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DELTA REPORT

10-Q

FCNCO - FIRST CITIZENS BANCSHARES

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1690
CHANGES	442
DELETIONS	522
ADDITIONS	726

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

FORM 10-Q

☒	**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
	For the quarterly period ended March 31, 2024 June 30, 2024
	or
☐	**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 001-16715

First Citizens BancShares, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**56-1528994**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
4300 Six Forks Road Raleigh North Carolina	**27609**
(Address of principle executive offices)	**(Zip code)**

(919) 716-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, Par Value $1	FCNCA	Nasdaq Global Select Market
Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series A	FCNCP	Nasdaq Global Select Market
5.625% Non-Cumulative Perpetual Preferred Stock, Series C	FCNCO	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

Class B Common Stock, Par Value $1

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

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

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

Class A Common Stock—13,524,550 13,460,788 shares
Class B Common Stock—1,005,185 shares
(Number of shares outstanding, by class, as of April 30, 2024 July 31, 2024)

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

The following is a list of select abbreviations and acronyms used throughout this document. You may find it helpful to refer back to this table.

Acronym	Definition	Acronym	Definition
ALLL	Allowance for Loan and Lease Losses	ISDA	International Swaps and Derivatives Association
AOCI	Accumulated Other Comprehensive Income	LGD	Loss Given Default
ASC	Accounting Standards Codification	LOCOM	Lower of the Cost or Market Value
ASU AOCI	Accounting Standards Update Accumulated Other Comprehensive Income	MD&A	Management's Discussion and Analysis
BHC ASC	Bank Holding Company Accounting Standards Codification	MSRs	Mortgage Servicing Rights
BOLI ASU	Accounting Standards Update	NCCOB	North Carolina Commissioner of Banks
BHC	Bank Owned Life Insurance Holding Company	NII	Net Interest Income
bps	Basis point(s); 1 bp = 0.01%	NII Sensitivity	Net Interest Income Sensitivity
C&I CRA	Commercial and Industrial Community Reinvestment Act of 1977	NIM	Net Interest Margin
CRA CRE	Community Reinvestment Act of 1977 Commercial Real Estate	NPR	Notice of Proposed Rulemaking
CRE DPA	Commercial Real Estate Deferred Purchase Agreement	OREO	Other Real Estate Owned
DPA DTAs	Deferred Tax Assets	PAA	Purchase Agreement Accounting Accretion or Amortization
ETR	Effective Income Tax Rate	PAM	Proportional Amortization Method
DTAs	Deferred Tax Assets	PCD	Purchased Credit Deteriorated
ETR	Effective Tax Rate	PD	Probability of Obligor Default
EVE Sensitivity	Economic Value of Equity Sensitivity	ROU PCD	Right of Use Purchased Credit Deteriorated
FASB	Financial Accounting Standards Board	SBA PD	Small Business Administration Probability of Obligor Default
FCB	First-Citizens Bank & Trust Company	SEC ROU	Securities and Exchange Commission Right of Use
FDIC	Federal Deposit Insurance Corporation	SOFR SBA	Secured Overnight Financing Rate Small Business Administration
FHLB	Federal Home Loan Bank	SVB SEC	Silicon Valley Bank Securities and Exchange Commission
FOMC	Federal Open Market Committee	SVBB SOFR	Silicon Valley Bridge Bank, N.A. Secured Overnight Financing Rate
FRB	Board of Governors of the Federal Reserve System or Federal Reserve Bank	UPB SVB	Unpaid Principal Balance Silicon Valley Bank
GAAP	United States Generally Accepted Accounting Principles	SVBB	Silicon Valley Bridge Bank, N.A.
HQLS	High-Quality Liquid Securities	TMT	Technology Media and Telecommunications
ISDA	International Swaps and Derivatives Association	UPB	Unpaid Principal Balance
LGD	Loss Given Default	VIE	Variable Interest Entity
HQLS	High Quality Liquid Securities		

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)

dollars in millions, except share data	*dollars in millions, except share data*	March 31, 2024	December 31, 2023	*dollars in millions, except share data*	June 30, 2024	December 31, 2023
Assets						
Cash and due from banks						
Cash and due from banks						
Cash and due from banks						
Interest-earning deposits at banks						
Securities purchased under agreements to resell						
Investment in marketable equity securities (cost of $75 at March 31, 2024 and December 31, 2023)						
Investment securities available for sale (cost of $25,791 at March 31, 2024 and $20,688 at December 31, 2023), net of allowance for credit losses						
Investment securities held to maturity (fair value of $8,479 at March 31, 2024 and $8,503 at December 31, 2023)						
Investment in marketable equity securities (cost of $75 at June 30, 2024 and December 31, 2023)						
Investment securities available for sale (cost of $27,959 at June 30, 2024 and $20,688 at December 31, 2023), net of allowance for credit losses						
Investment securities held to maturity (fair value of $8,946 at June 30, 2024 and $8,503 at December 31, 2023)						
Assets held for sale						
Loans and leases						
Allowance for loan and lease losses						

Loans and leases, net of allowance for loan and lease losses
Operating lease equipment, net
Premises and equipment, net
Goodwill
Other intangible assets, net
Other assets
Total assets
Liabilities
Deposits:
Deposits:
Deposits:
Noninterest-bearing
Noninterest-bearing
Noninterest-bearing
Interest-bearing
Total deposits
Credit balances of factoring clients
Borrowings:
Short-term borrowings
Short-term borrowings
Short-term borrowings
Long-term borrowings
Long-term borrowings
Long-term borrowings
Total borrowings
Other liabilities
Total liabilities
Stockholders' equity
Preferred stock - $0.01 par value (20,000,000 shares authorized at March 31, 2024 and December 31, 2023)
Preferred stock - $0.01 par value (20,000,000 shares authorized at March 31, 2024 and December 31, 2023)
Preferred stock - $0.01 par value (20,000,000 shares authorized at March 31, 2024 and December 31, 2023)
Preferred stock - $0.01 par value (20,000,000 shares authorized at June 30, 2024 and December 31, 2023)
Preferred stock - $0.01 par value (20,000,000 shares authorized at June 30, 2024 and December 31, 2023)
Preferred stock - $0.01 par value (20,000,000 shares authorized at June 30, 2024 and December 31, 2023)
Common stock:
Class A - $1 par value (32,000,000 shares authorized at March 31, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively)
Class A - $1 par value (32,000,000 shares authorized at March 31, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively)
Class A - $1 par value (32,000,000 shares authorized at March 31, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively)
Class B - $1 par value (2,000,000 shares authorized; 1,005,185 shares issued and outstanding at March 31, 2024 and December 31, 2023)
Class A - $1 par value (32,000,000 shares authorized at June 30, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively)
Class A - $1 par value (32,000,000 shares authorized at June 30, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively)
Class A - $1 par value (32,000,000 shares authorized at June 30, 2024 and December 31, 2023; 13,524,550 and 13,514,933 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively)
Class B - $1 par value (2,000,000 shares authorized and 1,005,185 shares issued and outstanding at June 30, 2024 and December 31, 2023)
Additional paid in capital
Retained earnings
Accumulated other comprehensive loss
Total stockholders' equity
Total liabilities and stockholders' equity

See accompanying Notes to the Unaudited Consolidated Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries

Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended June 30,	
	Three Months Ended June 30,	
	Three Months Ended June 30,	Six Months Ended June 30,
dollars in millions, except share and per share data		
Interest income		
Interest income		
Interest income		
Interest and fees on loans		
Interest and fees on loans		
Interest and fees on loans		
Interest on investment securities		
Interest on investment securities		
Interest on investment securities		
Interest on deposits at banks		
Interest on deposits at banks		
Interest on deposits at banks		
Total interest income		
Total interest income		
Total interest income		
Interest expense		
Interest expense		
Interest expense		
Deposits		
Deposits		
Deposits		
Borrowings		
Borrowings		
Borrowings		
Total interest expense		
Total interest expense		
Total interest expense		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Noninterest income		
Noninterest income		
Noninterest income		
Rental income on operating lease equipment		
Rental income on operating lease equipment		
Rental income on operating lease equipment		
Fee income and other service charges		

Fee income and other service charges
Fee income and other service charges
Client investment fees
Client investment fees
Client investment fees
Wealth management services
Wealth management services
Wealth management services
International fees
International fees
International fees
Service charges on deposit accounts
Service charges on deposit accounts
Service charges on deposit accounts
Factoring commissions
Factoring commissions
Factoring commissions
Cardholder services, net
Cardholder services, net
Cardholder services, net
Merchant services, net
Merchant services, net
Merchant services, net
Insurance commissions
Insurance commissions
Insurance commissions
Realized loss on sale of investment securities available for sale, net
Realized loss on sale of investment securities available for sale, net
Realized loss on sale of investment securities available for sale, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Gain on sale of leasing equipment, net
Gain on sale of leasing equipment, net
Gain on sale of leasing equipment, net
Gain on acquisition
Gain on acquisition
Gain on acquisition
Loss on extinguishment of debt
Loss on extinguishment of debt
Loss on extinguishment of debt
Other noninterest income
Other noninterest income
Other noninterest income
Total noninterest income
Total noninterest income
Total noninterest income
Noninterest expense
Noninterest expense
Noninterest expense
Depreciation on operating lease equipment

Depreciation on operating lease equipment
Depreciation on operating lease equipment
Maintenance and other operating lease expenses
Maintenance and other operating lease expenses
Maintenance and other operating lease expenses
Salaries and benefits
Salaries and benefits
Salaries and benefits
Net occupancy expense
Net occupancy expense
Net occupancy expense
Equipment expense
Equipment expense
Equipment expense
Professional fees
Professional fees
Professional fees
Third-party processing fees
Third-party processing fees
Third-party processing fees
FDIC insurance expense
FDIC insurance expense
FDIC insurance expense
Marketing expense
Marketing expense
Marketing expense
Acquisition-related expenses
Acquisition-related expenses
Acquisition-related expenses
Intangible asset amortization
Intangible asset amortization
Intangible asset amortization
Other noninterest expense
Other noninterest expense
Other noninterest expense
Total noninterest expense
Total noninterest expense
Total noninterest expense
Income before income taxes
Income before income taxes
Income before income taxes
Income tax expense (benefit)
Income tax expense (benefit)
Income tax expense (benefit)
Income tax expense
Income tax expense
Income tax expense
Net income
Net income
Net income
Preferred stock dividends

Preferred stock dividends

Preferred stock dividends

Net income available to common stockholders

Net income available to common stockholders

Net income available to common stockholders

Earnings per common share

Earnings per common share

Earnings per common share

Basic

Basic

Basic

Diluted

Diluted

Diluted

Weighted average common shares outstanding

Weighted average common shares outstanding

Weighted average common shares outstanding

Basic

Basic

Basic

Diluted

Diluted

Diluted

See accompanying Notes to the Unaudited Consolidated Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)

Three Months Ended March 31,

Three Months Ended March 31,

Three Months Ended March 31,

Three Months Ended June 30,

Three Months Ended June 30,

Three Months Ended June 30, **Six Months Ended June 30,**

dollars in millions

Net income

Net income

Net income

Other comprehensive (loss) income, net of tax

Other comprehensive (loss) income, net of tax

Other comprehensive (loss) income, net of tax

Net unrealized (loss) gain on securities available for sale

Net unrealized (loss) gain on securities available for sale

Net unrealized (loss) gain on securities available for sale

Other comprehensive loss, net of tax

Other comprehensive loss, net of tax

Other comprehensive loss, net of tax

Net unrealized loss on securities available for sale

Net unrealized loss on securities available for sale

Net unrealized loss on securities available for sale

Net change in unrealized loss on securities available for sale transferred to securities held to maturity

Net change in unrealized loss on securities available for sale transferred to securities held to maturity

Net change in unrealized loss on securities available for sale transferred to securities held to maturity

Net change in defined benefit pension items

Net change in defined benefit pension items

Net change in defined benefit pension items

Net change in defined benefit pension items

Net unrealized gain on cash flow hedge derivatives

Net change in defined benefit pension items

Net unrealized gain on cash flow hedge derivatives

Other comprehensive (loss) income, net of tax

Other comprehensive (loss) income, net of tax

Other comprehensive (loss) income, net of tax

Net unrealized gain on cash flow hedge derivatives

Other comprehensive loss, net of tax

Other comprehensive loss, net of tax

Other comprehensive loss, net of tax

Total comprehensive income

Total comprehensive income

Total comprehensive income

See accompanying Notes to the Unaudited Consolidated Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

		Three Months Ended						
dollars in millions, except share data	*dollars in millions, except share data*	**Preferred Stock**	**Class A Common Stock**	**Class B Common Stock**	**Additional Paid in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Total Stockholders' Equity**
dollars in millions, except share data								
dollars in millions, except share data		**Preferred Stock**	**Class A Common Stock**	**Class B Common Stock**	**Additional Paid in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Total Stockholders' Equity**
Balance at December 31, 2023								
Balance at March 31, 2024								
Net income								
Other comprehensive loss, net of tax								
Stock based compensation								
Cash dividends declared ($1.64 per common share):								
Stock based compensation								
Cash dividends declared ($1.64 per common share):								
Stock based compensation								
Cash dividends declared ($1.64 per common share):								
Cash dividends declared ($1.64 per common share):								
Cash dividends declared ($1.64 per common share):								
Class A common stock								
Class A common stock								
Class A common stock								
Class B common stock								
Preferred stock dividends declared:								
Series A								
Series A								

Series A
Series B
Series C
Balance at March 31, 2024
Balance at June 30, 2024
Balance at December 31, 2022
Balance at December 31, 2022
Balance at December 31, 2022
Balance at March 31, 2023
Balance at March 31, 2023
Balance at March 31, 2023
Net income
Other comprehensive income, net of tax
Other comprehensive loss, net of tax
Stock based compensation
Stock based compensation
Stock based compensation
Cash dividends declared ($0.75 per common share):
Cash dividends declared ($0.75 per common share):
Cash dividends declared ($0.75 per common share):
Class A common stock
Class A common stock
Class A common stock
Class B common stock
Preferred stock dividends declared
Preferred stock dividends declared:
Series A
Series A
Series A
Series B
Series C
Balance at March 31, 2023
Balance at June 30, 2023

First Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Six Months Ended						
dollars in millions, except share data	Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2023	$ 881	$ 14	$ 1	$ 4,108	$ 16,742	$ (491)	$ 21,255
Net income	—	—	—	—	1,438	—	1,438
Other comprehensive loss, net of tax	—	—	—	—	—	(119)	(119)
Stock based compensation	—	—	—	(9)	—	—	(9)
Cash dividends declared ($3.28 per common share):							
Class A common stock	—	—	—	—	(44)	—	(44)
Class B common stock	—	—	—	—	(3)	—	(3)
Preferred stock dividends declared:							

Series A	—	—	—	—	(9)	—	(9)
Series B	—	—	—	—	(16)	—	(16)
Series C	—	—	—	—	(6)	—	(6)
Balance at June 30, 2024	$ 881	$ 14	$ 1	$ 4,099	$ 18,102	$ (610)	$ 22,487
Balance at December 31, 2022	$ 881	$ 14	$ 1	$ 4,109	$ 5,392	$ (735)	$ 9,662
Net income	—	—	—	—	10,200	—	10,200
Other comprehensive loss, net of tax	—	—	—	—	—	(37)	(37)
Stock based compensation	—	—	—	(3)	—	—	(3)
Cash dividends declared ($1.50 per common share):							
Class A common stock	—	—	—	—	(20)	—	(20)
Class B common stock	—	—	—	—	(2)	—	(2)
Preferred stock dividends declared:							
Series A	—	—	—	—	(9)	—	(9)
Series B	—	—	—	—	(14)	—	(14)
Series C	—	—	—	—	(6)	—	(6)
Balance at June 30, 2023	$ 881	$ 14	$ 1	$ 4,106	$ 15,541	$ (772)	$ 19,771

See accompanying Notes to the Unaudited Consolidated Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	Six Months Ended June 30,
dollars in millions		
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		
Net income		
Net income		
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Adjustments to reconcile net income to cash provided by operating activities:		
Adjustments to reconcile net income to cash provided by operating activities:		
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
Deferred tax expense (benefit)		
Deferred tax expense (benefit)		
Deferred tax expense (benefit)		
Deferred tax benefit		
Deferred tax benefit		
Deferred tax benefit		
Depreciation, amortization, and accretion, net		
Depreciation, amortization, and accretion, net		
Depreciation, amortization, and accretion, net		
Stock based compensation expense		
Stock based compensation expense		
Stock based compensation expense		
Realized loss on sale of investment securities available for sale, net		

Realized loss on sale of investment securities available for sale, net
Realized loss on sale of investment securities available for sale, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Gain on sale of loans, net
Gain on sale of loans, net
Gain on sale of loans, net
(Gain) loss on sale of loans, net
(Gain) loss on sale of loans, net
(Gain) loss on sale of loans, net
Gain on sale of operating lease equipment, net
Gain on sale of operating lease equipment, net
Gain on sale of operating lease equipment, net
Gain on other real estate owned, net
Gain on other real estate owned, net
Gain on other real estate owned, net
Gain on acquisition
Gain on acquisition
Gain on acquisition
Loss on extinguishment of debt
Loss on extinguishment of debt
Loss on extinguishment of debt
Origination of loans held for sale
Origination of loans held for sale
Origination of loans held for sale
Proceeds from sale of loans held for sale
Proceeds from sale of loans held for sale
Proceeds from sale of loans held for sale
Net change in other assets
Net change in other assets
Net change in other assets
Net change in other liabilities
Net change in other liabilities
Net change in other liabilities
Other operating activities
Other operating activities
Other operating activities
Net cash provided by (used in) operating activities
Net cash provided by (used in) operating activities
Net cash provided by (used in) operating activities
Net cash provided by operating activities
Net cash provided by operating activities
Net cash provided by operating activities
CASH FLOWS FROM INVESTING ACTIVITIES
CASH FLOWS FROM INVESTING ACTIVITIES
CASH FLOWS FROM INVESTING ACTIVITIES
Net decrease (increase) in interest-earning deposits at banks
Net decrease (increase) in interest-earning deposits at banks
Net decrease (increase) in interest-earning deposits at banks
Net decrease in interest-earning deposits at banks

Net decrease in interest-earning deposits at banks
Net decrease in interest-earning deposits at banks
Purchases of investment securities available for sale
Purchases of investment securities available for sale
Purchases of investment securities available for sale
Proceeds from maturities of investment securities available for sale
Proceeds from maturities of investment securities available for sale
Proceeds from maturities of investment securities available for sale
Proceeds from sales of investment securities available for sale
Proceeds from sales of investment securities available for sale
Proceeds from sales of investment securities available for sale
Purchases of investment securities held to maturity
Purchases of investment securities held to maturity
Purchases of investment securities held to maturity
Proceeds from maturities of investment securities held to maturity
Proceeds from maturities of investment securities held to maturity
Proceeds from maturities of investment securities held to maturity
Net decrease in securities purchased under agreements to resell
Net decrease in securities purchased under agreements to resell
Net decrease in securities purchased under agreements to resell
Net decrease (increase) in securities purchased under agreements to resell
Net decrease (increase) in securities purchased under agreements to resell
Net decrease (increase) in securities purchased under agreements to resell
Net (increase) decrease in loans
Net (increase) decrease in loans
Net (increase) decrease in loans
Proceeds from sales of loans
Proceeds from sales of loans
Proceeds from sales of loans
Net increase in credit balances of factoring clients
Net increase in credit balances of factoring clients
Net increase in credit balances of factoring clients
Purchases of operating lease equipment
Purchases of operating lease equipment
Purchases of operating lease equipment
Proceeds from sales of operating lease equipment
Proceeds from sales of operating lease equipment
Proceeds from sales of operating lease equipment
Purchases of premises and equipment
Purchases of premises and equipment
Purchases of premises and equipment
Proceeds from sales of other real estate owned
Proceeds from sales of other real estate owned
Proceeds from sales of other real estate owned
Cash acquired, net of cash paid as consideration for acquisition
Cash acquired, net of cash paid as consideration for acquisition
Cash acquired, net of cash paid as consideration for acquisition
Proceeds from surrender of bank-owned life insurance policies
Proceeds from surrender of bank-owned life insurance policies
Proceeds from surrender of bank-owned life insurance policies
Other investing activities

REFINITIV

Other investing activities

Other investing activities

Net cash (used in) provided by investing activities

Net cash (used in) provided by investing activities

Net cash (used in) provided by investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase in time deposits

Net increase in time deposits

Net increase in time deposits

Net (decrease) increase in time deposits

Net (decrease) increase in time deposits

Net (decrease) increase in time deposits

Net increase (decrease) in demand and other interest-bearing deposits

Net increase (decrease) in demand and other interest-bearing deposits

Net increase (decrease) in demand and other interest-bearing deposits

Net (decrease) increase in securities sold under customer repurchase agreements

Net (decrease) increase in securities sold under customer repurchase agreements

Net (decrease) increase in securities sold under customer repurchase agreements

Repayment of short-term borrowings

Repayment of short-term borrowings

Repayment of short-term borrowings

Proceeds from issuance of short-term borrowings

Proceeds from issuance of short-term borrowings

Proceeds from issuance of short-term borrowings

Repayment of long-term borrowings

Repayment of long-term borrowings

Repayment of long-term borrowings

Proceeds from issuance of long-term borrowings

Proceeds from issuance of long-term borrowings

Proceeds from issuance of long-term borrowings

Cash dividends paid

Cash dividends paid

Cash dividends paid

Other financing activities

Other financing activities

Other financing activities

Net cash provided by (used in) financing activities

Net cash provided by (used in) financing activities

Net cash provided by (used in) financing activities

Change in cash and due from banks

Change in cash and due from banks

Change in cash and due from banks

Cash and due from banks at beginning of period

Cash and due from banks at beginning of period

Cash and due from banks at beginning of period

Cash and due from banks at end of period

Cash and due from banks at end of period

Cash and due from banks at end of period

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	Six Months Ended June 30,
	Six Months Ended June 30,
	Six Months Ended June 30,
dollars in millions	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the period for:	
Cash paid during the period for:	
Cash paid during the period for:	
Interest	
Interest	
Interest	
Income taxes	
Income taxes	
Income taxes	
Significant non-cash investing and financing activities:	
Significant non-cash investing and financing activities:	
Significant non-cash investing and financing activities:	
Transfers of loans to other real estate	
Transfers of loans to other real estate	
Transfers of loans to other real estate	
Transfers of premises and equipment to other real estate	
Transfers of premises and equipment to other real estate	
Transfers of premises and equipment to other real estate	
Transfer of assets from held for investment to held for sale	
Transfer of assets from held for investment to held for sale	
Transfer of assets from held for investment to held for sale	
Transfer of assets from held for sale to held for investment	
Transfer of assets from held for sale to held for investment	
Transfer of assets from held for sale to held for investment	
Commitments extended during the period on affordable housing investment credits	
Commitments extended during the period on affordable housing investment credits	
Commitments extended during the period on affordable housing investment credits	
Purchase Money Note as consideration for SVBB Acquisition	
Purchase Money Note as consideration for SVBB Acquisition	
Purchase Money Note as consideration for SVBB Acquisition	
Value Appreciation Instrument as consideration for SVBB Acquisition	
Value Appreciation Instrument as consideration for SVBB Acquisition	
Value Appreciation Instrument as consideration for SVBB Acquisition	

See accompanying Notes to the Unaudited Consolidated Financial Statements.

First Citizens BancShares, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Nature of Operations

First Citizens BancShares, Inc. (the “Parent Company” and, when including all of its subsidiaries on a consolidated basis, “we,” “us,” “our,” “BancShares”) is a financial holding company organized under the laws of Delaware that conducts operations through its banking subsidiary, First-Citizens Bank & Trust Company (“FCB”), which is headquartered in Raleigh, North Carolina. BancShares and its subsidiaries operate a network of branches and offices, predominantly located in the Southeast, Mid-Atlantic, Midwest and Western

United States. BancShares provides various types of commercial and consumer banking services, including lending, leasing, and wealth management services. Deposit services include checking, savings, money market, and time deposit accounts.

Business Combinations

BancShares accounts for business combinations using the acquisition method of accounting. Under this method, acquired assets and assumed liabilities are included with the acquirer's accounts at their estimated fair value as of the date of acquisition, with any excess of purchase price over the fair values of the net assets acquired and any finite-lived intangible assets established in connection with the business combination recognized as goodwill. To the extent the fair value of identifiable net assets acquired exceeds the purchase price, a gain on acquisition is recognized. Acquisition-related costs are recognized as period expenses as incurred.

On March 27, 2023 (the "SVBB Acquisition Date"), FCB acquired substantially all loans and certain other assets and assumed all customer deposits and certain other liabilities of Silicon Valley Bridge Bank, N.A. ("SVBB") from the Federal Deposit Insurance Corporation (the "FDIC") pursuant to the terms of a purchase and assumption agreement (the "SVBB Purchase Agreement") by and among FCB, the FDIC, and the FDIC, as receiver of SVBB (the "SVBB Acquisition").

Refer to Note 2—Business Combinations for additional information.

BASIS OF PRESENTATION

Principles of Consolidation and Basis of Presentation

These consolidated financial statements and notes thereto are presented in accordance with instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the consolidated financial position and consolidated results of operations have been made. The unaudited interim consolidated financial statements included in this Quarterly Report on Form 10-Q (this "Form 10-Q") should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K"). Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements of BancShares include the accounts of BancShares and its subsidiaries, certain partnership interests and variable interest entities ("VIEs") where BancShares is the primary beneficiary, if applicable. All significant intercompany accounts and transactions are eliminated upon consolidation. Assets held in agency or fiduciary capacity are not included in the consolidated financial statements.

See Note 8—Variable Interest Entities and Note 9—Other Assets for additional information.

Reclassifications

Financial Statements

In certain instances, amounts reported in the 2023 consolidated financial statements have been reclassified to conform to the current financial statement presentation. Such reclassifications had no effect on previously reported stockholders' equity or net income.

Reportable Segments

At December 31, 2023, BancShares reported its financial results in the General Bank, Commercial Bank, Silicon Valley Bank ("SVB"), and Rail segments. All other financial information was included in the "Corporate" section of the segment disclosures.

We made the following changes to our segment reporting during the first quarter of 2024:

- the private banking and wealth management components of the SVB segment were integrated into the General Bank segment which already included other wealth management activities;
- the SVB segment was renamed SVB Commercial as its customers primarily include commercial clients in key innovation markets, as well as private equity and venture capital clients; and
- the Direct Bank (a nationwide digital banking platform that delivers deposit products to consumers) previously allocated to the General Bank segment was transitioned to Corporate which already included borrowings and brokered deposits.

Segment disclosures for 2023 periods included in this Form 10-Q were recast to reflect the segment reporting changes summarized above.

Refer to Note 20—Business Segment Information for additional information.

Loan Classes

At December 31, 2023, our disclosures for loans and leases and the allowance for loan and lease losses ("ALLL") were aggregated into Commercial, Consumer, and SVB portfolios, each of which consisted of several loan classes. The SVB portfolio consisted of the following loan classes: global fund banking, investor dependent - early stage, investor dependent - growth stage, innovation Commercial and Industrial ("innovation C&I") and cash flow dependent, private bank, commercial real estate ("CRE"), and "other." For further information, refer to Note 1—Significant Accounting Policies and Basis of Presentation in the Notes to the Consolidated Financial Statements included in our 2023 Form 10-K.

During the first quarter of 2024, the private bank, CRE, and "other" loan classes described below, which were mapped to reported in the SVB portfolio at December 31, 2023, were remapped recast to the applicable loan classes within the Commercial and Consumer portfolios.

- The private bank loan class included loans to clients who are primarily private equity or venture capital professionals and executives in the innovation companies, as well as high net worth clients. This loan class included mortgages, home equity lines of credit, restricted and private stock loans, personal capital call lines of credit, lines of credit against liquid assets, and other secured and unsecured lending products. In addition, this class included owner occupied commercial mortgages and real estate secured loans.

- The CRE loan class consisted generally of acquisition financing loans for commercial properties including office buildings, retail properties, apartment buildings and industrial/warehouse space.
- The "other" loan class included smaller acquired portfolios, such as commercial and industrial, premium wine, and other acquired portfolios.

Certain loans secured by other nonfarm, nonresidential properties, which were mapped to reported in the owner occupied commercial mortgage loan class at December 31, 2023, were remapped recast to the non-owner occupied commercial mortgage loan class during the first quarter of 2024.

Loan and lease and ALLL disclosures for 2023 periods included in this Form 10-Q were recast to reflect the changes in loan classes summarized above.

Refer to Note 4—Loans and Leases and Note 5—Allowance for Loan and Lease Losses.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on available information. These estimates and assumptions impact the amounts reported in the consolidated financial statements and accompanying notes and the disclosures provided, and actual results could differ from those estimates. The significant estimate related to the determination of the ALLL is considered a critical accounting estimate.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in the 2023 Form 10-K. Relevant updates to the significant accounting policies are described below.

Derivative Assets and Liabilities
During the second quarter of 2024, BancShares entered into floating-rate loan portfolio cash flow hedges as further discussed in Note 12—Derivative Financial Instruments. The changes in fair value of the hedging instrument in a cash flow hedge are reported in Accumulated Other Comprehensive Income ("AOCI") and subsequently reclassified to earnings during the periods in which the hedged cash flows affect earnings. The recognized gains and losses on loan portfolio cash flow hedges are reported in "interest and fees on loans" on the Consolidated Statements of Income when reclassified from AOCI to earnings.

We assess hedge effectiveness at inception and on an ongoing basis. If an accounting hedge subsequently ceases to qualify as an effective hedge or the forecasted cash flows are no longer probable of occurring in a cash flow hedge within the specified period, hedge accounting will be discontinued. Any amounts in AOCI related to a discontinued cash flow hedge will be reclassified to earnings over the same periods in which the hedged cash flows affect earnings. However, if it becomes probable that the forecasted cash flows will not occur within the specified period, any related amounts in AOCI will be reclassified to earnings immediately.

Newly Adopted Accounting Standards
As of January 1, 2024, BancShares adopted the following Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"):

ASU 2023-02 – Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method, Issued March 2023

The amendments in this ASU allow entities to elect to account for qualifying tax equity investments using the proportional amortization method ("PAM"), regardless of the program giving rise to the related income tax credits. PAM accounting had been available only for qualifying investments in qualified affordable housing projects. This ASU also requires disclosure of the nature of the investor's tax equity investments and the effect of income tax credits and other income tax benefits from tax equity investments on the investor's balance sheet and income statement. These required disclosures are included in Note 8—Variable Interest Entities. Adoption of this ASU did not have a material impact on our consolidated financial statements or disclosures.

ASU 2022-03 – Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, Issued June 2022

The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. This ASU also requires specific disclosures for equity securities subject to contractual sale restrictions. Adoption of this ASU did not have a material impact on our consolidated financial statements or disclosures.

NOTE 2 — BUSINESS COMBINATIONS

Silicon Valley Bridge Bank Acquisition
FCB completed the SVBB Acquisition on the SVBB Acquisition Date and acquired substantially all loans and certain other assets and assumed all customer deposits and certain other liabilities of SVBB in an FDIC-assisted transaction.

BancShares determined that the SVBB Acquisition constitutes a business combination as defined by Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed are presented at their estimated fair values based on valuations as of March 27, 2023. The determination of estimated fair values required management to make certain estimates about discount rates, future expected cash flows, market conditions at the time of the SVBB Acquisition and other future events that are highly subjective in nature.

Management has finalized its fair value estimates for the acquired assets and assumed liabilities. The final fair value estimates included adjustments for information relating to events or circumstances existing at the SVBB Acquisition Date that impacted the preliminary fair value estimates within the allowable period not to exceed one year following the SVBB Acquisition Date ("Measurement Period Adjustments"). We recorded Measurement Period Adjustments during 2023. There were no Measurement Period Adjustments during the three six months ended March 31, 2024 June 30, 2024.

Pursuant to the terms of the SVBB Purchase Agreement, FCB acquired assets with a total fair value of approximately $107.54 billion as of the SVBB Acquisition Date, primarily including $68.47 billion of loans, net of the initial ALLL for purchased credit deteriorated (“PCD”) loans, and $35.31 billion of cash and interest-earning deposits at banks. FCB also assumed liabilities with a total fair value of approximately $61.42 billion, primarily including $56.01 billion of customer deposits. The deposits were acquired without a premium and the assets were acquired at a discount of approximately $16.45 billion pursuant to the terms of the SVBB Purchase Agreement. Further details regarding the fair values of the acquired assets and assumed liabilities are provided in the “Fair Value Purchase Price Allocation” table below.

In connection with the SVBB Purchase Agreement, FCB also entered into a commercial shared loss agreement with the FDIC (the “Shared-Loss Agreement”). The Shared-Loss Agreement covered an estimated $60 billion of commercial loans (collectively, the “Covered Assets”) at the time of acquisition. The FDIC will reimburse FCB for 0% of losses of up to $5 billion with respect to Covered Assets and 50% of losses in excess of $5 billion with respect to Covered Assets (“FDIC Loss Sharing”) and FCB will reimburse the FDIC for 50% of recoveries related to such Covered Assets (“FCB reimbursement”). The Shared-Loss Agreement provides for FDIC Loss Sharing for five years and FCB reimbursement for eight years. The Shared-Loss Agreement extends to loans funded within one year of the SVBB Acquisition Date that were unfunded commitments to loans at the SVBB Acquisition Date. If certain conditions are met pursuant to the Shared-Loss Agreement, FCB has agreed to pay to the FDIC, 45 days after March 31, 2031 (or, if earlier, the time of disposition of all acquired assets pursuant to the Shared-Loss Agreement), a true-up amount up to $1.5 billion calculated using a formula set forth in the Shared-Loss Agreement. As noted below, preliminary estimates indicate indicated there is no material value to attribute to the loss indemnification asset or true-up liability.

