Risk Factors Comparison 2024-02-26 to 2023-02-24 Form: 10-K

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You should carefully consider each of the following risks and all ~~of~~ the other information set forth in this Report. If any of the following risks and uncertainties develop into actual events or if the circumstances described in the risks and uncertainties occur or continue to occur, these events or circumstances could have a material adverse effect on our business, financial condition, results of operations or cash flows. These events could also have a negative effect on the trading price of our securities. 1. Credit Risk Our results of operations are significantly affected by the ability of our borrowers to repay their loans. Lending money is an essential part of the banking business. However, for various reasons, borrowers do not always repay their loans. The risk of non- payment is affected by credit risks of a particular borrower, changes in economic conditions that impact certain geographic markets or industries, fluctuations in interest rates on adjustable- rate loans, the duration of the loan, and in the case of a collateralized loan, uncertainties as to the future value of the collateral. Generally, commercial loans and leases present a greater risk of non- payment by a borrower than other types of loans. They typically involve larger loan balances and are particularly sensitive to economic conditions. The borrower' s ability to repay usually depends on the successful operation of its business and income stream. ~~In addition, some~~ **Some** of our commercial borrowers have **multiple** ~~more than one loan~~ **loans** outstanding with us, which means that an adverse development with respect to one loan or one credit relationship can expose us to **a** significantly greater risk of loss. In the case of commercial and industrial loans, collateral often consists of accounts receivable, inventory **, property** and equipment, which may not yield substantial recovery of principal losses incurred, and is susceptible to deterioration **, declining valuations,** or other ~~loss~~ **losses** in advance of liquidation of such collateral. Consumer loan collections are dependent on the borrower' s continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws ~~, including bankruptcy and insolvency laws,~~ may limit the amount that can be recovered on these loans. For additional information, see the Lending Activity section of MD & A, which is included in Item 7 of this Report. Our mortgage banking profitability could be significantly reduced if we are not able to originate and resell a high volume of mortgage loans. Mortgage banking is generally considered a volatile source of income because it depends largely on the volume of loans we originate and sell in the secondary market. If our originations of mortgage loans decrease, resulting in fewer loans that are available to be sold to investors, this would result in a decrease in mortgage revenues and a corresponding decrease in non- interest income. • Mortgage loan production levels are sensitive to changes in economic conditions and activity, strengths or weaknesses in the housing market, changes in FRB monetary policies, interest rate fluctuations and the availability of an active secondary market or originations **that** could shift to adjustable **-** rate products which may be held in the portfolio. Generally, any sustained period of decreased economic activity or higher interest rates could reduce demand for mortgage loans and refinancings **, while, conversely, any sustained period of increased economic activity and decreasing interest rates could increase the demand for mortgage loans and loan repayments** . In addition, our results of operations are affected by the amount of non- interest expense associated with mortgage banking activities, such as salaries, commissions and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in loan originations. • Future changes to our eligibility to participate in the programs offered by the **government- sponsored entities (** GSEs **)** and other secondary purchasers, or the loan criteria of the GSEs and other secondary purchasers could also result in a lower volume of corresponding loan originations and sales **. • The estimates of revenues produced by the models we use to assess the impact of interest rates on mortgage- related revenues are dependent on estimates and assumptions of future loan demand, prepayment speeds and other factors which may differ from actual subsequent experience** . Our financial condition and results of operations could be adversely affected if we must further increase our provision for credit losses or if our ACL is not sufficient to absorb actual losses. There is no precise method of predicting loan losses. We can give no assurance that our ACL will be sufficient to absorb actual loan losses. Excess loan losses could have a material adverse effect on our financial condition and results of operations. The level of the ACL reflects the judgment and estimates of management regarding the amount and timing of future cash flows, current fair value of the underlying collateral and other qualitative risk factors that may affect the loan. Determination of the allowance is inherently subjective and is based on factors that are susceptible to significant change. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, **suspected fraud,** identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the ACL. In addition, bank regulatory agencies periodically review our ACL and may require an increase in the provision for credit losses or the recognition of additional loan charge- offs, based on judgments different from those of management. In addition, if charge- offs in future periods exceed the ACL, we will need additional provisions to increase the ACL. Any increases in the ACL will result in a decrease in net income and capital and may have a material adverse effect on our financial condition and results of operations. For additional discussion relating to this matter, refer to the Allowance and Provision for Credit Losses section of MD & A, which is included in Item 7 of this Report. 2. Market Risk ~~Interest rates on our outstanding financial instruments might be subject to change based on the replacement of LIBOR, which could adversely affect revenue, expenses, and the value of those financial instruments. The FCA (the authority that regulates LIBOR) announced that LIBOR will cease after June 30, 2023. The federal banking agencies, including the OCC, have determined that banks must cease entering into any new contract that uses LIBOR as a reference rate by no later than December 31, 2021. In addition, banks were encouraged to identify contracts that extend beyond June 30, 2023 and implement plans to identify and address insufficient contingency provisions in those contracts. Further, on March 15, 2022,~~

~~Congress passed the Adjustable Interest Rate Act to address references to LIBOR in contracts that (i) are governed by U. S. law, (ii) will not mature before June 30, 2023, and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the FRB adopted a final rule implementing this legislation that replaces references to LIBOR in financial contracts addressed by the legislation with certain FRB- selected benchmark rates based on SOFR. A consensus has not yet been reached on what rate or rates may be viewed as acceptable alternatives to LIBOR. The OCC has opined that national banks may use any reference rate for its loans that a bank determines to be appropriate for its funding model and customer needs. The FRB of New York established the ARRC, which has recommended the use of benchmark rates based on SOFR, including a forward- looking term SOFR rate, as alternatives to LIBOR for use in derivatives and other financial contracts that are currently indexed to U. S. dollar- LIBOR. The ARRC has proposed a paced market transition plan from LIBOR to SOFR and organizations are currently working on industry- wide and company- specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. We have a significant number of loans, derivatives and other financial instrument contracts that are indexed to LIBOR and we have created transition plans and executed certain portions of those plans in 2022. The market transition away from LIBOR to an alternative reference rate, including SOFR (or benchmark rates based on SOFR), is complex and could have a range of adverse effects on our business, financial condition and results of operations. For instance, certain benchmark rates based on SOFR, such as the forward- looking term SOFR rate, are calculated and published by third parties. Because SOFR, and such other benchmark rates based on SOFR, are published by third parties, we have no control over their determination, calculation or publication. There can be no assurance that SOFR, or benchmark rates based on SOFR, will not be discontinued or fundamentally altered in a manner that is materially adverse to the parties that utilize such rates as the reference rate for transactions. The impact of this transition, as well as the effect of these developments on our funding costs, loan and investment securities portfolios, asset- liability management, and business, is uncertain.~~ Our business and financial performance is impacted significantly by market **interest** rates and changes in those rates. The monetary, tax and other policies of governmental agencies, including the UST and the FRB, have a direct impact on interest rates and overall financial market performance over which we have no control and which may not be able to be predicted with reasonable accuracy. As a result of the high percentage of our assets and liabilities that are in the form of interest- bearing or interest- related instruments, changes in interest rates, in the shape of the yield curve or in spreads between different market interest rates can have a material effect on our business, profitability and the value of our financial assets and liabilities. Such scenarios may include the following: • changes in interest rates or interest rate spreads can affect the difference between the interest ~~that FNBPA can earn~~ **earned** on assets and the interest **paid** ~~that FNBPA has to pay~~ on liabilities, which impacts FNBPA' s overall net interest income and profitability; • such changes can affect the ability of borrowers to meet obligations under variable or adjustable- rate loans and other debt instruments and can, in turn, affect our loss rates on those assets; • such changes may decrease the demand for interest rate- based products or services, including bank loans and deposit products and the subordinated notes offered by our subsidiary, FNB Financial Services, LP; • such changes can also affect our ability to hedge various forms of market and interest rate risks and may decrease the profitability or increase the risk associated with such hedges; and • movements in interest rates also affect mortgage repayment speeds and could result in impairments of MSAs or otherwise affect the profitability of such assets. The monetary, tax and other policies of the U. S. Government and its agencies also have a significant impact on interest rates and overall financial market performance. **The** ~~An important function of the~~ FRB ~~is to regulate~~ **regulates** the national supply of bank credit and certain interest rates through **the** implementation of certain monetary policies **and actions** . Due to elevated levels of inflation and corresponding pressure to raise interest rates, the FRB announced in January 2022 that it would be slowing the pace of its bond purchasing and increasing the target range for the ~~Federal~~ **federal** funds rate over time **, which it did from March 2022 to July 2023** . The FOMC has since **paused** ~~increased~~ **increases to** the target ~~range seven times throughout 2022. As of December 31, 2022, the target range for the Federal~~ **federal** funds rate ~~had been increased to 4~~ . **Although economists are projecting** ~~25 %- 4. 50 % and the FOMC signaled~~ that ~~future increases may be appropriate~~ **the target funds rate will likely decline** in ~~order to attain a monetary policy sufficiently restrictive to return inflation to more normalized levels~~ **small periodic increments, the timing, extent, and frequency of such reductions remain uncertain** . Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits; (ii) the fair value of our financial assets and liabilities; and (iii) the average duration of our mortgage portfolio and other interest- earning assets. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. ~~Our interest~~ **Interest** ~~rate risk profile is such that a higher or steeper yield curve adds to income while a flatter yield curve is relatively neutral, and a lower or inverted yield curve generally has a negative impact on earnings. Our most significant interest~~ rate risk may **also** result from ~~a prolonged low~~ **timing differences in the maturity and re** - **pricing characteristics** ~~rate environment, as this would generally lead to compression~~ of **assets and liabilities, changes in the shape of the yield curve, hedging activity and the potential exercise of explicit** ~~our~~ - **or embedded options** ~~net interest margin, reduced net interest income, and devaluation of our deposit base~~ . Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations, and any related economic downturn, especially domestically and in the regions in which we operate, may adversely affect our asset quality, deposit levels, loan demand and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual **or future** interest rate changes on our balance sheet ~~. The impact of interest rates on our mortgage banking business can have a significant impact on revenues. Changes in interest rates can impact our mortgage- related revenues and net revenues associated with our mortgage activities. A decline in mortgage rates generally increases the demand for mortgage loans as borrowers refinance, but~~

