an Enterprise Risk Management Framework and risk management practices to help manage enterprise risks. Our Board of Directors and senior management have identified seven major categories of risk: credit

risk, market risk, liquidity risk, reputational risk, operational risk, legal and compliance risk, reputation risk and strategic risk. In its oversight role of our risk management function, the Board of Directors focuses on the strategies, analyses and conclusions of management relating to identifying,

understanding and managing risks to optimize total shareholder value, while balancing prudent business and safety and soundness considerations.

The Board We support our risk management processes and business oversight through the three lines of Directors adopted defense and a risk appetite statement that defines acceptable risk levels and limits under which we seek to operate in order to optimize returns. As such, the board monitors a series of KRIs, or Key Risk Indicators, for various business lines, operational units, and risk categories, providing insight into how our performance aligns with our stated risk appetite. These results are reviewed periodically by governance structure at the Board of Directors and senior management to ensure adherence to levels.

The lines of defense model consists of:

- First Line of Defense - consists of our businesses and enterprise support areas that generate risk appetite statement, and where appropriate, adjustments are made to applicable business strategies principally responsible for owning and tactics where risks are approaching stated tolerances or for emerging risks. New business initiatives are reviewed prior to implementation to ensure they are within our stated risk appetite. Modifications to managing the day-to-day risk-taking activities in accordance with the risk appetite statement are also reviewed periodically by frameworks.
- Second Line of Defense - consists of Risk Management and Compliance Departments responsible for developing risk frameworks, overseeing risk-taking activities and identifying, assessing, monitoring and reporting on enterprise aggregate risks.
- Third Line of Defense - is Internal Audit and provides independent assurance on the effectiveness of controls and risk management practices across our first and second lines of defense.

Our Board of Directors and senior is responsible for the oversight of management to ensure adherence to on behalf of our overall business strategy and stated risk tolerances.

We support our risk management process through a governance structure involving our stockholders. The Board of Directors has assistance in carrying out its duties and senior management. The joint Risk may delegate authority through the following standing Board Committees:

- Audit Committee - provides oversight of our Board internal and external audit processes. In addition, monitors the integrity of Directors the consolidated financial statements, internal controls over financial reporting, qualifications and independence of our audit function.
- Nominating and Corporate Governance Committee - responsible for selecting and recommending nominees for election to the FNB and FNBPA Boards of Directors.
- Compensation Committee - reviews performance and compensation of senior management and reviews and implements compensation and benefit matters having corporate-wide significance.
- Executive Committee - joint session of the FNB and FNBPA Board of Directors helps ensure that business decisions are executed within appropriate risk tolerances. The Risk Committee has oversight responsibilities with respect to the following:
 - identification, measurement, assessment and monitoring of enterprise-wide risk; cover special matters, as deemed necessary, in between regularly scheduled board meetings.
 - development of appropriate and meaningful risk metrics to use in connection with the Risk Committee - provides oversight of our businesses risk management and strategies; assessment processes, including the review and approval of risk management policies, procedures and practices, to identify, assess, monitor and report material risks.
 - review Credit Fair Lending and assessment CRA Committee - responsible for providing oversight of our policies credit and practices to manage our credit, market, liquidity, legal, regulatory lending strategies and operating risk (including technology, operational, compliance and fiduciary risks); and
 - identification and implementation of risk management best practices. objectives.

The Risk Committee serves as the primary point of contact between our Board of Directors and the Risk Management Council (RMC), which is the senior management level committee responsible for identifying, assessing, monitoring and reporting on enterprise-wide risks. The Risk Committee and RMC are supported by other risk management committees, including Credit Risk Committees, Operational Risk Committee, Compliance Risk Committee and ALCO.