In connection with the SVBB Acquisition, FCB issued a five-year $35 billion note payable to the FDIC (the “Original Purchase Money Note”), and entered into binding terms and conditions for an up to $70 billion line of credit provided by the FDIC for related risks and liquidity purposes (the “Initial Liquidity Commitment”). At such time, FCB and the FDIC agreed to negotiate additional terms and documents augmenting and superseding the Original Purchase Money Note and Initial Liquidity Commitment, and on November 20, 2023, FCB and the FDIC entered into new financing agreements for those purposes. On November 20, 2023, the Original Purchase Money Note was amended and restated, dated as of March 27, 2023 and maturing March 27, 2028 (the “Purchase Money Note”), adjusting the principal amount to approximately $36.07 billion. FCB and the FDIC, as lender and as collateral agent, also entered into an Advance Facility Agreement, dated as of March 27, 2023, and effective as of November 20, 2023 (the “Advance Facility Agreement”), providing total advances available through March 27, 2025 of up to $70 billion (subject to the limits described below) solely to provide liquidity to offset deposit withdrawal or runoff of former SVBB deposit accounts and to fund the unfunded commercial lending commitments acquired in the SVBB Acquisition. Borrowings outstanding under the Advance Facility Agreement are limited to an amount equal to the value of loans and other collateral obtained from SVBB plus the value of any other unencumbered collateral agreed by the parties to serve as additional collateral, reduced by the amount of principal and accrued interest outstanding under the Purchase Money Note and the accrued interest on the Advance Facility Agreement. Interest on any outstanding principal amount accrues at a variable rate equal to the three-month weighted average of the Daily Simple Secured Overnight Financing Rate (“SOFR”) plus 25 basis points (“bps”) (but in no event less than 0.00%). Obligations of FCB under the Advance Facility Agreement are subordinated to its obligations under the Purchase Money Note. See Pledged Assets the “Pledged Assets” section in Note 4—Loans and Leases.

Purchase Price Consideration for the SVBB Acquisition

As consideration for the SVBB Acquisition, FCB issued the Purchase Money Note with a principal amount of $36.07 billion (fair value of $35.81 billion). FCB pledged specified assets as collateral security for the Purchase Money Note and the Advance Facility Agreement, including loans purchased from the FDIC as receiver to SVBB, the related loan documents and collections, accounts established for collections and disbursements, any items credited thereto, such additional collateral (if any) as the parties may agree to in the future, and proceeds thereof. The interest rate on the Purchase Money Note accrues at a rate of 3.50% per annum. There are no scheduled principal payments under the Purchase Money Note. FCB may voluntarily prepay principal under the Purchase Money Note without premium or penalty, twice per month. The principal amount of the Purchase Money Note is based on the carrying value of net assets acquired less the asset discount of $16.45 billion pursuant to the terms of the SVBB Purchase Agreement.

In addition, as part of the consideration for the SVBB Acquisition, BancShares issued a Cash Settled Value Appreciation Instrument to the FDIC (the “Value Appreciation Instrument”) in which FCB agreed to make a cash payment to the FDIC equal to the product of (i) 5 million and (ii) the excess amount by which the average volume weighted price of one share of Class A common stock, over the two Nasdaq trading days immediately prior to the date on which the Value Appreciation Instrument is exercised exceeds $582.55; provided that the settlement amount does not exceed $500 million. The FDIC exercised its right under the Value Appreciation Instrument on March 28, 2023 and a $500 million payment was made on April 4, 2023.

The following table provides the final purchase price allocation, including Measurement Period Adjustments, to the identifiable assets acquired and liabilities assumed at their estimated fair values as of the SVBB Acquisition Date.

Fair Value Purchase Price Allocation

dollars in millions		Fair Value Purchase Price Allocation as of March 27, 2023
Purchase price consideration		
Purchase Money Note (1)	$	35,808
Value Appreciation Instrument		500
Purchase price consideration	$	36,308
Assets		
Cash and due from banks	$	1,310
Interest-earning deposits at banks		34,001
Investment securities available for sale		385
Loans and leases, net of the initial PCD ALLL		68,468
Affordable housing tax credit and other unconsolidated investments		1,273

Premises and equipment		308
Core deposit intangibles		230
Other assets		1,564
Total assets acquired	$	107,539
Liabilities		
Deposits	$	56,014
Borrowings		10
Deferred tax liabilities		3,364
Other liabilities		2,035
Total liabilities assumed	$	61,423
Fair value of net assets acquired		46,116
Gain on acquisition, after income taxes (2) (3)	$	9,808
Gain on acquisition, before income taxes (2)	$	13,172

(1) The principal amount of the Purchase Money Note is the carrying value of net assets acquired of approximately $52.52 billion less the asset discount of $16.45 billion pursuant to the SVBB Purchase Agreement. The $35.81 billion above is net of a fair value discount of approximately $264 million.

(2) The difference between the gain on acquisition before and after taxes reflects the deferred tax liabilities recorded in the SVBB Acquisition.

(3) The $9.81 billion gain on acquisition includes Measurement Period Adjustments, whereas the $9.82 $9.88 billion gain on acquisition in the Consolidated Statements of Income for the three six months ended March 31, 2023 June 30, 2023, was preliminary as Measurement Period Adjustments were recorded after March 31, 2023 June 30, 2023.

The gain on acquisition of $9.81 billion, net of income taxes of $3.36 billion, was recorded in noninterest income during the year ended December 31, 2023, and represents the excess of the fair value of net assets acquired over the purchase price.

The following is a description of the methods used to determine the estimated fair values of the Purchase Money Note and significant assets acquired and liabilities assumed, as presented above.

Purchase Money Note

The fair value of the Purchase Money Note was estimated based on the income approach, which includes: (i) projecting cash flows over a certain discrete projection period and (ii) discounting those projected cash flows to present value at a rate of return that considers the relative risk of the cash flows and the time value of money.

Cash and interest-earning deposits at banks

For financial instruments with a short-term or no stated maturity, prevailing market rates and limited credit risk, carrying amounts approximate fair value.

Investment securities

Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair value estimates are based on observable inputs including quoted market prices for similar instruments, quoted market prices that are not in an active market or other inputs that are observable in the market. In the absence of observable inputs, fair value is estimated based on pricing models and/or discounted cash flow methodologies.

Loans

Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, remaining term of loan, credit quality ratings or scores, amortization status and current discount rate. Loans with similar risk characteristics were pooled together and treated in aggregate when applying various valuation techniques. The discount rates used for loans were based on an evaluation of current market rates for new originations of comparable loans and required rates of return for market participants to purchase similar assets, including adjustments for liquidity and credit quality when necessary.

BancShares' accounting methods for acquired Non-PCD and PCD loans and leases are discussed in Note 1—Significant Accounting Policies and Basis of Presentation of the Notes to the Consolidated Financial Statements in our 2023 Form 10-K. The following table presents the unpaid principal balance ("UPB") and fair value of the loans and leases acquired by BancShares in the SVBB Acquisition as of the SVBB Acquisition Date. The fair value of Non-PCD loans and leases was $66.42 billion, compared to the UPB of $68.72 billion, resulting in a discount of $2.30 billion that will be accreted into income over the contractual life of the applicable loan using the effective interest method.

Loans and Leases Acquired

dollars in millions	Loans and Leases			
	UPB		Fair Value	
Non-PCD loans and leases	$	68,719	$	66,422
PCD loans and leases		2,568		2,046
Total loans and leases, before PCD gross-up	$	71,287	$	68,468

The following table summarizes PCD loans and leases that BancShares acquired in the SVBB Acquisition.

PCD Loans and Leases

dollars in millions	Total PCD Loans from SVBB Acquisition
UPB	$ 2,568
Fair value	2,046
Total fair value discount	522
Less: discount for loans with $0 fair value at SVBB Acquisition Date	26
Less: PCD gross-up	220
Non-credit discount (1)	$ 276

(1) *The non-credit discount of $276 million will be accreted into income over the contractual life of the applicable loan using the effective interest method.*

Affordable housing tax credit investments

The fair values of the affordable housing tax credit investments were determined based on discounted cash flows. The cash flow projections considered tax credits and net cash flows from operating losses and tax depreciation. The discount rate was determined using observable market data points for similar investments.

Premises and equipment

Fair values for furniture and fixtures, computer software and other equipment were determined using the cost approach.

Core deposit intangible

The following table presents the core deposit intangible recorded related to the valuation of core deposits:

Core Deposit Intangible

dollars in millions	Fair Value	Estimated Useful Life	Amortization Method
Core deposit intangible	$ 230	8 years	Effective yield

Certain core deposits were acquired as part of the SVBB Acquisition, which provide an additional source of funds for BancShares. The core deposit intangible represents the costs saved by BancShares by acquiring the core deposits rather than sourcing the funds elsewhere. This intangible was valued using the after tax cost savings method under the income approach. This method estimates the fair value by discounting to present value the favorable funding spread attributable to the core deposit balances over their estimated average remaining life. The valuation considered a dynamic approach to interest rates and alternative cost of funds. The favorable funding spread is calculated as the difference in the alternative cost of funds and the net deposit cost. Refer to further discussion in Note 7—Goodwill and Core Deposit Intangibles.

Other assets

The following table details other assets acquired:

Other Assets

dollars in millions	Fair Value
Accrued interest receivable	$ 431
Federal Home Loan Bank stock and Federal Reserve Bank stock	320
Fair value of derivative financial instruments	458
Other	355
Total other assets	$ 1,564

The fair values of the derivative assets in the table above and derivative liabilities in the table below were valued using prices of financial instruments with similar characteristics and observable inputs. The fair value of accrued interest receivable and the remaining other assets was determined to approximate book value. Refer to further discussion in Note 12—Derivative Financial Instruments and Note 14—Fair Value.

Deposits

Acquired deposits were essentially all transactional deposits. Thus, we determined carrying amounts approximate fair value.

Deferred tax liability

The SVBB Acquisition is an asset acquisition for tax purposes and is therefore considered a taxable transaction. The deferred tax liability for the SVBB Acquisition was calculated by applying FCB's deferred tax rate to the book and tax basis differences on the SVBB Acquisition Date for acquired assets and assumed liabilities. Deferred taxes were not recorded for the affordable housing tax credit investments in accordance with the proportional amortization method. PAM.

The tax treatment of FDIC-assisted acquisitions is complex and subject to interpretations that may result in future adjustments of deferred taxes as of the SVBB Acquisition Date. taxes.

Other liabilities

The following table details other liabilities assumed:

dollars in millions	Fair Value

Commitments to fund tax credit investments	$	715
Fair value of derivative financial instruments		497
Reserve for off-balance sheet credit exposures		253
Accrued interest payable		109
Other		461
Total other liabilities	$	2,035

The fair value of the liability representing our commitment for future capital contributions to the affordable housing tax credit investments was determined based on discounted cash flows. Projected cash flows for future capital contributions were discounted at a rate that represented FCB's cost of debt.

Shared-loss agreement Shared-Loss Agreement intangibles

Preliminary estimates indicate Estimates indicated there is no material value to attribute to the loss indemnification asset or true-up liability. This is primarily based on evaluation of historical loss experience and the credit quality of the portfolio.

Pro Forma Information - SVBB Acquisition

SVBB was only in operation from March 10 to March 27, 2023 and does not have historical financial information on which we could base pro forma information. Additionally, we did not acquire all assets or assume all liabilities of SVBB and an essential part of the SVBB Acquisition is the federal assistance governed by the SVBB Purchase Agreement and Shared-Loss Agreement, which is not reflected in the previous operations of SVBB. Therefore, it is impracticable to provide unaudited pro forma information on revenues and earnings for the SVBB Acquisition in accordance with ASC 805-10-50-2.

Net interest income, noninterest income and net income of $65 $700 million, $14 $183 million and $35 $224 million, respectively, attributable to the SVBB Acquisition were included in BancShares' Consolidated Statement of Income for the three six months ended March 31, 2023 June 30, 2023.

NOTE 3 — INVESTMENT SECURITIES

The following tables include the amortized cost and fair value of investment securities at March 31, 2024 June 30, 2024 and December 31, 2023.

Amortized Cost and Fair Value - Investment Securities

dollars in millions	*dollars in millions* March 31, 2024				*dollars in millions* June 30, 2024					
	Amortized Cost	**Amortized Cost**	**Gross Unrealized Gains**		**Gross Unrealized Losses**	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investment securities available for sale										
U.S. Treasury										
U.S. Treasury										
U.S. Treasury										
Government agency										
Residential mortgage-backed securities										
Commercial mortgage-backed securities										
Corporate bonds										
Municipal bonds										
Total investment securities available for sale										
Total investment securities available for sale										
Total investment securities available for sale										
Investment in marketable equity securities										
Investment securities held to maturity										
U.S. Treasury										
U.S. Treasury										
U.S. Treasury										
Government agency										
Residential mortgage-backed securities										
Commercial mortgage-backed securities										
Supranational securities										
Supranational securities										

Supranational securities	
Other	
Total investment securities held to maturity	
Total investment securities	

	December 31, 2023									
	December 31, 2023									
	December 31, 2023									
	Amortized Cost	**Amortized Cost**	**Gross Unrealized Gains**		**Gross Unrealized Losses**	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investment securities available for sale										
U.S. Treasury										
U.S. Treasury										
U.S. Treasury										
Government agency										
Residential mortgage-backed securities										
Commercial mortgage-backed securities										
Corporate bonds										
Municipal bonds										
Total investment securities available for sale										
Investment in marketable equity securities										
Investment securities held to maturity										
U.S. Treasury										
U.S. Treasury										
U.S. Treasury										
Government agency										
Residential mortgage-backed securities										
Commercial mortgage-backed securities										
Supranational securities										
Supranational securities										
Supranational securities										
Other										
Total investment securities held to maturity										
Total investment securities										

U.S. Treasury investments include Treasury bills and Notes issued by the U.S. Treasury. Investments in government agency securities represent securities issued by the Small Business Association Administration ("SBA"), Federal Home Loan Bank ("FHLB") and other U.S. agencies. Investments in residential and commercial mortgage-backed securities represent securities issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. Investments in corporate bonds represent positions in debt securities of other financial institutions. Municipal bonds are general obligation bonds. Investments in marketable equity securities represent positions in common stock of publicly traded financial institutions. Investments in supranational securities represent securities issued by the Supranational Entities & Multilateral Development Banks. Other held to maturity investments include certificates of deposit with other financial institutions.

BancShares initially held approximately 354,000 shares of Visa, Inc. ("Visa") Class B common stock ("Visa Class B common stock"). Effective January 24, 2024, all outstanding shares of Visa Class B common stock were redenominated as Visa Class B-1 common stock ("Visa Class B-1 common stock") pursuant to Visa's eighth amended and restated certificate of incorporation. BancShares currently holds approximately 354,000 shares of Visa Class B-1 common stock. Until the resolution of certain litigation, at which time the Visa Class B-1 common stock will convert to publicly traded Visa Class A common stock, or the potential exchange of Visa Class B-1 common stock for other marketable classes of Visa common stock, these shares are only transferable to other stockholders of Visa Class B-1 common stock or certain new denominations of Visa's former Class B common stock. As a result, there is limited transfer activity in private transactions between buyers and sellers. Given this limited trading activity and the continuing uncertainty regarding the likelihood, ultimate timing and eventual exchange of Visa Class B-1 common stock for shares of Visa Class A common stock or other marketable classes of Visa common stock, these shares are not considered to have a readily determinable fair value and have no carrying value. BancShares continues to monitor the trading activity in Visa Class B-1 common stock, the status of the resolution of certain litigation matters at Visa, and other potential exchange alternatives that would trigger the conversion of the Visa Class B-1 common stock into Visa Class A common stock or other marketable classes of Visa common stock.

Accrued interest receivable for available for sale and held to maturity debt securities was excluded from the estimate for credit losses. At March 31, 2024 June 30, 2024, accrued interest receivable for available for sale and held to maturity debt securities was $121 million $136 million and $17 million $20 million, respectively. At December 31, 2023, accrued interest receivable for available for sale and held to maturity debt securities was $87 million and $18 million, respectively. During the three and six months ended March 31, 2024 June 30, 2024 and 2023, there was no accrued interest that was deemed uncollectible and written off against interest income.

A security is considered past due once it is 30 days contractually past due under the terms of the agreement. There were no securities past due as of March 31, 2024 June 30, 2024 or December 31, 2023.

The following table provides the amortized cost and fair value by contractual maturity. Expected maturities will differ from contractual maturities on certain securities because borrowers and issuers may have the right to call or prepay obligations with or without prepayment penalties. Residential and commercial mortgage-backed and government agency securities are stated separately as they are not due at a single maturity date.

Maturities - Debt Securities

dollars in millions	*dollars in millions*	**March 31, 2024**	**December 31, 2023**		*dollars in millions*	**June 30, 2024**	**December 31, 2023**		
	Cost	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Investment securities available for sale									
Non-amortizing securities maturing in:									
Non-amortizing securities maturing in:									
Non-amortizing securities maturing in:									
One year or less									
One year or less									
One year or less									
After one through five years									
After five through 10 years									
After 10 years									
Government agency									
Government agency									
Government agency									
Residential mortgage-backed securities									
Commercial mortgage-backed securities									
Total investment securities available for sale									
Total investment securities available for sale									
Total investment securities available for sale									
Investment securities held to maturity									
Non-amortizing securities maturing in:									
Non-amortizing securities maturing in:									
Non-amortizing securities maturing in:									
One year or less									
One year or less									
One year or less									
After one through five years									
After five through 10 years									
Residential mortgage-backed securities									
Residential mortgage-backed securities									
Residential mortgage-backed securities									
Commercial mortgage-backed securities									
Total investment securities held to maturity									
Total investment securities held to maturity									
Total investment securities held to maturity									

The following table presents interest and dividend income on investment securities:

Interest and Dividends on Investment Securities

dollars in millions

dollars in millions

dollars in millions	Three Months Ended June 30,	Six Months Ended June 30,
	2024	
	2024	
	2024	
Interest income - taxable investment securities		
Interest income - taxable investment securities		
Interest income - taxable investment securities		
Interest income - nontaxable investment securities		
Interest income - nontaxable investment securities		
Interest income - nontaxable investment securities		
Dividend income - marketable equity securities		
Dividend income - marketable equity securities		
Dividend income - marketable equity securities		
Interest on investment securities		
Interest on investment securities		
Interest on investment securities		

Fair value adjustment on marketable equity securities and net realized losses and gains on sales of investment securities available for sale are presented on the Consolidated Statements of Income. The following table presents the gross realized losses and gains on the sales of investment securities available for sale.

Realized Losses on Debt Securities Available For Sale

dollars in millions

dollars in millions

dollars in millions	Three Months Ended June 30,	Six Months Ended June 30,
	2024	
	2024	
	2024	
Gross realized gains on sales of investment securities available for sale		
Gross realized gains on sales of investment securities available for sale		
Gross realized gains on sales of investment securities available for sale		
Gross realized losses on sales of investment securities available for sale		
Gross realized losses on sales of investment securities available for sale		
Gross realized losses on sales of investment securities available for sale		
Net realized (losses) gains on sales of investment securities available for sale		
Net realized (losses) gains on sales of investment securities available for sale		
Net realized (losses) gains on sales of investment securities available for sale		
Net realized losses on sales of investment securities available for sale		
Net realized losses on sales of investment securities available for sale		
Net realized losses on sales of investment securities available for sale		

The following table provides information regarding investment securities available for sale with unrealized losses:

Gross Unrealized Losses on Debt Securities Available For Sale

dollars in millions	*dollars in millions* March 31, 2024				*dollars in millions* June 30, 2024									
	Less than 12 months		Less than 12 months		12 months or more	Total			Less than 12 months		12 months or more	Total		
	Fair Value	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available for sale														
U.S. Treasury														
U.S. Treasury														
U.S. Treasury														

Government agency
Residential mortgage-backed securities
Commercial mortgage-backed securities
Corporate bonds
Total
Total
Total

	December 31, 2023												
	December 31, 2023												
	December 31, 2023												
	Less than 12 months		Less than 12 months		12 months or more	Total		Less than 12 months		12 months or more	Total		
	Fair Value	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available for sale													
U.S. Treasury													
U.S. Treasury													
U.S. Treasury													
Government agency													
Residential mortgage-backed securities													
Commercial mortgage-backed securities													
Corporate bonds													
Total													
Total													
Total													

As of March 31, 2024 June 30, 2024, there were 504 524 investment securities available for sale with continuous unrealized losses for more than 12 months, of which 430 453 were government sponsored enterprise-issued mortgage-backed securities, government agency securities, or U.S. treasury securities and the remaining 74 71 were corporate bonds. BancShares has the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Given the consistently strong credit rating of the U.S. Treasury, and the long history of no credit losses on debt securities issued by government agencies and government sponsored entities, as of March 31, 2024 June 30, 2024, no allowance for credit loss was required. For corporate bonds, we analyzed the changes in interest rates relative to when the investment securities were purchased or acquired, and considered other factors including changes in credit ratings, delinquencies, and other macroeconomic factors. As a result of this analysis, we determined that no allowance for credit loss was required for investment securities available for sale as of March 31, 2024 June 30, 2024.

BancShares' portfolio of held to maturity debt securities consists of mortgage-backed securities issued by government agencies and government sponsored entities, U.S. Treasury notes, unsecured bonds issued by government agencies and government sponsored entities, and securities issued by the Supranational Entities & Multilateral Development Banks. Given the consistently strong credit rating of the U.S. Treasury, the Supranational Entities & Multilateral Development Banks and the long history of no credit losses on debt securities issued by government agencies and government sponsored entities, no allowance for credit loss was required for debt securities held to maturity as of March 31, 2024 June 30, 2024.

There were no debt securities held to maturity on nonaccrual status as of March 31, 2024 June 30, 2024 or December 31, 2023.

Investment securities having an aggregate carrying value of $3.90 billion $3.89 billion at March 31, 2024 June 30, 2024, and $3.77 billion at December 31, 2023, were pledged as collateral to secure public funds on deposit and certain short-term borrowings, and for other purposes as required by law.

Certain investments held by BancShares are reported in other assets, including FHLB stock and nonmarketable securities without readily determinable fair values that are recorded at cost, and investments in qualified affordable housing projects, all of which are accounted for under the proportional amortization method. PAM. See Note 9—Other Assets for the respective balances.

NOTE 4 — LOANS AND LEASES

Unless otherwise noted, loans held for sale are not included in the following tables. Leases in the following tables include finance leases, but exclude operating lease equipment. Refer to Note 2—Business Combinations for discussion of the loans acquired in the SVBB Acquisition.

Loans by Class

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Commercial						
Commercial construction						
Commercial construction						
Commercial construction						
Owner occupied commercial mortgage						
Non-owner occupied commercial mortgage						
Commercial and industrial						
Leases						
Total commercial						
Consumer						
Residential mortgage						
Residential mortgage						
Residential mortgage						
Revolving mortgage						
Consumer auto						
Consumer other						
Total consumer						
SVB						
Global fund banking						
Global fund banking						
Global fund banking						
Investor dependent - early stage						
Investor dependent - growth stage						
Innovation C&I and cash flow dependent						
Total SVB						
Total SVB						
Total SVB						
Total loans and leases						

As discussed in Refer to Note 1—Significant Accounting Policies and Basis of Presentation certain for discussion of the changes in loan portfolios that were reported in SVB are now included in preexisting loan classes within Commercial and Consumer. classes.

At March 31, 2024 June 30, 2024 and December 31, 2023, accrued interest receivable on loans included in other assets was $633 million $664 million and $625 million, respectively, and was excluded from the estimate of credit losses.

The discount on acquired loans is accreted to interest income over the contractual life of the loan using the effective interest method. Discount accretion income, which primarily related to the SVBB Acquisition, was $163 million $145 million and $308 million for the three and six months ended June 30, 2024, including $35 million $20 million and $56 million for unfunded commitments, respectively. Discount accretion income, which primarily related to the SVBB Acquisition, was $243 million and $260 million for the three and six months ended March 31, 2024. June 30, 2023, including $17 million and $20 million for unfunded commitments, respectively.

The following table presents selected components of the amortized cost of loans, including the unamortized discount on acquired loans.

Components of Amortized Cost

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Deferred fees, including unamortized costs and unearned fees on non-PCD loans	**Deferred fees, including unamortized costs and unearned fees on non-PCD loans**	$ (84)	$ (72)	**Deferred fees, including unamortized costs and unearned fees on non-PCD loans**	$ (90)	$ (72)
Net unamortized discount on acquired loans						
Net unamortized discount on acquired loans						
Net unamortized discount on acquired loans						
Non-PCD						
Non-PCD						
Non-PCD		$ 1,755	$ 1,860	$	1,655	$1,860

PCD							
Total net unamortized discount	Total net unamortized discount	$ 1,904	$ 2,036	Total net unamortized discount	$ 1,781	$ 2,036	

The aging of the outstanding loans and leases by class at March 31, 2024 June 30, 2024 and December 31, 2023 is provided in the tables below. Loans and leases less than 30 days past due are considered current, as various grace periods allow borrowers to make payments within a stated period after the due date and remain in compliance with the respective agreement.

Loans and Leases - Delinquency Status

dollars in millions	*dollars in millions* March 31, 2024				*dollars in millions* June 30, 2024								
	30-59 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total
Commercial													
Commercial construction													
Commercial construction													
Commercial construction													
Owner occupied commercial mortgage													
Non-owner occupied commercial mortgage													
Commercial and industrial													
Leases													
Total commercial													
Consumer													
Residential mortgage													
Residential mortgage													
Residential mortgage													
Revolving mortgage													
Consumer auto													
Consumer other													
Total consumer													
SVB													
Global fund banking													
Global fund banking													
Global fund banking													
Investor dependent - early stage													
Investor dependent - growth stage													
Innovation C&I and cash flow dependent													
Total SVB													
Total SVB													
Total SVB													
Total loans and leases													

	December 31, 2023 December 31, 2023 December 31, 2023												
	30-59 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total
Commercial													
Commercial construction													
Commercial construction													
Commercial construction													
Owner occupied commercial mortgage													
Non-owner occupied commercial mortgage													
Commercial and industrial													
Leases													
Total commercial													

Consumer
Residential mortgage
Residential mortgage
Residential mortgage
Revolving mortgage
Consumer auto
Consumer other
Total consumer
SVB
Global fund banking
Global fund banking
Global fund banking
Investor dependent - early stage
Investor dependent - growth stage
Innovation C&I and cash flow dependent
Total SVB
Total SVB
Total SVB
Total loans and leases

The amortized cost by class of loans and leases on nonaccrual status, and loans and leases greater than 90 days past due and still accruing at March 31, 2024 June 30, 2024 and December 31, 2023 are presented below.

Loans on Nonaccrual Status *(1) (2)*

dollars in millions	*dollars in millions* **March 31, 2024**		**December 31, 2023**	*dollars in millions* **June 30, 2024**			**December 31, 2023**		
	Nonaccrual Loans	**Nonaccrual Loans**	**Loans > 90 Days and Accruing**	**Nonaccrual Loans**	**Loans > 90 Days and Accruing**	**Nonaccrual Loans**	**Loans > 90 Days and Accruing**	**Nonaccrual Loans**	**Loans > 90 Days and Accruing**
Commercial									
Commercial construction									
Commercial construction									
Commercial construction									
Owner occupied commercial mortgage									
Non-owner occupied commercial mortgage									
Commercial and industrial									
Leases									
Total commercial									
Consumer									
Residential mortgage									
Residential mortgage									
Residential mortgage									
Revolving mortgage									
Consumer auto									
Consumer other									
Total consumer									
SVB									
Global fund banking									
Global fund banking									
Global fund banking									
Investor dependent - early stage									
Investor dependent - growth stage									
Innovation C&I and cash flow dependent									
Total SVB									

Total SVB
Total SVB

Total loans and leases

(1) *Accrued interest that was reversed when the loan went to nonaccrual status was $3 million $8 million for the three six months ended March 31, 2024 June 30, 2024 and $10 million for the year ended December 31, 2023.*

(2) *Nonaccrual loans for which there was no related ALLL totaled $195 million $233 million at March 31, 2024 June 30, 2024 and $138 million at December 31, 2023.*

Other real estate owned ("OREO") and repossessed assets were $58 million $64 million as of March 31, 2024 June 30, 2024 and $62 million as of December 31, 2023.

Credit Quality Indicators

Loans and leases are monitored for credit quality on a recurring basis. Commercial loans and leases and consumer loans have different credit quality indicators as a result of the unique characteristics of the loan classes being evaluated. The credit quality indicators for commercial loans and leases are developed through a review of individual borrowers on an ongoing basis. Commercial loans are evaluated periodically with more frequent evaluations done on criticized loans. The indicators as of the date presented are based on the most recent assessment performed and are defined below:

Pass – A pass rated asset is not adversely classified because it does not display any of the characteristics for adverse classification.

Special mention – A special mention asset has potential weaknesses which deserve management's close attention. If left uncorrected, such potential weaknesses may result in deterioration of the repayment prospects or collateral position at some future date. Special mention assets are not adversely classified and do not warrant adverse classification.

Substandard – A substandard asset is inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Assets classified as substandard generally have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. These assets are characterized by the distinct possibility of loss if the deficiencies are not corrected.

Doubtful – An asset classified as doubtful has all the weaknesses inherent in an asset classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently existing facts, conditions and values.

Loss – Assets classified as loss are considered uncollectible and of such little value it is inappropriate to be carried as an asset. This classification is not necessarily equivalent to any potential for recovery or salvage value, but rather it is not appropriate to defer a full charge-off even though partial recovery may be affected in the future.

Ungraded – Ungraded loans represent loans not included in the individual credit grading process due to their relatively small balances or borrower type. The majority of ungraded loans at March 31, 2024 June 30, 2024 and December 31, 2023, relate to business credit cards. Business credit card loans are subject to automatic charge-off when they become 120 days past due in the same manner as unsecured consumer lines of credit.

The credit quality indicator for consumer loans is based on delinquency status of the borrower as of the date presented. As the borrower becomes more delinquent, the likelihood of loss increases. An exemption is applied to government guaranteed loans as the principal repayments are insured by the Federal Housing Administration and U.S. Department of Veterans Affairs and thus remain on accrual status regardless of delinquency status.

The following tables summarize the commercial and SVB loans disaggregated by year of origination and by risk rating. The consumer loan delinquency status by year of origination is also presented below. The tables reflect the amortized cost of the loans and include PCD loans.