~~also generally leads to accelerated payoffs. Conversely, in a constant or increasing rate environment, we would expect fewer loans to be refinanced and a decline in payoffs. The estimates of revenues produced by models we use to assess the impact of interest rates on mortgage- related revenues are dependent on estimates and assumptions of future loan demand, prepayment speeds and other factors which may differ from actual subsequent experience~~ . Changes in interest rates could reduce the value of our AFS securities holdings which would increase our accumulated other comprehensive loss and thereby negatively impact stockholders' equity. We maintain an investment portfolio consisting of various high- quality liquid fixed- income securities. The total carrying value of the AFS securities portfolio as of December 31, ~~2022~~ **2023** was $ 3. 3 billion and the estimated duration of the portfolio was approximately 3 ~~. 5~~ years. The nature of fixed- income securities is such that changes in market interest rates impact the value of these assets. Based on the duration of our AFS securities portfolio, a one percent **increase or** decrease in market rates is projected to ~~increase~~ **positively or negatively impact** the market value of the AFS securities portfolio by approximately $ ~~118~~ **100** . 1 million **.** ~~, while a one percent increase~~ **Increases or** ~~in market rates is projected to decrease~~ **decreases** ~~the market value of the AFS securities portfolio by approximately $ 115. 4 million. As a result of the rising interest rate environment in 2022, the value of our AFS securities declined as reflected in an increase of $ 277. 2 million in our accumulated other comprehensive loss at December 31, 2022 compared to December 31, 2021. Further increases~~ in market interest rates are expected to further increase ~~our~~ - **or** ~~accumulated other comprehensive~~ **decrease our AOCI (** loss **) and thereby decrease stockholders' equity. Further, the FRB and the OCC may consider increases in AOCI when evaluating our regulatory capital position, although current capital regulations permit AOCI to be excluded from capital for institutions of our size** . 3. Liquidity Risk 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 **illiquid assets or** an inability to ~~liquidate assets or~~ obtain ~~adequate~~ **satisfactory** 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 **numerous** 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 AFS 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, the sale of all or a material portion of our securities portfolio to increase liquidity in the face of withdrawals would cause the realization of significant losses that would, in turn, reduce our regulatory capital position** . Our growth may require us to raise additional capital in the future, but that capital may not be available when it is needed. We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations (see discussion under " Government Supervision and Regulation " included in Item 1 of this Report). As a financial holding company, we seek to maintain capital sufficient to meet the " well- capitalized " standard set by regulators. ~~We~~ **While we** anticipate that our current capital resources will satisfy our capital requirements for the foreseeable future ~~. We~~ **, we** may **,** at some point ~~, however,~~ need to raise additional capital to support **current operations or** continued growth ~~, whether such growth occurs organically or through acquisitions~~ . The availability of additional capital or financing will depend on a variety of factors, many of which are outside of our control, **including** ~~such as~~ market conditions, **credit** ~~the general~~ availability ~~of credit, the overall availability of credit to the financial services industry~~ , our credit ratings and credit capacity, marketability of our stock, **and** ~~as well as~~ the possibility that lenders and investors could develop a negative perception of our long- or short- term financial prospects if we incur large credit losses or if the level of business activity decreases due to economic conditions. Accordingly, there can be no assurance of our ability to expand our operations through organic growth or acquisitions. As such, we may be forced to delay raising capital, issue shorter **-** term securities than desired or bear an unattractive cost of capital, which could decrease profitability and significantly reduce financial flexibility. In addition, if we decide to raise additional equity capital, it could be dilutive to our existing stockholders. We are dependent on dividends from our subsidiaries to meet our financial obligations and pay dividends to stockholders. We are a holding company and conduct almost all ~~of~~ our operations through our subsidiaries. We do not have any significant assets other than cash and the stock of our subsidiaries. Accordingly, we depend on dividends from our subsidiaries **, in particular FNBPA,** to meet our financial obligations and to pay dividends to stockholders. Our right to participate in any distribution of earnings or assets of our subsidiaries is subject to the prior claims of creditors of such subsidiaries. Under federal law, the amount of dividends that a national bank, such as FNBPA, may pay in a calendar year is dependent on the amount of our net income for the current year combined with our retained net income for the two preceding years. The OCC has the authority to prohibit FNBPA from paying dividends if it determines such payment would be an unsafe and unsound banking practice. Likewise, our state- based entities are subject to state laws governing dividend practices and payments. Regulatory authorities may restrict our ability to pay dividends on **,** and **make** ~~repurchase~~ **repurchases of,** our common stock. Dividends on our common stock will be payable only if, when and as authorized and declared by our Board of Directors **; however** ~~. In addition~~ , **our ability to pay dividends and make stock repurchases may be limited due to** banking laws and regulations and

limitations imposed by our banking regulators ~~may~~ **(including OCC** ~~limit~~ **limiting** ~~our ability to pay~~ dividends **from FNBPA)** ~~and make share repurchases~~. In certain circumstances, we will not be able to make a capital distribution unless the FRB ~~has approved~~ **approves** such distribution, including if the dividend could not be fully funded by our net income over the last four quarters (net of dividends paid), our prospective rate of earnings retention appears inconsistent with our capital needs, asset quality, and overall financial condition, or we will not be able to continue meeting **the** minimum required capital ratios. As a bank holding company, we also are required to consult with the FRB before increasing dividends or redeeming or repurchasing capital instruments. Additionally, the FRB could prohibit or limit our payment of dividends if it determines that payment of the dividend would constitute an unsafe or unsound practice. There can be no assurance that we will declare and pay any dividends or repurchase any shares of our common stock in the future. We have outstanding securities senior to common stock which could limit our ability to pay dividends on our common stock. We have outstanding TPS ~~and Series E preferred stock~~ that are senior to ~~the~~ **our** common stock and could adversely affect our ability to declare or pay dividends or distributions on our common stock. The terms of the TPS prohibit us from declaring or paying dividends or making distributions on our junior capital stock, including the common stock, or purchasing, acquiring, or making a liquidation payment on any junior capital stock, if: (1) an event of default has occurred and is continuing under the junior subordinated debentures underlying the TPS, (2) we are in default with respect to a guarantee payment under the guarantee of the related TPS **,** or (3) we have given notice of our election to defer interest payments, but the related deferral period has not yet commenced or a deferral period is continuing. ~~We also would be prohibited from paying dividends on our common stock unless all full dividends for the latest dividend period have been declared and paid on all outstanding shares of the Series E preferred stock.~~ If we experience a material deterioration in our financial condition, liquidity, capital, results of operations or risk profile, our regulators may not permit us to make future payments on our TPS ~~or preferred stock~~, which would also prevent us from paying any dividends on our common stock. 4. ~~Reputational~~ -- **Reputation** Risk Our key assets include our brand and reputation and our business may be affected by how we are perceived ~~in~~ **by** the **public** ~~market place~~. Our brand and our reputation are our key assets. Our ability to attract and retain banking, insurance, wealth management and corporate clients and employees is highly dependent upon external perceptions of our culture, level of service, security, trustworthiness, business practices and financial condition. Negative perceptions or publicity regarding these matters could damage our reputation among existing customers and corporate clients and employees, which could make it difficult for us to attract new clients and employees and retain existing ones. Adverse developments with respect to **our financial services activities,** the financial services industry or sociopolitical events and circumstances may also, by association, negatively impact our reputation, or result in greater regulatory or legislative scrutiny or litigation against us. Although we monitor developments for areas of potential risk to our reputation and brand, negative perceptions or publicity could materially and adversely affect our revenues and profitability. We are subject to environmental, social and governance **(ESG)** risks that could adversely affect our reputation and the market price of our securities. We are subject to a variety of risks arising from ~~environmental, social and governance matters or "~~ ESG ~~"~~ matters. ESG matters include climate risk, hiring practices, the diversity of our work force, and **equitable treatment of** ~~racial and social justice issues involving~~ our ~~personnel~~ **employees**, customers and third parties with whom we otherwise do business. Risks arising from ESG matters **, including shifts in investor approaches related to ESG,** may adversely affect, among other things, our reputation and the market price of our securities. Further, we may be exposed to negative publicity **(e. g., traditional and social media)** based on the identity and activities of those to whom we lend and with which we otherwise do business, and the public' s view of the approach and performance of our customers and business partners with respect to ESG matters. ~~Any such~~ **Such** negative publicity could ~~arise from adverse~~ **adversely impact our** ~~news coverage in traditional media and could also spread through the use of social media platforms. Our~~ relationships and reputation with our existing and prospective customers and **potentially** ~~third parties with whom we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could~~ have an