Risk appetite is an integral element of our enterprise risk management framework and of our business and capital planning processes through our Board Risk Committee and Risk Management Council. We use our risk appetite processes to promote appropriate alignment of risk, capital and performance tactics, while also considering risk capacity and appetite constraints from both financial and non-financial risks. The Board of Directors adopted an enterprise risk appetite that defines acceptable risk limits under which we seek to operate in pursuit of optimizing returns. As such, we monitor a series of Key Risk Indicators for various business lines and operation units to measure performance alignment with our stated risk appetite. Our top-down risk appetite process serves as a limit for undue risk-taking for bottom-up planning from our various business functions. Our Board Risk Committee, in collaboration with our Risk Management Council, approves our risk appetite on an annual basis, or more frequently, as needed to reflect changes in the risk, regulatory, economic and strategic plan environments, with the goal of ensuring that our risk appetite remains consistent with our strategic plans and business operations, regulatory environment and our shareholders' expectations.

Our Enterprise Risk Management Framework provides the practices to identify, assess, control and monitor and report on risk across the organization. Reports relating to our risk appetite and strategic plans, and our ongoing monitoring thereof, and our

aggregate risk profile, are regularly presented to our various management level risk oversight and planning committees and periodically reported up through our Board Risk Committee.

As noted above, we have a Risk Management Council comprised of senior management. The purpose of this committee is to provide regular oversight of specific areas of risk with respect to the level of risk and risk management structure. Management has also established an Operational Risk Committee that is responsible for identifying, evaluating and monitoring operational risks across FNB, evaluating and approving appropriate remediation efforts to address identified operational risks and providing periodic reports concerning operational risks to the Risk Management Council. The Risk Management Council reports on a regular basis to the Risk Committee of our Board of Directors regarding our enterprise-wide risk profile and other significant risk management issues. Our Chief Risk Officer is responsible for the design and implementation of our enterprise-wide risk management strategy and framework through the multiple second line of defense areas, including the following departments, which all report to the Chief Risk Officer to ensure the coordinated and consistent implementation of risk management initiatives and strategies on a day-to-day basis:

- Enterprise-Wide Risk Management Department - conducts risk and control assessments across all our business and operational areas to ensure the appropriate risk identification, risk management and reporting of risks enterprise wide.
- Fraud Risk Department - monitors for internal and external fraud risk across all our business and operational units.
- Loan Review Department - conducts independent testing of our loan risk ratings to ensure their accuracy, which is instrumental to calculating our ACL.
- Model Risk Management Department - oversees validation and testing of all models used in managing risk across our company.
- Third-Party Risk Management Department - ensures effective risk management and oversight of third-party relationships throughout the vendor life cycle.
- Anti-Money Laundering and Bank Secrecy Act Department - monitors for compliance with money laundering risk and associated regulatory compliance requirements.
- Appraisal Review Department - facilitates independent ordering and review of real estate appraisals obtained for determining the value of real estate pledged as collateral for loans to customers.
- Compliance Department - develops policies and procedures and monitors compliance with applicable laws and regulations which govern our business operations.
- Information and Cyber Security Department - maintains a risk assessment of our information and cybersecurity risks and ensures appropriate controls are in place to manage and control such risks, using the National Institute of Standards and Technology framework for improving critical infrastructure by measuring and evaluating the effectiveness of information and cybersecurity controls. This department also oversees our disaster recovery planning and testing efforts to allow us to be capable and ready for business resumption in the event of a disaster.

We have in place various business and emergency continuity plans to respond to different crises and circumstances which include rapid deployment of our Crisis Management Team, Incident Management Team and Business Continuity Coordinators to activate our plans for various types of emergency circumstances. Further, our audit function performs an independent assessment of our internal controls environment and plays an integral role in testing the operation of the internal controls systems and reporting findings to management and our Audit Committee. Each of the Risk, Audit, Credit Risk and CRA Committees of our Board of Directors regularly report on risk-related matters to the full Board of Directors. In addition, both the Risk Committee of our Board of Directors and our Risk Management Council regularly assess our enterprise-wide risk profile and provide guidance on actions needed to address key and emerging risk issues.

The Board of Directors believes that our enterprise-wide risk management process is effective and enables the Board of Directors to:

- assess the quality of the information they receive;
- understand the businesses, investments and financial, accounting, legal, regulatory and strategic considerations, and the risks that FNB faces;
- oversee and assess how senior management evaluates risk; and
- assess appropriately the quality of our enterprise-wide risk management processes.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS TO GAAP

Reconciliations of non-GAAP operating measures and key performance indicators discussed in this Report to the most directly comparable GAAP financial measures are included in the following tables.