Commercial Loans - Risk Classifications by Class

	March 31, 2024								June 30, 2024							
Risk Classification:																
dollars in millions																
dollars in millions																
dollars in millions	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**
Commercial construction																
Pass																
Pass																
Pass																
Special Mention																
Substandard																
Doubtful																
Ungraded																
Total commercial construction																
Owner occupied commercial mortgage																
Pass																
Pass																

Pass
Special Mention
Substandard
Doubtful
Ungraded
Total owner occupied commercial mortgage
Non-owner occupied commercial mortgage
Pass
Pass
Pass
Special Mention
Substandard
Doubtful
Ungraded
Total non-owner occupied commercial mortgage
Commercial and industrial
Pass
Pass
Pass
Special Mention
Substandard
Doubtful
Ungraded
Total commercial and industrial
Leases
Pass
Pass
Pass
Special Mention
Substandard
Doubtful
Ungraded
Total leases
Total commercial

SVB - Risk Classifications by Class

	March 31, 2024								**June 30, 2024**							
Risk Classification:																
dollars in millions																
dollars in millions																
dollars in millions	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**
Global fund banking																
Pass																
Pass																
Pass																
Special Mention																
Substandard																
Doubtful																
Ungraded																
Ungraded																
Ungraded																
Total global fund banking																

Investor dependent - early stage			
Pass			
Pass			
Pass			
Special Mention			
Substandard			
Doubtful			
Ungraded			
Ungraded			
Ungraded			
Total investor dependent - early stage			
Investor dependent - growth stage			
Pass			
Pass			
Pass			
Special Mention			
Substandard			
Doubtful			
Ungraded			
Ungraded			
Ungraded			
Total investor dependent - growth stage			
Innovation C&I and cash flow dependent			
Pass			
Pass			
Pass			
Special Mention			
Substandard			
Doubtful			
Ungraded			
Ungraded			
Ungraded			
Total innovation C&I and cash flow dependent			
Total SVB			
Total SVB			
Total SVB			

Consumer Loans - Delinquency Status by Class

	March 31, 2024								**June 30, 2024**							
Days Past Due:																
dollars in millions																
dollars in millions																
dollars in millions	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Total**
Residential mortgage																
Current																
Current																
Current																
30-59 days																
60-89 days																
90 days or greater																
Total residential mortgage																
Revolving mortgage																

Current
Current
Current
30-59 days
60-89 days
90 days or greater
Total revolving mortgage
Consumer auto
Current
Current
Current
30-59 days
60-89 days
90 days or greater
Total consumer auto
Consumer other
Current
Current
Current
30-59 days
60-89 days
90 days or greater
Total consumer other
Total consumer

The following tables represent current credit quality indicators by origination year as of December 31, 2023:

Commercial Loans - Risk Classifications by Class

	December 31, 2023								
Risk Classification:	**Term Loans by Origination Year**							**Revolving Converted to Term Loans**	
dollars in millions	**2023**	**2022**	**2021**	**2020**	**2019**	**2018 & Prior**	**Revolving**		**Total**
Commercial construction									
Pass	$ 1,062	$ 1,615	$ 620	$ 226	$ 63	$ 57	$ 39	$ 4	$ 3,686
Special Mention	—	10	6	81	47	—	—	—	144
Substandard	—	47	5	31	—	5	—	—	88
Doubtful	—	—	—	—	—	—	—	—	—
Ungraded	—	—	—	—	—	—	—	—	—
Total commercial construction	1,062	1,672	631	338	110	62	39	4	3,918
Owner occupied commercial mortgage									
Pass	2,544	2,859	2,902	2,467	1,666	2,107	193	31	14,769
Special Mention	26	19	24	28	43	72	1	—	213
Substandard	7	91	99	61	45	176	10	—	489
Doubtful	—	—	—	—	—	—	—	—	—
Ungraded	—	—	—	—	—	—	—	—	—
Total owner occupied commercial mortgage	2,577	2,969	3,025	2,556	1,754	2,355	204	31	15,471
Non-owner occupied commercial mortgage									
Pass	3,132	3,150	2,212	1,860	1,148	1,930	80	3	13,515
Special Mention	14	45	33	96	171	90	9	—	458
Substandard	2	48	27	127	365	330	—	—	899
Doubtful	—	—	2	13	67	39	2	—	123

Ungraded	—	—	—	—	—	—	—	—	—
Total non-owner occupied commercial mortgage	3,148	3,243	2,274	2,096	1,751	2,389	91	3	14,995
Commercial and industrial									
Pass	8,472	4,858	3,347	1,660	952	1,351	6,818	34	27,492
Special Mention	105	134	149	89	69	26	194	—	766
Substandard	92	236	144	217	127	258	264	4	1,342
Doubtful	2	19	5	—	12	20	13	—	71
Ungraded	—	—	—	—	—	—	123	—	123
Total commercial and industrial	8,671	5,247	3,645	1,966	1,160	1,655	7,412	38	29,794
Leases									
Pass	732	499	290	209	91	35	—	—	1,856
Special Mention	18	22	20	7	4	1	—	—	72
Substandard	28	32	21	19	6	8	—	—	114
Doubtful	3	4	3	1	1	—	—	—	12
Ungraded	—	—	—	—	—	—	—	—	—
Total leases	781	557	334	236	102	44	—	—	2,054
Total commercial	$ 16,239	$ 13,688	$ 9,909	$ 7,192	$ 4,877	$ 6,505	$ 7,746	$ 76	$ 66,232

SVB - Risk Classifications by Class

	December 31, 2023								
Risk Classification:	**Term Loans by Origination Year**						**Revolving**	**Revolving Converted to Term Loans**	**Total**
	2023	**2022**	**2021**	**2020**	**2019**	**2018 & Prior**			
Global fund banking									
Pass	$ 453	$ 202	$ 40	$ 36	$ 14	$ 3	$ 24,702	$ 66	$ 25,516
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	7	9	3	—	—	18	—	37
Doubtful	—	—	—	—	—	—	—	—	—
Ungraded	—	—	—	—	—	—	—	—	—
Total global fund banking	453	209	49	39	14	3	24,720	66	25,553
Investor dependent - early stage									
Pass	421	453	85	4	1	—	99	2	1,065
Special Mention	8	14	1	—	—	—	—	—	23
Substandard	40	138	51	3	—	—	51	—	283
Doubtful	12	12	3	—	—	1	4	—	32
Ungraded	—	—	—	—	—	—	—	—	—
Total investor dependent - early stage	481	617	140	7	1	1	154	2	1,403
Investor dependent - growth stage									
Pass	1,034	967	217	25	8	2	198	5	2,456
Special Mention	6	25	—	—	—	—	—	—	31
Substandard	66	192	83	7	1	—	27	—	376
Doubtful	—	12	20	—	—	—	2	—	34
Ungraded	—	—	—	—	—	—	—	—	—
Total investor dependent - growth stage	1,106	1,196	320	32	9	2	227	5	2,897
Innovation C&I and cash flow dependent									
Pass	2,370	2,238	833	293	80	44	2,598	—	8,456
Special Mention	99	103	36	66	—	—	92	—	396
Substandard	51	185	254	76	25	—	175	—	766
Doubtful	—	—	—	—	—	10	30	—	40
Ungraded	—	—	—	—	—	—	—	—	—
Total innovation C&I and cash flow dependent	2,520	2,526	1,123	435	105	54	2,895	—	9,658

	2023	2022	2021	2020	2019	2018 & Prior	Revolving	Revolving Converted to Term Loans	Total
Total SVB	$ 4,560	$ 4,548	$ 1,632	$ 513	$ 129	$ 60	$ 27,996	$ 73	$ 39,511

Consumer Loans - Delinquency Status by Class

	December 31, 2023								
Days Past Due:	Term Loans by Origination Year							Revolving Converted to Term Loans	
dollars in millions	2023	2022	2021	2020	2019	2018 & Prior	Revolving		Total
Residential mortgage									
Current	$ 3,155	$ 5,588	$ 5,521	$ 3,174	$ 1,381	$ 3,702	$ 13	$ —	$ 22,534
30-59 days	3	16	15	7	10	85	—	—	136
60-89 days	1	1	5	4	1	21	—	—	33
90 days or greater	1	4	2	6	1	59	—	—	73
Total residential mortgage	3,160	5,609	5,543	3,191	1,393	3,867	13	—	22,776
Revolving mortgage									
Current	—	—	—	—	—	—	2,056	80	2,136
30-59 days	—	—	—	—	—	—	11	4	15
60-89 days	—	—	—	—	—	—	1	2	3
90 days or greater	—	—	—	—	—	—	6	5	11
Total revolving mortgage	—	—	—	—	—	—	2,074	91	2,165
Consumer auto									
Current	525	427	261	131	56	28	—	—	1,428
30-59 days	1	3	2	1	1	1	—	—	9
60-89 days	1	1	1	—	—	—	—	—	3
90 days or greater	—	1	1	—	—	—	—	—	2
Total consumer auto	527	432	265	132	57	29	—	—	1,442
Consumer other									
Current	215	170	52	8	5	21	690	—	1,161
30-59 days	1	1	—	—	—	—	6	—	8
60-89 days	—	—	—	—	—	1	2	—	3
90 days or greater	—	—	—	—	—	2	2	—	4
Total consumer other	216	171	52	8	5	24	700	—	1,176
Total consumer	$ 3,903	$ 6,212	$ 5,860	$ 3,331	$ 1,455	$ 3,920	$ 2,787	$ 91	$ 27,559

Gross Charge-offs

Gross charge-off vintage disclosures by origination year and loan class are summarized in the following tables:

	Three Months Ended March 31, 2024								Six Months Ended June 30, 2024							
	Term Loans by Origination Year															
dollars in millions																
dollars in millions																
dollars in millions	2024	2023	2022	2021	2020	2019 & Prior	Revolving	Total	2024	2023	2022	2021	2020	2019 & Prior	Revolving	Total
Commercial																
Non-owner occupied commercial mortgage																
Non-owner occupied commercial mortgage																
Non-owner occupied commercial mortgage																
Commercial and industrial																
Leases																
Total commercial																
Consumer																
Consumer auto																
Consumer auto																

Consumer auto
Consumer other
Total consumer
SVB
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - growth stage
Innovation C&I and cash flow dependent
Total SVB
Total SVB
Total SVB
Total loans and leases

	Three Months Ended March 31, 2023								**Six Months Ended June 30, 2023**							
	Term Loans by Origination Year															
dollars in millions																
dollars in millions																
dollars in millions	**2023**	**2022**	**2021**	**2020**	**2019**	**2018 & Prior**	**Revolving**	**Total**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018 & Prior**	**Revolving**	**Total**
Commercial																
Non-owner occupied commercial mortgage																
Non-owner occupied commercial mortgage																
Non-owner occupied commercial mortgage																
Commercial and industrial																
Leases																
Total commercial																
Consumer																
Residential mortgage																
Residential mortgage																
Residential mortgage																
Consumer other																
Consumer other																
Consumer auto																
Consumer auto																
Consumer auto																
Consumer other																
Total consumer																
SVB																
Investor dependent - early stage																
Investor dependent - early stage																
Total SVB																
Total SVB																
Investor dependent - early stage																
Investor dependent - growth stage																
Innovation C&I and cash flow dependent																
Total SVB																
Total loans and leases																

Loan Modifications for Borrowers Experiencing Financial Difficulties

As part of BancShares' ongoing credit risk management practices, BancShares attempts to work with borrowers when necessary to extend or modify loan terms to better align with the borrowers' current ability to repay. BancShares' modifications granted to debtors experiencing financial difficulties typically take the form of term extensions, interest rate reductions, payment delays, principal forgiveness, or a combination thereof. Modifications are made in accordance with internal policies and guidelines to conform to regulatory guidance.

The following tables present the amortized cost of loan modifications made to debtors experiencing financial difficulty, disaggregated by class and type of loan modification. The tables also provide financial effects by type of such loan modifications for the respective loan class.

Amortized Cost of Loans Modified during the three months ended March 31, 2024 June 30, 2024

dollars in millions	Term Extension (1)	Payment Delay	Interest Rate Reduction	Term Extension(1) and Interest Rate Reduction	Term Extension(1) and Payment Delay	Other Combinations(2)	Total	Percent of Total Loan Class
dollars in millions								
dollars in millions								
Commercial								
Commercial construction								
Commercial construction								
Commercial construction	$ 3	$ —	$ —	$ —	$ —	$ —	$ 3	0.08 %
Owner occupied commercial mortgage								
Owner occupied commercial mortgage								
Owner occupied commercial mortgage	$ 8	$ $—	$ $3	$ $ —	$ $ —	$ $ 11	0.07	0.07 %
Non-owner occupied commercial mortgage								
Commercial and industrial								
Leases								
Total commercial								
Total commercial								
Total commercial								
Consumer								
Residential mortgage								
Residential mortgage								
Residential mortgage								
Revolving mortgage								
Consumer auto								

Consumer other

Total consumer

Total consumer

Total consumer

SVB

Global fund banking

Global fund banking

Global fund banking

Investor dependent - early stage

Investor dependent - early stage

Investor dependent - early stage

Investor dependent - growth stage

Innovation C&I and cash flow dependent

Total SVB

Total SVB

Total SVB

Total loans and leases	**Total loans and leases**	**$ 104**	**$**	**$ 30**	**$**	**$ 1**	**$**	**$ 12**	**$**	**$ 55**	**$**	**$ —**	**$**	**$ 202**	**0.15**	**0.15 %**	**Total loans and leases**	$86	$	$141	$	$34	$	$27	$	$5	$	$

(1) *Term extensions include modifications in which the balloon principal payment was deferred to a later date or the loan amortization period was extended.*

(2) *Consists of $4 million of commercial and industrial loans modified with a term extension and interest rate reduction as well as $1 million of Investor dependent - early stage loans modified with a term extension, interest rate reduction, and payment delay.*

Amortized Cost of Loans Modified during the three months ended June 30, 2023

dollars in millions	Term Extension (1)	Payment Delay	Interest Rate Reduction	Term Extension(1) and Interest Rate Reduction	Other Combinations	Total	Percent of Total Loan Class
Commercial							
Owner occupied commercial mortgage	$ 12	$ —	$ 1	$ —	$ —	$ 13	0.09 %
Non-owner occupied commercial mortgage	161	—	—	—	—	161	1.16
Commercial and industrial	57	6	—	—	—	63	0.23
Total commercial	230	6	1	—	—	237	0.38
Consumer							
Residential mortgage	2	—	—	3	—	5	0.02
Total consumer	2	—	—	3	—	5	0.02
SVB							
Investor dependent - early stage	2	6	—	—	—	8	0.41
Innovation C&I and cash flow dependent	42	23	—	—	—	65	0.73
Total SVB	44	29	—	—	—	73	0.16

Total loans and leases	$ 276	$ 35	$ 1	$ 3	$ —	$ 315	0.24 %

(1) *Term extensions include modifications in which the balloon principal payment was deferred to a later date or the loan amortization period was extended.*

Financial Effects of Loan Modifications made during the three months ended June 30, 2024

dollars in millions	Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven
Commercial				
Commercial construction	60	— %	—	$ —
Owner occupied commercial mortgage	86	1.81	—	—
Non-owner occupied commercial mortgage	20	—	6	—
Commercial and industrial	20	0.54	10	—
Leases	—	—	6	—
Total commercial	27	0.64	10	—
Consumer				
Residential mortgage	120	—	—	—
Revolving mortgage	60	3.00	—	—
Consumer auto	32	—	—	—
Consumer other	—	7.53	—	—
Total consumer	90	4.77	—	—
SVB				
Investor dependent - early stage	10	2.75	8	—
Investor dependent - growth stage	7	—	7	—
Innovation C&I and cash flow dependent	11	—	11	—
Total SVB	10	2.75	10	—
Total loans and leases	24	0.69 %	10	$ —

Financial Effects of Loan Modifications made during the three months ended June 30, 2023

dollars in millions	Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven
Commercial				
Commercial construction	47	— %	—	$ —
Owner occupied commercial mortgage	13	3.50	—	—
Non-owner occupied commercial mortgage	15	—	—	—
Commercial and industrial	24	5.17	6	—
Total commercial	17	3.67	6	—
Consumer				
Residential mortgage	69	3.44	—	—
Revolving mortgage	53	0.41	—	—
Consumer auto	25	0.70	—	—
Consumer other	60	9.21	—	—
Total consumer	68	3.44	—	—
SVB				
Global fund banking	—	—	—	—
Investor dependent - early stage	6	—	4	—
Investor dependent - growth stage	—	—	—	—
Innovation C&I and cash flow dependent	3	—	7	—
Total SVB	3	—	6	—
Total loans and leases	16	3.51 %	6	$ —

Amortized Cost of Loans Modified during the three six months ended March 31, 2023 June 30, 2024

dollars in millions	*dollars in millions* Term Extension (1)	Payment Delay	Interest Rate Reduction	Term Extension(1) and Interest Rate Reduction	Other Combinations(2)	Total	Percent of Total Loan Class	*dollars in millions* Term Extension (1)	Payment Delay	Interest Rate Reduction	Term Extension(1) and Interest Rate Reduction	Term Extension(1) and Payment Delay	Other Combinations(2)	Total	
Commercial															
Commercial construction															
Commercial construction															
Commercial construction	$ 1	$ —	$ —	$ —	$ —	$ 1	0.02 0.02 %	$ 3	$ —	$ —	$ —	$ —	$ —	$ 3	0.0
Owner occupied commercial mortgage															
Non-owner occupied commercial mortgage															
Commercial and industrial															
Total commercial															
Total commercial															
Total commercial															
Consumer															
Residential mortgage															
Residential mortgage															
Residential mortgage															
Revolving mortgage															
Total consumer															
Total consumer															
Total consumer															
SVB															
Investor dependent - early stage															
Investor dependent - early stage															
Investor dependent - early stage															
Investor dependent - growth stage															
Investor dependent - growth stage															
Investor dependent - growth stage															
Innovation C&I and cash flow dependent															

Total SVB

Total SVB

Total SVB

Total loans and leases	**Total loans and leases**	**$**	**83**	**$**	**$**	**—**	**$**	**$**	**—**	**$**	**$**	**6**	**$**	**$**	**3**	**$**	**$ 92**	**0.07**	**0.07 %**	**Total loans and leases**	$ 178	$	$ 167	$	$ 35	$	$ 15	$	$ 71	$	$ 1	$	$ 467

(1) Term extensions include modifications in which the balloon principal payment was deferred to a later date or the loan amortization period was extended.

(2)Consists of $3 million $1 million of C&I Investor dependent - early stage loans modified with a term extension, interest rate reduction, and payment delay.

Amortized Cost of Loans Modified during the six months ended June 30, 2023

dollars in millions	Term Extension (1)	Payment Delay	Interest Rate Reduction	Term Extension(1) and Interest Rate Reduction	Term Extension(1) and Payment Delay	Other Combinations	Total	Percent of Total Loan Class
Commercial								
Commercial construction	$ 1	$ —	$ —	$ —	$ —	$ —	$ 1	0.03 %
Owner occupied commercial mortgage	22	—	2	—	—	—	24	0.16
Non-owner occupied commercial mortgage	212	—	—	—	—	—	212	1.52
Commercial and industrial	67	6	—	—	3	—	76	0.28
Total commercial	302	6	2	—	3	—	313	0.50
Consumer								
Residential mortgage	3	—	—	3	—	—	6	0.03
Total consumer	3	—	—	3	—	—	6	0.02
SVB								
Investor dependent - early stage	2	6	—	—	—	—	8	0.41
Innovation C&I and cash flow dependent	49	23	—	—	—	—	72	0.81
Total SVB	51	29	—	—	—	—	80	0.18
Total loans and leases	$ 356	$ 35	$ 2	$ 3	$ 3	$ —	$ 399	0.30 %

(1) Term extensions include modifications in which the balloon principal payment was deferred to a later date or the loan amortization period was extended.

Financial Effects of Loan Modifications made during the three six months ended March 31, 2024 June 30, 2024

dollars in millions	*dollars in millions* Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven	*dollars in millions* Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven
Commercial								
Commercial construction								
Commercial construction								
Commercial construction								
Owner occupied commercial mortgage								
Non-owner occupied commercial mortgage								
Commercial and industrial								
Leases								
Total commercial								
Consumer								
Residential mortgage								
Residential mortgage								
Residential mortgage								
Revolving mortgage								
Consumer auto								
Consumer other								
Total consumer								

SVB
Global fund banking
Global fund banking
Global fund banking
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - growth stage
Innovation C&I and cash flow dependent
Total SVB
Total SVB
Total SVB
Total loans and leases

Financial Effects of Loan Modifications made during the three six months ended March 31, 2023 June 30, 2023

dollars in millions	*dollars in millions*	Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven	*dollars in millions*	Weighted Average Term Extension (in Months)	Weighted Average Interest Rate Reduction	Weighted Average Payment Delay (in Months)	Amount of Principal Forgiven
Commercial										
Commercial construction										
Commercial construction										
Commercial construction										
Owner occupied commercial mortgage										
Non-owner occupied commercial mortgage										
Commercial and industrial										
Leases										
Total commercial										
Total commercial										
Total commercial										
Consumer										
Residential mortgage										
Residential mortgage										
Residential mortgage										
Revolving mortgage										
Consumer auto										
Consumer other										
Total consumer										
SVB										
Global fund banking										
Global fund banking										
Global fund banking										
Investor dependent - early stage										
Investor dependent - growth stage										
Investor dependent - early stage										
Investor dependent - early stage										

Innovation C&I and cash flow dependent
Innovation C&I and cash flow dependent
Innovation C&I and cash flow dependent
Total SVB
Total SVB
Total SVB
Total loans and leases

Borrowers experiencing financial difficulties are typically identified in our credit risk management process before loan modifications occur. An assessment of whether a borrower is experiencing financial difficulty is reassessed or performed on the date of a modification. Since the effect of most modifications made to borrowers experiencing financial difficulty is already included in the ALLL because of the measurement methodologies used to estimate the ALLL, a change to the ALLL is generally not recorded upon modification. Upon BancShares' determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off.

At March 31, 2024June 30, 2024, there were $84$31 million of loans modified in the twelve months ended March 31, 2024June 30, 2024 which defaulted subsequent to modification.

The following tables present the amortized cost and performance of loans to borrowers experiencing financial difficulties for which the terms of the loan were modified during the referenced periods. The period of delinquency is based on the number of days the scheduled payment is contractually past due.

Modified Loans Payment Status (twelve months ended March 31, 2024June 30, 2024)

dollars in millions	*dollars in millions* **Current**	**30–59 Days Past Due**	**60–89 Days Past Due**	**90 Days or Greater Past Due**	**Total**	*dollars in millions* **Current**	**30–59 Days Past Due**	**60–89 Days Past Due**	**90 Days or Greater Past Due**	**Total**
Commercial										
Commercial construction										
Commercial construction										
Commercial construction										
Owner occupied commercial mortgage										
Non-owner occupied commercial mortgage										
Commercial and industrial										
Total commercial										
Total commercial										
Total commercial										
Consumer										
Residential mortgage										
Residential mortgage										
Residential mortgage										
Revolving mortgage										
Total consumer										
Total consumer										
Total consumer										
SVB										
Investor dependent - early stage										
Investor dependent - early stage										
Investor dependent - early stage										
Investor dependent - growth stage										
Innovation C&I and cash flow dependent										
Total SVB										
Total SVB										
Total SVB										

Total loans and leases

Modified Loans Payment Status (three (six months ended March 31, 2023 June 30, 2023)

dollars in millions	*dollars in millions* Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total	*dollars in millions* Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total
Commercial										
Commercial construction										
Commercial construction										
Commercial construction										
Owner occupied commercial mortgage										
Non-owner occupied commercial mortgage										
Commercial and industrial										
Total commercial										
Total commercial										
Total commercial										
Consumer										
Residential mortgage										
Residential mortgage										
Residential mortgage										
Total consumer										
Total consumer										
Total consumer										
SVB										
Investor dependent - early stage										
Investor dependent - growth stage										
Investor dependent - early stage										
Investor dependent - growth stage										
Investor dependent - early stage										
Investor dependent - growth stage										
Innovation C&I and cash flow dependent										
Innovation C&I and cash flow dependent										
Innovation C&I and cash flow dependent										
Total SVB										
Total SVB										
Total SVB										
Total loans and leases										

At March 31, 2024 June 30, 2024, there were $25 million $39 million of commitments to lend additional funds to debtors experiencing financial difficulty for which the terms of the loan were modified during the three six months ended March 31, 2024 June 30, 2024. At December 31, 2023, there were $13 million of commitments to lend additional funds to debtors experiencing financial difficulty for which the terms of the loan were modified during the year ended December 31, 2023.

Loans Pledged

The following table provides information regarding loans pledged as collateral for borrowing capacity through the FHLB of Atlanta, the Board of Governors of the Federal Reserve System ("FRB") and FDIC as of March 31, 2024 June 30, 2024 and December 31, 2023.

Loans Pledged

dollars in millions	*dollars in millions* March 31, 2024	December 31, 2023	*dollars in millions* June 30, 2024	December 31, 2023
FHLB of Atlanta				
Lendable collateral value of pledged non-PCD loans				
Lendable collateral value of pledged non-PCD loans				
Lendable collateral value of pledged non-PCD loans				
Less: advances				

Less: letters of credit

Available borrowing capacity

Pledged non-PCD loans (contractual balance)

FRB

FRB

FRB

Lendable collateral value of pledged non-PCD loans

Lendable collateral value of pledged non-PCD loans

Lendable collateral value of pledged non-PCD loans

Less: advances

Available borrowing capacity

Pledged non-PCD loans (contractual balance)

FDIC

FDIC

FDIC

Lendable collateral value of pledged loans

Lendable collateral value of pledged loans

Lendable collateral value of pledged loans

Less: advances

Less: Purchase Money Note

Available borrowing capacity

Pledged loans (contractual balance)

As a member of the FHLB, FCB can access financing based on an evaluation of its creditworthiness, statement of financial position, size and eligibility of collateral. FCB may at any time grant a security interest in, sell, convey or otherwise dispose of any of the assets used for collateral, provided that FCB is in compliance with the collateral maintenance requirement immediately following such disposition.

Under borrowing arrangements with the FRB of Richmond, BancShares has access to the FRB Discount Window on a secured basis. There were no outstanding borrowings with the FRB Discount Window at March 31, 2024 June 30, 2024 or December 31, 2023.

In connection with the SVBB Acquisition, FCB and the FDIC entered into financing agreements, including the five-year Purchase Money Note of approximately $36.07 billion, and the Advance Facility Agreement, providing total advances available through March 27, 2025 of up to $70 billion. Refer to Note 2—Business Combinations for further discussion of these agreements and related collateral requirements and limits on usage.

NOTE 5 — ALLOWANCE FOR LOAN AND LEASE LOSSES

The ALLL is reported as a separate line item on the Consolidated Balance Sheets, while the reserve for off-balance sheet credit exposure is included in other liabilities, presented in Note 13—Other Liabilities. The provision or benefit for credit losses related to (i) loans and leases (ii) off-balance sheet credit exposure, and (iii) investment securities available for sale is reported in the Consolidated Statements of Income as provision or benefit for credit losses.

SVBB Acquisition

The initial ALLL for PCD loans and leases acquired in the SVBB Acquisition (the "Initial PCD ALLL") was established through a PCD gross-up and there was no corresponding increase to the provision for credit losses.

The initial ALLL for Non-PCD loans and leases acquired in the SVBB Acquisition was established through a corresponding increase to the provision for credit losses (the "day 2 provision for loan and lease losses").

The initial reserve for off-balance sheet credit exposure acquired in the SVBB Acquisition was established through a corresponding increase to the provision for off-balance sheet credit exposure (the "day 2 provision for off-balance sheet credit exposure").

The accounting policy for loans and off-balance sheet credit exposure acquired in a business combination is further discussed in Note 1—Significant Accounting Policies and Basis of Presentation in the Notes to the Consolidated Financial Statements included in our 2023 Form 10-K.

The ALLL activity for loans and leases is summarized in the following table.

Allowance for Loan and Lease Losses

dollars in millions	*dollars in millions*	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023	*dollars in millions*		Three Months Ended June 30, 2024				Three Months Ended June 30, 2023					
	Commercial	Commercial	Consumer	SVB	Total	Commercial		Consumer	SVB	Total	Commercial	Consumer	SVB	Total	Commercial	Consumer	SVB	Total

Balance at beginning of period
Initial PCD ALLL
Day 2 provision for loan and lease losses
Day 2 (benefit) provision for loan and lease losses
Provision (benefit) for loan and lease losses
Total provision (benefit) for loan and lease losses
Charge-offs
Recoveries
Balance at end of period

dollars in millions	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
	Commercial	Consumer	SVB	Total	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 1,126	$ 166	$ 455	$ 1,747	$ 789	$ 133	$ —	$ 922
Initial PCD ALLL	—	—	—	—	14	3	203	220
Day 2 provision for loan and lease losses	—	—	—	—	39	43	380	462
Provision (benefit) for loan and lease losses	125	(5)	68	188	230	1	9	240
Total provision (benefit) for loan and lease losses	125	(5)	68	188	269	44	389	702
Charge-offs	(171)	(13)	(103)	(287)	(124)	(14)	(100)	(238)
Recoveries	23	5	24	52	20	7	4	31
Balance at end of period	$ 1,103	$ 153	$ 444	$ 1,700	$ 968	$ 173	$ 496	$ 1,637

The following table presents the components of the provision for credit losses:

Provision for Credit Losses

dollars in millions	*dollars in millions* Three Months Ended March 31,	*dollars in millions* Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
Day 2 provision for loan and lease losses							
Provision for loan and lease losses							
Total provision for loan and lease losses							
Day 2 provision for off-balance sheet credit exposure							
Benefit from off-balance sheet credit exposure							
Total (benefit) provision for off-balance sheet credit exposure							
Provision for investment securities available for sale credit losses							
(Benefit) provision for investment securities available for sale credit losses							
Provision for credit losses							

NOTE 6 — LEASES

Lessee

BancShares leases primarily include administrative offices and bank locations. Substantially all of our lease liabilities relate to United States real estate leases under operating lease arrangements. Our real estate leases have remaining lease terms of up to 33 years. Our lease terms may include options to extend or terminate the lease, and our operating leases have renewal terms that can extend from 1 to 25 years. The options are included in the lease term when it is determined that it is reasonably certain the option will be exercised.

The following table presents supplemental balance sheet information and remaining weighted average lease terms and discount rates:

Supplemental Lease Information

dollars in millions	*dollars in millions* Classification	March 31, 2024	December 31, 2023	*dollars in millions* Classification	June 30, 2024	December 31, 2023
Lease assets:						
Operating lease ROU assets						
Operating lease ROU assets						

Operating lease ROU assets										
Finance leases										
Total lease assets										
Lease liabilities:										
Operating leases										
Operating leases										
Operating leases										
Finance leases										
Total lease liabilities										
Weighted-average remaining lease terms:										
Operating leases										
Operating leases										
Operating leases		7.9 years		8.1 years			7.7 years		8.1 years	
Finance leases	Finance leases	15.7 years		15.4 years		Finance leases	16.1 years		15.4 years	
Weighted-average discount rate:										
Operating leases										
Operating leases										
Operating leases		2.76	%	2.70	%		2.79	%	2.70	%
Finance leases										

As of March 31, 2024 June 30, 2024, there were no leases that have not yet commenced that would have a material impact on BancShares' consolidated financial statements.

The following table presents components of lease cost:

Components of Net Lease Cost

dollars in millions			
dollars in millions			
dollars in millions		**Three Months Ended June 30,**	**Six Months Ended June 30,**
	Classification		
	Classification		
	Classification		
Operating lease cost			
Operating lease cost			
Operating lease cost			
Finance lease ROU asset amortization			
Finance lease ROU asset amortization			
Finance lease ROU asset amortization			
Variable lease cost (1)			
Variable lease cost (1)			
Variable lease cost (1)			
Sublease income			
Sublease income			
Sublease income			
Net lease cost (1)			
Net lease cost (1)			
Net lease cost (1)			

(1) *Includes short-term lease cost, which is not significant.*

Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term.

For finance leases, the right of use ("ROU") asset is amortized straight-line over the lease term as equipment expense and interest on the lease liability is recognized separately; however, interest on the lease liability was less than $1 million per year and is therefore not presented in the table above.

Variable lease cost includes common area maintenance, property taxes, utilities, and other operating expenses related to leased premises recognized in the period in which the expense was incurred. Certain of our lease agreements also include rental payments adjusted periodically for inflation. While lease liabilities are not remeasured because of these changes, these adjustments are treated as variable lease costs and recognized in the period in which the expense is incurred.

Sublease income results from leasing excess building space that BancShares is no longer utilizing under operating leases, which have remaining lease terms of up to 13 12 years.

The following table presents supplemental cash flow information related to leases:

Supplemental Cash Flow Information

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended March 31,**	**Six Months Ended June 30,**
2024		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		
Operating cash flows from operating leases		
Operating cash flows from operating leases		
Financing cash flows from finance leases		
Financing cash flows from finance leases		
Financing cash flows from finance leases		
ROU assets obtained in exchange for new operating lease liabilities		
ROU assets obtained in exchange for new operating lease liabilities		
ROU assets obtained in exchange for new operating lease liabilities		
ROU assets obtained in exchange for new operating lease liabilities		
ROU assets obtained in exchange for new operating lease liabilities		

Lessor

BancShares leases equipment to commercial end-users under operating lease and finance lease arrangements. The majority of operating lease equipment is long-lived rail equipment, which is typically leased several times over its life. We also lease technology and office equipment, and large and small industrial, medical, and transportation equipment under both operating leases and finance leases.

The table that follows presents lease income related to BancShares' operating and finance leases:

Lease Income

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended June 30,**	**Six Months Ended June 30,**
	2024	
	2024	
	2024	
Lease income – Operating leases		
Lease income – Operating leases		
Lease income – Operating leases		
Variable lease income – Operating leases (1)		
Variable lease income – Operating leases (1)		
Variable lease income – Operating leases (1)		
Rental income on operating leases		
Rental income on operating leases		
Rental income on operating leases		
Interest income – Sales type and direct financing leases		
Interest income – Sales type and direct financing leases		
Interest income – Sales type and direct financing leases		
Variable lease income included in Other noninterest income (2)		

Variable lease income included in Other noninterest income (2)	
Variable lease income included in Other noninterest income (2)	
Interest income – Leveraged leases	
Interest income – Leveraged leases	
Interest income – Leveraged leases	
Total lease income	
Total lease income	
Total lease income	

(1) *Primarily includes per diem railcar operating lease rental income earned on a time or mileage usage basis.*

(2) *Includes revenue related to insurance coverage on leased equipment and leased equipment property tax reimbursements due from customers.*

NOTE 7 — GOODWILL AND CORE DEPOSIT INTANGIBLES

Goodwill

BancShares had goodwill of $346 million at March 31, 2024 June 30, 2024 and December 31, 2023. There was no goodwill impairment during the three six months ended March 31, 2024 June 30, 2024 or 2023.

Core Deposit Intangibles

Core deposit intangibles represent the estimated fair value of core deposits and other customer relationships acquired. Core deposit intangibles are being amortized over their estimated useful lives. The following tables summarize the activity for core deposit intangibles during the three six months ended March 31, 2024 June 30, 2024:

Core Deposit Intangibles

dollars in millions		2024 Six Months Ended June 30, 2024
Balance at January 1, beginning of period, net of accumulated amortization	$	312
Less: amortization for the period		17 32
Balance at March 31, end of period, net of accumulated amortization	$	295 280

The following tables summarize table summarizes the accumulated amortization balance for core deposit intangibles at March 31, 2024 June 30, 2024 and December 31, 2023:

Core Deposit Intangible Accumulated Amortization

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Gross balance						
Less: accumulated amortization						
Balance, net of accumulated amortization						

The following table summarizes the expected amortization expense as of March 31, 2024 June 30, 2024 in subsequent periods for core deposit intangibles:

Core Deposit Intangible Expected Amortization

dollars in millions	
Remainder 2024	
Remainder 2024	
Remainder 2024	
2025	
2026	
2027	
2028	
2029	
Thereafter	
Balance, net of accumulated amortization	

NOTE 8 — VARIABLE INTEREST ENTITIES

Refer to Note 1—Significant Accounting Policies and Basis of Presentation for additional information on accounting for VIEs.