adverse effect on our ability to attract and retain customers and employees and could have a negative impact on the market price for our securities. Investors **may** ~~have begun to~~ consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment ~~and operational~~ decisions. Certain investors **have** ~~are beginning to incorporate~~ **incorporated** the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change ~~and other ESG matters~~ into their investment theses. Increased attention to ESG matters also has caused public officials, including certain state attorneys general, treasurers, and legislators, to take various actions to impact the extent to which ESG principles are considered by private investors ~~. For instance~~, **including actions** ~~certain states have enacted laws or issued directives designed to penalize financial institutions that the state believes are boycotting certain industries such as the fossil fuel and firearms industries. In addition, a group of state attorneys general has launched a joint investigation into a firm that generates ESG ratings for investment purposes based upon concerns of potential consumer fraud or unfair trade practices. These developments illustrate that ESG- based investing has become a divisive political issue. Shifts in investing priorities based on ESG principles may result in adverse effects on the market price of our securities to the extent that investors that give significant weight to such principles determine that we have not made sufficient progress on ESG matters. Conversely, the market price of our securities may be adversely affected if a government official or agency seeks~~ to limit ~~our~~ business with ~~a certain~~ government ~~entity~~ **entities** or ~~initiates~~ **the initiation of** an investigation or enforcement action because of what is perceived to be **, depending on the governmental authority, either** our unwarranted **focus or lack of** focus on ESG matters. 5. Operational Risk Our failure to continue to recruit and retain qualified banking professionals could adversely affect our ability to compete successfully and affect our profitability. Our continued success and future growth ~~depends~~ - **depend** heavily on our ability to attract and retain highly skilled, diverse and motivated banking professionals. We compete against many institutions with greater financial resources both within our industry and in other industries to attract these qualified individuals. Our failure to recruit and retain adequate talent could reduce our ability to compete successfully and adversely affect our business and profitability. The financial soundness of other financial institutions may adversely affect FNB, FNBPA and other affiliates. Financial institutions are interrelated as a result of trading, clearing, counterparty and other relationships. FNB, FNBPA and other affiliates are exposed to many different industries and counterparties and they routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Many of these types of transactions expose FNB, FNBPA and other affiliates to credit risk in the event of default of the counterparty or client. In addition, FNBPA and other affiliates' credit risks may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure that we are due. We are subject to operational risk that could damage our reputation and our business. We engage in a variety of businesses ~~in diverse markets~~ and rely on systems, employees, service providers and counterparties to properly process a high volume of transactions. Like all businesses, we are subject to operational risk, which represents the risk of loss resulting from inadequate or failed internal processes in our systems, human error and external events. Operational risk also encompasses technology, compliance and legal risk ~~, which is the risk of loss from violations of, or noncompliance with, rules, regulations, prescribed practices or ethical standards, as well as the risk of our noncompliance with contractual and other obligations~~ . Many strategic initiatives, **including those related to** ~~such as development of new~~ products, ~~product enhancements, use of technology,~~ staffing ~~reductions or shortages~~ , **and** ~~changes in~~ business processes ~~and acquisitions of other financial services companies or their assets~~ , could substantially increase operational risk. We are also exposed to operational risk through our outsourcing arrangements, and the effect the changes in circumstances or capabilities of our outsourcing vendors can have on our ability to continue to perform operational functions necessary to our business. ~~We outsource certain~~ **External and internal risk has proliferated in recent years. The shift in recent years to digital, mobile, and online platforms have resulted in a large volume of payment transactions being executed more quickly leaving banks less time to identify and counteract fraud, and recover the funds misappropriated by fraudulent actors. Moreover, the level of sophistication of fraud has increased in part due to greater collaboration among bad actors, including the exchange of stolen** data ~~processing~~ **, new techniques** and ~~online and mobile banking~~ **expertise available on the dark web. The financial** services **industry is continually developing and forcing countermeasures** to ~~third~~ **prevent, detect and remediate the ever** - **shifting fraud landscape** ~~party providers. Those third- party providers could also be sources of operational~~ and ~~information security risk to us, including from breakdowns or failures of their~~ -- **the** ~~own systems or capacity constraints, and we have limited~~ ability to **quickly adapt** ~~control that risk. Control weaknesses or failures or other operational risk could result in charges, increased operational costs, harm~~ to **new threats is a critical element** ~~our reputation, inability to secure insurance, civil litigation, regulatory intervention, including enforcement action and enhanced supervisory scrutiny, foregone business opportunities, the loss~~ of **fraud prevention** ~~customer business, especially if customers are discouraged from using our mobile bill pay, mobile banking and online banking services, or the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary information~~ . Changes and instability in economic conditions ~~, geopolitical matters~~ and financial markets, including a contraction of economic activity, could adversely impact our business, results of operations and financial condition. Our ~~success~~ **financial performance** depends, to a certain extent, upon global, domestic and local economic and political conditions, as well as governmental monetary policies. Conditions such as changes in interest rates, money supply, levels of employment and other factors beyond our control may have a negative impact on economic activity. Any contraction of economic activity, including an economic recession **or an inflationary environment** , may adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings. In particular, interest rates are highly sensitive to many factors that are beyond our control, including global, domestic and local economic conditions and the policies of various governmental and regulatory agencies and, specifically, the FRB. Throughout 2022 **and 2023,** the FOMC raised the target range for the ~~Federal~~ **federal** funds rate on ~~seven~~ **11** separate occasions ~~and —~~ citing **economic and geopolitical** ~~factors including the hardships caused by the ongoing Russia- Ukraine conflict, continued global supply chain~~ disruptions ~~and imbalances~~ , and **signaled** ~~increased inflationary pressure — the FOMC has indicated~~ that **current** ~~ongoing increases may be appropriate. The tightening of the~~ FRB **direction is to begin lowering** ~~' s monetary policies, including repeated and aggressive increases in the target range for the Federal funds rate~~ **rates at some point during 2024** as ~~well as the conclusion of the FRB' s tapering of asset purchases, together with ongoing economic and geopolitical instability, increases the risk of an economic recession. Although forecasts have varied, many economists are projecting that U. S. economic growth will slow and~~ inflation **returns to more normalized** ~~will remain elevated in the coming quarters, potentially resulting in a contraction of U. S. gross domestic output in 2023. Any such downturn, especially domestically and in the regions in which we operate, may adversely affect our asset quality, deposit~~ levels ~~, loan demand and results of operations~~ . ~~As a result of the economic and geopolitical factors discussed above, financial~~ **Financial** institutions also face **a comparatively** heightened credit ~~risk, among other forms of~~ risk. Of note, because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral, which, in turn, can adversely affect the value of our loan and investment portfolios. Adverse economic developments, specifically including inflation- related impacts, may have a negative effect on the ability of our borrowers to make timely repayments of their loans or to finance future home purchases. ~~Moreover~~ **According to the FRB' s October 2023 Financial Stability Report** , ~~while~~ commercial real estate **(CRE)** values ~~have stabilized~~ **remained elevated relative to fundamentals, even** as **prices continued** ~~demand has returned~~ to ~~pre- pandemic levels in several~~ **decline. While CRE values continue to fluctuate, some** markets ~~,~~ **are showing signs of stabilizing prices. However,** the ~~post- pandemic~~ outlook for **CRE** ~~commercial real estate demand~~ remains dependent on the broader economic environment and, specifically, how major subsectors respond to a rising interest rate environment ~~, the reduction of office utilization due to the impact of hybrid working patterns, greater flexibility for work location,~~ and higher prices for commodities, goods and services. In ~~each~~ **any** case, credit performance over the medium- and long- term is susceptible to economic and market forces and therefore forecasts remain uncertain **, with some degree of instability in the CRE markets expected in the coming quarters as loans are refinanced in markets with higher vacancy rates under current economic conditions** . Instability and uncertainty in the commercial and residential real estate markets, ~~headwinds for lease rates and landlord cash flows,~~ as well as in the broader commercial and retail credit markets, could have a material adverse effect on our **financial condition and results of operations. Macroeconomic and geopolitical challenges and uncertainties affecting the stability of regions and countries around the globe could have a negative impact on our business, financial condition and results of operations. For instance, in response to the Russia- Ukraine war, the U. S. has imposed, and is likely to continue to impose, significant financial and economic sanctions and export controls against certain Russian organizations and individuals, with similar actions being taken by the European Union, the United Kingdom and other jurisdictions. The Russian invasion and subsequent sanctions had and could continue to have certain negative impacts on global and regional financial markets and economic conditions. In addition, the attacks by Hamas on Israel in October 2023, Israel' s response and a potential broader armed conflict in the Middle East are likely to continue impacting the global economy, including that of the United States and have added to concerns of a widening conflict in the Middle East. In particular, oil prices have become increasingly volatile in the aftermath of the attacks on Israel. Each of the developments described above, or any combination of them, could adversely affect our businesses,** financial condition and results of operations. Our business could be adversely affected by difficult economic conditions in the regions in which we operate. We operate in seven states and the District of Columbia. Most of our customers are individuals and small- and medium- sized businesses that are dependent upon their regional economies. The economic conditions in these local markets may be different from, and in some instances worse than, economic conditions in the U. S. as a whole. Challenging macroeconomic, recessionary and employment conditions in the market areas we serve could result in the following consequences, any of which could have a material adverse effect on our business, financial condition and results of operations **, such as** : ~~•~~demand for our loans, deposits and services may decline; ~~•~~loan delinquencies, problem