TABLE 31.23

Operating net income available to common stockholders

Three Months Ended	Nine Months Ended
September 30,	September 30,
Three Months Ended	
March 31,	

Three Months Ended March 31,					2024	2023
Three Months Ended March 31,						
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)
Net income available to common stockholders	Net income available to common stockholders	\$143,271	\$135,488	\$428,148	\$293,608	
Preferred dividend at redemption						
Merger-related expense	Merger-related expense	—	2,105	2,215	32,761	
Tax benefit of merger-related expense	Tax benefit of merger-related expense	—	(442)	(465)	(6,880)	
Provision expense related to acquisition		—	—	—	19,127	
Tax benefit of provision expense related to acquisition		—	—	—	(4,017)	
Branch consolidation costs						
Branch consolidation costs						
Branch consolidation costs	Branch consolidation costs	—	—	—	4,178	
Tax benefit of branch consolidation costs	Tax benefit of branch consolidation costs	—	—	—	(877)	
FDIC special assessment						
FDIC special assessment						
FDIC special assessment						
Tax benefit of FDIC special assessment						
Loss on indirect auto loan sale						
Loss on indirect auto loan sale						
Loss on indirect auto loan sale						
Tax expense of loss on indirect auto loan sale						
Operating net income available to common stockholders (non-GAAP)	Operating net income available to common stockholders (non-GAAP)	\$143,271	\$137,151	\$429,898	\$337,900	

The table above shows how operating net income available to common stockholders (non-GAAP) is derived from amounts reported in our financial statements. We believe certain charges, such as merger expenses, initial provision for non-PCD loans acquired preferred deemed dividend at redemption, FDIC special assessment, loss on indirect auto loan sale and branch consolidation costs are not organic costs to run our operations and facilities. The merger expenses and branch consolidation costs principally represent expenses to satisfy contractual obligations of the acquired entity or closed branches without any useful ongoing benefit to us. These costs are specific to each individual transaction, and may vary significantly based on the size and complexity of the transaction.

TABLE 3224

Operating earnings per diluted common share

		Three Months		Nine Months			
		Ended	Ended	Ended	Ended		
		September 30, September 30,					
Three Months							
		Ended					
		March 31,					
Three Months							
		Ended					
		March 31,					
Three Months							
		Ended					
		March 31,					
		2023	2022	2023	2022	2024	2023
Net income per diluted common share	Net income per diluted common share	\$0.40	\$0.38	\$1.18	\$0.83		
Preferred dividend at redemption							
Merger-related expense	Merger-related expense	—	0.01	0.01	0.09		
Tax benefit of merger-related expense	Tax benefit of merger-related expense	—	—	—	(0.02)		
Provision expense related to acquisition		—	—	—	0.05		
Tax benefit of provision expense related to acquisition		—	—	—	(0.01)		
Branch consolidation costs							
Branch consolidation costs							
Branch consolidation costs	Branch consolidation costs	—	—	—	0.01		
Tax benefit of branch consolidation costs	Tax benefit of branch consolidation costs	—	—	—	—		
FDIC special assessment							
FDIC special assessment							
FDIC special assessment							

Tax benefit of FDIC special assessment	
Loss on indirect auto loan sale	
Loss on indirect auto loan sale	
Loss on indirect auto loan sale	
Tax expense of loss on indirect auto loan sale	
Operating earnings per diluted common share (non- GAAP)	Operating earnings per diluted common share (non- GAAP)
	\$0.40
	\$0.39
	\$1.18
	\$0.96