Consolidated VIEs

At March 31, 2024 June 30, 2024 and December 31, 2023, there were no consolidated VIEs.

Unconsolidated VIEs

Unconsolidated VIEs include limited partnership interests and joint ventures where BancShares' involvement is limited to an investor interest and BancShares does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance or obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The table below provides a summary of the assets and liabilities included on the Consolidated Balance Sheets associated with unconsolidated VIEs. The table also presents our maximum exposure to loss which consists of outstanding book basis and unfunded commitments for future investments, and represents potential losses that would be incurred under hypothetical circumstances, such that the value of BancShares' interests and any associated collateral declines to zero and assuming no recovery. BancShares believes the possibility is remote under this hypothetical scenario; accordingly, this disclosure is not an indication of expected loss.

Unconsolidated VIEs Carrying Value

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Affordable housing tax credit investments						
Other tax credit equity investments						
Total tax credit equity investments						
Other unconsolidated investments						
Total assets (maximum loss exposure) (1)						
Liabilities for commitments to tax credit investments (2)						

(1) *Included in other assets.*

(2) *Represents commitments to invest in qualified affordable housing investments and other investments qualifying for community reinvestment tax credits. These commitments are payable on demand and are included in other liabilities.*

BancShares has investments in qualified affordable housing projects primarily for the purposes of fulfilling Community Reinvestment Act of 1977 ("CRA") requirements and obtaining tax credits. These investments are accounted for using PAM and provide tax benefits to investors in the form of tax deductions from operating losses and tax credits. Under PAM, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received, and the net investment performance is recognized in the income statement as a component of income tax expense.

The table below summarizes the amortization of our affordable housing tax credit investments and the related tax credits and other tax benefits that are recognized in income tax expense.

Tax Credit Investments Recognized in Income Tax Expense

dollars in millions	*dollars in millions*	Three Months Ended March 31,	*dollars in millions*	Three Months Ended June 30,		Six Months Ended June 30,		
	2024	2024		2023	2024	2023	2024	2023
Amortization of affordable housing tax credit investments (1)								
Tax credits from affordable housing tax credit investments								
Other tax benefits from affordable housing tax credit investments								
Net income tax (benefit) expense from affordable housing tax credit investments (2) (3)								
Net income tax benefit from affordable housing tax credit investments (2) (3)								

(1) *On the Consolidated Statements of Cash Flows, this amortization is included in depreciation, amortization, and accretion, net as an adjustment to reconcile net income to net cash provided by (used in) operating activities.*

(2) *On the Consolidated Statements of Cash Flows, the net income tax expense benefit impact is included in net income in cash flows from operating activities. Changes in income taxes payable are reported in the net change in other liabilities as an adjustment to reconcile net income to net cash provided by (used in) operating activities.*

(3) *On Included in income tax expense on the Consolidated Statements of Income, this is included in income tax expense (benefit). Income.*

NOTE 9 — OTHER ASSETS

The following table includes the components of other assets.

Other Assets

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Affordable housing tax credit and other unconsolidated investments (1)						
Accrued interest receivable						
Fair value of derivative financial instruments						
Pension assets						
Right of use assets for operating leases, net						
Income tax receivable						
Counterparty receivables						
Bank-owned life insurance						

Nonmarketable equity securities	
Other real estate owned	
Mortgage servicing rights	
Federal Home Loan Bank stock	
Other	
Total other assets	

(1) *Refer to Note 8—Variable Interest Entities for additional information.*

NOTE 10 — DEPOSITS

The following table provides detail on deposit types.

Deposit Types

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Noninterest-bearing demand						
Checking with interest						
Money market						
Savings						
Time						
Total deposits						

At March 31, 2024 June 30, 2024, the scheduled maturities of time deposits were:

Deposit Maturities

dollars in millions
Twelve months ended March 31,
Twelve months ended March 31,
Twelve months ended March 31,
Twelve months ended June 30,
Twelve months ended June 30,
Twelve months ended June 30,
2025
2025
2025
2026
2027
2028
2029
Thereafter
Total time deposits

Time deposits with a denomination of $250,000 or more were $4.35 billion $4.12 billion and $4.16 billion at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

NOTE 11 — BORROWINGS

Short-term Borrowings

Securities Sold under Agreements to Repurchase
BancShares held $395 million $386 million and $485 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, of securities sold under agreements to repurchase that have overnight contractual maturities and are collateralized by government agency securities.

BancShares utilizes securities sold under agreements to repurchase to facilitate the needs for collateralization of commercial customers and secure wholesale funding needs. Repurchase agreements are transactions whereby BancShares offers to sell to a counterparty an undivided interest in an eligible security at an agreed upon purchase price, and which obligates BancShares to repurchase the security at an agreed upon date, repurchase price and interest rate. These agreements are recorded at the amount of cash received in connection with the transactions and are reflected as securities sold under customer repurchase agreements.

BancShares monitors collateral levels on a continuous basis and maintains records of each transaction specifically describing the applicable security and the counterparty's fractional interest in that security, and segregates the security from general assets in accordance with regulations governing custodial holdings of securities. The primary risk with repurchase agreements is market risk associated with the investments securing the transactions, as additional collateral may be required based on fair value changes of the underlying investments. Securities pledged as collateral under repurchase agreements are maintained with safekeeping agents. The carrying value of investment securities pledged as collateral under repurchase agreements was $487 million $477 million and $502 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

Long-term Borrowings

Long-term borrowings at March 31, 2024 June 30, 2024 and December 31, 2023 include:

Long-term Borrowings

dollars in millions	*dollars in millions*	**Maturity**	**March 31, 2024**	**December 31, 2023**	*dollars in millions*	**Maturity**	**June 30, 2024**	**December 31, 2023**
Parent Company:								
Subordinated:								
Subordinated:								
Subordinated:								
Fixed-to-Floating subordinated notes at 3.375%								
Fixed-to-Floating subordinated notes at 3.375%								
Fixed-to-Floating subordinated notes at 3.375%								
Junior subordinated debentures (FCB/SC Capital Trust II)(1)								
Subsidiaries:								
Senior:								
Senior:								
Senior:								
Senior unsecured fixed-to-floating rate notes at 2.969%								
Senior unsecured fixed-to-floating rate notes at 2.969%								
Senior unsecured fixed-to-floating rate notes at 2.969%								
Fixed senior unsecured notes at 6.00%								
Subordinated:								
Fixed subordinated notes at 6.125%								
Fixed subordinated notes at 6.125%								
Fixed subordinated notes at 6.125%								
Fixed-to-Fixed subordinated notes at 4.125%								
Junior subordinated debentures (SCB Capital Trust I)(1)								
Secured:								
Purchase Money Note to FDIC fixed at 3.50% (2)								
Purchase Money Note to FDIC fixed at 3.50% (2)								
Purchase Money Note to FDIC fixed at 3.50% (2)								
Capital lease obligations								
Capital lease obligations								
Capital lease obligations								
Unamortized purchase accounting adjustments								
Unamortized purchase accounting adjustments								
Unamortized purchase accounting adjustments								
Total long-term borrowings								

(1) *The borrowings were called during the first quarter of 2024, resulting in a $2 million loss on extinguishment of debt for the three six months ended March 31, 2024 June 30, 2024.*

(2) *Issued in connection with the SVBB Acquisition and secured by collateral. See Note 2—Business Combinations and Note 4—Loans and Leases.*

(3) *Includes a callable feature one year prior to maturity.*

Pledged Assets

Refer to the Loans Pledged "Loans Pledged" section in Note 4—Loans and Leases for information on loans pledged as collateral to secure borrowings.

NOTE 12 — DERIVATIVE FINANCIAL INSTRUMENTS

Our derivatives that are designated as hedging instruments include interest rate swaps that we utilize swap contracts utilized to manage our interest rate exposure on certain fixed-rate borrowings and deposits included for items on our Consolidated Balances Sheets. This includes floating-rate loan portfolio cash flow hedges and fair value hedges of our fixed-rate borrowings and deposits.

Our derivatives not designated as hedging instruments mainly include interest rate and foreign exchange contracts that our customers utilize to manage their risk management needs. We typically manage our exposure to these customer derivatives by entering into offsetting or "back-to-back" interest rate and foreign exchange contracts with third-party dealers.

Derivative instruments that are cleared through certain central counterparty clearing houses are settled-to-market and reported net of collateral positions.

For further information on accounting for derivatives and hedging, refer to Note 1—Significant Accounting Policies and Basis of Presentation of this Form 10-Q and our 2023 Form 10-K.

The following table presents notional amounts and fair values of derivative financial instruments:

Notional Amount and Fair Value of Derivative Financial Instruments

dollars in millions	*dollars in millions* **March 31, 2024**			**December 31, 2023**		*dollars in millions* **June 30, 2024**				**December 31, 2023**				
	Notional Amount	**Notional Amount**	**Asset Fair Value**	**Liability Fair Value**	**Notional Amount**		**Asset Fair Value**	**Liability Fair Value**	**Notional Amount**	**Asset Fair Value**	**Liability Fair Value**	**Notional Amount**	**Asset Fair Value**	**Liability Fair Value**
Derivatives designated as hedging instruments (Qualifying hedges)														
Interest rate contracts – fair value hedges (1) (4)														
Interest rate contracts – fair value hedges (1) (4)														
Interest rate contracts – fair value hedges (1) (4)														
Derivatives not designated as hedging instruments (Non-qualifying hedges)														
Derivatives not designated as hedging instruments (Non-qualifying hedges)														
Fair Value Hedges														
Fair Value Hedges														
Fair Value Hedges														
Interest rate contracts hedging time deposits														
Interest rate contracts hedging time deposits														
Interest rate contracts hedging time deposits														
Interest rate contracts hedging long-term borrowings														
Total fair value hedges (1) (4)														
Cash Flow Hedges														
Interest rate contracts hedging loans (1) (4)														
Interest rate contracts hedging loans (1) (4)														
Interest rate contracts hedging loans (1) (4)														
Total derivatives designated as hedging instruments														
Derivatives not designated as hedging instruments (Non-qualifying hedges)														
Interest rate contracts (1) (4)														
Interest rate contracts (1) (4)														
Interest rate contracts (1) (4)														
Foreign exchange contracts (2)														
Other contracts (3)														
Total derivatives not designated as hedging instruments														
Gross derivatives fair values presented in the Consolidated Balance Sheets														
Less: gross amounts offset in the Consolidated Balance Sheets														
Net amount presented in other assets and other liabilities in the Consolidated Balance Sheets														
Less: amounts subject to master netting agreements (5)														
Less: cash collateral pledged (received) subject to master netting agreements (6)														
Total net derivative fair value														

(1) *Fair value balances include accrued interest.*

(2) *The foreign exchange contracts exclude foreign exchange spot contracts. The notional and net fair value amounts of these contracts were $324 million $176 million and $1 million $0 million, respectively, as of March 31, 2024 June 30, 2024, and $179 million and $0 million, respectively, as of December 31, 2023.*

(3) *Other derivative contracts not designated as hedging instruments include risk participation agreements and equity warrants.*

(4) BancShares accounts for swap contracts cleared by the Chicago Mercantile Exchange and LCH Clearnet as "settled-to-market." As a result, variation margin payments are characterized as settlement of the derivative exposure and variation margin balances are netted against the corresponding derivative mark-to-market balances. Gross amounts of recognized assets and liabilities were lowered by $83 million $87 million and $26 million $32 million, respectively, at March 31, 2024 June 30, 2024, which includes $0 million $2 million and $0 million $2 million relating to qualifying hedges, respectively. Gross amounts of recognized assets and liabilities were lowered by $66 million and $37 million, respectively, at December 31, 2023, which includes $4 million and $0 million, respectively, relating to qualifying hedges, respectively. hedges.

(5) BancShares' derivative transactions are governed by International Swaps and Derivatives Association ("ISDA") agreements that allow for net settlements of certain payments as well as offsetting of all contracts with a given counterparty in the event of bankruptcy or default of one of the two parties to the transaction. BancShares believes its ISDA agreements meet the definition of a master netting arrangement or similar agreement for purposes of the above disclosure.

(6) In conjunction with the ISDA agreements described above, BancShares has entered into collateral arrangements with its counterparties, which provide for the exchange of cash depending on the change in the market valuation of the derivative contracts outstanding. Such collateral is available to be applied in settlement of the net balances upon an event of default of one of the counterparties. Collateral pledged or received is included in other assets or deposits, respectively.

Qualifying Fair Value Hedges

The following table represents presents the impact of fair value hedges on the Consolidated Statements of Income:

Recognized Gains (Losses) on Qualifying Fair Value Hedges

dollars in millions		Three Months Ended March 31,	
	Amounts Recognized	2024	2023
Recognized on derivatives	Interest expense - borrowings	$ (5)	$ —
Recognized on hedged item	Interest expense - borrowings	5	—
Total qualifying hedges - income statement impact		$ —	$ —

dollars in millions		Three Months Ended June 30,		Six Months Ended June 30,	
	Income Statement Line Items	2024	2023	2024	2023
Loss on hedging instruments - time deposits	Interest expense - deposits	$ (1)	$ —	$ (1)	$ —
Loss on hedging instruments - borrowings	Interest expense - borrowings	(1)	—	(6)	—
Gain on hedged item - time deposits	Interest expense - deposits	1	—	1	—
Gain on hedged item - borrowings	Interest expense - borrowings	—	—	5	—
Net loss on fair value hedges	Interest expense	$ (1)	$ —	$ (1)	$ —

The following table presents the carrying value of hedged items and associated cumulative hedging adjustment related to fair value hedges:

dollars in millions	*dollars in millions*		Cumulative Fair Value Hedging Adjustment Included in the Carrying Value of Hedged Items		*dollars in millions*	Cumulative Fair Value Hedging Adjustment Included in the Carrying Value of Hedged Items	
	Carrying Value of Hedged Items	Carrying Value of Hedged Items	Currently Designated	No Longer Designated	Carrying Value of Hedged Items	Currently Designated	No Longer Designated
March 31, 2024							
June 30, 2024							
Long-term borrowings							
Long-term borrowings							
Long-term borrowings							
Time deposits - brokered							
Deposits							
December 31, 2023							
Long-term borrowings							
Long-term borrowings							
Long-term borrowings							

Cash Flow Hedges

The following table presents the pretax unrealized gain on hedging instruments in cash flow hedges, which are reported in other comprehensive income. The pretax amount reclassified from AOCI to earnings for the three and six months ended June 30, 2024 was not significant.

Unrealized Gain on Cash Flow Hedges

dollars in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Other comprehensive income on cash flow hedge derivatives, pretax	$ 3	$ —	$ 3	$ —

The following table presents other information for cash flow hedges:

Other Information for Cash Flow Hedges

dollars in millions	June 30, 2024	December 31, 2023
Unrealized gain on cash flow hedge derivatives reported in AOCI, net of income taxes	$ 2	$ —
Estimate to be reclassified from AOCI to earnings during the next 12 months, net of income taxes (1)	1	—
Maximum number of months over which forecasted cash flows are hedged	16	—

(1) *Reclassified amounts could differ from amounts actually recognized due to changes in interest rates, hedge de-designations and the addition of other hedges.*

Non-Qualifying Hedges

The following table presents gains of on non-qualifying hedges recognized on the Consolidated Statements of Income:

Gains (Losses) on Non-Qualifying Hedges

dollars in millions			
dollars in millions			
dollars in millions		Three Months Ended June 30,	Six Months Ended June 30,
	Amounts Recognized		
	Amounts Recognized		
	Amounts Recognized		
Interest rate contracts			
Interest rate contracts			
Interest rate contracts			
Foreign currency forward contracts			
Foreign currency forward contracts			
Foreign currency forward contracts			
Other contracts			
Other contracts			
Other contracts			
Total non-qualifying hedges - income statement impact			
Total non-qualifying hedges - income statement impact			
Total non-qualifying hedges - income statement impact			

For further information on derivatives, refer to Note 14—Fair Value.

NOTE 13 — OTHER LIABILITIES

The following table includes the components of other liabilities:

Other Liabilities

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	December 31, 2023
Deferred taxes (1)						
Commitments to fund tax credit investments						
Incentive plan liabilities						
Fair value of derivative financial instruments						
Accrued expenses and accounts payable						
Lease liabilities						
Reserve for off-balance sheet credit exposure						

Accrued interest payable	
Other	
Total other liabilities	

(1) *Primarily includes deferred taxes associated with the SVBB Acquisition. See Note 2—Business Combinations.*

NOTE 14 — FAIR VALUE

Fair Value Hierarchy

BancShares measures certain financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels.

Assets and liabilities are recorded at fair value according to a fair value hierarchy comprised of three levels. The levels are based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The level within the fair value hierarchy for an asset or liability is based on the lowest level of input significant to the fair value measurement with Level 1 inputs considered highest and Level 3 inputs considered lowest. A brief description of each input level follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices observable for the assets or liabilities and market corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability. These unobservable inputs and assumptions reflect the estimates market participants would use in pricing the asset or liability.

Assets and Liabilities Measured at Fair Value - Recurring Basis

dollars in millions	Total
dollars in millions	Total
dollars in millions	Total
Assets	
Assets	
Assets	
Investment securities available for sale	
Investment securities available for sale	
Investment securities available for sale	
U.S. Treasury	
U.S. Treasury	
U.S. Treasury	
Government agency	
Government agency	
Government agency	
Residential mortgage-backed securities	
Residential mortgage-backed securities	
Residential mortgage-backed securities	
Commercial mortgage-backed securities	
Commercial mortgage-backed securities	
Commercial mortgage-backed securities	
Corporate bonds	
Corporate bonds	
Corporate bonds	
Municipal bonds	
Municipal bonds	
Municipal bonds	
Total investment securities available for sale	
Total investment securities available for sale	

Total investment securities available for sale
Marketable equity securities
Marketable equity securities
Marketable equity securities
Loans held for sale
Loans held for sale
Loans held for sale
Derivative assets (1)
Derivative assets (1)
Derivative assets (1)
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Total non-qualifying hedge assets
Total non-qualifying hedge assets
Total non-qualifying hedge assets
Total derivative assets
Total derivative assets
Total derivative assets
Liabilities
Liabilities
Liabilities
Derivative liabilities (1)
Derivative liabilities (1)
Derivative liabilities (1)
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Total non-qualifying hedge liabilities
Total non-qualifying hedge liabilities
Total non-qualifying hedge liabilities
Total derivative liabilities
Total derivative liabilities

Total derivative liabilities

	December 31, 2023
	December 31, 2023
	December 31, 2023
	Total
	Total
	Total
Assets	
Assets	
Assets	
Investment securities available for sale	
Investment securities available for sale	
Investment securities available for sale	
U.S. Treasury	
U.S. Treasury	
U.S. Treasury	
Government agency	
Government agency	
Government agency	
Residential mortgage-backed securities	
Residential mortgage-backed securities	
Residential mortgage-backed securities	
Commercial mortgage-backed securities	
Commercial mortgage-backed securities	
Commercial mortgage-backed securities	
Corporate bonds	
Corporate bonds	
Corporate bonds	
Municipal bonds	
Municipal bonds	
Municipal bonds	
Total investment securities available for sale	
Total investment securities available for sale	
Total investment securities available for sale	
Marketable equity securities	
Marketable equity securities	
Marketable equity securities	
Loans held for sale	
Loans held for sale	
Loans held for sale	
Derivative assets (1)	
Derivative assets (1)	
Derivative assets (1)	
Interest rate contracts — qualifying hedges	
Interest rate contracts — qualifying hedges	
Interest rate contracts — qualifying hedges	
Interest rate contracts — non-qualifying hedges	
Interest rate contracts — non-qualifying hedges	

Interest rate contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Total non-qualifying hedge assets
Total non-qualifying hedge assets
Total non-qualifying hedge assets
Total derivative assets
Total derivative assets
Total derivative assets
Liabilities
Liabilities
Liabilities
Derivative liabilities (1)
Derivative liabilities (1)
Derivative liabilities (1)
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Interest rate contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Foreign exchange contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Other derivative contracts — non-qualifying hedges
Total non-qualifying hedge liabilities
Total non-qualifying hedge liabilities
Total non-qualifying hedge liabilities
Total derivative liabilities
Total derivative liabilities
Total derivative liabilities

(1) *Derivative fair values include accrued interest.*

The methods and assumptions used to estimate the fair value of each class of financial instruments measured at fair value on a recurring basis are as follows:

Investment securities available for sale. The fair value of U.S. Treasury, government agency, mortgage-backed securities, municipal bonds, and a portion of the corporate bonds are generally estimated using a third-party pricing service. To obtain an understanding of the processes and methodologies used, management reviews correspondence from the third-party pricing service. Management also performs a price variance analysis process to corroborate the reasonableness of prices. The third-party provider evaluates securities based on comparable investments with trades and market data and will utilize pricing models which use a variety of inputs, such as benchmark yields, reported trades, issuer spreads, benchmark securities, bids and offers as needed. These securities are generally classified as Level 2. The remaining corporate bonds held are generally measured at fair value based on indicative bids from broker-dealers using inputs that are not directly observable. These securities are classified as Level 3.

Marketable equity securities. Equity securities are measured at fair value using observable closing prices. The valuation also considers the amount of market activity by examining the trade volume of each security. Equity securities are classified as Level 1 if they are traded in an active market and as Level 2 if the observable closing price is from a less than active market.

Loans held for sale. Certain residential real estate loans originated for sale to investors are carried at fair value based on quoted market prices for similar types of loans. Accordingly, the inputs used to calculate fair value of originated residential real estate loans held for sale are considered Level 2 inputs.

Derivative Assets and Liabilities. Derivatives were valued using models that incorporate inputs depending on the type of derivative. Other than the fair value of equity warrants and credit derivatives, which were estimated using Level 3 inputs, most derivative instruments were valued using Level 2 inputs based on observed pricing for similar assets and liabilities and model-based valuation techniques for which all significant assumptions are observable in the market. See Note 12—Derivative Financial Instruments for notional amounts and fair values.

The following tables summarize information about significant unobservable inputs related to BancShares' categories of Level 3 financial assets and liabilities measured on a recurring basis:

Quantitative Information About Level 3 Fair Value Measurements - Recurring Basis

dollars in millions

Financial Instrument		Estimated Fair Value	Valuation Technique(s) Technique	Significant Unobservable Inputs
March 31, June 30, 2024				
Assets				
Corporate bonds	$	161	Indicative bid provided by broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the issuer.
Interest rate & other derivative — non-qualifying hedges	$	9 11	Internal valuation model	Multiple factors, including but not limited to, private company valuation, illiquidity discount, and estimated life of the instrument.
Liabilities				
Interest rate & other derivative — non-qualifying hedges	$	1	Internal valuation model	Not material
December 31, 2023				
Assets				
Corporate bonds	$	157	Indicative bid provided by broker	Multiple factors, including but not limited to, current operations, financial condition, cash flows, and recently executed financing transactions related to the issuer.
Interest rate & other derivative — non-qualifying hedges	$	7	Internal valuation model	Multiple factors, including but not limited to, private company valuation, illiquidity discount, and estimated life of the instrument.
Liabilities				
Interest rate & other derivative — non-qualifying hedges	$	1	Internal valuation model	Not material

The following table summarizes the changes in estimated fair value for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

Changes in Estimated Fair Value of Level 3 Financial Assets and Liabilities - Recurring Basis

dollars in millions	*dollars in millions*	**Three Months Ended March 31, 2024**		**Three Months Ended March 31, 2023**		*dollars in millions* **Six Months Ended June 30, 2024**				**Six Months Ended June 30, 2023**				
	Corporate Bonds	**Corporate Bonds**	**Other Derivative Assets — Non-Qualifying**	**Other Derivative Liabilities — Non-Qualifying**	**Corporate Bonds**		**Other Derivative Assets — Non-Qualifying**	**Other Derivative Liabilities — Non-Qualifying**	**Corporate Bonds**	**Other Derivative Assets — Non-Qualifying**	**Other Derivative Liabilities — Non-Qualifying**	**Corporate Bonds**	**Other Derivative Assets — Non-Qualifying**	**Other Derivative Liabilities — Non-Qualifying**
Beginning balance														
Purchases														
Changes in fair value included in earnings														
Changes in fair value included in comprehensive income														
Transfers in														
Transfers out														
Maturity and settlements														
Ending balance														

Fair Value Option

The following table summarizes the difference between the aggregate fair value and the UPB for residential mortgage loans originated for sale measured at fair value as of March 31, 2024 June 30, 2024 and December 31, 2023:

Aggregate Fair Value and UPB - Residential Mortgage Loans

dollars in millions	*dollars in millions*	March 31, 2024	*dollars in millions*		June 30, 2024		
	Fair Value	Fair Value	Unpaid Principal Balance	Difference	Fair Value	Unpaid Principal Balance	Difference
Originated loans held for sale							
		December 31, 2023					
		December 31, 2023					
		December 31, 2023					
	Fair Value	Fair Value	Unpaid Principal Balance	Difference	Fair Value	Unpaid Principal Balance	Difference
Originated loans held for sale							

BancShares has elected the fair value option for residential mortgage loans originated for sale. This election reduces certain timing differences in the Consolidated Statements of Income and better aligns with the management of the portfolio from a business perspective. The changes in fair value that were recorded as a component of mortgage income were insignificant for the three and six months ended March 31, 2024 June 30, 2024 and 2023. Interest earned on loans held for sale is recorded within interest income on loans and leases in the Consolidated Statements of Income.

No originated loans held for sale were 90 or more days past due or on nonaccrual status as of March 31, 2024 June 30, 2024 or December 31, 2023.

Assets Measured at Estimated Fair Value on a Non-recurring Basis

Certain assets or liabilities are required to be measured at estimated fair value on a non-recurring basis subsequent to initial recognition. Generally, these adjustments are the result of lower of the cost or market value ("LOCOM") or other impairment accounting. The following table presents carrying value of assets measured at estimated fair value on a non-recurring basis for which gains and losses have been recorded in the periods. The gains and losses reflect amounts recorded for the respective periods, regardless of whether the asset is still held at period end.

Assets Measured at Fair Value - Non-recurring Basis

dollars in millions									
	Total								
	Total								
	Total	Level 1	Level 2	Level 3	Total Gains (Losses)	Level 1	Level 2	Level 3	Total Gains (Losses)
March 31, 2024									
June 30, 2024									
Assets held for sale - loans									
Assets held for sale - loans									
Assets held for sale - loans									
Loans - collateral dependent loans									
Other real estate owned									
Total									
Total									
Total									
December 31, 2023									
Assets held for sale - loans									
Assets held for sale - loans									
Assets held for sale - loans									
Loans - collateral dependent loans									
Other real estate owned									
Total									
Total									
Total									

Certain other assets are adjusted to their fair value on a non-recurring basis, including certain loans, OREO, and goodwill, which are periodically tested for impairment. Most loans held for investment, deposits, and borrowings are not reported at fair value.

The methods and assumptions used to estimate the fair value of each class of financial instruments measured at fair value on a non-recurring basis are as follows:

Assets held for sale - loans. Loans held for investment subsequently transferred to held for sale are carried at the LOCOM. When available, the fair values for the transferred loans are based on quoted prices from the purchase commitments for the individual loans being transferred and are considered Level 1 inputs. The fair value of Level 2 assets was primarily estimated based on prices of recent trades of similar assets. For other loans held for sale, the fair value of Level 3 assets was primarily measured under the income approach using the discounted cash flow model based on Level 3 inputs including discount rate or the price of committed trades.

Loans - collateral dependent loans. The population of Level 3 loans measured at fair value on a non-recurring basis includes collateral-dependent loans evaluated individually. Collateral values are determined using appraisals or other third-party value estimates of the subject property discounted based on estimated selling costs, and adjustments for other external factors that may impact the marketability of the collateral.

Other real estate owned. OREO is carried at LOCOM. OREO asset valuations are determined by using appraisals or other third-party value estimates of the subject property with discounts, generally between 6% and 10%, applied for estimated selling costs and other external factors that may impact the marketability of the property. At March 31, 2024 June 30, 2024 and December 31, 2023, the weighted average discount applied was 8.24% 9.12% and 8.59%, respectively. Changes to the value of the assets between scheduled valuation dates are monitored through continued communication with brokers and monthly reviews by the asset manager assigned to each asset. If there are any significant changes in the market or the subject property, valuations are adjusted or new appraisals are ordered to ensure the reported values reflect the most current information.

Financial Instruments Fair Value

The table below presents the carrying values and estimated fair values for financial instruments, excluding leases and certain other assets and liabilities for which these disclosures are not required.

Carrying Values and Fair Values of Financial Assets and Liabilities

dollars in millions	*dollars in millions*	March 31, 2024			*dollars in millions*			June 30, 2024				
					Estimated Fair Value							
	Carrying Value	Carrying Value	Level 1	Level 2		Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets												
Cash and due from banks												
Cash and due from banks												
Cash and due from banks												
Interest-earning deposits at banks												
Securities purchased under agreements to resell												
Investment in marketable equity securities												
Investment securities available for sale												
Investment securities held to maturity												
Loans held for sale												
Net loans												
Accrued interest receivable												
Federal Home Loan Bank stock												
Mortgage servicing rights												
Derivative assets - qualifying hedges												
Derivative assets - non-qualifying hedges												
Financial Liabilities												
Deposits with no stated maturity												
Deposits with no stated maturity												
Deposits with no stated maturity												
Time deposits												
Credit balances of factoring clients												
Securities sold under customer repurchase agreements												
Long-term borrowings												
Long-term borrowings												
Long-term borrowings												
Accrued interest payable												
Derivative liabilities - qualifying hedges												
Derivative liabilities - non-qualifying hedges												
		December 31, 2023										
		December 31, 2023										

	December 31, 2023										
				Estimated Fair Value							
	Carrying Value	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets											
Cash and due from banks											
Cash and due from banks											
Cash and due from banks											
Interest-earning deposits at banks											
Securities purchased under agreements to resell											
Investment in marketable equity securities											
Investment securities available for sale											
Investment securities held to maturity											
Loans held for sale											
Net loans											
Accrued interest receivable											
Federal Home Loan Bank stock											
Mortgage servicing rights											
Derivative assets - qualifying hedges											
Derivative assets - non-qualifying hedges											
Financial Liabilities											
Deposits with no stated maturity											
Deposits with no stated maturity											
Deposits with no stated maturity											
Time deposits											
Credit balances of factoring clients											
Securities sold under customer repurchase agreements											
Long-term borrowings											
Long-term borrowings											
Long-term borrowings											
Accrued interest payable											
Derivative liabilities - qualifying hedges											
Derivative liabilities - non-qualifying hedges											

The methods and assumptions used to estimate the fair value of each class of financial instruments not discussed elsewhere are as follows:

Interest-earning Deposits at Banks. The carrying value of interest-earning deposits at banks approximates its fair value due to its short-term nature. The balances at March 31, 2024 June 30, 2024 and December 31, 2023 included $213 $212 million and $211 million, respectively, as a required minimum deposit under the Advance Facility Agreement.

Net loans. The carrying value of net loans is net of the ALLL. Loans are generally valued by discounting expected cash flows using market inputs with adjustments based on cohort level assumptions for certain loan types as well as internally developed estimates at a business segment level. Due to the significance of the unobservable market inputs and assumptions, as well as the absence of a liquid secondary market for most loans, these loans are classified as Level 3. Certain loans are measured based on observable market prices sourced from external data providers and classified as Level 2. Nonaccrual loans are written down and reported at their estimated recovery value which approximates their fair value and classified as Level 3.

Securities Purchased Under Agreement to Resell. The fair value of securities purchased under agreement to resell equal the carrying value due to the short term nature, generally overnight, and therefore present an insignificant risk of change in fair value due to changes in market interest rate, and classified as Level 2.

Investment securities held to maturity. BancShares' portfolio of debt securities held to maturity consists of mortgage-backed securities issued by government agencies and government sponsored entities, U.S. Treasury notes, unsecured bonds issued by government agencies and government sponsored entities, and securities issued by the Supranational Entities & Multilateral Development Banks. We primarily use prices obtained from pricing services to determine the fair value of securities, which are Level 2 inputs.

FHLB stock. The carrying amount of FHLB stock is a reasonable estimate of fair value, as these securities are not readily marketable and are evaluated for impairment based on the ultimate recoverability of the par value. BancShares considers positive and negative evidence, including the profitability and asset quality of the issuer, dividend payment history and recent redemption experience, when determining the ultimate recoverability of the par value. BancShares investment in FHLB stock is ultimately recoverable at par. The inputs used in the fair value measurement for the FHLB stock are considered Level 2 inputs.