assets, foreclosures and charge- offs may increase; ~~•~~weak economic conditions could limit the demand for loans by creditworthy borrowers, limiting our capacity to leverage our retail deposits and maintain our net interest income; ~~•~~collateral for our loans may decline in value; and ~~•~~the amount of our low- cost or non- interest- bearing deposits may decrease. The banking and financial services industry continually encounters technological change, especially in the systems that are used to deliver products to, and execute transactions on behalf of ~~,~~ customers **. If** ~~, and if~~ we fail to continue to invest in technological improvements as they become appropriate or necessary, our ability to compete effectively could be severely impaired. The banking and financial services industry continually undergoes technological changes, with frequent introductions of new technology- driven products and services **, including recent and rapid developments in artificial intelligence** . The effective use of technology increases efficiency and enables financial institutions to better compete for and serve customers and reduce costs. Our future success will depend, in part, on our ability to address customer needs by using secure technology to provide products and services that will satisfy customer demands, as well as create additional efficiencies in our operations. Many of our larger competitors have greater resources to invest in technological improvements, and we may not effectively implement new technology- driven products and services or do so as quickly as our competitors. Failure to successfully keep pace with technological change affecting the banking and financial services industry could negatively affect our revenue and profitability. In addition, ~~although the digital asset marketplace has in recent months experienced substantial instability,~~ transactions utilizing digital assets, including cryptocurrencies, stablecoins and other similar assets, have increased over the course of the last several years. Certain characteristics of digital asset transactions, **including** ~~such as the~~ **their** speed ~~with which such transactions can be conducted, the ability to transact without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions,~~ and **anonymity** ~~the anonymous nature of the transactions,~~ are appealing to certain consumers notwithstanding the various risks posed by such transactions ~~as illustrated by the current market downturn~~ . Accordingly, digital asset service providers- which, at present are not subject to the extensive regulation as banking organizations and other financial institutions- have become active competitors for our customers' banking business. The process of eliminating banks as intermediaries, known as" disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. **Further, an initiative by the CFPB, as prompted by the Biden Administration, to promote " open and decentralized banking " through the proposal of a Personal Financial Data Rights rule designed to facilitate the transfer of customer information at the direction of the customer to other financial institutions could lead to greater competition for products and services among banks and non- banks alike if a final rule is adopted. The timing of and prospects for any such action are uncertain at this time.** The loss of these revenue streams and the ~~lower~~ **higher** cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations. An interruption in or breach in security of our information systems, or other cybersecurity risks, could result in a loss of customer business, increased compliance and remediation costs, civil litigation or governmental regulatory action, and have an adverse effect on our results of operations, financial condition and cash flows. As part of our business, we collect, process and retain sensitive and confidential client and customer information in both paper and electronic form and rely heavily on communications and information systems for these functions. This information includes non- public, personally- identifiable information that is protected under applicable federal and state laws and regulations. Additionally, certain of these data processing functions are not handled by us directly, but are outsourced to third- party providers. **We have experienced cyber- attacks in the past, none of which have had a material impact on our business or operations, and expect to continue to be the target of cyber- attacks.** Our **current** facilities and systems, ~~and~~ **as well as** those of our third- party service providers, may be vulnerable to security breaches, acts of vandalism and other physical security threats, computer viruses or compromises, ransomware attacks, misplaced or lost data, programming and / or human errors or other similar events **. While we have policies, procedures and practices designed to prevent or limit the effect of the failure, interruption, or security breach of our communications and information systems, we cannot completely ensure that any such failures, interruptions, or security breaches will not occur or, if they do occur, that they will be adequately addressed** . Any security breach involving the misappropriation, loss or other unauthorized disclosure of our confidential business, employee or customer information, whether originating with us, our vendors or retail businesses, could severely damage our reputation, expose us to the risks of civil litigation and liability, require the payment of regulatory fines or penalties or undertaking of costly remediation efforts with respect to third parties affected by a security breach, disrupt our operations, and have a material adverse effect on our business, financial condition and results of operations. The cost of our day- to- day cybersecurity monitoring and protection systems and controls may increase over time. We may also need to expend substantial resources to comply with the data security breach notification requirements adopted by banking regulators and the states, which have varying levels of individual, consumer, regulatory or law enforcement notification and remediation requirements in certain circumstances in the event of a security breach. Cybersecurity risks appear to be growing and, as a result, the cyber- resilience of banking organizations is of increased importance to federal and state banking agencies and other regulators. New or revised laws and regulations may significantly impact our current and planned privacy, data protection and information security- related practices, the collection, use, sharing, retention and safeguarding of consumer and employee information, and current or planned business activities. Compliance with current, proposed, or future privacy, data protection and information security laws to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could materially and adversely affect our profitability. ~~In the last few years, there have been an increasing number of cyber incidents, including several well- publicized cyber- attacks that targeted other U. S. companies, including financial services companies much larger than us. Cyber- attacks involving large financial institutions are becoming more common and increasingly sophisticated. Further, threat actors are increasingly seeking to target vulnerabilities in software systems used by large numbers of banking organizations in order to conduct malicious cyber activities. These types of attacks have resulted in increased supply chain and third- party risk. In addition, on March 21, 2022, the Biden Administration issued a warning regarding the potential for Russia to engage in malicious cyber activities, specifically including attacks on critical infrastructure such as the financial sector, in response to the international economic sanctions that have been imposed against the Russian government and organizations and individuals within Russia.~~ As technology advances, the ability **and speed** to initiate transactions and access data has also become more widely distributed among mobile devices, personal computers, automated teller machines, remote deposit capture sites and similar access points, some of which are not controlled or secured by us. It is possible that we could have exposure to liability and suffer losses as a result of a security breach or cyber- attack that occurred through no fault of ours. Although we maintain specific " cyber " insurance coverage, ~~which would apply in the event of various breach scenarios,~~ the amount **or form** of coverage may not be adequate in any particular case. ~~In addition, cyber threat scenarios are inherently difficult to predict and can take many forms, several of which may not be covered under our cyber insurance coverage.~~ As cyber threats continue to evolve and increase, we may be required to spend significant additional resources to continue to modify or enhance our protective and preventative measures or to investigate and remediate any information security vulnerabilities ~~. Cybersecurity risks for financial institutions also have evolved as a result of the increased interconnectedness of operating environments and the use of new technologies, devices and delivery channels to transmit data and conduct financial transactions. The adoption of new products, services and delivery channels contribute to a more complex operating environment, which enhances operational risk and presents the potential for additional structural vulnerabilities. In addition, the adoption of hybrid and remote work environments following the COVID- 19 pandemic presents institutions with additional cybersecurity vulnerabilities and risks~~. Our day- to- day operations rely heavily on the proper functioning of products, information systems and services provided by third- party, external vendors. We rely on certain external vendors to provide products, information systems and services necessary **, including our core processing system,** to maintain our day- to- day operations. These third parties provide key components of our business operations such as data processing, recording and monitoring transactions, online banking interfaces and services, Internet connections and network access. Any complications caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber- attacks and security breaches at a vendor **(including zero- day attacks associated with vulnerabilities in third- party software that were not previously known)** , failure of a vendor to comply with applicable laws and regulations or to conform to our internal controls and risk management procedures, and failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business ~~. Financial or operational difficulties of a third- party vendor could also hurt our operations if those difficulties interfere with the vendor' s ability to provide services. Furthermore, our vendors could also be sources of operational and information security risk, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third- party vendors could also create significant delay and expense. Problems caused by external vendors could be disruptive to our operations, which could have a material adverse impact on our business and, in turn, our financial condition and results of operations~~. There may be risks resulting from the extensive use of models in our business. We rely on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, developing presentations made to market analysts and others, creating loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy, developing strategic planning initiatives, capital stress testing and calculating regulatory capital levels, as well as to estimate the value of financial instruments and Balance Sheet items. Poorly designed or implemented models present the risk that our business decisions based on information incorporating models will be adversely affected due to the inadequacy of such information. Also, information we provide to the public or to our regulators based on poorly designed or implemented models could be inaccurate or misleading. Certain decisions that the regulators make, including those related to capital distributions and dividends to our stockholders, could be adversely affected due to the regulator' s perception that the quality of the models used to generate our relevant information is insufficient. Our asset valuations may include methodologies, estimations and assumptions that are subject to differing interpretations and this, along with market factors such as volatility in one or more markets or industries, could result in changes to asset valuations that may materially adversely affect our results of operations or financial condition.