TABLE 33.25

Return on average tangible common equity

	Three Months Ended September 30,				Nine Months Ended September 30,		Three Months Ended March 31,	
	(dollars in thousands)		2023	2022	2023	2022	(dollars in thousands)	
	Net income available to common stockholders (annualized)	Net income available to common stockholders (annualized)	\$ 568,414	\$ 537,532	\$ 572,432	\$ 392,552	2024	2023
Amortization of intangibles, net of tax (annualized)	Amortization of intangibles, net of tax (annualized)	15,798	11,119	16,058	10,903			
Tangible net income available to common stockholders (annualized) (non-GAAP)	Tangible net income available to common stockholders (annualized) (non-GAAP)	\$ 584,212	\$ 548,651	\$ 588,490	\$ 403,455			
Average total stockholders' equity Less: Average preferred stockholders' equity Less: Average intangible assets ⁽¹⁾	Average total stockholders' equity Less: Average preferred stockholders' equity Less: Average intangible assets ⁽¹⁾	\$5,879,836	\$5,506,949	\$5,815,431	\$5,464,798			
		(106,882)	(106,882)	(106,882)	(106,882)			
		(2,553,738)	(2,487,434)	(2,558,610)	(2,474,401)			

Average tangible common equity (non-GAAP)	\$3,219,216	\$2,912,633	\$3,149,939	\$2,883,515	
Return on average tangible common equity (non-GAAP)	18.15 %	18.84 %	18.68 %	13.99 %	Return on average tangible common equity (non-GAAP)

(1) Excludes loan servicing rights.

TABLE 34.26

Operating return on average tangible common equity

	Three Months Ended September 30,		Nine Months Ended September 30,		
	Three Months Ended March 31,				
	Three Months Ended March 31,				
	2023	2022	2023	2022	(dollars in thousands)
Operating net income available to common stockholders (annualized)	\$ 568,412	\$ 544,132	\$ 574,772	\$ 451,771	2024
Amortization of intangibles, net of tax (annualized)	15,798	11,119	16,058	10,903	2023
Tangible operating net income available to common stockholders (annualized) (non-GAAP)	\$ 584,210	\$ 555,251	\$ 590,830	\$ 462,674	
Average total stockholders' equity	\$5,879,836	\$5,506,949	\$5,815,431	\$5,464,798	
Less: Average preferred stockholders' equity	(106,882)	(106,882)	(106,882)	(106,882)	
Less: Average intangible assets (1)	(2,553,738)	(2,487,434)	(2,558,610)	(2,474,401)	

Average tangible common equity (non-GAAP)	Average tangible common equity (non-GAAP)	\$3,219,216	\$2,912,633	\$3,149,939	\$2,883,515			
Operating return on average tangible common equity (non-GAAP)	Operating return on average tangible common equity (non-GAAP)	18.15 %	19.06 %	18.76 %	16.05 %	Operating return on average tangible common equity (non-GAAP)	14.74 %	19.89 %
(1) Excludes loan servicing rights.								

TABLE 3527

Return on average tangible assets

(dollars in thousands)	(dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		(dollars in thousands)	Three Months Ended March 31,	
		2023	2022	2023	2022		2024	2023
Net income (annualized)	Net income (annualized)	\$ 576,385	\$ 545,507	\$ 580,495	\$ 400,615			
Amortization of intangibles, net of tax (annualized)	Amortization of intangibles, net of tax (annualized)	15,798	11,119	16,058	10,903			
Tangible net income (annualized) (non-GAAP)	Tangible net income (annualized) (non-GAAP)	\$ 592,183	\$ 556,626	\$ 596,553	\$ 411,518			
Average total assets	Average total assets	\$45,094,167	\$42,039,932	\$44,314,922	\$41,686,246			
Less: Average intangible assets (1)	Less: Average intangible assets (1)	(2,553,738)	(2,487,434)	(2,558,610)	(2,474,401)			
Average tangible assets (non-GAAP)	Average tangible assets (non-GAAP)	\$42,540,429	\$39,552,498	\$41,756,312	\$39,211,845			
Return on average tangible assets (non-GAAP)	Return on average tangible assets (non-GAAP)	1.39 %	1.41 %	1.43 %	1.05 %	Return on average tangible assets (non-GAAP)	1.17 %	1.49 %

(1) Excludes loan servicing rights.