Mortgage servicing rights ("MSRs"). MSRs are initially recorded at fair value and subsequently carried at the lower of amortized cost or market. Therefore, servicing rights are carried at fair value only when fair value is less than the amortized cost. The fair value of MSRs is determined using a pooling methodology. Similar loans are pooled together and a model which relies on discount rates, estimates of prepayment rates and the weighted average cost to service the loans is used to determine the fair value. The inputs used in the fair value measurement for MSRs are considered Level 3 inputs.

Deposits. The estimated fair value of deposits with no stated maturity, such as demand deposit accounts, money market accounts, and savings accounts was the amount payable on demand at the reporting date. The fair value of time deposits was estimated based on a discounted cash flow technique using Level 2 inputs appropriate to the contractual maturity.

Credit balances of factoring clients. The impact of the time value of money from the unobservable discount rate for credit balances of factoring clients is inconsequential due to the short term nature of these balances, therefore, the fair value approximated carrying value, and the credit balances were classified as Level 3.

Short-term borrowed funds. Includes repurchase agreements and certain other short-term borrowings. The fair value approximates carrying value and are classified as Level 2.

Long-term borrowings. For certain long-term senior and subordinated unsecured borrowings, the fair values are sourced from a third-party pricing service. The fair values of other long-term borrowings are determined by discounting future cash flows using current interest rates for similar financial instruments. The inputs used in the fair value measurement for FHLB borrowings, senior and subordinated debentures, and other borrowings are classified as Level 2.

For all other financial assets and financial liabilities, the carrying value is a reasonable estimate of the fair value as of March 31, 2024 June 30, 2024 and December 31, 2023. The carrying value and fair value for these assets and liabilities are equivalent because they are relatively short-term in nature and there is no interest rate or credit risk that would cause the fair value to differ from the carrying value. Cash and due from banks, and interest-earning deposits at banks, are classified on the fair value hierarchy as Level 1. Accrued interest receivable and accrued interest payable are classified as Level 2.

NOTE 15 — STOCKHOLDERS' EQUITY

A roll forward of common stock activity is presented in the following table:

Number of Shares of Common Stock

		March 31, 2024		June 30, 2024		Outstanding
	Class A	Class A	Class B	Class A	Class B	
Common stock - March 31, 2024						
Restricted stock units vested, net of shares held to cover taxes						
Common stock - June 30, 2024						
Common stock - December 31, 2023						
Common stock - December 31, 2023						
Common stock - December 31, 2023						
Restricted stock units vested, net of shares held to cover taxes						
Common stock - March 31, 2024						
Common stock - June 30, 2024						

Common Stock

The Parent Company has Class A common stock and Class B Common stock, each with a par value of $1. Class A common stock stockholders have one vote per share while Class B common stock stockholders have 16 votes per share.

Non-Cumulative Perpetual Preferred Stock

The following table summarizes BancShares' non-cumulative perpetual preferred stock:

Preferred Stock

dollars in millions, except per share and par value data

Preferred Stock	Issuance Date	Earliest Redemption Date	Par Value	Shares Authorized, Issued and Outstanding	Liquidation Preference Per Share	Total Liquidation Preference	Dividend
Series A	March 12, 2020	March 15, 2025	$ 0.01	345,000	$ 1,000	$ 345	5.375%
Series B	January 3, 2022	January 4, 2027	0.01	325,000	1,000	325	SOFR + 3.972%
Series C	January 3, 2022	January 4, 2027	0.01	8,000,000	25	200	5.625%

Dividends on BancShares Series A, B, and C Preferred Stock (together, “BancShares Preferred Stock”) will be paid when, as, and if declared by the Board of Directors of the Parent Company, or a duly authorized committee thereof, to the extent that the Parent Company has lawfully available funds to pay dividends. If declared, dividends with respect to the BancShares Preferred Stock will accrue and be payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year. Dividends on the BancShares Preferred Stock will not be cumulative. For further description of BancShares’ Preferred Stock, refer to Note 17—Stockholders’ Equity in the Notes to the Consolidated Financial Statements included in our 2023 Form 10-K.

NOTE 16 — ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table details the components of Accumulated Other Comprehensive (Loss) Income (“AOCI”) AOCI as of June 30, 2024 and December 31, 2023:

Components of Accumulated Other Comprehensive (Loss) Income

dollars in millions	*dollars in millions*	March 31, 2024		December 31, 2023		*dollars in millions*	June 30, 2024		December 31, 2023					
	Pretax	Pretax	Income Taxes	Net of Income Taxes	Pretax		Income Taxes	Net of Income Taxes	Pretax	Income Taxes	Net of Income Taxes	Pretax	Income Taxes	Net of Income Taxes
Unrealized loss on securities available for sale														
Unrealized loss on securities available for sale transferred to held to maturity														
Defined benefit pension items														
Unrealized gain on cash flow hedge derivatives														
Unrealized gain on cash flow hedge derivatives														
Unrealized gain on cash flow hedge derivatives														
Total accumulated other comprehensive loss														
Total accumulated other comprehensive loss														
Total accumulated other comprehensive loss														

The following table details the changes in the components of AOCI, net of income taxes:

Changes in Accumulated Other Comprehensive (Loss) Income by Component

dollars in millions *dollars in millions* *dollars in millions*	Unrealized (loss) gain on securities available for sale	Unrealized loss on securities available for sale transferred to held to maturity	Net change in defined benefit pension items	Total accumulated other comprehensive (loss) income	Unrealized loss on securities available for sale	Unrealized loss on securities available for sale transferred to held to maturity	Defined benefit pension items	Unrealized gain on cash flow hedge derivatives	Total accumulated other comprehensive loss
Balance as of December 31, 2023									
AOCI activity before reclassifications									
Amounts reclassified from AOCI to earnings									
Other comprehensive loss for the period									
Balance as of March 31, 2024									
Other comprehensive (loss) gain for the period									

Other comprehensive (loss) gain for the period
Other comprehensive (loss) gain for the period
Balance as of June 30, 2024
Balance as of December 31, 2022
Balance as of December 31, 2022
Balance as of December 31, 2022
AOCI activity before reclassifications
Amounts reclassified from AOCI to earnings
Other comprehensive income for the period
Balance as of March 31, 2023
Other comprehensive (loss) income for the period
Balance as of June 30, 2023

Other Comprehensive Income

The amounts included in the Consolidated Statements of Comprehensive Income are net of income taxes. The following table presents the pretax and after tax components of other comprehensive income:

Other Comprehensive Income (Loss) by Component

dollars in millions

	2024												
	2024												
	2024												
	Pretax												
	Pretax												
	Pretax	**Income Taxes**	**Net of Income Taxes**	**Pretax**	**Income Taxes**	**Net of Income Taxes**	**Income Statement Line Items**	**Income Taxes**	**Net of Income Taxes**	**Pretax**	**Income Taxes**	**Net of Income Taxes**	**Income Statement Line Items**
Unrealized (loss) gain on securities available for sale:													

Unrealized loss on securities available for sale:																										
AOCI activity before reclassifications																										
AOCI activity before reclassifications																										
AOCI activity before reclassifications																										
Amounts reclassified from AOCI to earnings																										
Amounts reclassified from AOCI to earnings																										
Amounts reclassified from AOCI to earnings	—	—	—	—	—	18	18	(5)	(5)	13	13	$14 million realized loss on sale of investment securities available for sale, net; $4 million provision for credit losses	$14 million realized loss on sale of investment securities available for sale, net; $4 million provision for credit losses	—	—	—	—	—	(1)	(1)	—	—	(1)	(1)	Provision for credit losses	Provisio for cred losses
Other comprehensive (loss) gain on securities available for sale																										
Other comprehensive loss on securities available for sale																										
Unrealized loss on securities available for sale transferred to held to maturity:																										
Unrealized loss on securities available for sale transferred to held to maturity:																										
Unrealized loss on securities available for sale transferred to held to maturity:																										
Amounts reclassified from AOCI to earnings																										

Amounts reclassified from AOCI to earnings							
Amounts reclassified from AOCI to earnings	$ —	$ —	$ —	$ 1	$ —	$ 1	Interest on investment securities
Other comprehensive income on securities available for sale transferred to held to maturity							
Defined benefit pension items:							
Defined benefit pension items:							
Defined benefit pension items:							
Other comprehensive loss for defined benefit pension items							
Other comprehensive loss for defined benefit pension items							
Other comprehensive loss for defined benefit pension items							
Defined benefit pension items:							
Unrealized gain on cash flow hedge derivatives:							
Defined benefit pension items:							
Unrealized gain on cash flow hedge derivatives:							
Defined benefit pension items:							
Actuarial gain							
Actuarial gain							
Actuarial gain							
Amounts reclassified from AOCI to earnings							

Amounts reclassified from AOCI to earnings
Amounts reclassified from AOCI to earnings
Other comprehensive income for defined benefit pension items
Other comprehensive income for defined benefit pension items
Other comprehensive income for defined benefit pension items
Unrealized gain on cash flow hedge derivatives:
Other comprehensive income on cash flow hedge derivatives
Other comprehensive income on cash flow hedge derivatives
Total other comprehensive (loss) income
Total other comprehensive (loss) income
Total other comprehensive (loss) income
Other comprehensive income on cash flow hedge derivatives
Total other comprehensive loss
Total other comprehensive loss

Total other comprehensive loss

dollars in millions	Six Months Ended June 30,						
	2024			2023			
	Pretax	Income Taxes	Net of Income Taxes	Pretax	Income Taxes	Net of Income Taxes	Income Statement Line Items
Unrealized loss on securities available for sale:							
AOCI activity before reclassifications	$ (154)	$ 41	$ (113)	$ (74)	$ 20	$ (54)	
Amounts reclassified from AOCI to earnings	—	—	—	17	(5)	12	$14 realized loss on sales of investment securities available for sale, net; $3 provision for credit losses
Other comprehensive loss on securities available for sale	$ (154)	$ 41	$ (113)	$ (57)	$ 15	$ (42)	
Unrealized loss on securities available for sale transferred to held to maturity:							
Amounts reclassified from AOCI to earnings	$ —	$ —	$ —	$ 1	$ —	$ 1	Interest on investment securities
Other comprehensive income on securities available for sale transferred to held to maturity	$ —	$ —	$ —	$ 1	$ —	$ 1	
Defined benefit pension items:							
Other comprehensive loss for defined benefit pension items	$ (10)	$ 2	$ (8)	$ 5	$ (1)	$ 4	
Unrealized gain on cash flow hedge derivatives:							
Other comprehensive income on cash flow hedge derivatives	$ 3	$ (1)	$ 2	$ —	$ —	$ —	
Total other comprehensive loss	$ (161)	$ 42	$ (119)	$ (51)	$ 14	$ (37)	

NOTE 17 — EARNINGS PER COMMON SHARE

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

Earnings per Common Share

dollars in millions, except per share data

dollars in millions, except per share data

dollars in millions, except per share data	Three Months Ended June 30,	Six Months Ended June 30,
	2024	
	2024	
	2024	
Net income		
Net income		
Net income		
Preferred stock dividends		
Preferred stock dividends		
Preferred stock dividends		
Net income available to common stockholders		
Net income available to common stockholders		
Net income available to common stockholders		
Weighted average common shares outstanding		
Weighted average common shares outstanding		
Weighted average common shares outstanding		
Basic shares outstanding		
Basic shares outstanding		
Basic shares outstanding		
Stock-based awards		

Stock-based awards
Stock-based awards
Diluted shares outstanding
Diluted shares outstanding
Diluted shares outstanding
Earnings per common share
Earnings per common share
Earnings per common share
Basic
Basic
Basic
Diluted
Diluted
Diluted

NOTE 18 — INCOME TAXES

BancShares' global effective income tax rates ("ETRs") were 27.2% 27.8% and (0.5)% 23.9% for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and 27.5% and 1.6% for the six months ended June 30, 2024 and 2023, respectively. The increase increases in the effective tax rate from (0.5)% in the prior year to 27.2% for the three months ended March 31, 2024 was 2023 periods were primarily due to the effects of the non-taxable nature of the gain on acquisition relating to the SVBB Acquisition in the prior year quarter. periods.

The quarterly income tax expense is based on a projection of BancShares' annual ETR. This annual ETR is applied to the year-to-date consolidated pretax income to determine the interim provision for income taxes before discrete items. The ETR each period is also impacted by a number of factors, including the relative mix of domestic and international earnings, effects of changes in enacted tax laws, adjustments to the valuation allowances, and discrete items. The currently forecasted ETR may vary from the actual year-end 2024 ETR due to the changes in these factors.

Uncertain Tax Benefits

BancShares' recognizes tax benefits when it is more likely than not that the position will prevail, based solely on the technical merits under the tax law of the relevant jurisdiction. BancShares will recognize the tax benefit if the position meets this recognition threshold determined based on the largest amount of the benefit that is more than likely to be realized.

Net Operating Loss Carryforwards and Valuation Adjustments

BancShares' ability to recognize deferred tax assets ("DTAs") is evaluated on a quarterly basis to determine if there are any significant events that would affect our ability to utilize existing DTAs. If events are identified that affect our ability to utilize its DTAs, adjustments to the valuation allowance adjustments may be required.

NOTE 19 — EMPLOYEE BENEFIT PLANS

BancShares sponsors non-contributory defined benefit pension plans for its qualifying employees. The service cost component of net periodic benefit cost is included in salaries and wages, while all other non-service cost components are included in other noninterest expense.

The components of net periodic benefit cost are as follows:

	Three Months Ended March 31,						
		Three Months Ended June 30,		Six Months Ended June 30,			
	2024	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Service cost							
Interest cost							
Expected return on assets							
Net periodic benefit							
Net periodic benefit							
Net periodic benefit							

NOTE 20 — BUSINESS SEGMENT INFORMATION

We made changes to our segment reporting during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Segment disclosures for 2023 periods included in this Form 10-Q were recast to reflect the segment reporting changes.

BancShares' segments at March 31, 2024 June 30, 2024 include General Bank, Commercial Bank, SVB Commercial, and Rail. All other financial information not allocated to the segments is included in the "Corporate" section of the segment disclosures. The segment descriptions below reflect the segment reporting changes made during the first quarter of

2024.

General Bank

The General Bank segment delivers products and services to consumers and businesses through our extensive network of branches and various digital channels. We offer a full suite of deposit products, loans (primarily residential mortgages and business and commercial loans), cash management, private banking and wealth management, payment services, and treasury services. We offer conforming and jumbo residential mortgage loans throughout the United States that are primarily originated through branches and retail referrals, employee referrals, internet leads, direct marketing and a correspondent lending channel, as well as through our private banking service. Private banking and wealth management offers a customized suite of products and services to individuals and institutional clients, as well as private equity and venture capital professionals and executive leaders of the innovation companies they support, and premium wine clients. The General Bank segment offers brokerage, investment advisory, private stock loans, other secured and unsecured lending products and vineyard development loans, as well as planning-based financial strategies, family office, financial planning, tax planning and trust services. The General Bank segment also includes a community association bank channel that supports deposit, cash management and lending to homeowner associations and property management companies.

Revenue is generated from interest earned on loans and from fees for banking and advisory services. We primarily originate loans by utilizing our branch network and industry referrals, as well as direct digital marketing efforts. We derive our SBA loans through a network of SBA originators. We periodically purchase loans on a whole-loan basis. We also invest in community development that supports the construction of affordable housing in our communities in line with our CRA initiatives.

Commercial Bank

The Commercial Bank segment provides a range of lending, leasing, capital markets, asset management, and other financial and advisory services, primarily to small and middle market companies in a wide range of industries, including: energy; healthcare; tech including energy, healthcare, technology media and telecom; telecommunications (“TMT”), asset-backed lending; lending, capital finance; maritime; corporate banking; finance, maritime, aerospace and defense; defense, and sponsor finance. Loans offered are primarily senior secured loans collateralized by accounts receivable, inventory, machinery and equipment, transportation equipment, and/or intangibles, and are often used for working capital, plant expansion, acquisitions, or recapitalizations. These loans include revolving lines of credit and term loans and, depending on the nature of the collateral, may be referred to as collateral-backed loans, asset-based loans or cash flow loans. We provide senior secured loans to developers and other CRE professionals. Additionally, we provide small business loans and leases, including both capital and operating leases, through a highly automated credit approval, documentation and funding process.

We provide factoring, receivable management and secured financing to businesses that operate in several industries. These include: include apparel, textile, furniture, home furnishings, and consumer electronics. Factoring entails the assumption of credit risk with respect to trade accounts receivable arising from the sale of goods from our factoring clients to their customers that have been factored (i.e., sold or assigned to the factor). Our factoring clients, which are generally manufacturers or importers of goods, are the counterparties on factoring, financing or receivables purchasing agreements to sell trade receivables to us. Our factoring clients’ customers, which are generally retailers, are the account debtors and obligors on trade accounts receivable that have been factored.

Revenue is generated from: from interest and fees on loans; loans, rental income on operating lease equipment; equipment, fee income and other revenue from banking services and capital markets transactions; transactions, and commissions earned on factoring-related activities. We derive most of our commercial lending business through direct marketing to borrowers, lessees, manufacturers, vendors, and distributors. We also utilize referrals as a source for commercial lending business. We may periodically buy participations or syndications of loans and lines of credit and purchase loans on a whole-loan basis.

SVB Commercial

The SVB Commercial segment offers products and services to commercial clients and investors across stages, sectors and regions in the innovation ecosystem, as well as private equity and venture capital firms. The SVB Commercial segment provides solutions to the financial needs of commercial clients. Loan products consists consist of capital call lines of credit, investor dependent loans, cash flow dependent loans, and innovation C&I loans made primarily to technology, life science and life science/healthcare companies.

Revenue is primarily generated from interest earned on loans, and fees and other revenue from lending activities and banking services.

Deposit products include business and analysis checking accounts, money market accounts, multi-currency accounts, bank accounts, sweep accounts, and positive pay services. Services are provided through online and mobile banking platforms as well as branch locations.

Rail

The Rail segment offers customized leasing and financing solutions on a fleet of railcars and locomotives to railroads and shippers throughout North America. Railcar types include covered hopper cars used to ship grain and agricultural products, plastic pellets, sand, and cement; tank cars for energy products and chemicals; gondolas for coal, steel coil and mill service products; open-top hopper cars for coal and aggregates; boxcars for paper and auto parts; and centerbeams and flat cars for lumber. Revenue is generated primarily from rental income on operating lease equipment.

Corporate

Corporate includes all other financial information not allocated to the segments. Corporate contains BancShares’ centralized Treasury function, which manages the investment security portfolio, interest-earning deposits at banks and corporate/wholesale funding (e.g., borrowings, Direct Bank deposits and brokered deposits). Corporate deposits are primarily comprised of Direct Bank deposits.

Corporate includes interest income on investment securities and interest-earning deposits at banks; interest expense for borrowings, Direct Bank deposits, and brokered deposits; funds transfer pricing allocations; gains or losses on sales of investment securities; fair value adjustments on marketable equity securities; income from bank-owned life insurance; portions of salaries and benefits expense; and acquisition-related expenses. Corporate also includes certain items related to accounting for business combinations, such as gains on acquisitions, day 2 provisions for credit losses and discount accretion income for certain acquired loans.

Segment Results and Select Period End Balances

The following table presents the condensed income statements by segment:

dollars in millions	*dollars in millions* Three Months Ended March 31, 2024							*dollars in millions* Three Months Ended June 30, 2024					
	General Bank	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)													
Provision for credit losses													
Net interest income (expense) after provision for credit losses													
Noninterest income													
Noninterest expense													
Income before income taxes													
Income tax expense													
Net income													
Select Period End Balances													
Loans and leases													
Loans and leases													
Loans and leases													
Operating lease equipment, net													
Deposits													

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended June 30, 2023

Three Months Ended June 30, 2023

Three Months Ended June 30, 2023

	General Bank	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)													
Provision for credit losses													
Provision (benefit) for credit losses													
Net interest income (expense) after provision for credit losses													
Noninterest income													
Noninterest expense													
Income before income taxes													
Income tax expense (benefit)													
Income tax expense													
Net income													
Select Period End Balances													
Loans and leases													
Loans and leases													
Loans and leases													
Operating lease equipment, net													
Deposits													

dollars in millions	Six Months Ended June 30, 2024					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 1,429	$ 549	$ 1,123	$ (88)	$ 625	$ 3,638
Provision for credit losses	83	36	40	—	—	159
Net interest income (expense) after provision for credit losses	1,346	513	1,083	(88)	625	3,479
Noninterest income	297	267	276	405	21	1,266
Noninterest expense	1,017	449	771	244	281	2,762

	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Income before income taxes	626	331	588	73	365	1,983
Income tax expense	171	86	160	19	109	545
Net income	$ 455	$ 245	$ 428	$ 54	$ 256	$ 1,438

	Six Months Ended June 30, 2023					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 1,208	$ 496	$ 591	$ (61)	$ 577	$ 2,811
Provision (benefit) for credit losses	15	222	(22)	—	719	934
Net interest income (expense) after provision for credit losses	1,193	274	613	(61)	(142)	1,877
Noninterest income	253	280	154	355	9,875	10,917
Noninterest expense	867	409	487	241	423	2,427
Income before income taxes	579	145	280	53	9,310	10,367
Income tax expense (benefit)	137	41	75	13	(99)	167
Net income	$ 442	$ 104	$ 205	$ 40	$ 9,409	$ 10,200

NOTE 21 — COMMITMENTS AND CONTINGENCIES

Commitments

To meet the financing needs of its customers, BancShares and its subsidiaries have financial instruments with off-balance sheet risk. These financial instruments involve elements of credit, interest rate or liquidity risk and include commitments to extend credit and standby letters of credit.

The accompanying table summarizes credit-related commitments and other purchase and funding commitments:

dollars in millions	*dollars in millions* March 31, 2024	December 31, 2023	*dollars in millions* June 30, 2024	December 31, 2023
Financing Commitments				
Financing assets (excluding leases)				
Financing assets (excluding leases)				
Financing assets (excluding leases)				
Letters of Credit				
Standby letters of credit				
Standby letters of credit				
Standby letters of credit				
Other letters of credit				
Deferred Purchase Agreements				
Purchase and Funding Commitments (1)				

(1) *BancShares' purchase and funding commitments relate to the equipment leasing businesses' commitments to fund Rail's railcar manufacturer purchase and upgrade commitments.*

Financing Commitments

Commitments to extend credit are legally binding agreements to lend to customers. These commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Established credit standards control the credit risk exposure associated with these commitments. In some cases, BancShares requires collateral be pledged to secure the commitment, including cash deposits, securities and other assets.

Financing commitments, referred to as loan commitments or lines of credit, primarily reflect BancShares' agreements to lend to its customers, subject to the customers' compliance with contractual obligations. At March 31, 2024 June 30, 2024 and 2023, substantially all undrawn financing commitments were senior facilities. Financing commitments also include $79 $72 million and $66 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, related to off-balance sheet commitments to fund equity investments. Commitments to fund equity investments are contingent on events that have yet to occur and may be subject to change.

As financing commitments may not be fully drawn, may expire unused, may be reduced or canceled at the customer's request, and may require the customer to be in compliance with certain conditions, commitment amounts do not necessarily reflect actual future cash flow requirements.

The table above excludes uncommitted revolving credit facilities extended by Commercial Services to its clients for working capital purposes. In connection with these facilities, Commercial Services has the sole discretion throughout the duration of these facilities to determine the amount of credit that may be made available to its clients at any time and whether to honor any specific advance requests made by its clients under these credit facilities.

Letters of Credit

Standby letters of credit are commitments to pay the beneficiary thereof if drawn upon by the beneficiary upon satisfaction of the terms of the letter of credit. Those commitments are primarily issued to support public and private borrowing arrangements. To mitigate its risk, BancShares' credit policies govern the issuance of standby letters of credit. The credit risk related to the issuance of these letters of credit is essentially the same as in extending loans to clients and, therefore, these letters of credit are collateralized when necessary. These financial instruments generate fees and involve, to varying degrees, elements of credit risk in excess of amounts recognized in the Consolidated Balance Sheets.

Deferred Purchase Agreements

A deferred purchase agreement ("DPA") is provided in conjunction with factoring, whereby a client is provided with credit protection for trade receivables without purchasing the receivables. The trade receivables terms generally require payment in 90 days or less. If the client's customer is unable to pay an undisputed receivable solely as the result of credit risk, BancShares is then required to purchase the receivable from the client, less any borrowings for such client based on such defaulted receivable. The outstanding amount in the table above, less $119 million $132 million and $143 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, of borrowings for such clients, is the maximum amount that BancShares would be required to pay under all DPAs. This maximum amount would only occur if all receivables subject to DPAs default in the manner described above, thereby requiring BancShares to purchase all such receivables from the DPA clients.

The table above includes $1.59 billion $1.38 billion and $1.92 billion of DPA exposures at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, related to receivables on which BancShares has assumed the credit risk. The table also includes $151 million $49 million and $161 million available under DPA credit line agreements provided at March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The DPA credit line agreements specify a contractually committed amount of DPA credit protection and are cancellable by us only after a notice period, which is typically 90 days or less.

Litigation and Other Contingencies

The Parent Company and certain of its subsidiaries have been named as a defendant in legal actions arising from its normal business activities in which damages in various amounts are claimed. BancShares is also exposed to litigation risk relating to the prior business activities of banks from which assets were acquired and liabilities assumed.

BancShares is involved, and from time to time in the future may be involved, in a number of pending and threatened judicial, regulatory, and arbitration proceedings as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. These matters arise in connection with the ordinary conduct of BancShares' business. At any given time, BancShares may also be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters (all of the foregoing collectively being referred to as "Litigation"). While most Litigation relates to individual claims, BancShares may be subject to putative class action claims and similar broader claims and indemnification obligations.

In light of the inherent difficulty of predicting the outcome of Litigation matters and indemnification obligations, particularly when such matters are in their early stages or where the claimants seek indeterminate damages, BancShares cannot state with confidence what the eventual outcome of the pending Litigation will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines, or penalties related to each pending matter will be, if any. In accordance with applicable accounting guidance, BancShares' establishes reserves for Litigation when those matters present loss contingencies as to which it is both probable that a loss will occur and the amount of such loss can reasonably be estimated. Based on currently available information, BancShares believes that the outcome of Litigation that is currently pending will not have a material adverse effect on BancShares' financial condition, but may be material to BancShares' operating results or cash flows for any particular period, depending in part on its operating results for that period. The actual results of resolving such matters may be substantially higher than the amounts reserved.

For certain Litigation matters in which BancShares is involved, BancShares is able to estimate a range of reasonably possible losses in excess of established reserves and insurance. For other matters for which a loss is probable or reasonably possible, such an estimate cannot be determined. For Litigation and other matters where losses are reasonably possible, management currently estimates an aggregate range of reasonably possible losses of up to $10 million in excess of any established reserves and any insurance we reasonably believe we will collect related to those matters. This estimate represents reasonably possible losses (in excess of established reserves and insurance) over the life of such Litigation, which may span a currently indeterminable number of years, and is based on information currently available as of March 31, 2024 June 30, 2024. The Litigation matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate.

Those Litigation matters for which an estimate is not reasonably possible or as to which a loss does not appear to be reasonably possible, based on current information, are not included within this estimated range and, therefore, this estimated range does not represent BancShares' maximum loss exposure.

The foregoing statements about BancShares' Litigation are based on BancShares' judgments, assumptions, and estimates and are necessarily subjective and uncertain. In the event of unexpected future developments, it is possible that the ultimate resolution of these cases, matters, and proceedings, if unfavorable, may be material to BancShares' consolidated financial position in a particular period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's discussion and analysis ("MD&A") of earnings and related financial data is presented to assist in understanding the financial condition and results of operations of First Citizens BancShares, Inc. (the "Parent Company" and, when including all of its subsidiaries on a consolidated basis, "we," "us," "our," or "BancShares") and its banking subsidiary, First-Citizens Bank & Trust Company ("FCB"). Unless otherwise noted, the terms "we," "us," "our," and "BancShares" in this section refer to the consolidated financial position and consolidated results of operations for BancShares.

This MD&A is expected to provide our investors with a view of our financial condition and results of operations from our management's perspective. This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes presented within this Quarterly Report on Form 10-Q (this "Form 10-Q"), along with our consolidated financial statements and related MD&A of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K"). Throughout this MD&A, references to a specific "Note" refer to Notes to the Unaudited Consolidated Financial Statements.

Intercompany accounts and transactions have been eliminated. Although certain amounts for prior years have been reclassified to conform with financial statement presentations for 2024, the reclassifications had no effect on stockholders' equity or net income as previously reported. Refer to Note 1—Significant Accounting Policies and Basis of Presentation.

Management uses certain non-GAAP financial measures that are not presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") in its analysis of the financial condition and results of operations of BancShares. See the "Non-GAAP Financial Measurements" section of this MD&A for a reconciliation of these financial measures to the most directly comparable financial measures in accordance with GAAP.

EXECUTIVE OVERVIEW

The Parent Company is a bank holding company ("BHC"(“BHC”) and financial holding company. The Parent Company is regulated by the Board of Governors of the Federal Reserve System (“FRB”) under the U.S. Bank Holding Company Act of 1956, as amended. The Parent Company is also registered under the BHC laws of North Carolina and is subject to supervision, regulation and examination by the North Carolina Commissioner of Banks (the “NCCOB”). BancShares conducts its banking operations through its wholly owned subsidiary, FCB, a state-chartered bank organized under the laws of the state of North Carolina. FCB is regulated by the NCCOB. In addition, FCB, as an insured depository institution, is supervised by the Federal Deposit Insurance Corporation (the “FDIC”).

BancShares provides financial services for a wide range of consumer and commercial clients. This includes retail and mortgage banking, wealth management, small and middle market banking, factoring and leasing. BancShares provides commercial factoring, receivables management and secured financing services to businesses (generally manufacturers or importers of goods) that operate in various industries, including apparel, textile, furniture, home furnishings and consumer electronics. BancShares also provides deposit, cash management and lending to homeowner associations and property management companies.

BancShares delivers banking products and services to its customers through an extensive branch network and additionally operates a nationwide digital banking platform that delivers deposit products to consumers (the “Direct Bank”). Services offered at most branches include accepting deposits, cashing checks and providing for consumer and commercial cash needs. Consumer and business customers may also conduct banking transactions through various digital channels.

In addition to our banking operations, we provide various investment products and services through FCB’s wholly owned subsidiaries, including First Citizens Investor Services, Inc. (“FCIS”) and First Citizens Asset Management, Inc. (“FCAM”), and a non-bank subsidiary First Citizens Capital Securities, LLC (“FCCS”). As a registered broker-dealer, FCIS provides a full range of investment products, including annuities, brokerage services and third-party mutual funds. As registered investment advisors, advisers, FCIS and FCAM provide investment management services and advice. FCCS is a broker-dealer that also provides underwriting and private placement services. We also have other wholly owned subsidiaries, including SVB Wealth LLC, SVB Asset Management, and First Citizens Institutional Asset Management, LLC, which are active investment advisers.

The SVBB Acquisition (defined below) expanded our client base to serve private equity and venture capital clients and also complimented our existing wealth management business by adding enhanced digital capabilities. The SVBB Acquisition further diversified our loan portfolio and business mix, particularly across technology, life science and life sciences/healthcare industries, and wealth clients.

In addition,

BancShares also owns a fleet of railcars and locomotives that are leased to railroads and shippers.

Refer to Note 20—Business Segment Information for further information regarding the products and services we provide.

Refer to the 2023 Form 10-K for a discussion of our strategy.

Significant Events

Share Repurchase Program

On July 25, 2024, BancShares announced that its Board of Directors (the “Board”) had authorized a share repurchase program, which will allow BancShares to repurchase shares of its Class A common stock in an aggregate amount up to $3.5 billion through 2025.

Under the newly authorized share repurchase program, shares of BancShares’ Class A common stock may be purchased from time to time on the open market or in privately negotiated transactions, including through a Rule 10b5-1 plan, but the Board’s action does not obligate BancShares to repurchase any minimum or particular number of shares, and repurchases may be suspended or discontinued at any time (subject to the terms of any Rule 10b5-1 plan in effect) without prior notice.

Segment Updates

We made changes to our segment reporting during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Segment disclosures for 2023 periods included in this Form 10-Q were recast to reflect the segment reporting changes. BancShares’ segments include General Bank, Commercial Bank, SVB Commercial, and Rail. All other financial information not allocated to the segments is included in the “Corporate” section of the segment disclosures. Refer to Note 20—Business Segment Information for the segment descriptions.

Segment results are discussed in the section entitled “Results by Business Segment” in this MD&A.

Updates to Loan Classes

We updated our loan classes during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Loan and lease and allowance for loan and lease losses (“ALLL”) disclosures for 2023 periods included in this Form 10-Q were recast to reflect the changes in loan classes.

SVBB Acquisition

On March 27, 2023 (the “SVBB Acquisition Date”), FCB acquired substantially all loans and certain other assets and assumed all customer deposits and certain other liabilities of Silicon Valley Bridge Bank, N.A. (“SVBB”) from the FDIC pursuant to the terms of a purchase and assumption agreement by and among FCB, the FDIC, and the FDIC, as receiver of SVBB (the “SVBB Acquisition”).

The SVBB Acquisition is further discussed in Note 2—Business Combinations.

Segment Updates

We made changes to our segment reporting during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Segment disclosures for 2023 periods included in this Form 10-Q were recast to reflect the segment reporting changes.