We must use estimates, assumptions and judgments when assets are measured and reported at fair value. Assets carried at fair value inherently result in a higher degree of financial statement volatility. Because the assets are carried at fair value, a decline in their value may cause us to incur losses even if the assets in question present minimal risk. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and / or other observable inputs provided by independent third- party resources, when available. When such third- party information is not available, we estimate fair value primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors or assumptions in any of the areas underlying these estimates could materially impact our future financial condition and results of operations. ~~During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be more difficult to value certain assets if trading becomes less frequent and / or market data becomes less observable. There may be certain asset classes that were historically in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. In such cases, valuations in certain asset classes may require more subjectivity and management discretion; valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented market conditions in any particular market (e. g., credit, equity, fixed income) could materially impact the valuation of assets as reported within our Consolidated Financial Statements, and the period- to- period changes in value could vary significantly. We may be required to record future impairment charges if the declines in asset values are considered other- than- temporary. If the impairment charges are significant enough, they could affect the ability of FNBPA to pay dividends to FNB (which could have a material adverse effect on our liquidity and our ability to pay dividends to stockholders), and could also negatively impact our regulatory capital ratios and result in us not being classified as " well- capitalized " for regulatory purposes.~~ Hurricanes, tornadoes, excessive rainfall, droughts or other adverse weather events **, and public health emergencies** could negatively affect the local economies in the markets of our footprint, or disrupt our operations in those markets, which could have an adverse effect on our business or results of operations. The economy of the markets in our footprint is affected, from time to time, by adverse weather events **and other disruptions, including as a result of public health issues** . We cannot predict whether, or to what extent, damage caused by future weather conditions **or other disruptions** will affect our operations, customers or the economies in our markets. Weather events could cause a disruption in our day- to- day business activities in branches within our markets, a decline in loan originations, destruction or decline in the value of properties securing our loans, or an increase in the risks of delinquencies, foreclosures, and loan losses. Even if a weather event does not cause any physical damage in our markets, **it** ~~a significant weather event~~ could affect the market value of property within our footprint, particularly agricultural interests, which are highly sensitive to excessive rainfall or droughts ~~. The impacts of the pandemic on our business, financial condition and results of operations are likely to continue to change. The COVID- 19 pandemic caused significant disruption in the international and U. S. economies and financial markets and had an adverse effect on our business. The spread of COVID- 19 caused death, illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability. Activity restrictions imposed in response to the pandemic, as well as other consequences of the pandemic, resulted in significant adverse effects for many different types of businesses, and caused significant disruption of the U. S. workforce, including labor shortages resulting from employee resignations, retirements, layoffs and furloughs, which also impacted the regions in which we operate. The effects of the COVID- 19 pandemic have varied significantly by region, and the extent of the effects of the pandemic on the U. S. and global economies, labor markets and financial markets are likely to continue to change. Future developments will be highly uncertain and cannot be predicted, including the effectiveness of post- pandemic remote working arrangements, third party providers' ability to continue to support our operations, and any further actions taken by governmental authorities and other third parties. Additionally, although there is a greater understanding of the COVID- 19 virus and the US population is much more aware of behaviors to adopt to limit transmission, there remains the prospect, that new, possibly more resilient, or lethal variants, could emerge resulting in widespread lockdowns akin to those in 2020 and similar increased economic, labor, supply chain and other significant disruption which may impact our businesses. Accordingly, the pandemic and related dynamics could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels~~ . 6. Legal and Compliance Risk Fiscal challenges facing the U. S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations. A U. S. government debt default, threatened **or wide spread perception of a potential** debt default, or downgrade of the sovereign credit ratings of the U. S. by credit rating agencies, could have an adverse impact on financial markets, interest rates and economic conditions in the U. S. and worldwide. Federal budget deficit concerns and the potential for political conflict over legislation to fund U. S. government operations and raise the U. S. government' s debt limit may increase the possibility of a default by the U. S. government on its debt obligations, related credit- rating downgrades, or an economic recession in the U. S. Many of our investment securities are issued by the U. S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns, **possible reductions in federal government spending, and** the possibility of the federal government defaulting on its obligations for a period of time, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks ~~. In connection with prior political disputes over U. S. fiscal and budgetary issues leading to the U. S. government shutdown in 2011, S & P lowered its long- term sovereign credit rating on the U. S. from AAA to AA~~ . A further downgrade, or a downgrade by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the U. S. and worldwide. In addition to affecting the price and liquidity of U. S. government securities, a government default or threat of default could disrupt the market for or affect the pricing of repurchase agreements in U. S. government securities (Repos) a type of secured financing transaction used by many financial institutions, including FNBPA, to manage short- term funding needs, invest short- term cash balances and manage inventories of government securities. Overnight rates on Repo transactions are used by the FRB to calculate SOFR ~~, the benchmark interest rate that is replacing LIBOR on loans and other financial contracts~~ . A disruption in the Repo markets could affect interest rates paid on SOFR- benchmarked loans and payments on swaps and other financial contracts that use SOFR as a benchmark rate. A debt default or further downgrades to the U. S. government' s sovereign credit rating or its perceived creditworthiness could also adversely affect the ability of the U. S. government to support the financial stability of Fannie Mae, Freddie Mac and the FHLBs, with which ~~FNB does~~ **we do** business, obtains financing, engages with for sales of mortgages, and in whose securities ~~FNB~~ **we** ~~invests~~ - **invest** . Our financial condition and results of operations may be adversely affected by changes in federal, state or local tax rules and regulations, or interpretations. We are subject to legislative tax rate changes that could increase our effective tax rates. Depending on enactment dates, these law changes may be retroactive to previous periods **which** ~~and as a result~~ could negatively affect our current and future financial performance ~~. The Inflation Reduction Act of 2022 imposed a 15 % minimum tax on corporations that earn more than $ 1 billion per year and a non- deductible 1 % excise tax on repurchases of stock by" covered corporations," such as FNB, occurring after December 31, 2022. Our income tax expense has differed from the tax computed at the U. S. federal statutory income tax rate due primarily to discrete items. The current Presidential Administration' s approach to corporate tax rates could affect our future results of operations~~ . Our future effective tax rates could be affected by additional changes in the federal tax rates and in tax rates in jurisdictions where our income is earned, by changes in or our interpretation of tax rules and regulations in the jurisdictions in which we do business, by unexpected negative changes in business and market conditions that could reduce certain tax benefits, or by changes in the valuation of our DTAs and DTLs. Changes in statutory tax rates or DTAs and DTLs may adversely affect our profitability and results of operations in future periods. Our financial condition and results of operations may be adversely affected by changes in accounting policies, standards and interpretations. The FASB, regulatory agencies and other bodies that establish accounting standards periodically change the financial accounting and reporting standards governing the preparation of our financial statements. Additionally, those bodies that establish and interpret the accounting standards (such as the FASB, SEC and banking regulators) may change prior interpretations or positions on how these standards should be applied. Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls. Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business. The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment ~~. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions~~ . The U. S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. Such initiatives have been pursued with rigor under the current Presidential Administration. The leadership of the federal banking agencies, including the FRB and the OCC, have emphasized that their supervisory charge is not to regulate climate concerns, but rather focus on climate- related risks that are faced by banking organizations of all types and sizes, specifically including physical and transition risks, and are in the process of enhancing supervisory expectations ~~regarding~~ **through the implementation of climate related regulations and guidelines governing** banks' risk management practices ~~. The OCC stressed in its 2022 Annual Report that climate- related financial risks pose novel challenges that national banks, together with the OCC, are expected to meet; however, the OCC acknowledged that its focus in this area has purposefully been directed at institutions with more than $ 100 billion in total assets as risks are more complex and material at such institutions. Relatedly, on March 30, 2022 and December 2, 2022, respectively, the FDIC and FRB issued their own proposed principles for climate risk management~~ , which ~~also are applicable to larger banking organizations. In light of the foregoing, the largest banks are being encouraged by their regulators to address the climate- related risks that they face by accounting for the effects of climate change in stress testing scenarios and systematic risk assessments, revising expectations for credit portfolio concentrations based on climate- related factors, evaluating the impact of climate change on the bank' s borrowers and consider possible changes to underwriting criteria to account for climate- related risks to mortgaged properties, incorporating climate- related financial risk into the bank' s internal reporting, monitoring and escalation process, planning for transition risk posed by the adjustments to a low- carbon economy, and investing in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. Further, the FRB is in the process of developing scenario analysis to model the possible financial risks associated with climate change. Although the stress testing and risk assessment processes should not initially apply to a banking organization of our size, as we continue to grow and expand the scope of our operations, our regulators generally~~ will **likely result in** ~~expect us to enhance our internal control programs and processes, including with respect to stress testing under a variety of adverse scenarios and related capital planning. To the extent that these initiatives lead to the promulgation of new regulations or supervisory guidance applicable to us, we would expect to experience~~ increased compliance costs and other compliance- related risks. The above measures may also result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes, each of which may require us to expend significant capital and incur compliance, operating, maintenance and remediation costs. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks to us. **Additionally, in March 2022, the SEC proposed new climate- related disclosure rules, which if adopted, would require new climate- related disclosures in SEC filings and audited financial statements. If adopted, these rules would impose increased costs, which could materially and adversely affect our financial performance.** We could be adversely affected by changes in the law, especially changes in the regulation of the banking industry. We operate in a highly regulated environment and our businesses are subject to supervision, regulation, enforcement and prosecution by ~~several~~ **numerous** governmental agencies, including **at** the **federal** ~~SEC, FRB, OCC, CFPB, FDIC, FSOC, DOJ, UST, FINRA, HUD~~ and state **levels** ~~attorneys general and banking, financial services, and securities regulators~~ . Regulations are generally intended to provide protection for depositors, borrowers and other customers, as well as the stability of the financial services industry, rather than for investors in our securities. We are subject to changes in federal and state law, regulations, governmental policies, agency supervisory and enforcement policies and priorities, and tax laws and accounting principles. Changes in regulations or the regulatory environment could adversely affect the banking and financial services industry as a whole and could limit our growth and the return to investors by restricting such activities as, ~~for example: •~~ the payment of dividends and stock repurchases **,** ~~; •~~ balance sheet growth **,** ~~; •~~ investments **,** ~~; •~~ loans and interest rates **,** ~~; •~~ assessments of fees, such as overdraft and ~~electronic transfer~~ interchange fees **,** ~~; •~~ the provision of securities, insurance, brokerage or trust services **,** ~~; •~~ mergers with or acquisitions of other institutions or branches **,** ~~; •~~ the types of deposit and non- deposit activities in which our subsidiaries may engage ~~;~~ **,** and ~~•~~ offering of new products and services. Under regulatory capital adequacy guidelines and other regulatory requirements, FNB and FNBPA must meet guidelines subject to qualitative judgments by regulators about components, risk weightings and other factors. **On July 27** ~~From time to time~~ , **2023,** the ~~regulators~~ **federal banking agencies, including the OCC, issued a proposed rule to** implement **the final components of the Basel III standards. Among other things, the proposed rule would substantially** ~~changes~~ - **change** ~~to those~~ -- **the existing calculation of risk- weighted assets and require banking organizations to use revised models for such calculations. While the proposed rule would not apply to FNB or FNBPA directly based upon our current asset size, many of the principles included in this proposed rulemaking could result in increased supervisory expectations and closer regulatory scrutiny for institutions that experience substantial growth. For example, the proposed rule would add back the impact of AOCI (loss) to the calculation of** regulatory capital ~~adequacy guidelines~~ **for institutions above $ 100 billion in assets and institutions below that threshold would be subject to federal banking agencies' discretion to require institutions to have higher capital cushions to address a variety of supervisory concerns, which may include a high level of AOCI (loss)** . Changes to present capital and liquidity requirements could restrict our activities and require us to maintain additional capital. Compliance with heightened capital standards may reduce our ability to generate or originate revenue- producing assets and thereby restrict revenue generation from banking and non- banking operations. If we fail to meet these minimum capital guidelines and other regulatory requirements, our financial condition would be materially and adversely affected **. In response to several large bank failures in the spring of 2023, the federal banking agencies have engaged in rulemaking that likely will significantly increase compliance costs should we grow in excess of $ 50 billion in assets** . Our overdraft protection programs and corresponding revenue may be impacted by possible new federal regulatory requirements or scrutiny or industry trends regarding such practices. Members of Congress and the leadership of the OCC, FDIC and CFPB have expressed a heightened interest in bank overdraft protection programs. The CFPB has used its supervision process to obtain additional information about financial institutions ~~'~~ **’** overdraft practices and has indicated that it intends to pursue enforcement actions against financial institutions, and their executives, that oversee overdraft practices that are deemed to be unlawful. The CFPB also has published guidance containing instructions for financial institutions to avoid the imposition of unlawful overdraft fees. ~~These~~ **In January 2024, the CFPB proposed two rules addressing financial institutions’ consumer overdraft and non- sufficient funds (NSF) fee practices by narrowing an existing exemption from the Truth in Lending Act (Regulation Z) for the extension of overdraft credit, thereby subjecting overdraft credit to disclosure and other regulatory compliance obligations, and under those authorities prohibiting the imposition of NSF fees on transactions that are declined instantaneously or near- instantaneously. Further, in 2023, the CFPB brought enforcement** actions ~~are a~~ **and imposed substantial civil money penalties against certain financial institutions for overdraft practices and inadequate disclosures that the CFPB alleged to be unlawful and inadequately disclosed for, among other things, systematically and repeatedly charging fees to customers with insufficient funds in their accounts, charging overdraft fees without proper** ~~component~~ --- **consent , and misleading customers about the terms and costs of overdraft coverage. Each of these actions is part** of the CFPB’ s broader supervision and enforcement initiative targeting so- called consumer “ junk fees. ” In addition, the OCC ~~has identified potential options~~ **issued a bulletin in April 2023 to address the risks associated with national banks’ overdraft protection programs and overdraft fees. Specifically, the OCC noted in the bulletin that “ authorize positive, settle negative ” (APSN) transaction and representment fee practices may present a heightened risk of violations of Section 5 of the Federal Trade Commission Act of 2010, which prohibits unfair, deceptive, or abusive acts or practices. An APSN transaction refers to the practice of assessing overdraft fees on debit card transactions that authorize when a customer’ s available balance is positive but later post to the account when the available balance is negative. Representment fees refer to assessing an additional fee each time a third party submits the same transaction** for ~~reform of national~~ **payment after a** bank **returns the transaction for non- sufficient funds. The OCC further noted that banks should establish and maintain sound risk management of overdraft protection programs by establishing effective board and management oversight and appropriate procedures and practices for managing risks associated with overdraft protection programs. In response to this increased governmental scrutiny of the financial services industry, and in anticipation of possible enhanced supervision and enforcement of** overdraft protection practices ~~, including providing a grace period before the imposition of a fee, refraining from charging multiple fees in a single day and eliminating fees altogether. In response to this increased congressional and regulatory scrutiny of the financial services industry, and in anticipation of possible enhanced supervision and enforcement of overdraft protection practices~~ in the future, certain banking organizations **including FNB** have modified their overdraft protection programs, including by discontinuing the imposition of overdraft transaction fees. These competitive pressures from our peers, as well as any adoption by our regulators of new rules or supervisory guidance **, including the new rules proposed by the CFPB,** or more aggressive examination and enforcement policies in respect of banks’ overdraft protection practices, could cause us to modify our program and practices in ways that may have a negative impact on our revenue and earnings. In addition, as supervisory expectations and industry practices regarding overdraft protection programs change, our continued offering of overdraft protection may result in negative public opinion and increased reputation risk. Despite our effort to modify our overdraft practices to conform to recent regulatory guidance and expectations, **and industry practices,** we may remain subject to regulatory criticism **or potential enforcement action, particularly in view of the CFPB' s aggressive interpretations** and **guidance regarding bank overdraft practices, and potentially subject to** negative public reaction through our continued offering **of certain** of these products and services. Certain provisions of our Articles of Incorporation and By- laws and Pennsylvania law may discourage takeovers. Our Articles of Incorporation and By- laws contain certain anti- takeover provisions that may discourage or may make more difficult or expensive a tender offer, change in control or takeover attempt that is opposed by our Board of Directors. In particular, our Articles of Incorporation and By- laws: • require shareholders to give us advance notice to nominate candidates for election to our Board of Directors or to solicit proxies in support of such candidates, or to make shareholder proposals at a shareholders' meeting; • permit our Board of Directors to issue, without approval of our common shareholders unless otherwise required by law, preferred stock with such terms as our Board of Directors may determine; • require the vote of the holders of at least 75 % of our voting shares for shareholder amendments to our By- laws; • in the case of a proposed business combination with a shareholder owning 10 % or more of the voting shares of FNB, the vote of the holders of at least