TABLE 3628

Tangible book value per common share

	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
	March 31, 2024	March 31, 2022	March 31, 2024	March 31, 2023

(dollars in thousands, except per share data)	(dollars in thousands, except per share data)
Total stockholders' equity	Total stockholders' equity
Total stockholders' equity	Total stockholders' equity
Total stockholders' equity	\$ 5,894,280 \$ 5,406,485
Less: Preferred stockholders' equity	Less: Preferred stockholders' equity
Intangible assets (1)	Intangible assets (1)
Tangible common equity (non-GAAP)	Tangible common equity (non-GAAP)
Ending common shares outstanding	Ending common shares outstanding
Tangible book value per common share (non-GAAP)	Tangible book value per common share (non-GAAP)

(1) Excludes loan servicing rights.

TABLE 37.29

Tangible common equity to tangible assets

	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
	March 31, 2024			
(dollars in thousands)	(dollars in thousands)			
Total stockholders' equity	Total stockholders' equity			
Less: Preferred stockholders' equity	Less: Preferred stockholders' equity			
Intangible assets (1)	Intangible assets (1)			
Tangible equity (non-GAAP)	\$ 3,343,014	\$ 2,920,302		
Tangible common equity (non-GAAP)				
Total assets	Total assets	\$45,495,958	\$42,590,050	

Less:	Less:		
Intangible assets (1)	Intangible assets (1)	(2,551,266)	(2,486,183)
Tangible assets (non-GAAP)	Tangible assets (non-GAAP)	\$42,944,692	\$40,103,867
Tangible equity / tangible assets (non-GAAP)		7.78 %	7.28 %
Tangible common equity to tangible assets (non-GAAP)			
	Tangible common equity to tangible assets (non-GAAP)		
		7.99 %	7.50 %

(1) Excludes loan servicing rights.

TABLE 38

Tangible common equity / tangible assets

	September 30, 2023	September 30, 2022
(dollars in thousands)		
Total stockholders' equity	\$ 5,894,280	\$ 5,406,485
Less: Preferred stockholders' equity	(106,882)	(106,882)
Less: Intangible assets (1)	(2,551,266)	(2,486,183)
Tangible common equity (non-GAAP)	\$ 3,236,132	\$ 2,813,420
Total assets	\$ 45,495,958	\$ 42,590,050
Less: Intangible assets (1)	(2,551,266)	(2,486,183)
Tangible assets (non-GAAP)	\$ 42,944,692	\$ 40,103,867
Tangible common equity / tangible assets (non-GAAP)	7.54 %	7.02 %

(1) Excludes loan servicing rights.

TABLE 39 30

Net loan charge-offs, excluding isolated commercial loan charge-off due to alleged fraud (annualized) / total average loans and leases

	Three Months Ended September 30,	Nine Months Ended September 30,
	2023	2023
(dollars in thousands)		
Net loan charge-offs	\$ 37,699	\$ 59,596
Less: Isolated commercial loan charge-off	(31,900)	(31,900)
Net loan charge-offs, excluding isolated commercial loan charge-off (non-GAAP)	\$ 5,799	\$ 27,696
Total average loans and leases	\$ 31,739,561	\$ 31,070,965
Net loan charge-offs (annualized) / total average loans and leases	0.47 %	0.26 %
Net loan charge-offs, excluding isolated commercial loan charge-off (annualized) / total average loans and leases (non-GAAP)	0.07 %	0.12 %

Operating non-interest expense

	Three Months Ended March 31,	
	2024	2023
(dollars in thousands)		
Non-interest expense	\$ 237,096	\$ 219,917
Branch consolidations	(1,194)	—
Merger-related	—	(2,052)

FDIC special assessment		(4,408)	—
Loss on indirect auto loan sale		2,603	—
Operating non-interest expense (non-GAAP)		\$ 234,097	\$ 217,865