BancShares' segments at March 31, 2024 include General Bank, Commercial Bank, SVB Commercial, and Rail. All other financial information not allocated to the segments is included in the "Corporate" section of the segment disclosures. Refer to Note 20—Business Segment Information for the segment descriptions, which reflect the segment reporting changes made during the first quarter of 2024.

Segment results are discussed in the section entitled "Results by Business Segment" in this MD&A.

Updates to Loan Classes

We updated our loan classes during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Loan and lease and allowance for loan and lease losses ("ALLL") disclosures for 2023 periods included in this Form 10-Q were recast to reflect the changes in loan classes.

Recent Economic, Industry and Regulatory Developments

The During its July 2024 meeting, the Federal Reserve's Federal Open Market Committee ("FOMC") maintained benchmark federal funds rate at a range between 5.25% - 5.50% at its most recent meeting in May 2024. Although , where it has remained since July 2023. The FOMC has stated that it does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably towards 2%. While future rate hikes increases are possible, the FOMC's interest rate could be is likely at or near its peak for this tightening cycle, and the FRB has signaled it may cut rates lower the rate once during 2024, potentially as early as September, depending on future economic conditions. conditions and other relevant considerations.

Although During 2023, the U.S. economy continued to grow during the first quarter of 2024, economic uncertainty remains. The FOMC reported that it will continue to monitor economic and financial market developments and the effects of their earlier rate increases in determining the extent to which additional policy firming may be appropriate to return inflation to 2% over time. Although the FOMC has made progress combating inflation, efforts to control inflation have raised concerns over the possibility of FDIC finalized a recession. In addition, concerns over domestic and global policy issues, trade policy in the U.S. and geopolitical events, including the ongoing conflicts in Ukraine and the Middle East, add to the global uncertainty and are likely to maintain upward pressure on inflation and weigh on economic activity. Mortgage rates have steadily increased over recent years, and mortgage demand from homebuyers has softened. In addition, there remains concern in the banking industry about the exposure to certain sectors of commercial real estate ("CRE"), and credit trends in these exposures may deteriorate. The timing and impact of inflation, volatility in the stock market, interest rate movements, and a possible recession will depend on future developments, which are highly uncertain and difficult to predict.

The federal banking agencies issued several notices notice of proposed rulemaking ("NPR") in 2023 that if and/or when finalized, may impact BancShares and FCB. The FDIC finalized covering an NPR covering a industry-wide special assessment to recover losses associated with protecting uninsured depositors following the closures of Silicon Valley Bank, Signature Bank, and First Republic Bank. We accrued a FDIC insurance special assessment charge of $64 million in 2023 that will be paid in eight quarterly installments beginning in 2024. In February March 2024, the FDIC indicated that it expects a larger revised its loss estimate, indicating higher losses than originally estimated to the deposit insurance fund than originally estimated. fund. As a result, we accrued an additional FDIC insurance special assessment charge of $9 $11 million in the first quarter of 2024.

2024 that will be paid in two quarterly installments beginning in 2026.

Also in 2023, the federal banking agencies issued NPRs related to enhanced capital and long-term debt requirements for banking organizations with $100 billion or more in total assets. These NPRs were discussed in Item 1. Business of our 2023 Form 10-K, in the section entitled "Regulatory Considerations." We are in the process of evaluating the proposals and the potential impacts, but impacts. If the NPRs are finalized, we expect we would need to raise additional long-term debt to satisfy the requirements if the NPR is finalized. requirements.

On June 20, 2024, the FDIC adopted a final rule to amend its Covered Insured Depository Institution rule ("CIDI Rule"). The CIDI Rule requires depository institutions insured by the FDIC with $50 billion or more in total consolidated assets to periodically submit resolution plans that will enable the FDIC as receiver to resolve the bank in the event of its insolvency under the Federal Deposit Insurance Act. As a result of the final rule, among other things, we will be required to submit to the FDIC full resolution plans every three years and interim targeted information between full resolution plan submissions. In addition, the final rule introduces a new credibility standard that will be used to evaluate full resolution plan submissions, which would be subject to potential FDIC enforcement action. The final rule is effective beginning October 1, 2024 and we are continuing to evaluate the impact of this final rule.

Financial Performance Summary

The following tables in this MD&A include financial data for the three months ended March 31, 2024 June 30, 2024 (the "current quarter"), December 31, 2023 the three months ended March 31, 2024 (the "linked quarter"), and March 31, 2023 the three months ended June 30, 2023 (the "prior year quarter"), the six months ended June 30, 2024 ("current YTD"), and the six months ended June 30, 2023 ("prior YTD"). Our The operations acquired in the SVBB Acquisition (the "acquired SVBB operations") were included in our results of operations include acquired operations for the current YTD, but only from the SVBB Acquisition which was consummated on March 27, 2023, and therefore, many Date through June 30, 2023 (the "partial prior YTD") in the prior YTD. Many year-to-date comparisons in the tables below will this MD&A highlight the impact of including the acquired SVBB operations for the entire current quarter compared to five days in YTD and the partial prior year quarter. YTD.

In accordance with Item 303(c) of Regulation S-K, we focus on changes compared to the linked quarter and year-to-date periods for the narrative discussion and analysis of our results of operations as we believe this provides investors and other users of our data with the most relevant information.

We primarily focus the discussion of our financial position by comparing balances as of March 31, 2024 June 30, 2024 to December 31, 2023. , but the tables also provide the linked quarter balances.

The following table summarizes BancShares' results in accordance with GAAP. GAAP:

Table 1
Selected Financial Data

dollars in millions, except share data		
dollars in millions, except share data		
dollars in millions, except share data	**Three Months Ended**	**Six Months Ended**
	March 31, 2024	
	March 31, 2024	
	March 31, 2024	
	June 30, 2024	
Results of Operations:		
Results of Operations:		
Results of Operations:		
Interest income		
Interest income		
Interest income		
Interest expense		
Interest expense		
Interest expense		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Noninterest income		
Noninterest income		
Noninterest income		
Noninterest expense		
Noninterest expense		
Noninterest expense		
Income before income taxes		
Income before income taxes		
Income before income taxes		
Income tax expense (benefit)		
Income tax expense (benefit)		
Income tax expense (benefit)		
Income tax expense		
Income tax expense		
Income tax expense		
Net income		
Net income		
Net income		
Preferred stock dividends		
Preferred stock dividends		
Preferred stock dividends		
Net income available to common stockholders		
Net income available to common stockholders		
Net income available to common stockholders		

Per Common Share Information:
Per Common Share Information:
Per Common Share Information:
Average diluted common shares outstanding
Average diluted common shares outstanding
Average diluted common shares outstanding
Earnings per diluted common share
Earnings per diluted common share
Earnings per diluted common share
Weighted average common shares outstanding (diluted)
Weighted average common shares outstanding (diluted)
Weighted average common shares outstanding (diluted)
Diluted earnings per common share
Diluted earnings per common share
Diluted earnings per common share
Key Performance Metrics:
Key Performance Metrics:
Key Performance Metrics:
Return on average assets
Return on average assets
Return on average assets
Net interest margin (1)
Net interest margin (1)
Net interest margin (1)
Net interest margin, excluding purchase accounting accretion (1)(3)
Net interest margin, excluding purchase accounting accretion (1)(3)
Net interest margin, excluding purchase accounting accretion (1)(3)
Select Average Balances:
Select Average Balances:
Select Average Balances:
Investment securities
Investment securities
Investment securities
Total loans and leases (2)
Total loans and leases (2)
Total loans and leases (2)
Operating lease equipment, net
Operating lease equipment, net
Operating lease equipment, net
Total assets
Total assets
Total assets
Total deposits
Total deposits
Total deposits
Total stockholders’ equity
Total stockholders’ equity
Total stockholders’ equity
Select Ending Balances:
Select Ending Balances:
Select Ending Balances:

Investment securities
Investment securities
Investment securities
Total loans and leases
Total loans and leases
Total loans and leases
Operating lease equipment, net
Operating lease equipment, net
Operating lease equipment, net
Total assets
Total assets
Total assets
Total deposits
Total deposits
Total deposits
Total stockholders’ equity
Total stockholders’ equity
Total stockholders’ equity
Loan to deposit ratio
Loan to deposit ratio
Loan to deposit ratio
Noninterest-bearing deposits to total deposits
Noninterest-bearing deposits to total deposits
Noninterest-bearing deposits to total deposits
Capital Ratios:
Capital Ratios:
Capital Ratios:
Common equity Tier 1
Common equity Tier 1
Common equity Tier 1
Tier 1 risk-based capital
Tier 1 risk-based capital
Tier 1 risk-based capital
Total risk-based capital
Total risk-based capital
Total risk-based capital
Tier 1 leverage
Tier 1 leverage
Tier 1 leverage
Asset Quality:
Asset Quality:
Asset Quality:
Ratio of nonaccrual loans to total loans
Ratio of nonaccrual loans to total loans
Ratio of nonaccrual loans to total loans
Allowance for loan and lease losses to loans ratio
Allowance for loan and lease losses to loans ratio
Allowance for loan and lease losses to loans ratio
Net charge off ratio
Net charge off ratio
Net charge off ratio

(1) *Calculated net of average credit balances and deposits of factoring clients.*

(2) *Average loan balances include loans held for sale and nonaccrual loans.*

(3) *Net interest margin (“NIM”), excluding purchase accounting accretion or amortization (“PAA”), is a non-GAAP financial measure. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.*

Financial highlights are summarized below. Further details are discussed in the “Results of Operations” section of this MD&A.

First Second Quarter Income Statement Highlights

- *Net income* for the current quarter was $731 $707 million, an increase a decrease of $217 $24 million or 42% 3% from $514 $731 million for the linked quarter. Net income available to common stockholders for the current quarter was $716 $691 million, an increase a decrease of $217 $25 million or 44% 4% from $499 $716 million for the linked quarter. The increases, as detailed below, were related to lower provision for credit losses and noninterest expenses, along with higher noninterest income, partially offset by lower net interest income (“NII”). Earnings per diluted common share for the current quarter was $49.26, an increase $47.54, a decrease from $34.33 $49.26 for the linked quarter.
    - The decreases were mainly due to a higher provision for credit losses as a result of a lower benefit for off-balance sheet credit exposure.
    - As further discussed below, other changes in net income included slightly higher net interest income (“NII”) and higher noninterest income, which were partially offset by higher noninterest expense.
- The current quarter included the following select item:
    - Acquisition-related expenses of $44 million.
- The linked quarter included the following select items:
    - Acquisition-related expenses of $58 million, and
    - Additional FDIC insurance special assessment of $9 million.
- *The linked quarter included the following select items:*
    - Acquisition-related expenses of $116 million,
    - Decrease in the gain on acquisition of $83 million, and
    - FDIC insurance special assessment of $64 million.
- *Return on average assets* for the current quarter was 1.36% 1.30% compared to 0.95% 1.36% for the linked quarter.
- *NII* for the current quarter was $1.82 billion, a decrease of $94 million or 5% from $1.91 billion for essentially flat compared to the linked quarter. The decrease was primarily quarter, mainly due to higher interest income on loans and investment securities, which were partially offset by lower interest income on interest-earning deposits at banks and higher interest expense on deposits deposits. The increase in interest income on loans was mostly due to loan growth and higher yields, which was partially offset by lower loan discount accretion on loans acquired in the SVBB Acquisition. income.
- *Net interest margin NIM*(“NIM”) for the current quarter was 3.67% 3.64%, a decrease of 19 3 basis points (“bps”) from 3.86% 3.67% for the linked quarter, primarily related to the items discussed above for NII. NIM, excluding PAA, was 3.36% compared to 3.35% in the linked quarter. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.
- *Provision for credit losses*, which includes the provision for loan and lease losses and the benefit for off-balance sheet credit exposure, was $95 million in the current quarter compared to $64 million in the linked quarter. The $31 million increase was mainly related to a $29 million lower benefit for off-balance sheet credit exposure as the pace of decline for unfunded commitment volumes slowed relative to the linked quarter. Additionally, the provision for loan and lease losses increased $2 million as a result of higher net charge-offs, partially offset by a mix shift to the global fund banking portfolio, which has lower loss rates relative to our other loan portfolios, lower specific reserves for individually evaluated loans, consistent credit quality, and changes in the macroeconomic forecast.
- *Noninterest income* for the current quarter was $639 million, an increase of $12 million or 2% from $627 million for the linked quarter. Client investment fees increased by $4 million, which was related to higher average off-balance sheet client funds in the SVB Commercial segment. The remaining increases in noninterest income were spread across various items, including a $2 million improvement from the linked quarter for the fair value adjustment on marketable equity securities and a $2 million loss on extinguishment of debt incurred in the linked quarter.
- *Noninterest expense* for the current quarter was $1.39 billion, an increase of $10 million or 1% from $1.38 billion for the linked quarter. The increase was primarily attributable to increases of $15 million for maintenance and other operating lease expenses and $12 million for equipment expense, which were partially offset by a decrease of$14 million in acquisition-related expenses.

Year-to-Date Income Statement Highlights

- *Net income* for the current YTD was $1.44 billion, a decrease of $8.76 billion or 86% from $10.20 billion for the prior YTD. Net income available to common stockholders for the current YTD was $1.41 billion, a decrease of $8.76 billion from $10.17 billion for the prior YTD. Earnings per diluted common share for the current YTD was $96.80, a decrease from $699.53 for the prior YTD.
    - The decreases were mostly related to the SVBB Acquisition. Noninterest income was lower for the current YTD as the prior YTD included the gain on acquisition. This was partially offset by a lower provision for credit losses for the current YTD as the prior YTD included the provision for non-purchased credit deteriorated (“Non-PCD”) loans and leases and the unfunded commitments acquired in the SVBB Acquisition (collectively, the “day 2 provision for credit losses”).
    - As further discussed below, other changes in net income included higher NII, which was partially offset by higher noninterest expenses. Additionally, the acquired SVBB operations were reflected in earnings for the current YTD and the partial prior YTD.

- The current YTD included the following select items:
    - Acquisition-related expenses of $102 million, and
    - Additional FDIC insurance special assessment of$11 million.

- The prior YTD included the following select items:
  - Gain on acquisition of $9.88 billion for the SVBB Acquisition,
  - Day 2 provisions for credit losses of $716 million for the SVBB Acquisition, and
  - Acquisition-related expenses of $233 million.
- *Return on average assets* for the current YTD was 1.33% compared to 12.62% for the prior YTD.
- *NII* for the current YTD was $3.64 billion, an increase of $827 million or 29% from $2.81 billion for the prior YTD. The increase was primarily due to the acquired SVBB operations and loan accretion income being included for the current YTD and the partial prior YTD. Additionally, interest income increased in the current YTD due to higher interest income on loans and investment securities, which was partially offset by higher interest expense on deposits and borrowings.
- *NIM* for the current YTD was 3.66%, a decrease of 21 bps from 3.87% for the prior YTD. The decreases in NIM from higher average balances of interest-bearing deposits and the Purchase Money Note and higher rates paid on deposits were partially offset by higher average balances and yields on loans and investment securities. NIM, excluding PAA, was 3.36% for the current YTD compared to 3.49% for the prior YTD. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.
- *Provision for credit losses* for the current quarter YTD was $64 $159 million, a decrease of $185 $775 million or 75% from $249 $934 million for the linked quarter.
  - prior YTD. The provision for loan and lease losses decreased $158 million, decrease was primarily related to the day 2 provisions for credit losses of $716 million in the prior YTD, lower reserves for individually evaluated loans, and changes in the macroeconomic forecast, a decline in specific reserves on individually evaluated loans, and lower net charge-offs.
  - The benefit from off-balance sheet credit exposure increased $27 million, primarily due to a continued decline in unfunded commitments during the current quarter. forecast.
- *Noninterest income* for the current quarter YTD was $627 million, an increase $1.27 billion, a decrease of $84 million or 16% $9.65 billion from $543 million $10.92 billion for the linked quarter. prior YTD. The increase decrease was primarily mostly due to an adjustment to the gain on acquisition of $83 million $9.88 billion in the linked quarter as prior YTD, partially offset by increases in various components of noninterest income, mostly because the acquired SVBB operations were reflected in earnings for the current YTD and the partial prior YTDwe further refined income tax estimates related to the SVBB Acquisition. .
- *Noninterest expense* for the current quarter YTD was $1.38 billion, a decrease $2.76 billion, an increase of $116 $335 million or 8% 14% from $1.49 billion $2.43 billion. The increase was mostly due to the acquired SVBB operations being included for the linked quarter. The decrease was largely due to lower acquisition-related expense in current YTD and the current quarter and a higher FDIC insurance special assessment in the linked quarter, partially offset by partial prior YTD, including higher salaries and benefits, in the current quarter. partially offset by lower acquisition-related expenses.

Refer to the “Results of Operations” section of this MD&A for further discussion.

Balance Sheet Highlights

- *Total loans and leases* at March 31, 2024 June 30, 2024 were $135.37 $139.34 billion, an increase of $2.07 $6.04 billion or 2% 5% from $133.30 billion at December 31, 2023 and an increase of $3.97 billion or 3% from $135.37 billion at March 31, 2024. There Compared to December 31, 2023 and March 31, 2024, there was loan growth in each of our business segments. The increase of $900 million Loan growth in the General Bank segment was primarily related to business and commercial loan loans in our Branch Network. Loan growth while growth of $794 million in the Commercial Bank segment was across various mainly due to the technology media and telecommunications (“TMT”) industry verticals. In addition, global fund banking loans and the Healthcare industry. Loan growth in the SVB Commercial segment increased, partially offset by decreases was concentrated in the technology and life science/healthcare portfolios. global fund banking loans.
- *Total investment securities* at March 31, 2024 June 30, 2024 were $35.04 $37.67 billion, an increase of $5.05 $7.67 billion or 17% 26% from $30.00 billion at December 31, 2023 and an increase of $2.62 billion or 8% from $35.04 billion at March 31, 2024. The increase was Compared to December 31, 2023 and March 31, 2024, the increases were primarily due to purchases of short-duration U.S. agency mortgage-backed and U.S. Treasury investment securities available for sale. securities.
- *Total deposits* at March 31, 2024 June 30, 2024 were $149.61 $151.08 billion, an increase of $3.76 $5.23 billion or 3% 4% from $145.85 billion at December 31, 2023 and an increase of $1.47 billion or 1% from $149.61 billion at March 31, 2024. The increase from December 31, 2023 mainly reflected deposit growth in our branch network Branch Network, the Direct Bank, and the SVB Commercial segment. The largest increase from March 31, 2024 reflected deposit growth in the Direct Bank. SVB Commercial segment, which was mainly due to slight improvement in the macroeconomic environment and client acquisition.
- *Total borrowings* at March 31, 2024 June 30, 2024 were $37.54 $37.46 billion, a decrease of $114 $196 million from $37.65 billion at December 31, 2023 and a decrease of $82 million from $37.54 billion at March 31, 2024. The decrease was decreases from December 31, 2023 and March 31, 2024 were mostly due to repayments of subordinated debt and a decline declines in securities sold under customer purchase agreements. agreements and the Purchase Money Note.
- At March 31, 2024 June 30, 2024, BancShares remained well capitalized with a total risk-based capital ratio of 15.66% 15.45%, a Tier 1 risk-based capital ratio of 14.00% 13.87%, a common equity Tier 1 ratio of 13.44% 13.33% and a Tier 1 leverage ratio of 10.11% 10.29%.

Funding, Liquidity and Capital Overview

Deposit Composition and Trends

We fund our business primarily through deposits. Deposits represented approximately 80.0% 80% of total funding at March 31, 2024 June 30, 2024. The following table summarizes the composition, average size and uninsured percentages of our deposits:

Table 2
Select Deposit Data

	Deposits as of March 31, 2024	Deposits as of June 30, 2024

		Ending Balance (in millions)	Ending Balance (in millions)	Average Size (in thousands)	Uninsured %		Ending Balance (in millions)		Average Size (in thousands)	Uninsured %
General Bank segment	General Bank segment	$ 71,150	$	$ 35	36 %	General Bank segment	$ 71,479	$	$ 35	36 %
Commercial Bank segment	Commercial Bank segment	3,023	256	256	83	Commercial Bank segment	2,958	250	250	84
SVB Commercial segment	SVB Commercial segment	34,014	455	455	69	SVB Commercial segment	35,891	493	493	73
Rail segment and Corporate		41,422		57	8					
Corporate and Rail segment(1)		40,751		57	8					
Total	Total	$149,609	53	53	37	Total	$151,079	53	53	38

(1) The average size is reflective of the Direct Bank deposits, and excludes brokered deposits and rail.

The General Bank segment includes deposits from our branch network, which deploys a relationship-based approach to deposit gathering. The Commercial Bank segment includes deposits of commercial customers, and the SVB Commercial segment includes deposits related to its commercial customer base. Deposits in Corporate were primarily were comprised of $39.81 $39.67 billion in our Direct Bank. There were also $14 million of deposits in the Rail segment. Bank and brokered deposits.

As displayed in the table above, the average size of deposits varies across our business segments. The uninsured data represents the percentage of such deposits in the respective segments and Corporate. At March 31, 2024 June 30, 2024, total uninsured deposits were approximately $54.85 $57.15 billion or 37% 38% of total deposits. Uninsured deposits were $54.15 billion or 37% of total deposits at December 31, 2023.

Deposit Trends

Table 3
Deposit Trends

(dollars in millions)

(dollars in millions)

(dollars in millions)	Deposit Balance	Deposit Balance
	March 31, 2024	
	March 31, 2024	
	March 31, 2024	
	June 30, 2024	
	June 30, 2024	
	June 30, 2024	
General Bank segment		
General Bank segment		
General Bank segment		
Commercial Bank segment		
Commercial Bank segment		
Commercial Bank segment		
SVB Commercial segment		
SVB Commercial segment		
SVB Commercial segment		
General Bank, Commercial Bank and Rail segments and Corporate		
General Bank, Commercial Bank and Rail segments and Corporate		
General Bank, Commercial Bank and Rail segments and Corporate		
Corporate and Rail segment		
Corporate and Rail segment		
Corporate and Rail segment		
Total deposits		
Total deposits		
Total deposits		

SVB Commercial segment deposits declined increased from $34.73 billion at December 31, 2023 to $34.01 $35.89 billion at March 31, 2024 June 30, 2024. The table above also indicates that aggregate deposits for the General Bank, Commercial Bank and Rail our business segments and Corporate increased during the current quarter and current YTD, primarily from deposit growth in the Direct Bank, which is included in Corporate, and in the branch network Branch Network in the General Bank segment.

Liquidity Position

We strive to maintain a strong liquidity position, and our risk appetite for liquidity is low. At March 31, 2024 June 30, 2024, liquidity metrics remained solid as we had $59.33 $56.91 billion in high-quality liquid assets consisting of $30.03 $24.48 billion in cash and interest-earning deposits at banks (primarily held at the FRB) and $29.30 $32.43 billion in high-quality liquid securities. securities (“HQLS”). We have unused borrowing capacity with the FHLB Federal Home Loan Bank (“FHLB”) and FRB of $14.43 $14.68 billion and $5.51 $5.53 billion, respectively.

In connection with the SVBB Acquisition, FCB and the FDIC, as lender and as collateral agent, also entered into the Advance Facility Agreement, dated as of March 27, 2023, and effective as of November 20, 2023, providing total advances available through March 27, 2025 of up to $70 billion, subject to limits subsequently described in this MD&A as referenced below, solely to provide liquidity to offset deposit withdrawal or runoff of former SVBB deposit accounts and to fund the unfunded commercial lending commitments acquired in the SVBB Acquisition. The immediate available capacity of the Advance Facility Agreement was $12.85 $11.34 billion at March 31, 2024 June 30, 2024. Refer to the “Liquidity Risk” section of this MD&A for further discussion.

Investment Securities Duration

At March 31, 2024 June 30, 2024, our investment securities portfolio primarily consisted of debt securities available for sale and held to maturity as summarized below. The duration of our investment securities was approximately 2.8 years at March 31, 2024 June 30, 2024. The investment securities available for sale portfolio had an average duration of 2.2 2.3 years and the held to maturity portfolio had an average duration of 4.6 4.5 years. Refer to the “Interest-earning Assets—Investment securities” section of this MD&A and Note 3—Investment Securities for further information.

Table 4
Investment Securities

dollars in millions

dollars in millions

dollars in millions	March 31, 2024	June 30, 2024												
		Composition(1)	Composition(1)		Amortized Cost		Fair Value		Fair Value to Cost		Composition(1)	Amortized Cost	Fair Value	Fair Value to Cost
Total investment securities available for sale	Total investment securities available for sale	74.5 %		$25,791	$	$24,915	96.6	96.6 %	Total investment securities available for sale	75.0 %	$27,959	$	$27,053	96.8	96.8 %
Total investment securities held to maturity														
Investment in marketable equity securities														
Total investment securities														

(1) *Calculated as a percentage of the total fair value of investment securities.*

(1) *Calculated as a percentage of the total fair value of investment securities.*

(1) *Calculated as a percentage of the total fair value of investment securities.*

Capital Position

Our capital position remains strong, and all regulatory capital ratios for BancShares and FCB significantly exceed the prompt corrective action well capitalized thresholds and Basel III requirements as further discussed in the “Capital” section of this MD&A.

RESULTS OF OPERATIONS

NET INTEREST INCOME AND NET INTEREST MARGIN Net Interest Income and Net Interest Margin

NII is affected by changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. The following tables present the average balances, yields on interest-earning assets, rates on interest-bearing liabilities, and changes in NII due to changes in: (i) volume (average balances of interest-earning assets and interest-bearing liabilities) and (ii) yields or rates.

- The change in NII due to volume is calculated as the change in average balance multiplied by the yield or rate from the prior period.
- The change in NII due to yield or rate is calculated as the change in yield or rate multiplied by the average balance from the prior period.
- The change in NII due to changes in both volume and yield or rate (i.e., portfolio mix) is calculated as the change in rate multiplied by the change in volume. This component is allocated between the changes due to volume and yield or rate based on the ratio each component bears to the absolute dollar amounts of their total.
- Tax equivalent NII was not materially different from NII, therefore we present NII in our analysis.

Table 5

Average Balances and Yields/Rates

dollars in millions

		March 31, 2024																	
		March 31, 2024																	
		March 31, 2024			December 31, 2023		Change in NII Due to:												
		June 30, 2024																	
		June 30, 2024																	
		June 30, 2024			March 31, 2024		Change in NII Due to:												
	Average Balance	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate	Volume (1)	Yield /Rate (1)	Total Change	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate	Volume (1)	Yield /Rate (1)	Total Change
Loans and leases (1)(2)																			
Investment securities																			
Securities purchased under agreements to resell																			
Interest-earning deposits at banks																			
Total interest-earning assets (2)																			
Operating lease equipment, net																			
Operating lease equipment, net																			
Operating lease equipment, net																			
Cash and due from banks																			
Cash and due from banks																			
Cash and due from banks																			
Allowance for loan and lease losses																			
Allowance for loan and lease losses																			
Allowance for loan and lease losses																			
All other noninterest-earning assets																			
All other noninterest-earning assets																			
All other noninterest-earning assets																			
Total assets																			
Total assets																			
Total assets																			
Interest-bearing deposits																			
Interest-bearing deposits																			
Interest-bearing deposits																			
Checking with interest																			
Checking with interest																			
Checking with interest																			
Money market																			
Savings																			
Time deposits																			
Total interest-bearing deposits																			
Borrowings:																			
Securities sold under customer repurchase agreements																			
Securities sold under customer repurchase agreements																			
Securities sold under customer repurchase agreements																			
Short-term FHLB borrowings																			
Short-term borrowings																			

Senior unsecured borrowings
Senior unsecured borrowings
Federal Home Loan Bank borrowings
Senior unsecured borrowings
Subordinated debt
Other borrowings
Long-term borrowings
Total borrowings
Total interest-bearing liabilities
Noninterest-bearing deposits
Noninterest-bearing deposits
Noninterest-bearing deposits
Credit balances of factoring clients
Credit balances of factoring clients
Credit balances of factoring clients
Other noninterest-bearing liabilities
Other noninterest-bearing liabilities
Other noninterest-bearing liabilities
Stockholders' equity
Stockholders' equity
Stockholders' equity
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity
Interest rate spread (2)
Interest rate spread (2)
Interest rate spread (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net interest margin (2)
Net interest income and net interest margin (2)
Net interest income and net interest margin (2)

(1) *Loans and leases include Non-PCD and Purchase Purchased Credit Deteriorated ("PCD") loans, nonaccrual loans, and loans held for sale. Interest income on loans and leases includes accretion income and loan fees.*

(2) *The balance and rate presented is calculated net of average credit balances and deposits of factoring clients.*

NII and NIM - Current quarter compared to linked quarter

- NII for the current quarter was $1.82 billion, a decrease an increase of $94 $4 million or 5% from $1.91 billion for the linked quarter. This decrease increase was due to a $61 million $46 million increase in interest expense and income, partially offset by a $33 million decrease $42 million increase in interest income. expense.
  - Interest income earned on loans and leases for the current quarter was $2.35 $2.42 billion, a decrease an increase of $37 $68 million or 2% 3% from $2.39 $2.35 billion for the linked quarter. The decrease was primarily due Loan growth and a higher yield led to a decline of $35 million an $86 million increase in loan discount interest income, partially offset by a decrease of $18 million in loan accretion income which was $163 $145 million in the current quarter and $198 $163 million in the linked quarter.
  - Interest income earned on investment securities for the current quarter was $279 $327 million, an increase of $40 $48 million or 17% from $239 $279 million for the linked quarter. The increase reflected a higher average balance due to continued purchases of short duration agency mortgage-backed and U.S. Treasury investment securities, available for sale, and to a lesser extent, a higher yield. yields on the more recently purchased investment securities.
  - Interest income earned on interest-earning deposits at banks for the current quarter was $448 $378 million, a decrease of $37 $70 million or 8% 16% from $485 $448 million for the linked quarter. The decrease reflected was due to a lower average balance mostly due to of interest-earning deposits at banks resulting from the

purchases of investment securities noted described above.

◦ Interest expense on interest-bearing deposits for the current quarter was $928 $975 million, an increase of $63 million $47 million or 7% 5% from $865 $928 million for the linked quarter. The increase was due to primarily from growth in interest-bearing deposits in the General Bank and SVB Commercial segments and higher average balances of deposits in our Direct Bank and higher deposit rates paid as we remain competitive and optimize our funding strategy through deposit growth.

◦ Interest expense on borrowings for the current quarter was $339 $334 million, down $2 a decrease of $5 million or 1% from $341 $339 million for the linked quarter. The decrease was mainly due to repayments quarter as a result of subordinated debt. slightly lower average balances.

- NIM for the current quarter was 3.67% 3.64%, a decrease of 19 3 bps from 3.86% 3.67% for the linked quarter, due to the reasons noted above for NII. NIM, excluding PAA, was 3.36% compared to 3.35% in the linked quarter. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.
- Average interest-earning assets for the current quarter were $198.59 billion $200.71 billion, an increase of $2.33 billion $2.12 billion or 1% from $196.25 billion $198.59 billion for the linked quarter. The increase mainly reflected higher average balances for investment securities. securities and loans. The yield on average interest-earning assets was 6.23% 6.26%, a decrease an increase of 7 3 bps from the linked quarter, primarily due to higher average balances and yields on investment securities and loans, partially offset by lower average balances of interest-earning deposits at banks and lower loan accretion. accretion income.
- Average interest-bearing liabilities for the current quarter were $145.64 billion $148.38 billion, an increase of $3.21 billion $2.74 billion or 2% from $142.43 billion $145.64 billion in the linked quarter. The increase mostly reflected higher average interest-bearing deposit balances. The rate paid on average interest-bearing liabilities increased by 12 5 bps from the linked quarter, primarily due to a higher rate paid on average interest-bearing deposits. While the rate paid on average interest-bearing deposits increased 9 bps from the linked quarter, the pace slowed relative to the 17 bps increase in the linked quarter compared to the fourth quarter of 2023.