two- thirds of the voting shares not owned by such shareholder is required to approve the business combination, unless it is approved by a majority of FNB' s disinterested directors. Under Pennsylvania law, only shareholders holding at least 25 % of a corporation' s outstanding stock may call a special meeting for any purpose. In addition, Pennsylvania law provides that in discharging their duties, including in the context of a takeover attempt, the board of directors, committees of the board and individual directors may consider a broad range of factors as they deem pertinent, which may include but is not limited to shareholders' interests, in considering the best interests of the corporation. These provisions of our Articles of Incorporation and By- laws and of Pennsylvania law could discourage potential acquisition proposals and could delay or prevent a change in control, even though the holders of a majority of our stock may consider such proposals desirable. Such provisions could also make it more difficult for third parties to remove and replace members of our Board of Directors. Moreover, these provisions could diminish the opportunities for shareholders to participate in certain tender offers, including tender offers at prices above the then- current market price of our common stock, and may also inhibit increases in the trading price of our common stock that could result from takeover attempts. **Volatility in the banking sector, triggered by the failures of Silicon Valley Bank, Signature Bank and First Republic Bank, has resulted in agency rulemaking activities and 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 (SIVB) was closed by the California Department of Financial Protection and Innovation (the CDFPI). Two days later, on March 12, 2023, Signature Bank (SBNY) also failed. Nearly two months later, on May 1, 2023, First Republic Bank (FRC) was closed by the CDFPI. In each case, the FDIC was appointed as receiver. Each of these institutions experienced significant deposit losses in the run- up to their ultimate failures. Investor and customer confidence in the banking sector — particularly with regard to mid- size and larger regional banking organizations — waned in response to these failures. Further evaluation of recent developments in the banking sector has led to governmental initiatives intended to prevent future bank failures and stem significant deposit outflows from the banking sector, including (i) 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 (ii) enhancement of the agencies' supervision and examination policies and priorities. Examiners at the federal banking agencies generally have increased their focus on levels of uninsured deposits, liquidity and contingency funding plans. We cannot predict with certainty which proposed rules will be adopted or if other initiatives may be pursued by lawmakers and agency leadership, nor can we predict the terms and scope of any such initiatives, including whether we would be impacted. However, any of the proposed or potential changes could, among other things, subject us to additional 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. The proportion of our deposit account balances that exceed FDIC insurance limits may expose FNBPA to enhanced liquidity risk in times of financial distress. In the wake of the failures of SIVB, SBNY, and FRC, which the FDIC concluded were generated by, in significant part, a high volume of uninsured deposits, many large depositors across the industry have withdrawn deposits in excess of applicable deposit insurance limits and deposited these funds in other financial institutions. In many instances, depositors moved these funds into money market mutual funds or other similar securities accounts in an effort to diversify the risk of further bank failure (s). Uninsured deposits historically have been viewed by the FDIC as less stable than insured deposits. The federal banking agencies, including the FDIC and OCC, issued an interagency policy statement in July 2023, noting that banks should maintain actionable contingency funding plans that take into account a range of possible stress scenarios, assess the stability of their funding and maintain a broad range of funding sources, ensure that collateral is available for borrowing, and review and revise contingency funding plans periodically and more frequently as market conditions and strategic initiatives change. If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, we may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Moreover, obtaining adequate funding to meet our deposit obligations may be more challenging during periods of elevated prevailing interest rates, such as the present period. Our ability to attract depositors during a time of actual or perceived distress or instability in the marketplace may be limited. Further, interest rates paid for borrowings generally exceed the interest rates paid on deposits. This spread may be exacerbated by higher prevailing interest rates. In addition, because our AFS 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. Under such circumstances, we may be required to access funding from sources such as the Federal Reserve' s discount window in order to manage our liquidity risk. We have experienced increases in our FDIC insurance assessments due to the bank failures that occurred in 2023. The losses incurred by the DIF in connection with the resolution of SIVB and SBNY 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 November 16, 2023, the FDIC issued its final rule that would impose such special assessments. There is the possibility for the FDIC to impose a one- time shortfall special assessment. This will occur if the total amount collected by the FDIC special assessment does not meet the final loss amounts of SIVB and SBNY after the termination of the receiverships. FNBPA had uninsured deposits of $ 16. 1 billion as of December 31, 2022, and we accrued and expensed a special assessment of $ 29. 9 million based on the assessment base of $ 11. 1 billion, which excludes the first $ 5 billion of FNBPA' s uninsured deposits as of December 31, 2022. Although we cannot predict if there will be a subsequent shortfall after the eight quarters, any additional increase in our assessment fees could have a materially adverse effect on our results of operations and financial condition. Adverse changes to our credit ratings could limit our access to funding and increase our borrowing costs. 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 FNB or its subsidiaries in a crisis. Rating agencies could make adjustments to our credit ratings at any time, and there can be no assurance that they will maintain our ratings at current levels or that downgrades will not occur. Any downgrade in our credit ratings could potentially adversely affect the cost and other terms upon which we are able to borrow or obtain funding, increase our cost of capital and / or limit our access to capital markets. 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. While certain aspects of a credit rating downgrade are quantifiable, the impact that such a downgrade would have on our liquidity, business and results of operations in future periods is inherently uncertain and would depend on a number of interrelated factors, including, among other things, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre- downgrade, individual client behavior and future mitigating actions we might take. We are subject to supervision and examination by U. S. government authorities and may become subject to 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. Further evaluation of recent developments after the failures of SIVB, SBNY, and FRC 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. We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The CRA, the Equal Credit Opportunity Act (ECOA), the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The CRA requires the OCC, in connection with its examination of a national bank, to assess the institution' s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. All institutions insured by the FDIC must publicly disclose their rating. On October 24, 2023, the federal banking agencies issued a joint final rule to revise the regulations implementing CRA. FNBPA is considered a " large bank " under the final rule and therefore will be evaluated under new lending, retail services and products, community development financing and community development services tests in respect of our compliance with the statute and rule. The final rule also imposes certain data reporting requirements that will apply to FNBPA. As we prepare for implementation of the final rule, we expect to incur increased compliance costs, and we may be exposed to compliance- related risks after the final rule has

been implemented in full. The fair lending laws prohibit discrimination in the provision of banking services on the basis of prohibited factors including, among others, race, color, national origin, gender, and religion. The enforcement of these laws has been an increasing focus for the CFPB and other regulators. Of note, in March 2022, the Director of the CFPB has indicated that the CFPB will prioritize enforcement of ECOA, as implemented by the CFPB' s Regulation B, which prohibits discrimination in any aspect of a credit transaction, by revising its Supervision and Examination Manual to explicitly incorporate anti- discrimination considerations in respect of evaluations of potential unfair, deceptive, or abusive acts and practices (UDAAPs). The CFPB' s action represents not only a continuation of the agency' s commitment to a more aggressive enforcement approach, but also a shift in supervision and examination policy and procedure that may result in the commencement of enforcement actions against financial institutions involving a broader range of cited violations of the federal consumer financial laws and expanded allegations of UDAAPs. Under the fair lending laws, we may be liable if our policies result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers and may also be subject to investigation by the DOJ. A successful challenge to our institution' s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity and restrictions on expansion activity. Private parties may also have the ability to challenge our performance under fair lending laws in private class action litigation. The consent orders entered into by FNBPA with the DOJ and the North Carolina State Department of Justice will cause us to incur additional compliance costs, may harm our reputation and may restrict our ability to engage in certain business activities and transactions, and our failure to comply with the terms of such consent orders may subject us to further enforcement actions. On February 5, 2024, FNBPA announced its entry into consent orders (together, the" Consent Orders") with the DOJ and the North Carolina State Department of Justice. The Consent Orders resolve allegations that, from 2017 to 2021, FNBPA — including as a successor in interest to Yadkin Bank, which FNBPA acquired in 2017, committed violations of the Fair Housing Act and the Equal Credit Opportunity Act (Regulation B), as well as the North Carolina Unfair and Deceptive Practices Act, within the Charlotte, North Carolina, and Winston- Salem, North Carolina assessment areas. The Consent Orders were approved by the U. S. District Court for the Middle District of North Carolina on February 13, 2024. We are committed to full compliance with the Consent Orders; however, achieving such compliance will require attention from our management, and will cause us to bear costs to implement their terms. Actions