Key Performance Indicators

TABLE 40.31

Efficiency ratio

		Three Months Ended		Nine Months Ended			Three Months Ended		
		September 30,		September 30,			March 31,		
		(dollars in thousands)	(dollars in thousands)	2023	2022		2023	2022	
Non-interest expense	Non-interest expense	\$217,998	\$195,057	\$ 649,870	\$ 615,257				
Less: Amortization of intangibles	Less: Amortization of intangibles	(5,040)	(3,547)	(15,203)	(10,323)				
Less: OREO expense	Less: OREO expense	(317)	(485)	(1,366)	(1,233)				
Less: Merger-related expense	Less: Merger-related expense	—	(2,105)	(2,215)	(32,761)				
Less: Branch consolidation costs	Less: Branch consolidation costs	—	—	—	(4,178)				
Less: Branch consolidation costs									
Less: Branch consolidation costs									
Less: FDIC special assessment									
Less: FDIC special assessment									
Less: FDIC special assessment									
Add: Loss on indirect auto loan sale									
Adjusted non-interest expense	Adjusted non-interest expense	\$212,641	\$188,920	\$ 631,086	\$ 566,762				
Net interest income	Net interest income	\$326,581	\$297,125	\$ 992,479	\$ 784,891				
Taxable equivalent adjustment	Taxable equivalent adjustment	2,917	2,916	9,460	8,170				
Non-interest income	Non-interest income	81,551	82,464	241,249	242,940				
Less: Net securities (gains) losses	Less: Net securities (gains) losses	55	—	78	(48)				

Adjusted net interest income (FTE) + non-interest income	Adjusted net interest income (FTE) + non-interest income	\$411,104	\$382,505	\$1,243,266	\$1,035,953
Efficiency ratio (FTE) (non-GAAP)	Efficiency ratio (FTE) (non-GAAP)	51.72 %	49.39 %	50.76 %	54.71 %

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is provided in the Market Risk section of "MD&A," which is included in Item 2 of this Report, and is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. FNB's management, with the participation of our principal executive and financial officers, evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), concluded that, as of the end of the period covered by this quarterly report, our 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 us in the reports we file 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 SEC and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS. FNB's management, including the CEO and the CFO, does not expect that our 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 FNB 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 the CFO have evaluated the changes to our internal controls over financial reporting that occurred during our fiscal quarter ended **September 30, 2023** **March 31, 2024**, 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, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is set forth in the "Other Legal Proceedings" discussion in Note 12, 11, "Commitments, Credit Risk and Contingencies" of the Notes to the Consolidated Financial Statements, which is incorporated herein by reference in response to this Item.

ITEM 1A. RISK FACTORS

For information regarding risk factors that could affect our results of operations, financial condition and liquidity, see the risk factors disclosed in the "Risk Factors" section of our [2022 Annual Report on Form 10-K](#).

The There were no material changes in risk factors below relate relevant to the recent banking industry disruption, and are in addition to the risk factors previously disclosed in our 2022 Annual Report on Form 10-K.

Recent volatility in the banking sector, triggered by the failures of Silicon Valley Bank and Signature Bank, may result in legislative initiatives, agency rulemaking activities, or changes in agency policies and priorities that could subject FNB and FNBPA to enhanced government regulation and supervision.

On March 10, 2023, Silicon Valley Bank (SVB) was closed by the California Department of Financial Protection and Innovation. Two days later, on March 12, 2023, Signature Bank (SBNY) also failed. In each case, the FDIC was appointed as receiver. The FDIC, together with the FRB and the UST, then took action under applicable emergency systemic risk authority to fully protect the depositors of each bank as the institutions were wound down. SVB and SBNY each had substantial business relationships with, and exposure to, entities within the innovation sector, including financial technology and digital asset companies, and had received an influx of deposits over the course of several years which coincided with the rapid growth of that sector. In recent periods, however, SVB and SBNY each began to experience significant deposit withdrawals. These withdrawals increased rapidly in early March, ultimately causing each institution to fail as it became apparent that available sources of liquidity would be inadequate to cover the withdrawals. Subsequently on May 1, 2023 First Republic Bank (FRC) became another large bank to fail.