Table 6
Average Balances and Yields/Rates

dollars in millions

		March 31, 2024																	
		March 31, 2024																	
							Change in NII												
		March 31, 2024			March 31, 2023		Due to:												
		June 30, 2024																	
		June 30, 2024																	
							Change in NII												
		June 30, 2024			June 30, 2023		Due to:												
	Average Balance	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate	Volume(1)	Yield /Rate(1)	Total Change	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate	Volume(1)	Yield /Rate(1)	Total Change
Loans and leases (1)(2)																			
Investment securities																			
Securities purchased under agreements to resell																			
Interest-earning deposits at banks																			
Total interest-earning assets (2)																			
Operating lease equipment, net																			
Operating lease equipment, net																			
Operating lease equipment, net																			
Cash and due from banks																			
Cash and due from banks																			
Cash and due from banks																			
Allowance for loan and lease losses																			
Allowance for loan and lease losses																			
Allowance for loan and lease losses																			
All other noninterest-earning assets																			
All other noninterest-earning assets																			
All other noninterest-earning assets																			
Total assets																			
Total assets																			
Total assets																			
Interest-bearing deposits																			
Interest-bearing deposits																			

Interest-bearing deposits
Checking with interest
Checking with interest
Checking with interest
Money market
Savings
Time deposits
Total interest-bearing deposits
Borrowings:
Securities sold under customer repurchase agreements
Securities sold under customer repurchase agreements
Securities sold under customer repurchase agreements
Short-term FHLB borrowings
Short-term borrowings
Federal Home Loan Bank borrowings
Senior unsecured borrowings
Subordinated debt
Other borrowings
Long-term borrowings
Total borrowings
Total interest-bearing liabilities
Noninterest-bearing deposits
Noninterest-bearing deposits
Noninterest-bearing deposits
Credit balances of factoring clients
Credit balances of factoring clients
Credit balances of factoring clients
Other noninterest-bearing liabilities
Other noninterest-bearing liabilities
Other noninterest-bearing liabilities
Stockholders' equity
Stockholders' equity
Stockholders' equity
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity
Total liabilities and stockholders' equity
Interest rate spread (2)
Interest rate spread (2)
Interest rate spread (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net yield on interest-earning assets (2)
Net interest income and net interest margin (2)
Net interest income and net interest margin (2)

Net interest income and net interest margin (2)

(1) *Loans and leases include Non-PCD and PCD loans, nonaccrual loans, and loans held for sale. Interest income on loans and leases includes accretion income and loan fees.*

(2) *The balance and rate presented is calculated net of average credit balances and deposits of factoring clients.*

Table 7
Average Balances and Yields/Rates

dollars in millions	Six Months Ended								
	June 30, 2024			June 30, 2023			Change in NII Due to:		
	Average Balance	Income / Expense	Yield / Rate	Average Balance	Income / Expense	Yield / Rate	Volume (1)	Yield /Rate (1)	Total Change
Loans and leases (1)(2)	$ 134,139	$ 4,776	7.15 %	$ 103,562	$ 3,370	6.55 %	$ 1,075	$ 331	$ 1,406
Investment securities	34,546	606	3.51	19,612	224	2.29	225	157	382
Securities purchased under agreements to resell	240	6	5.38	96	3	4.92	3	—	3
Interest-earning deposits at banks	30,721	826	5.41	22,884	567	4.99	209	50	259
Total interest-earning assets (2)	$ 199,646	$ 6,214	6.25 %	$ 146,154	$ 4,164	5.73 %	$ 1,512	$ 538	$ 2,050
Operating lease equipment, net	$ 8,847			$ 8,321					
Cash and due from banks	768			880					
Allowance for loan and lease losses	(1,780)			(1,270)					
All other noninterest-earning assets	10,005			8,909					
Total assets	$ 217,486			$ 162,994					
Interest-bearing deposits									
Checking with interest	$ 24,195	$ 267	2.22 %	$ 20,350	$ 140	1.39 %	$ 31	$ 96	$ 127
Money market	31,463	482	3.08	25,163	228	1.82	67	187	254
Savings	37,463	806	4.33	19,966	298	3.01	338	170	508
Time deposits	16,361	348	4.27	13,345	197	2.98	52	99	151
Total interest-bearing deposits	109,482	1,903	3.50	78,824	863	2.21	488	552	1,040
Borrowings:									
Securities sold under customer repurchase agreements	406	1	0.47	456	1	0.31	—	—	—
Short-term FHLB borrowings	—	—	—	218	5	4.79	(5)	—	(5)
Short-term borrowings	406	1	0.47	674	6	1.76	(5)	—	(5)
Federal Home Loan Bank borrowings	—	—	2.00	4,427	114	5.20	(70)	(44)	(114)
Senior unsecured borrowings	376	5	2.50	840	9	2.09	(6)	2	(4)
Subordinated debt	906	15	3.30	1,047	19	3.57	(3)	(1)	(4)
Other borrowings	35,842	652	3.64	18,665	342	3.67	313	(3)	310
Long-term borrowings	37,124	672	3.62	24,979	484	3.88	234	(46)	188
Total borrowings	37,530	673	3.58	25,653	490	3.83	229	(46)	183
Total interest-bearing liabilities	$ 147,012	$ 2,576	3.52 %	$ 104,477	$ 1,353	2.60 %	$ 717	$ 506	$ 1,223
Noninterest-bearing deposits	$ 39,498			$ 36,934					
Credit balances of factoring clients	1,169			1,088					
Other noninterest-bearing liabilities	8,032			5,050					
Stockholders' equity	21,775			15,445					
Total liabilities and stockholders' equity	$ 217,486			$ 162,994					
Interest rate spread (2)			2.73 %			3.13 %			
Net interest income and net interest margin (2)		$ 3,638	3.66 %		$ 2,811	3.87 %			

(1) *Loans and leases include Non-PCD and PCD loans, nonaccrual loans, and loans held for sale. Interest income on loans and leases includes accretion income and loan fees.*

(2) *The balance and rate presented is calculated net of average credit balances and deposits of factoring clients.*

NII and NIM - Current YTD compared to Prior YTD

- NII for the current YTD was $3.64 billion, an increase of $827 million or 29% from $2.81 billion for the prior YTD. The increase was primarily due to the acquired SVBB operations and loan accretion income being included for the current YTD and the partial prior YTD. Additionally, interest income increased in the current YTD due to higher interest income on loans and investment securities, which was partially offset by higher interest expense on deposits and borrowings.
  - Interest income on loans and leases for the current YTD was $4.78 billion, an increase of $1.41 billion or 42% from $3.37 billion for the prior YTD. The increase largely resulted from earning interest and accretion income on the acquired SVBB loans for the current YTD and the partial prior YTD. Loan accretion income was $308 million in the current YTD and $260 million in the prior YTD, an increase of $48 million. Additionally, organic loan growth at higher yields and the impact from floating-rate loan resets contributed to the increase in interest income on loans and leases.
  - Interest income on investment securities for the current YTD was $612 million, an increase of $385 million or 170% from $227 million for the prior YTD. The increase reflected continued purchases of short duration agency mortgage-backed and U.S. Treasury investment securities available for sale, and to a lesser extent, a higher yield.
  - Interest income on interest-earning deposits at banks for the current YTD was $826 million, an increase of $259 million or 46% from $567 million for the prior YTD. The increase mainly resulted from a higher average balance of interest-earning deposits at banks related to the SVBB Acquisition, which was partially offset by the purchases of investment securities discussed above.
  - Interest expense on interest-bearing deposits for the current YTD was $1.90 billion, an increase of $1.04 billion or 121% from $863 million for the prior YTD. The increase largely resulted from paying or accruing interest expense on the acquired SVBB deposits for the current YTD and the partial prior YTD. Organic interest-bearing deposit growth in our General Bank and SVB Commercial segments and higher rates paid on average interest-bearing deposits also significantly contributed to the increase.
  - Interest expense on borrowings for the current YTD was $673 million, an increase of $183 million or 37% from $490 million for the prior YTD. The increase was mainly the result of interest expense on the Purchase Money Note for the current YTD and the partial prior YTD.
- NIM for the current YTD was 3.66%, a decrease of 21 bps from 3.87% for the prior YTD. The decreases in NIM from higher average balances of interest-bearing deposits and the Purchase Money Note and higher rates paid on deposits were partially offset by higher average balances and yields on loans and investment securities. NIM, excluding PAA, was 3.36% for the current YTD compared to 3.49% for the prior YTD.
- Average interest-earning assets for the current YTD were $199.65 billion, an increase of $53.49 billion or 37% from $146.15 billion for the prior YTD. The increase was largely due to including the acquired SVBB loans in average interest-earning assets for the current YTD and the partial prior YTD. Organic loan growth and the previously discussed purchases of investment securities also contributed to the increase in average interest-earning assets. The yield on average interest-earning assets was 6.25% in the current YTD, an increase of 52 bps from the prior YTD, primarily due to the higher interest rate environment as yields increased across all interest-earning asset classes.
- Average interest-bearing liabilities for the current YTD were $147.01 billion, an increase of $42.54 billion or 41% from $104.48 billion in the prior YTD. The increase was largely due to including the acquired SVBB interest-bearing deposits and the Purchase Money Note in average interest-bearing liabilities for the current YTD and the partial prior YTD. The rate paid on average interest-bearing liabilities was 3.52%, an increase of 92 bps from the prior YTD, primarily due to a higher rate paid on average interest-bearing deposits, partially offset by the impact of paying off FHLB borrowings in the prior year quarter.

The following table includes the average interest-earning assets by category:

Table 7 8
Average Interest-earning Asset Mix

	% of Average Interest-earning Assets		
	% of Average Interest-earning Assets		
	% of Average Interest-earning Assets		
	Three Months Ended	Three Months Ended	Six Months Ended
	March 31, 2024		
	March 31, 2024		
	March 31, 2024		
	June 30, 2024		
Loans and leases			
Loans and leases			
Loans and leases			
Investment securities			
Investment securities			
Investment securities			
Interest-earning deposits at banks			
Interest-earning deposits at banks			
Interest-earning deposits at banks			
Total interest-earning assets			
Total interest-earning assets			
Total interest-earning assets			

The following table shows our average interest-bearing liability mix:

Table 8 9
Average Interest-bearing Liability Mix

	% of Average Interest-bearing Liabilities		
	% of Average Interest-bearing Liabilities		
	% of Average Interest-bearing Liabilities		
	Three Months Ended	Three Months Ended	Six Months Ended
	March 31, 2024		
	March 31, 2024		
	March 31, 2024		
	June 30, 2024		
Total interest-bearing deposits			
Total interest-bearing deposits			
Total interest-bearing deposits			
Securities sold under customer repurchase agreements			
Securities sold under customer repurchase agreements			
Securities sold under customer repurchase agreements			
Long-term borrowings			
Long-term borrowings			
Long-term borrowings			
Total interest-bearing liabilities			
Total interest-bearing liabilities			
Total interest-bearing liabilities			

PROVISION FOR CREDIT LOSSES Provision for Credit Losses

The provision for credit losses for the current quarter was $95 million, an increase of $31 million or 50% from $64 million for the linked quarter. The $31 million increase was mainly related to a decrease $29 million lower benefit for off-balance sheet credit exposure as the pace of $185 million or 75% from $249 million decline for unfunded commitment volumes slowed relative to the linked quarter.

The provision for loan and lease credit losses decreased $158 for the current YTD was $159 million,, a decrease of $775 million or 83% from $934 million for the prior YTD. The decrease was primarily related to the day 2 provisions for credit losses of $716 million in the prior YTD, lower reserves for individually evaluated loans, and changes in the macroeconomic forecasts, a decline in specific reserves on individually evaluated loans, and lower net charge-offs. forecast.

The ALLL and net charge-offs are further discussed in the “Risk Management—Credit Risk—Allowance for Loan and Lease Losses” and “Credit Metrics” in this MD&A and in Note 5 —Allowance for Loan and Lease Losses.

The benefit from off-balance sheet credit exposure was $29 million in the current quarter compared to $2 million in the linked quarter. The change was primarily due to a continued decline in unfunded commitments.

Table 9 10
Provision for Credit Losses

dollars in millions	
dollars in millions	
dollars in millions	
	March 31, 2024
	March 31, 2024
	March 31, 2024
	June 30, 2024
	June 30, 2024
	June 30, 2024
Day 2 provision for loan and lease losses	
Day 2 provision for loan and lease losses	
Day 2 provision for loan and lease losses	
Provision for loan and lease losses	
Provision for loan and lease losses	
Provision for loan and lease losses	

Total provision for loan and lease losses
Total provision for loan and lease losses
Total provision for loan and lease losses
Day 2 provision for off-balance sheet credit exposure
Day 2 provision for off-balance sheet credit exposure
Day 2 provision for off-balance sheet credit exposure
Benefit from off-balance sheet credit exposure
Benefit from off-balance sheet credit exposure
Benefit from off-balance sheet credit exposure
Benefit for off-balance sheet credit exposure
Benefit for off-balance sheet credit exposure
Benefit for off-balance sheet credit exposure
Total (benefit) provision for off-balance sheet credit exposure
Total (benefit) provision for off-balance sheet credit exposure
Total (benefit) provision for off-balance sheet credit exposure
Provision for investment securities available for sale credit losses
Provision for investment securities available for sale credit losses
Provision for investment securities available for sale credit losses
(Benefit) provision for investment securities available for sale credit losses
(Benefit) provision for investment securities available for sale credit losses
(Benefit) provision for investment securities available for sale credit losses
Provision for credit losses
Provision for credit losses
Provision for credit losses

NONINTEREST INCOME

Noninterest Income

Noninterest income is an essential part of our total revenue. The primary sources of noninterest income consist of rental income on operating lease equipment, fee income and other service charges, client investment fees, wealth management services, international fees, service charges generated from deposit accounts, factoring commissions, cardholder and merchant services, and insurance commissions.

Table 10 11
Noninterest Income

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
	March 31, 2024	
	March 31, 2024	
	March 31, 2024	
	June 30, 2024	
Rental income on operating lease equipment		
Rental income on operating lease equipment		
Rental income on operating lease equipment		
Other noninterest income:		
Other noninterest income:		
Other noninterest income:		
Fee income and other service charges		
Fee income and other service charges		
Fee income and other service charges		
Client investment fees		
Client investment fees		
Client investment fees		

Wealth management services
Wealth management services
Wealth management services
International fees
International fees
International fees
Service charges on deposit accounts
Service charges on deposit accounts
Service charges on deposit accounts
Factoring commissions
Factoring commissions
Factoring commissions
Cardholder services, net
Cardholder services, net
Cardholder services, net
Merchant services, net
Merchant services, net
Merchant services, net
Insurance commissions
Insurance commissions
Insurance commissions
Realized loss on sale of investment securities available for sale, net
Realized loss on sale of investment securities available for sale, net
Realized loss on sale of investment securities available for sale, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Fair value adjustment on marketable equity securities, net
Gain on sale of leasing equipment, net
Gain on sale of leasing equipment, net
Gain on sale of leasing equipment, net
Gain on acquisition
Gain on acquisition
Gain on acquisition
Loss on extinguishment of debt
Loss on extinguishment of debt
Loss on extinguishment of debt
Other noninterest income
Other noninterest income
Other noninterest income
Total other noninterest income
Total other noninterest income
Total other noninterest income
Total noninterest income
Total noninterest income
Total noninterest income

Rental Income on Operating Lease Equipment

Rental income on operating lease equipment was $255 $259 million for the current quarter, an increase of $3 $4 million or 1% from $252 $255 million for the linked quarter. The increase reflects a higher Rental income on operating lease equipment balance, along with improved was $514 million for the current YTD, an increase of $43 million or 9% from $471 million for the prior YTD. Both current quarter and current YTD periods benefited from growth in operating lease equipment, as well as strong re-pricing and utilization and re-pricing rates in the rail portfolio. Rental income is generated primarily in the Rail segment and, to a lesser extent, in the Commercial Bank segment. Revenue is generally dictated by the size of the portfolio, utilization of the railcars, re-pricing of equipment renewed upon lease maturities, and pricing on new leases. Re-pricing refers to the rental rate in the renewed equipment contract compared to the prior contract. Refer to the Rail segment discussion in the “Results by Business Segment” section of this MD&A for further details.

Other Noninterest Income

Other noninterest income for the current quarter was $372 million $380 million, an increase of $81 $8 million from $291 million $372 million for the linked quarter. The increase was primarily due to the previously discussed adjustment to the gain on acquisition in the linked quarter. The remaining changes compared to the linked quarter reflect increases and decreases among the various noninterest income categories, with the main items described as follows:

- Fee income and other service charges, consisting of items such as capital market-related fees, fees for lines and letters of credit, and servicing fees, decreased increased by $5 $2 million, mainly due to lower capital markets fees. higher fees on lines and letters of credit.
- The $5 $4 million decrease increase in client investment fees was mainly related to higher average off-balance sheet client funds in the SVB Commercial segment.
- The $2 million increase in international fees, which relate to commissions on customer foreign currency transactions, was primarily related to increased transaction volumes.
- The $2 million increase in factoring commissions was mostly primarily due to lower volume seasonality in the portfolio as the current quarter following the seasonal has higher volume compared to slower post holiday retail activity in the linked quarter.
- Fair value adjustments on marketable equity securities reflect changes in market prices of underlying portfolio investments.
- The $6 million decrease in gain on sale of leasing equipment reflects lower gains from equipment finance, as well as lower railcar scrapping activity.
- The linked quarter included a $2 million loss on extinguishment of debt.
- Other noninterest income consisted of items such as derivative gains and losses and income from non-marketable securities, and BOLI income. The $10 million increase in other noninterest income was primarily due to higher derivative income. securities.

Other noninterest income for the current YTD was $752 million, a decrease of $9.69 billion from $10.45 billion for the prior YTD. The decrease was mostly due to the gain on acquisition of $9.88 billion in the prior YTD, partially offset by increases in various components of noninterest income, mostly because the acquired SVBB operations were reflected in earnings for the current YTD and the partial prior YTD.

NONINTEREST EXPENSE Noninterest Expense

Noninterest expense includes depreciation on operating lease equipment, maintenance and other operating lease expenses, and operating expenses.

Table 11 12
Noninterest Expense

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
	March 31, 2024	
	March 31, 2024	
	March 31, 2024	
	June 30, 2024	
Depreciation on operating lease equipment		
Depreciation on operating lease equipment		
Depreciation on operating lease equipment		
Maintenance and other operating lease expenses		
Maintenance and other operating lease expenses		
Maintenance and other operating lease expenses		
Operating expenses:		
Operating expenses:		
Operating expenses:		
Salaries and benefits		
Salaries and benefits		
Salaries and benefits		
Net occupancy expense		
Net occupancy expense		
Net occupancy expense		
Equipment expense		
Equipment expense		
Equipment expense		
Professional fees		
Professional fees		

Professional fees
Third-party processing fees
Third-party processing fees
Third-party processing fees
FDIC insurance expense
FDIC insurance expense
FDIC insurance expense
Marketing expense
Marketing expense
Marketing expense
Acquisition-related expenses
Acquisition-related expenses
Acquisition-related expenses
Intangible asset amortization
Intangible asset amortization
Intangible asset amortization
Other noninterest expense
Other noninterest expense
Other noninterest expense
Total operating expenses
Total operating expenses
Total operating expenses
Total noninterest expense
Total noninterest expense
Total noninterest expense

Depreciation on Operating Lease Equipment

Depreciation expense on operating lease equipment is primarily related to rail equipment and small and large ticket equipment we own and lease to others. The increases in depreciation expense for the current quarter and current YTD compared to the linked quarter and prior YTD are primarily due to the higher operating lease equipment balance. Operating lease activity is in the Rail and Commercial Bank segments. The useful lives of rail equipment is generally longer in duration, 40-50 years, whereas small and large ticket equipment is generally 3-10 years. Refer to the Rail segment discussion in the section entitled "Results by Business Segment" of this MD&A for further details.

Maintenance and Other Operating Lease Expenses

The Rail segment provides leases railcars, primarily pursuant to full-service lease contracts under which we, as lessor, are responsible for railcar maintenance and repair. Maintenance and other operating lease expenses for the current quarter were $60 million, an increase of $15 million, or 36%, from $45 million for the linked quarter. Maintenance and other operating lease expenses for the current YTD were $105 million, a decrease of $14 $7 million or 25%, 6% from $59 $112 million for the linked quarter. prior YTD. Maintenance and other operating lease expenses relate to equipment ownership and leasing costs associated with the railcar portfolio and tend to be variable due to timing and number of railcars coming on or off lease and the asset condition. Refer to the Rail segment discussion in the section entitled "Results by Business Segment" of this MD&A for further details.

Operating Expenses

The primary components of operating expenses are salaries and benefits, net occupancy expense, and equipment expenses. Operating expenses for the current quarter were $1.24 $1.23 billion, a decrease of $102 $7 million or 8% 1% compared to $1.34 $1.24 billion in the linked quarter. The main components of the decrease in operating expenses for the current quarter compared to the linked quarter are summarized below. below:

- The $30 $4 million increase decrease in salaries and benefits net occupancy expense reflected seasonal adjustments associated with the employee 401(k) plan, payroll taxes, and annual merit adjustments. decreased external bank building rent as a result of continued consolidation of office space.
- The $41 $12 million increase in equipment expense was primarily related to increased software maintenance and rent.
- The $8 million decrease in total FDIC insurance expense was mainly the result of the a $9 million FDIC insurance special assessment which decreased from $64 million recorded in the linked quarter compared to $9 a $2 million special assessment in the current quarter. The decrease was partially offset by increases related to higher assessment rates charged to financial institutions and growth in our deposits.
- The $10 $4 million decrease increase in marketing costs reflected lower higher spending on digital marketing associated with the Direct Bank. Bank and an increase in corporate advertising.
- Acquisition-related expenses decreased $58 $14 million as shown in the table Table 13 below.
- Other expenses consisted of other insurance and taxes (other than income tax), learning and development, contributions, and other miscellaneous expenses including travel, postage, supplies, and appraisal expense. Changes in these individual items were not material.

Operating expenses for the current YTD were $2.46 billion, an increase of $328 million or 15% compared to $2.14 billion in the prior YTD. The increase was primarily due to the inclusion of the acquired SVBB operations for the current YTD and the partial prior YTD, which included a $294 million increase in salaries and benefits and a $49 million increase in equipment expense, partially offset by lower acquisition-related and marketing expenses. The $24 million decrease in marketing costs mostly reflected higher advertising costs to support deposit growth in the Direct Bank in the prior YTD.

The following table presents the major components of acquisition-related expenses:

Table 12 13
Acquisition-related expenses

dollars in millions	*dollars in millions*	**Three Months Ended**			**Six Months Ended**	
dollars in millions						
dollars in millions						
	March 31, 2024					
	March 31, 2024					
	March 31, 2024					
		June 30, 2024	**March 31, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Salaries and benefits						
Salaries and benefits						
Salaries and benefits						
Professional fees						
Professional fees						
Professional fees						
Asset impairment						
Other acquisition-related expense						
Asset impairment						
Other acquisition-related expense						
Asset impairment						
Other acquisition-related expense						
Other acquisition-related expense						
Other acquisition-related expense						
Total acquisition-related expense						
Total acquisition-related expense						
Total acquisition-related expense						

Salaries and benefits primarily includes severance and retention costs for employees associated with business combinations. These amounts are recognized over the requisite service period, if any.

Professional fees mainly include consulting, legal and accounting costs associated with business combinations and the related integration, optimization, and business process reengineering. These amounts are expensed as incurred.

Asset impairment includes the following: (i) impairment of right of use assets for operating leases assumed in business combinations for the leased office space we subsequently vacated; and (ii) impairment of information technology systems and software acquired in business combinations that we subsequently determined would not be utilized.

INCOME TAXES **Income Taxes**

Table 13 14
Income Tax Data

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
	March 31, 2024	
	March 31, 2024	
	March 31, 2024	
	June 30, 2024	
Income before income taxes		
Income before income taxes		
Income before income taxes		

Income tax expense
Income tax expense
Income tax expense
Effective tax rate
Effective tax rate
Effective tax rate

The effective tax rate (“ETR”) was 27.2% 27.8% for the current quarter compared to 27.9% 27.2% in the linked quarter. The decrease increase in the ETR for the current quarter compared to the linked quarter was primarily due to state tax law changes enacted in the impactsecond quarter of 2024 that impacted the valuation of gross temporary differences. The ETR was 27.5% for the current YTD compared to 1.6% for the prior YTD. The increase for the current YTD ETR compared to the prior YTD was primarily due to the non-taxable nature of the return to provision adjustments recorded.gain on the SVBB Acquisition in the prior YTD.

The ETR is impacted by a number of factors, including the relative mix of domestic and international earnings, effects of changes in enacted tax laws, adjustments to valuation allowances, and discrete items. The ETR in future periods may vary from the current quarter ETR due to changes in these factors.

BancShares monitors and evaluates the potential impact of current events on the estimates used to establish income tax expense and income tax liabilities. On a periodic basis, we evaluate our income tax positions based on current tax law and positions taken by various tax auditors within the jurisdictions where BancShares is required to file income tax returns, as well as potential or pending audits or assessments by tax auditors. Refer to Note 18—Income Taxes for additional information.

RESULTS BY BUSINESS SEGMENT

We made changes to our segment reporting during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Segment disclosures for 2023 periods included in this Form 10-Q were recast to reflect the segment reporting changes.

BancShares’ segments at March 31, 2024 include General Bank, Commercial Bank, SVB Commercial, and Rail. All other financial information not allocated to the segments is included in the “Corporate” section of the segment disclosures. Refer to Note 20—Business Segment Information for the segment descriptions, which reflect the segment reporting changes made during the first quarter of 2024. descriptions.

General Bank

Table 14 15
General Bank: Financial Data

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
Earnings Summary		
Earnings Summary		
Earnings Summary		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Net interest income after provision for credit losses		
Noninterest income		
Noninterest income		
Noninterest income		
Noninterest expense		
Noninterest expense		
Noninterest expense		
Segment income before income taxes		
Segment income before income taxes		
Segment income before income taxes		
Income before income taxes		

Income before income taxes
Income before income taxes
Income tax expense
Income tax expense
Income tax expense
Segment net income
Segment net income
Segment net income
Net income
Net income
Net income
Select Period End Balances
Select Period End Balances
Select Period End Balances
Loans and leases
Loans and leases
Loans and leases
Deposits
Deposits
Deposits

General Bank segment net income for the current quarter increased $35 million from the linked quarter, as lower taxes, along with lower provision for credit losses and higher noninterest income, were mostly offset by higher noninterest expenses. quarter. Segment NII was relatively flat increased $47 million compared to the linked quarter as higher interest expense for deposits offset due to higher interest income from loan growth. growth, which offset higher interest expense for deposits. The decline in the higher provision for credit losses was primarily due to a release reserve build for certain loan portfolios, such as private banking loans in the ALLL in the current quarter, as further discussed in the sections entitled "Provision for Credit Losses" and "Risk Management—Credit Risk—Allowance for Loan and Lease Losses" in this MD&A. SVB portfolio. The $7 million improvement in noninterest income was mostly in asset management cardholder services and servicing fees. The increase in noninterest service charges on deposits. Noninterest expense was primarily decreased $23 million, mainly due to increases in lower salaries and benefits and FDIC insurance expense. benefits. Noninterest income and expense are discussed in their respective sections entitled "Noninterest Income" and "Noninterest Expense" of this MD&A.

General Bank segment net income for the current YTD increased $13 million compared to the prior YTD. The acquired SVBB operations, including SVB Private which is in the General Bank segment, were reflected in earnings for the current YTD and the partial prior YTD. The higher provision for credit losses in the current YTD was mainly due to loan growth and a reserve build as a result of then higher charge-offs and unfavorable trends in certain macroeconomic variables.

The $1.46 billion increase in loans and leases during compared to the current linked quarter reflected continued demand in our branch network. Growth was primarily concentrated in is mainly due to commercial and business loans as well as from the small business lending and wealth channels. in our Branch Network. Our consumer mortgage loans were relatively unchanged as we increased the amount originated continued to originate and sold. sell rather than hold for investment.

Deposits in the General Bank segment primarily include deposits from the branch network, Branch Network, as well as wealth Wealth and community association banking Community Association Banking channels. The $329 million increase in deposits during compared to the current linked quarter was primarily in the branch network, largely in time deposit and money market products. Refer to consolidated discussions in the sections entitled "Net Interest Income and Net Interest Margin" and "Interest-Bearing Liabilities—Deposits" of this MD&A for additional information. Branch Network.

Commercial Bank

Table 15 16
Commercial Bank: Financial Data

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
Earnings Summary		
Earnings Summary		
Earnings Summary		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		

Provision for credit losses
Provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Net interest income after provision for credit losses
Noninterest income
Noninterest income
Noninterest income
Noninterest expense
Noninterest expense
Noninterest expense
Segment income before income taxes
Segment income before income taxes
Segment income before income taxes
Income before income taxes
Income before income taxes
Income before income taxes
Income tax expense
Income tax expense
Income tax expense
Segment net income
Segment net income
Segment net income
Net income
Net income
Net income
Select Period End Balances
Select Period End Balances
Select Period End Balances
Loans and leases
Loans and leases
Loans and leases
Operating lease equipment, net
Operating lease equipment, net
Operating lease equipment, net
Deposits
Deposits
Deposits

Commercial Bank segment net income for the current quarter increased $1 million from the linked quarter, primarily due to a lower provision for credit losses, partially offset by higher noninterest expenses and lower noninterest income. quarter. Segment NII was relatively flat increased $9 million compared to the linked quarter as reflecting loan growth and higher yields, partially offset by higher interest expense for deposits offset higher interest income from loan growth. on deposits. The decline $8 million increase in the provision for credit losses compared to the linked quarter was primarily due to a release $12 million increase in the ALLL net charge-offs, primarily in the current quarter as further discussed in the sections entitled “Provision for Credit Losses” Equipment Finance and “Risk Management—Credit Risk—Allowance for Loan and Lease Losses” in this MD&A. Commercial Finance portfolios. Noninterest income decreased mostly due to $5 million reflecting items such as lower capital market fees and loan gain on sale of leasing equipment, partially offset by higher factoring commissions. Noninterest expenses increased, mainly due to increases in salaries expense decreased $7 million as the linked quarter included higher salary and benefits and FDIC insurance expense. benefit costs. Noninterest income and noninterest expense are discussed in the sections entitled “Noninterest Income” and “Noninterest Expense” of this MD&A.

Commercial Bank segment net income for the current YTD increased $141 million compared to the prior YTD, mainly due to the $186 million decrease in provision for credit losses. The higher provision for credit losses in the prior YTD was mainly due to loan growth and a reserve build as a result of then higher charge-offs and unfavorable trends in certain macroeconomic variables.

The $386 million increase in loans and leases during compared to the current linked quarter reflected growth reflects strong origination volume in a number of industry verticals, industries, including TMT and healthcare, technology, media and telecommunications and energy. partially offset by a decline in real estate finance.

SVB Commercial

Table 16 17
SVB Commercial: Financial Data

dollars in millions	*dollars in millions*	**Three Months Ended**			**Six Months Ended**	
dollars in millions						
dollars in millions						
Earnings Summary						
Earnings Summary						
Earnings Summary	**Earnings Summary**	**June 30, 2024**	**March 31, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Net interest income						
Net interest income						
Net interest income						
Provision for credit losses						
Provision for credit losses						
Provision for credit losses						
Net interest income after provision for credit losses						
Net interest income after provision for credit losses						
Provision (benefit) for credit losses						
Net interest income after provision for credit losses						
Noninterest income						
Noninterest income						
Noninterest income						
Noninterest expense						
Noninterest expense						
Noninterest expense						
Segment income before income taxes						
Segment income before income taxes						
Segment income before income taxes						
Income before income taxes						
Income tax expense						
Income tax expense						
Income tax expense						
Segment net income						
Segment net income						
Segment net income						
Select Period End Balances						
Select Period End Balances						
Net income						
Select Period End Balances						
Loans and leases						
Loans and leases						
Loans and leases						
Deposits						
Deposits						
Deposits						

SVB Commercial segment net income for the current quarter increased $24 million from the linked quarter reflecting higher NII and lower provision for credit losses. quarter. NII increased $31 million due to increases in higher interest income mainly resulting from loan balances and decreases in deposit balances, growth, partially offset by higher interest expense mostly due to deposit costs as customers shifted deposits to higher cost products. growth. The provision for credit losses decreased mainly due $4 million, primarily the result of a mix shift to the global fund banking portfolio, which has lower net charge-offs loss rates relative to our other loan portfolios. Noninterest income and an increase in noninterest expense increased over the benefit from off-balance sheet credit exposure as further linked quarter by $2 million and $3 million, respectively, and are discussed in the sections entitled "Provision for Credit Losses" "Noninterest Income" and "Risk Management—Credit Risk—Allowance for Loan and Lease Losses" in "Noninterest Expense" of this MD&A.

SVB Commercial segment net income for the current YTD increased $223 million compared to the prior YTD. The acquired SVBB operations were reflected in earnings for the current YTD and the partial prior YTD.

Loans totaled $39.85 $41.97 billion at March 31, 2024 June 30, 2024, up an increase from $39.51 $39.85 billion at December 31, 2023. The $2.12 billion increase was due to increases growth in global fund banking loans, partially offset by declines in technology and life science/healthcare loans as paydowns exceeded new originations. investor dependent loans.

Deposits totaled $35.89 billion at June 30, 2024, an increase from $34.01 billion at March 31, 2024, a decline from $34.73 billion at December 31, 2023, as cash usage by clients offset new funding activity. For additional information on deposit trends, refermainly due to the “Funding, Liquidity and Capital Overview” discussion slight improvement in the “Executive Overview” section of this MD&A. macroeconomic environment and increases in client acquisitions.