taken to achieve compliance with the Consent Orders may affect our business or financial performance, and may require us to reallocate resources away from existing operations or to alter our business practices, operations, products and services, and risk management practices. Our failure to comply with the requirements of the Consent Orders could cause us to incur additional significant compliance costs or subject us to additional enforcement action, and any deficiencies in our compliance practices, as well as the terms of the Consent Orders, could result in additional inquiries, investigations or enforcement actions. Further, the existence of the Consent Orders may adversely affect our reputation in the communities we serve and among third parties with which we conduct business. Under the current regulatory framework governing proposed business combinations, an institution' s compliance with the fair lending laws and whether it is subject to an open or pending enforcement action are significant factors for the federal banking agencies in determining whether a proposed transaction is consistent with safe and sound banking principles. Further, the OCC has announced a proposed rule to amend and enhance its regulatory framework for review of proposed national bank merger transactions under the Bank Merger Act (BMA). Under the OCC' s proposed rule, the OCC staff is unlikely to view a proposed merger transaction involving an acquirer with an open or pending fair lending enforcement action as being consistent with approval under the BMA. Although the Consent Orders constitute the resolution of open enforcement actions, under the OCC' s proposed rule ongoing compliance in a timely manner with the Consent Orders would be an important factor in the OCC' s evaluation of any proposed transaction we may present to the OCC for approval. The Consent Orders will be in effect for a minimum of five years, which term could be longer depending upon the extent and timing of the requisite loan subsidies that will be paid by FNBPA to qualified applicants. Accordingly, if the OCC' s proposed rule is adopted as proposed, our ability to pursue strategic growth initiatives involving combinations with other banking organizations may be substantially limited. As a result, should we pursue future bank acquisitions, we expect the bank regulatory approval process to be prolonged and more costly than we have experienced in the past, which restrictions could materially adversely affect our business, results of operation and financial condition. 7. Strategic Risk If we are not able to continue our historical levels of growth, we may not be able to maintain our historical revenue trends. To achieve our past levels of growth, we have focused on both organic growth and acquisitions. We may not be able to sustain our historical rate of growth or may not be able to grow at all. More specifically, we may not be able to obtain the financing necessary to fund additional growth. Various factors, such as economic conditions, regulatory and other governmental concerns ~~,~~ and competition, may impede or prohibit the opening of new retail branches or optimizing our existing branch network ~~. Further, we may be unable to attract and retain experienced bankers, which could adversely affect our organic growth~~ . If we are not able to continue our historical levels of growth, we may not be able to maintain our historical revenue trends. ~~In July~~ **On January 29,** ~~2021~~ **2024** , ~~President Biden issued~~ **the OCC announced a proposed rule to amend the procedures** ~~an~~ **and principles followed by** ~~Executive Order on Promoting Competition in~~ the **OCC when** ~~American Economy which encouraged the federal banking agencies to review~~ **reviewing** ~~their current~~ **proposed national bank** merger **transactions** ~~oversight practices~~ under the **BMA. If** ~~BHC Act and Bank Merger Act and adopt~~ **adopted as proposed** ~~a plan for revitalization of such practices. In response~~ , ~~on March 25, 2022,~~ the **proposed rule would eliminate** ~~FDIC issued a request for information on the effectiveness of the~~ existing **regulatory procedures** ~~framework for evaluating bank mergers and acquisitions~~ under the ~~FDI Act with particular focus on the increase in asset concentration among banking organizations with more than $ 100 billion in total assets. The~~ OCC ~~is~~

~~considering conditioning the agency~~ ' s **regulations providing for expedited review and streamlining of BMA applications for acquiring institutions that meet certain minimum qualifications and implement certain principles to be followed by the OCC when reviewing applications under the BMA. Such principles would, among other things, establish indicators of proposed transactions that generally are consistent with regulatory** ~~approvals~~ - **approval, as well as those that raise supervisory or regulatory concerns and therefore would require applicants to address or remediate specific areas** of ~~mergers~~ **concern in order to secure regulatory approval. Of note, any transaction whereby the resulting institution would have combined assets of $ 50 billion or more would not be generally consistent with regulatory approval, nor would any transaction for which the applicant has insufficient CRA or examination ratings, is the subject of** ~~and~~ - **an** ~~acquisitions involving larger regional banking organizations~~ **open or pending BSA / anti- money laundering** (~~i. e.~~ **AML) or fair lending enforcement action** , ~~those~~ **or has failed to comply** with ~~$ 500 billion or~~ **the terms of an existing enforcement action. In such cases, BMA applications would be subject to additional scrutiny and are** more **likely to involve extended processing periods** ~~in total assets) on " actions~~ and **/ or** ~~credible commitments " — which would~~ result in ~~such mergers being~~ **denials of approval or regulatory requests to withdraw the application. The proposed rule is** subject to ~~regulatory requirements similar to those which apply to mergers involving Global Systemically Important Banks (or G- SIBs). Further, the Federal Trade Commission (FTC) and DOJ announced in January 2022~~ a ~~joint~~ public **comment period** ~~inquiry aimed at strengthening the agencies' enforcement against mergers that would violate the federal antitrust laws. As a result, the FTC~~ and ~~DOJ are believed to be more closely evaluating proposed mergers and acquisitions, including within~~ the ~~financial services sector, that have the potential to limit competition. The~~ timing and prospects for the ~~formal~~ adoption by the **OCC** ~~federal banking agencies~~ of **a final rule are not** ~~modified regulatory standards for the evaluation of bank mergers and acquisitions is uncertain~~ -- **certain** at this time. ~~Any enhanced regulatory scrutiny of~~ **If the proposed rule is adopted as proposed, our ability to further grow through** bank ~~mergers and~~ acquisitions ~~and revision of the framework for merger application review may adversely affect the marketplace for such transactions, could result in future applications being delayed, impeded or restricted in certain respects and could result in new rules that possibly limit the size of financial institutions we~~ may be ~~able to acquire in~~ **substantially limited based upon our current asset size and** the **recent consent orders entered into by FNBPA with the DOJ and the North Carolina State Department of Justice to resolve allegations of fair lending violations. Further, should we pursue** future **bank acquisitions** ~~or alter the terms for such transactions. In addition~~ , **we expect the bank** ~~recessionary concerns, lower stock valuations, and concerns about a highly politicized~~ regulatory **approval process** ~~and governmental enforcement environment could limit bank merger activity. 8. Merger- Related Risk Integrating our business with that of Howard and Union may fail~~ to ~~realize the anticipated benefits and cost savings of the merger, which may adversely affect our business results and negatively affect the value of our common stock following the merger. The success of the mergers, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate the businesses within our projected timeframe in a manner that permits growth opportunities and does not materially disrupt existing customer relationships, impair our reputation or brand, or result in decreased revenues due to loss of customers. Failure to achieve the anticipated benefits of the merger in the timeframes projected could result in significantly increased costs and decreased revenues. The merger may not~~ be **prolonged** ~~accretive,~~ and **more costly than** ~~may be dilutive, to our earnings per share, which may negatively affect the market price of our common stock. We currently expect the mergers to be accretive to earnings per share in the first full calendar year after closing (excluding one- time charges). This expectation, however, is based on preliminary estimates which may materially change. We may encounter additional transaction- and integration- related costs or other factors such as failing to realize all of the benefits anticipated in the merger or~~ we **have** ~~may be subject to other factors that affect preliminary estimates or our ability to realize operational efficiencies. Any of these factors could cause a decrease in our earnings per share or decrease or delay the expected accretive effect of the merger and contribute to a decrease in the price of our common stock. Our decisions regarding the valuation associated with Howard Bank and Union Banks' loan portfolios could be incorrect and our credit mark may be inadequate, which may adversely affect the financial condition and results of operations of the combined company after the closing of the merger. Before signing the merger agreement, we conducted extensive due diligence on a significant portion of the Howard and Union Banks' loan portfolios. However, our review did not encompass each and every loan in the Howard and Union Banks' loan portfolios. In accordance with customary industry practices, we evaluated the Howard and Union Banks' loan portfolios based on various factors including, among other things, historical loss experience~~ **experienced** ~~, economic risks associated with each loan category, volume and types of loans, trends~~ in ~~classification, volume and trends in delinquencies and non- accruals, and general economic conditions, both local and national. During this process and based on our credit underwriting experience, our management made various subjective assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness and financial condition of the borrowers, the value of the real estate, which is obtained from independent appraisers, other~~ -- **the** ~~assets serving as collateral for the repayment of the loans, the existence of any guarantees and indemnifications and the economic environment in which the borrowers operate. In addition, the effects of probable decreases in expected principal cash flows on the Howard and Union Banks' loans were considered as part~~ **past** ~~of our evaluation~~ . **37** ~~If these assumptions and judgments turn out to be incorrect, including as a result of the fact that our due diligence review did not cover each individual loan, our estimated credit mark against the Howard and Union Banks' loan portfolios in total may be insufficient to cover actual loan losses after the merger is completed, and adjustments may be necessary to allow for different economic conditions or adverse developments in the Howard and Union Banks' loan portfolios.~~