The SVB and SBNY bank failures and subsequent industry volatility may lead to governmental initiatives intended to prevent future bank failures and stem significant deposit outflows from the banking sector, including (i) legislation aimed at preventing similar future bank runs and failures and stabilizing confidence in the banking sector over the long term, (ii) agency rulemaking to modify and enhance relevant regulatory requirements - specifically with respect to liquidity risk management, deposit concentrations, capital adequacy, stress testing and contingency planning, and safe and sound banking practices, and (iii) enhancement of the agencies' supervision and examination policies and priorities. More specifically, for instance, the federal banking agencies may modify the risk-based capital regulations to eliminate the ability of certain banks to offset portions of their AOCI when calculating regulatory capital requirements. Alternatively, the treatment of AOCI under GAAP also could be modified, the effect of which may carry through to banks' capital management and regulatory compliance practices. The federal banking agencies may also re-evaluate applicable liquidity risk management standards, such as by reconsidering the mix of assets that are deemed to be "high-quality liquid assets" (HQLA) and/or how HQLA holdings and cash inflows and outflows are tabulated and weighted for liquidity management purposes.

Although we cannot predict which initiatives may be pursued by lawmakers and agency leadership, nor can we predict the terms and scope of any such initiatives, any of the potential changes referenced above could, among other things, subject us to additional material costs, limit the types of financial services and products we may offer, and limit our future growth, any of which could materially and adversely affect our business, results of operations or financial condition.

We may experience increases in FDIC insurance assessments.

The losses incurred by the DIF in connection with the resolution of SVB and SBNY, which are estimated to amount to approximately \$22.5 billion in the aggregate, are required by law to be recovered through one or more special assessments on depository institutions and, potentially, their holding companies if the FDIC determines such action to be appropriate and the Secretary of the UST concurs with the FDIC's determination. On May 22, 2023, the FDIC issued its proposed rule that would impose such special assessments. The FDIC must consider a variety of factors in determining the terms and applicability of any such special assessment, including, among others, the types of entities that benefit from the action taken by the agencies, economic conditions, and anticipated industry impacts. It is also possible that our regular deposit insurance assessment rates will increase should the FDIC adopt a final rule that alters the assessment rate schedule or calculation methodology for all larger financial institutions (including FNBPA) as a result of the recent bank failures. Although we cannot predict the specific timing and terms of any final rule imposing special assessments relating to the resolution of SVB and SBNY, or any other increase in our deposit insurance assessment rates, any increase in our assessment fees could have a materially adverse effect on our results of operations, and financial condition.

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due.

Our ability to implement our business strategy will depend on our liquidity and ability to obtain funding for loan originations, working capital and other general purposes. Liquidity is needed to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, dividends to shareholders, operating expenses and capital expenditures. Liquidity risk is the potential that we will be unable to meet our obligations as they come due, capitalize on growth opportunities as they arise, or pay regular dividends on our common stock because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Our preferred sources for funding are deposits and customer repurchase agreements, which are low cost and stable sources of funding for us. We compete with commercial banks, savings banks and credit unions, as well as non-depository competitors such as mutual funds, fintechs, securities and brokerage firms and insurance companies, for deposits and customer repurchase agreements. If a significant portion of our deposits were to be withdrawn within a short period of time or if we are unable to attract and maintain sufficient levels of deposits and customer repurchase agreements to fund our loan growth and liquidity objectives, we may be subject to paying higher funding costs by raising interest rates that are paid on deposits and customer repurchase agreements or cause us to source funds from third-party providers which may be higher cost funding, impacting our net interest margin and overall profitability. Additionally, our ability to attract depositors during a time of actual or perceived distress or instability in the marketplace may be limited. Because our available-for-sale investment securities lose value when interest rates rise, after-tax proceeds resulting from the sale of such assets may be diminished during periods when interest rates are elevated. However, should we sell all or a material portion of our securities portfolio to increase liquidity in the face of depositor withdrawals in the current interest rate environment, we would be required to realize significant losses that would, in turn, reduce our regulatory capital position.

We are subject to supervision and examination by U.S. government authorities which could result in investigations, enforcement actions, fines, and other adverse effects.

The federal banking agencies, including the OCC, the CFPB, as well as the DOJ, have in recent years adopted a more aggressive enforcement posture in line with general enforcement priorities - specifically with respect to consumer protection issues and anti-discrimination lending laws. These government agencies have expressed a heightened interest in fair lending and loan servicing, mortgage loan origination and mortgage loan servicing, bank and financial institution sales practices, management of consumer accounts and the charging of overdraft and various other fees, fair credit reporting, predatory lending, debt collection, and meaningful disclosure of credit and savings terms, among others, and perform periodic reviews, examinations, and investigations in these areas. An adverse finding or outcome of any such review, examination, or investigation that involves an assertion of regulatory noncompliance or a violation of law could result in possible fines, penalties, restitution, or other forms of remediation that could have a material adverse effect on our business, financial condition results of operations, or reputation. liquidity since December 31, 2023.

In addition, the recent failures of SVB, SBNY, and FRC have further increased the regulatory focus and scrutiny of financial institutions. Congress and the federal banking agencies have begun to evaluate the events leading to the failures of SVB, SBNY and FRC to ascertain possible explanations for these developments. Preliminarily, legislators and the leadership of the federal banking agencies have posited varying theories, including, for example, inadequate prudential regulation of regional banking organizations (generally, institutions with less than \$250 billion in total assets), insufficient supervision of such organizations, and a failure by the institutions themselves to properly manage risks—specifically including interest rate and liquidity risks in consideration of each institution's business model, exposure to the innovation sector, and substantial uninsured deposit liabilities.

Further evaluation of recent developments may lead to legislative and regulatory initiatives intended to prevent future bank failures, raise capital requirements and stem significant deposit outflows from the banking sector. Although we cannot predict with certainty which initiatives may be pursued by lawmakers and agency leadership, nor can we predict the

terms and scope of any such initiatives, any potential changes could, among other things, subject us to additional costs and capital requirements, limit the types of financial services and products we may offer, and limit our future growth, any of which could materially and adversely affect our business, results of operations or financial condition.

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

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS

Exhibit Index

Exhibit Number	Description
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. (furnished herewith).
32.2.	Certification of Chief Financial Officer Sarbanes-Oxley Act Section 906. (furnished herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).

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

Dated: November 3, 2023 May 8, 2024

/s/ Vincent J. Delie, Jr.

Vincent J. Delie, Jr.

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

Dated: November 3, 2023 May 8, 2024

/s/ Vincent J. Calabrese, Jr.

Vincent J. Calabrese, Jr.

Chief Financial Officer

(Principal Financial Officer)

Dated: November 3, 2023 May 8, 2024

/s/ James L. Dutey

James L. Dutey

Corporate Controller

(Principal Accounting Officer)

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EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
SARBANES-OXLEY ACT SECTION 302**

I, Vincent J. Delie, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 of F.N.B. Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 3, 2023** **May 8, 2024**

/s/ Vincent J. Delie, Jr.

Vincent J Delie, Jr.
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
SARBANES-OXLEY ACT SECTION 302

I, Vincent J. Calabrese, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** of F.N.B. Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 3, 2023** **May 8, 2024**

/s/ Vincent J. Calabrese, Jr.

Vincent J. Calabrese, Jr.
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
SARBANES-OXLEY ACT SECTION 906

Pursuant to Section 1350 of Title 18 of the United States Code, I, Vincent J. Delie, Jr., Chairman, President and Chief Executive Officer of F.N.B. Corporation (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Form 10-Q Quarterly Report for the period ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 3, 2023** May 8, 2024

/s/ Vincent J. Delie, Jr.

Vincent J Delie, Jr.
Chairman, President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
SARBANES-OXLEY ACT SECTION 906

Pursuant to Section 1350 of Title 18 of the United States Code, I, Vincent J. Calabrese, Jr., Chief Financial Officer of F.N.B. Corporation (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Form 10-Q Quarterly Report for the period ended **September 30, 2023** March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 3, 2023** May 8, 2024

/s/ Vincent J. Calabrese, Jr.

Vincent J. Calabrese, Jr.
Chief Financial Officer

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