Rail

Table 17 18
Rail: Financial Data

dollars in millions		
dollars in millions		
dollars in millions	**Three Months Ended**	**Six Months Ended**
Earnings Summary		
Earnings Summary		
Earnings Summary		
Rental income on operating leases		
Rental income on operating leases		
Rental income on operating leases		
Less: depreciation on operating lease equipment		
Less: depreciation on operating lease equipment		
Less: depreciation on operating lease equipment		
Less: maintenance and other operating lease expenses		
Less: maintenance and other operating lease expenses		
Less: maintenance and other operating lease expenses		
Adjusted rental income on operating lease equipment (1)		
Adjusted rental income on operating lease equipment (1)		
Adjusted rental income on operating lease equipment (1)		
Interest expense, net		
Interest expense, net		
Interest expense, net		
Noninterest income		
Noninterest income		
Noninterest income		
Noninterest expense		
Noninterest expense		
Noninterest expense		
Segment income before income taxes		
Segment income before income taxes		
Segment income before income taxes		
Income before income taxes		
Income before income taxes		
Income before income taxes		
Income tax expense		
Income tax expense		
Income tax expense		
Segment net income		
Segment net income		

Segment net income
Net income
Net income
Net income
Select Period End Balances
Select Period End Balances
Select Period End Balances
Loans and leases
Loans and leases
Loans and leases
Operating lease equipment, net
Operating lease equipment, net
Operating lease equipment, net
Deposits
Deposits
Deposits

(1) *Adjusted rental income on operating lease equipment is a non-GAAP measure. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure (rental income on operating leases) to the non-GAAP measure (adjusted rental income on operating lease equipment). measure.*

Rail segment net income, rental income on operating leases and adjusted rental income on operating lease equipment are utilized to measure the profitability of our Rail segment. Adjusted rental income on operating lease equipment is calculated as rental income on operating lease equipment reduced by depreciation, maintenance and other operating lease expenses. Maintenance and other operating lease expenses relate to equipment ownership and leasing costs associated with the portfolio and tend to be variable. Due to the nature of our portfolio, which is essentially all operating lease equipment, certain financial measures commonly used by banks, such as NII, are not as meaningful for this segment. NII is not used because it includes the impact of debt costs funding our operating lease assets but excludes the associated net rental income.

Rail segment net income, rental income on operating leases and adjusted rental income on operating leases lease equipment for the current quarter were $33 million $21 million, $198 million $201 million, and $103 million $90 million, respectively. Rail segment net income for the current quarter increased decreased $12 million from the linked quarter, mostly reflecting lower higher maintenance and other operating lease expenses, along with higher rental income on operating lease equipment. Rental income on operating leases increased, largely as a result of higher utilization, strong re-pricing and a higher number of rail cars owned and leased. Railcar depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Maintenance and other operating lease expenses were lower due to lower repairs and freight charges. expenses. Maintenance and other operating lease expenses tend to be variable due to timing and number of railcars coming on or off lease and the asset condition. Noninterest income primarily reflects net gains on equipment sales. sale of leasing equipment. Rental income on operating leases increased $3 million, largely as a result of growth of our railcar fleet, along with strong re-pricing. Railcar depreciation is recognized on a straight-line basis over the estimated useful life of the asset.

Segment net income for the current YTD compared to the prior YTD increased $14 million, mostly due to higher rental income on operating leases. Adjusted rental income on operating leases for the current YTD compared to the prior YTD increased $45 million due to portfolio growth. See the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.

Our fleet is diverse and the average re-pricing of equipment upon lease maturities was 125.0% 122% of the average prior or expiring lease rate during the first second quarter of 2024. Our railcar fleet is effectively fully utilized. Railcar utilization, including commitments to lease, improved from remain strong at 98.8% at June 30, 2024 and 98.7% at December 31, 2023 to 99.2% at March 31, 2024.

Portfolio

Rail segment customers include all of the U.S. and Canadian Class I railroads (i.e., railroads with annual revenues of approximately $500 million and greater) and other railroads, as well as manufacturers and commodity shippers. Our total operating lease fleet at March 31, 2024 June 30, 2024 consisted of approximately 122,900 123,200 railcars and locomotives.

The following tables reflect the proportion of railcars by type based on units and net investment, and rail operating lease equipment by obligor industry:

Table 18 19
Operating lease Railcar Portfolio by Type (units and net investment)

	March 31, 2024		
	March 31, 2024		
	March 31, 2024		
Railcar Type			
Railcar Type			
	June 30, 2024	**March 31, 2024**	**December 31, 2023**

Railcar Type	Railcar Type	Total Owned Fleet - % Total Units	Total Owned Fleet - % Total Net Investment	Total Owned Fleet - % Total Units	Total Owned Fleet - % Total Net Investment	Total Owned Fleet - % Total Units	Total Owned Fleet - % Total Net Investment
Covered hoppers	Covered hoppers	45 %	42 %	45 %	42 %	45 %	42 %
Covered hoppers							
Covered hoppers							
Tank cars							
Tank cars							
Tank cars							
Mill/ coil gondolas							
Mill/ coil gondolas							
Mill/ coil gondolas							
Coal							
Coal							
Coal							
Boxcars							
Boxcars							
Boxcars							
Other							
Other							
Other							
Total	**Total**	100 %	100 %	100 %	100 %	100 %	100 %
Total							
Total							

Table 19 20
Rail Operating Lease Equipment by Obligor Industry

dollars in millions	*dollars in millions*	**June 30, 2024**			**March 31, 2024**			**December 31, 2023**		
dollars in millions										
dollars in millions										
Manufacturing										
Manufacturing										
Manufacturing	Manufacturing	$ 3,392	41	41 %	$ 3,297	41	41 %	$ 3,281	41	41 %
Rail										
Rail										
Rail										
Wholesale										
Wholesale										
Wholesale										
Oil and gas extraction / services										
Oil and gas extraction / services										
Oil and gas extraction / services										
Energy and utilities										
Energy and utilities										
Energy and utilities										
Other										
Other										
Other										
Total	Total	$ 8,178	100	100 %	$ 8,048	100	100 %	$ 7,966	100	100 %
Total										
Total										

Corporate

Table 20 21
Corporate: Financial Data

dollars in millions

dollars in millions

dollars in millions	**Three Months Ended**	**Six Months Ended**
Earnings Summary		
Earnings Summary		
Earnings Summary		
Net interest income		
Net interest income		
Net interest income		
Provision for credit losses		
Provision for credit losses		
Provision for credit losses		
(Benefit) provision for credit losses		
(Benefit) provision for credit losses		
(Benefit) provision for credit losses		
Net interest income (expense) after provision for credit losses		
Net interest income (expense) after provision for credit losses		
Net interest income (expense) after provision for credit losses		
Noninterest income		
Noninterest income		
Noninterest income		
Noninterest expense		
Noninterest expense		
Noninterest expense		
Segment income before income taxes		
Segment income before income taxes		
Segment income before income taxes		
Income before income taxes		
Income before income taxes		
Income before income taxes		
Income tax expense (benefit)		
Income tax expense (benefit)		
Income tax expense (benefit)		
Segment net income		
Segment net income		
Segment net income		
Net income		
Net income		
Net income		
Select Period End Balances		
Select Period End Balances		
Select Period End Balances		
Deposits		
Deposits		
Deposits		

Current quarter net income for Corporate increased from the linked quarter, as the linked quarter included the previously discussed $83 million adjustment to the gain on acquisition and FDIC insurance special assessment of $64 million.

Current quarter net income and income before income taxes for Corporate decreased $72 million and $97 million, respectively, from the linked quarter.

NII decreased $81 million from the linked quarter, mainly from lower loan discount accretion income related to the SVBB Acquisition and higher interest expense on Direct Bank interest-bearing deposits. The $40 million increase in interest income on investment securities was mostly offset by the $37 a $70 million decrease in interest income on interest-earning deposits at banks. banks, a $22 million decrease in loan accretion income, and a $10 million increase in interest expense on interest-bearing deposits, which were partially offset by an increase in interest income on investment securities. Refer to the "Net Interest Income and Net Interest Margin" section of this MD&A for further discussion.

Corporate noninterest income increased $7 million from the linked quarter, primarily related to a $2 million improvement from the linked quarter for the fair value adjustment on marketable equity securities and a $2 million loss on extinguishment of debt incurred in the linked quarter.

Noninterest expenses were down Corporate noninterest expense increased $23 million from the linked quarter, mainly from decreases in higher personnel costs and increased equipment expense, partially offset by lower acquisition-related expenses and the FDIC insurance special assessment. expense. Acquisition-related expenses were $58 44 million in the current quarter compared to $116 58 million in the linked quarter. FDIC insurance special assessment Noninterest income and noninterest expense accruals were $9 million are discussed in the current quarter sections entitled "Noninterest Income" and$64 million in the linked quarter. Refer to the "Noninterest Expense" section of this MD&A for further discussion. &A.

The Corporate net income for the current YTD decreased $9.15 billion compared to the prior year quarter YTD, which included the gain on acquisition of $9.82 $9.88 billion, and the day 2 provisions for credit losses of $716 million, related to the SVBB Acquisition. and higher acquisition-related expenses. The prior year quarter YTD also included a $4 $3 million provision for investment securities available for sale credit losses.

The income tax rates for the linked and prior year quarters periods were impacted by the gain on acquisition. Refer to the "Income Taxes" section of this MD&A for further discussion.

Corporate deposits primarily consist of deposits in our Direct Bank and brokered deposits. The $667 million decrease from the linked quarter was primarily due to lower brokered deposits.

BALANCE SHEET ANALYSIS

INTEREST-EARNING ASSETS Interest-earning Assets

Interest-earning assets include interest-earning deposits at banks, securities purchased under agreement to resell, investment securities, loans held for sale, and loans and leases, all of which reflect varying interest rates based on the risk level and repricing characteristics of the underlying asset. Higher-risk investments typically carry a higher interest rate, but expose us to higher levels of market and/or credit risk. We strive to maintain a high level of interest-earning assets relative to total assets while keeping non-earning assets at a minimum.

Interest-earning Deposits at Banks
Interest-earning deposits at banks are primarily comprised of interest-bearing deposits with the FRB. Interest-earning deposits at banks as of March 31, 2024 June 30, 2024 totaled $30.79 $25.36 billion, a decrease of $2.82 $8.25 billion or 25% from $33.61 billion at December 31, 2023 and a decrease of $5.43 billion or 18% from $30.79 billion at March 31, 2024. The decrease from December 31, 2023 is related to continued liquidity and funding management as we grew deposits and purchased investment securities.

Securities Purchased Under Agreement to Resell
Securities purchased under agreement to resell at March 31, 2024 June 30, 2024 totaled $394 $392 million, a decrease of $79 $81 million from $473 million at December 31, 2023 and a decrease of $2 million from $394 million at March 31, 2024.

Investment Securities
The primary objective of the investment portfolio is to generate incremental income by deploying excess funds into securities that have minimal liquidity risk and low to moderate interest rate risk and credit risk. Other objectives include acting as a stable source of liquidity, serving as a tool for asset and liability management and maintaining an interest rate risk profile compatible with our objectives. Additionally, purchases of equities and corporate bonds in other financial institutions have been made under a long-term earnings optimization strategy. Changes in the total balance of our investment securities portfolio result from trends in balance sheet funding and market performance. Generally, when inflows arising from deposit and treasury services products exceed loan and lease demand, we invest excess funds into the securities portfolio or into interest-earning deposits at banks. Conversely, when loan demand exceeds growth in deposits and short-term borrowings, we allow interest-earning deposits at banks to decline and use proceeds from maturing securities and prepayments to fund loan growth. Refer to Note 3—Investment Securities and the "Funding, Liquidity and Capital Overview" in the "Executive Overview" section of this MD&A for additional disclosures regarding investment securities.

The carrying value of investment securities at March 31, 2024 June 30, 2024 totaled $35.04 $37.67 billion, an increase of $5.05 $7.67 billion or 17% 26% from $30.00 billion at December 31, 2023 and an increase of $2.62 billion or 8% from $35.04 billion at March 31, 2024. The increase from December 31, 2023 primarily reflected purchases that totaled $6.47 $11.55 billion, which were primarily U.S agency residential mortgage-backed and short-duration U.S. Treasury investment securities, partially offset by maturities and paydowns of $1.58 $3.67 billion. The change also included non-cash items, such as amortization, accretion, and fair value changes for investment securities available for sale and marketable equity securities.

Our portfolio of investment securities available for sale consists of mortgage-backed securities issued by government agencies and government sponsored entities, U.S. Treasury securities, unsecured bonds issued by government agencies and government sponsored entities, corporate bonds, and municipal bonds. Investment securities available for sale are reported at fair value and unrealized gains and losses are included as a component of accumulated other comprehensive income, net of deferred taxes. As of March 31, 2024 June 30, 2024, investment securities available for sale had a net pretax unrealized loss of $876 $906 million, compared to a net pretax unrealized loss of $752 million as of December 31, 2023, reflecting the impacts of market interest rates. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of the investment securities portfolio generally decreases when interest rates increase or when credit spreads widen. Given the consistently strong credit rating of the U.S. Treasury, and the long history of no credit losses on debt securities issued by government agencies and government sponsored entities, no allowance for credit loss was required as of March 31, 2024 June 30, 2024. For corporate bonds, we analyzed the changes in interest rates relative to when the investment securities were purchased or acquired, and considered other factors including changes in credit ratings, delinquencies, and other macroeconomic factors. We determined no allowance for credit loss was required as of March 31, 2024 June 30, 2024.

Our portfolio of investment securities held to maturity consists of similar mortgage-backed securities, U.S. Treasury securities and government agency securities described above, as well as securities issued by the Supranational Entities & Multilateral Development Banks and FDIC guaranteed certificates of deposit with other financial institutions. Given the consistently strong credit rating of the U.S. Treasury and the Supranational Entities & Multilateral Development Banks, and the long history of no credit losses on debt securities issued by government agencies and government sponsored entities, we determined that no allowance for credit loss was required for investment securities held to maturity at March 31, 2024 June 30, 2024.

The following table presents the investment securities portfolio, at March 31, 2024 and December 31, 2023, segregated by major category:

Table 21 22
Investment Securities

dollars in millions

dollars in millions

dollars in millions	March 31, 2024				December 31, 2023	*dollars in millions* June 30, 2024			March 31, 2024			December 31, 2023					
	Composition(1)	Composition(1)	Amortized Cost	Fair Value		Composition(1)	Amortized Cost	Fair Value	Composition(1)	Amortized Cost	Fair Value	Composition(1)	Amortized cost	Fair value	Composition(1)	Amortized Cost	F V
Investment securities available for sale:																	
U.S. Treasury																	
U.S. Treasury																	
U.S. Treasury																	
Government agency																	
Residential mortgage-backed securities																	
Commercial mortgage-backed securities																	
Corporate bonds																	
Municipal bonds																	
Total investment securities available for sale																	
Total investment securities available for sale																	
Total investment securities available for sale																	
Investment in marketable equity securities																	
Investment securities held to maturity:																	

U.S. Treasury
U.S. Treasury
U.S. Treasury
Government agency
Residential mortgage-backed securities
Commercial mortgage-backed securities
Supranational securities
Supranational securities
Supranational securities
Other
Total investment securities held to maturity
Total investment securities

(1) *Calculated as a percentage of the total fair value of investment securities.*

The following table presents the weighted average yields for investment securities available for sale and held to maturity at March 31, 2024 June 30, 2024, segregated by major category with ranges of contractual maturities. The weighted average yield on the portfolio was calculated using security-level annualized yields.

Table 22 23
Weighted Average Yield on Investment Securities

	March 31, 2024					June 30, 2024				
	Within One Year Within One Year	One to Five Years	Five to 10 Years	After 10 Years	Total	Within One Year	One to Five Years	Five to 10 Years	After 10 Years	Total
Investment securities available for sale:										
U.S. Treasury										
U.S. Treasury										
U.S. Treasury	4.30 %	4.41 %	— %	— %	4.35 %	4.25 %	4.48 %	— %	— %	4.37 %
Government agency										
Residential mortgage-backed securities (1)										
Commercial mortgage-backed securities (1)										
Corporate bonds										
Municipal bonds										
Total investment securities available for sale										
Total investment securities available for sale										
Total investment securities available for sale	4.32 %	4.47 %	5.03 %	3.45 %	4.05 %	4.28 %	4.54 %	5.01 %	3.70 %	4.15 %
Investment securities held to maturity:										
Investment securities held to maturity:										

Investment securities held to maturity:

U.S. Treasury											
U.S. Treasury											
U.S. Treasury		— %	1.37 %	1.57 %	— %	1.38 %		— %	1.37 %	1.57 %	— %	1.38 %
Government agency											
Residential mortgage-backed securities (1)											
Commercial mortgage-backed securities (1)											
Supranational securities											
Supranational securities											
Supranational securities											
Other											
Total investment securities held to maturity	Total investment securities held to maturity	1.03 %	1.40 %	1.80 %	2.30 %	2.12 %	Total investment securities held to maturity	1.08 %	1.40 %	1.80 %	2.51 %	2.29 %

(1) *Residential mortgage-backed and commercial mortgage-backed securities, which are not due at a single maturity date, have been included in maturity groupings based on the contractual maturity at March 31, 2024 June 30, 2024. The expected life will differ from contractual maturities because borrowers have the right to prepay the underlying loans.*

Assets Held for Sale

Certain residential mortgage loans and commercial loans are originated with the intent to be sold to investors or lenders, respectively, and are recorded in assets held for sale at fair value. In addition, BancShares may change its strategy for certain loans initially held for investment and decide to sell them in the secondary market. At that time, portfolio loans are transferred to loans held for sale at the lower of cost or fair market value ("LOCOM"). When we decide to sell operating lease equipment, it is transferred to assets held for sale at LOCOM.

Assets held for sale at March 31, 2024 June 30, 2024 were $86 $92 million, an increase of $10 $16 million or 14% 21% from $76 million at December 31, 2023 and an increase of $6 million or 6% from $86 million at March 31, 2024.

Table 23 24
Assets Held for Sale

dollars in millions	*dollars in millions*	March 31, 2024	December 31, 2023	*dollars in millions*	June 30, 2024	March 31, 2024	December 31, 2023
Loans and leases:							
Commercial		$ 33	$ 26		$ 20	$ 33	$ 26
Consumer	Consumer	50	38	Consumer	67	50	38
SVB	SVB	—	9	SVB	—	—	9
Loans and leases	Loans and leases	83	73	Loans and leases	87	83	73
Operating lease equipment	Operating lease equipment	3	3	Operating lease equipment	5		3
Total assets held for sale	Total assets held for sale	$ 86	$ 76	Total assets held for sale	$ 92	$ 86	$ 76

Loans and Leases

We updated our loan classes during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Loan and lease and ALLL disclosures for 2023 periods included in this Form 10-Q were recast to reflect the changes in loan classes.

Loans and leases held for investment at March 31, 2024 June 30, 2024 were $135.37 $139.34 billion, an increase of $2.07 $6.04 billion or 2% 5% from $133.30 billion at December 31, 2023 and an increase of $3.97 billion or 3% from $135.37 billion at March 31, 2024. The increase from December 31, 2023 mostly reflects growth in commercial loans and SVB loans, while consumer loans and SVB loans were modestly higher. The General Bank segment increase of $2.80 billion in commercial loans was led by growth was primarily related to in commercial and business loans in the branch network. The Commercial Bank segment generated growth in many of our industry verticals. industrial loans. Within the SVB loan classes, the $2.46 billion growth in was primarily attributed to the global fund banking portfolio, was partially offset by declines in the technology and life science/healthcare portfolio. investor dependent loans. The consumer loan growth of $784 million was mostly in residential mortgages.

Refer to the "Results by Business Segments" section of this MD&A for further information.

The following table presents loans and leases by loan segment and loan class, and the respective proportion to total loans:

Table 24 25
Loans and Leases

dollars in millions

dollars in millions

dollars in millions	March 31, 2024			December 31, 2023			*dollars in millions* June 30, 2024			March 31, 2024			December 31, 2023
	Balance	Balance	% to Total Loans	Balance	% to Total Loans		Balance		% to Total Loans	Balance		% to Total Loans	
Commercial:													
Commercial construction													
Commercial construction													
Commercial construction	$ 4,062	3	3 %	$ 3,918	3	3 %	$ 4,484	3	3 %	$ 4,062	3	3 %	$ 3,918
Owner occupied commercial mortgage													
Non-owner occupied commercial mortgage													
Commercial and industrial													
Leases													
Total commercial	Total commercial $ 67,601	50	50 %	$ 66,232	50	50 %	Total commercial $ 69,030	50	50 %	$ 67,601	50	50 %	$ 6
Consumer:													
Residential mortgage													
Residential mortgage													
Residential mortgage	$ 22,901	17	17 %	$ 22,776	17	17 %	$ 23,101	16	16 %	$ 22,901	17	17 %	$ 22,776
Revolving mortgage													
Consumer auto													
Consumer other													
Total consumer	Total consumer $ 27,923	21	21 %	$ 27,559	21	21 %	Total consumer $ 28,343	20	20 %	$ 27,923	21	21 %	$ 2
SVB:													
Global fund banking													
Global fund banking													
Global fund banking	$ 26,518	19	19 %	$ 25,553	19	19 %	$ 28,915	20	20 %	$ 26,518	19	19 %	$ 25,553
Investor dependent - early stage													
Investor dependent - growth stage													
Innovation C&I and cash flow dependent													
Total SVB													
Total SVB													
Total SVB	$ 39,846	29	29 %	$ 39,511	29	29 %	$ 41,968	30	30 %	$ 39,846	29	29 %	$ 39,511

Total loans and leases	Total loans and leases	$135,370	100	100 %	$ 133,302	100	100 %	Total loans and leases	$139,341	100	100 %	$135,370	100	100 %	$13
Allowance for loan and lease losses															
Net loans and leases															
Net loans and leases															
Net loans and leases															

The unamortized discount related to acquired loans was $1.90 billion $1.78 billion at March 31, 2024 June 30, 2024, a decrease of $132 million $255 million from $2.04 billion at December 31, 2023 and $123 million from $1.90 billion at March 31, 2024. The decrease from December 31, 2023 reflects accretion of $163 million $308 million, including $35 million $56 million for unfunded commitments, for the six months ended June 30, 2024. The decrease from March 31, 2024 reflects accretion of $145 million, including $20 million for unfunded commitments, for the quarter ended March 31, 2024 June 30, 2024.

OPERATING LEASE EQUIPMENT, NET Operating Lease Equipment, Net

As detailed in the following table, our operating lease portfolio mostly relates to the Rail segment, with the remainder included in the Commercial Bank segment. Refer to the "Results by Business Segment" section of this MD&A for further details on the operating lease equipment portfolios in the Rail and Commercial Bank segments.

Table 25 26
Operating Lease Equipment

dollars in millions
dollars in millions
dollars in millions
Railcars and locomotives
Railcars and locomotives
Railcars and locomotives
Other equipment
Other equipment
Other equipment
Total (1)
Total (1)
Total (1)

(1) *Includes off-lease rail equipment of $164 million at June 30, 2024, $150 million at March 31, 2024, and $253 million at December 31, 2023.*

INTEREST-BEARING LIABILITIES Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing deposits, securities sold under customer repurchase agreements, and borrowings. Interest-bearing liabilities at March 31, 2024 June 30, 2024 totaled $147.87 $148.52 billion, an increase of $4.16 $4.81 billion or 3% from $143.71 billion at December 31, 2023 and an increase of $648 million or less than 1% from $147.87 billion at March 31, 2024. The increase from December 31, 2023 was due to deposit growth. growth as further discussed below.

Deposits

Total deposits at March 31, 2024 June 30, 2024 were $149.61 $151.08 billion, an increase of $3.76 $5.23 billion or 3% 4% from $145.85 billion at December 31, 2023 and an increase of $1.47 billion or 1% from $149.61 billion at March 31, 2024. The increase from December 31, 2023 is mainly attributable to savings deposit growth in our Branch Network, the Direct Bank. Bank, and the SVB Commercial segment. Deposit growth in the SVB Commercial segment was mainly due to slight improvement in the macroeconomic environment and increases in client acquisitions.

The following table summarizes the types of deposits at March 31, 2024 and December 31, 2023. deposits:

Table 26 27
Deposits

dollars in millions
dollars in millions
dollars in millions
Noninterest-bearing demand
Noninterest-bearing demand
Noninterest-bearing demand

Checking with interest
Checking with interest
Checking with interest
Money market
Money market
Money market
Savings
Savings
Savings
Time
Time
Time
Interest-bearing deposits
Interest-bearing deposits
Interest-bearing deposits
Total deposits
Total deposits
Total deposits
Noninterest-bearing deposits to total deposits
Noninterest-bearing deposits to total deposits
Noninterest-bearing deposits to total deposits

We strive to maintain a strong liquidity position, and therefore, a focus on deposit retention remains a key business objective. We believe traditional bank deposit products remain an attractive option for many customers. As economic conditions change, we recognize that our liquidity position could be adversely affected if bank deposits are withdrawn. Our ability to fund future loan growth is significantly dependent on our success in retaining existing deposits and generating new deposits at a reasonable cost.

Deposit Concentrations

BancShares operates a network of more than 600 branches and offices in 30 states as of March 31, 2024 June 30, 2024, predominantly located in the Southeast, Mid-Atlantic, Midwest and Western United States, providing a broad range of financial services to individuals, businesses and professionals. Based on branch location, deposits as of March 31, 2024 June 30, 2024 in North Carolina and South Carolina represented approximately 25.8% 25.4% and 8.0% 7.8%, respectively, of total deposits.

The Direct Bank had $39.81 $39.67 billion or 27% 26.3% of our total deposits as of March 31, 2024 June 30, 2024. The Direct Bank deposits mainly consist of savings deposit accounts.

SVB Commercial segment deposits as of March 31, 2024 June 30, 2024 were $34.01 $35.89 billion or 23% 23.8% of total deposits and are primarily concentrated in online banking. Deposits in the SVB Commercial segment included large dollar accounts with private equity and venture capital clients, primarily in the healthcare technology, life science and technology healthcare industries. Deposit accounts in the SVB Commercial segment with balances in excess of $50 million totaled approximately $4.05 billion $4.87 billion as of March 31, 2024 June 30, 2024.

Uninsured Deposits

Where information is not readily available to determine the amount of deposits not insured by the FDIC, the amount of uninsured deposits is estimated, consistent with the methodologies and assumptions utilized in providing information to our regulators. We estimate total uninsured deposits were $54.85 $57.15 billion, which represented approximately 36.7% 37.8% of total deposits at March 31, 2024 June 30, 2024, compared to $54.15 billion or 37.1% of total deposits at December 31, 2023.

Refer to the “Funding, Liquidity and Capital Overview” and “Results by Business Segment” sections of this MD&A for further discussion of deposit composition, uninsured deposits, and recent deposit trends.

The following table provides the expected maturity of time deposits with balances in excess of $250,000 as of March 31, 2024 June 30, 2024:

Table 27 28
Maturities of Time Deposits In Excess of $250,000

dollars in millions		March 31, June 30, 2024
Time deposits maturing in:		
Three months or less	$	442 686
Over three months through six months		505 649
Over six months through 12 months		579 289
More than 12 months		70 49
Total	$	1,596 1,673

Borrowings

Total borrowings at March 31, 2024 June 30, 2024 were $37.54 billion $37.46 billion, a decrease of $114 million $196 million from $37.65 billion at December 31, 2023 and a decrease of $82 million from $37.54 billion at March 31, 2024. The decrease from December 31, 2023 primarily related to declines in short-term borrowings and redemptions of Capital Trust debentures as shown and declines in securities sold under customer repurchase agreements and the following table. Purchase Money Note payable to the FDIC.

The following table presents borrowings, net of the respective unamortized purchase accounting adjustments and issuance costs:

Table 28 29
Borrowings

dollars in millions
dollars in millions
dollars in millions
Securities sold under customer repurchase agreements
Securities sold under customer repurchase agreements
Securities sold under customer repurchase agreements
Federal Deposit Insurance Corporation
Federal Deposit Insurance Corporation
Federal Deposit Insurance Corporation
3.500% fixed rate note due March 2028 (1)
3.500% fixed rate note due March 2028 (1)
3.500% fixed rate note due March 2028 (1)
Senior Unsecured Borrowings
Senior Unsecured Borrowings
Senior Unsecured Borrowings
2.969% fixed-to-floating rate notes due September 2025 (2)
2.969% fixed-to-floating rate notes due September 2025 (2)
2.969% fixed-to-floating rate notes due September 2025 (2)
6.000% fixed rate notes due April 2036
6.000% fixed rate notes due April 2036
6.000% fixed rate notes due April 2036
Subordinated debt
Subordinated debt
Subordinated debt
6.125% fixed rate notes due March 2028
6.125% fixed rate notes due March 2028
6.125% fixed rate notes due March 2028
4.125% fixed-to-fixed rate notes due November 2029
4.125% fixed-to-fixed rate notes due November 2029
4.125% fixed-to-fixed rate notes due November 2029
3.375% fixed-to-floating rate notes due March 2030
3.375% fixed-to-floating rate notes due March 2030
3.375% fixed-to-floating rate notes due March 2030
SCB Capital Trust I - floating rate debentures due April 2034
SCB Capital Trust I - floating rate debentures due April 2034
SCB Capital Trust I - floating rate debentures due April 2034
FCB/SC Capital Trust II - floating rate debentures due June 2034
FCB/SC Capital Trust II - floating rate debentures due June 2034
FCB/SC Capital Trust II - floating rate debentures due June 2034
Other borrowings
Other borrowings
Other borrowings
Total borrowings
Total borrowings
Total borrowings

(1) *Purchase Money Note was issued in connection with the SVBB Acquisition.*

(2) *Includes a callable feature one year prior to maturity.*

Refer to the “Liquidity Risk” section of this MD&A and Note 11—Borrowings for further information regarding liquidity and borrowings.

Refer to the “Regulatory Considerations” section in Item 1. Business of our 2023 Form 10-K for additional information on an NPR issued by the federal banking agencies discussing, among other items, the proposed requirement to maintain a certain level of long-term debt that would be available to absorb losses in the event of failure. We are in the process of evaluating the proposal and assessing its potential impact, but we expect that we would need to raise additional long-term debt to satisfy these requirements if the NPR is finalized.

RISK MANAGEMENT

Risk is inherent in any business. BancShares has defined a moderate risk appetite and a balanced approach to risk taking with a philosophy that does not preclude higher risk business activities commensurate with acceptable returns while meeting regulatory objectives. Through the comprehensive Risk Management Framework and Risk Appetite Framework and Statement, senior management has primary responsibility for day-to-day management of the risks we face with accountability of and support from all associates. Senior management applies various strategies to reduce the risks to which BancShares may be exposed, with effective challenge and oversight by management committees. Our Board strives to ensure that risk management is a part of our business culture and that our policies and procedures for identifying, assessing, monitoring, and managing risk are part of the decision-making process. The Board’s role in risk oversight is an integral part of our overall Risk Management Framework and Risk Appetite Framework. The Board administers its risk oversight function primarily through its Risk Committee.

The Risk Committee structure is designed to allow for information flow, effective challenge and timely escalation of risk-related issues. The Risk Committee is directed to monitor and advise the full Board regarding risk exposures, including credit, market, capital, liquidity, operational, compliance, asset, strategic, and reputational risks; review, approve and monitor adherence to the Risk Appetite Statement and supporting risk tolerance levels via a series of established metrics; and evaluate, monitor and oversee the adequacy and effectiveness of the Risk Management Framework and Risk Appetite Framework and Statement. The Risk Committee also reviews reports of examination by and communications from regulatory agencies, the results of internal and third-party testing and qualitative and quantitative assessments related to risk management, and any other matters within the scope of the Risk Committee’s oversight responsibilities. The Risk Committee monitors management’s response to certain risk-related regulatory and audit issues. In addition, the Risk Committee may coordinate with the Audit Committee and the Compensation, Nominations and Governance Committee for the review of financial statements and related risks, compensation risk management and other areas of joint responsibility.

In combination with other risk management and monitoring practices, enterprise-wide stress testing activities are conducted within a defined framework. Stress tests are performed for various risks to ensure the financial institution can support continued operations during stressed periods.

BancShares monitors and stress tests its capital and liquidity consistent with the safety and soundness expectations of the federal regulators. Refer to the “Regulatory Considerations” section of Item 1. Business included in our 2023 Form 10-K for further discussion.

BancShares has been assessing the emerging impacts of the international tensions that could impact the economy and exacerbate headwinds of elevated market volatility, global supply chain disruptions, and recessionary pressures as well as operational risks such as those associated with potential cyberattacks for FCB and third parties upon whom it relies. Assessments have not identified material impacts to date, but those assessments will remain ongoing as the conditions continue to exist. BancShares is also assessing the potential risk of an economic slowdown or recession that could create increased credit and market risk having downstream impacts on earnings, capital, and/or liquidity. While economic data continues to be mixed, baseline economic forecasts currently reflect a more marked decline in CRE properties Commercial Real Estate (“CRE”) property values due to current interest rate levels that impacted the ALLL forecasts. Key indicators will continue to be monitored and impacts assessed as part of our ongoing risk management framework.

CREDIT RISK Credit Risk

Credit risk is the risk of not collecting payments pursuant to the contractual terms of loans, leases and certain investment securities. Loans and leases we originate are underwritten in accordance with our credit policies and procedures and are subject to periodic ongoing reviews. Acquired loans, regardless of whether PCD or Non-PCD, are recorded at fair value as of the acquisition date and are subject to periodic reviews to identify any further credit deterioration. Our independent credit review function conducts risk reviews and analyses of both originated and acquired loans to ensure compliance with credit policies and to monitor asset quality trends and borrower financial strength. These reviews include portfolio analysis by geographic location, industry, collateral type, and product. We strive to identify potential problem loans as early as possible, to record charge-offs or write-downs as appropriate and to maintain an appropriate ALLL that accounts for expected losses over the life of the loan and lease portfolios.

Commercial Lending and Leasing

BancShares employs a credit ratings system where each commercial loan is assigned a probability of obligor default (“PD”), loss given default (“LGD”), and/or overall credit rating using scorecards developed to rate each type of transaction incorporating assessments of both quantitative and qualitative factors. When commercial loans and leases are graded during underwriting, or when updated periodically thereafter, a model is run to generate a preliminary risk rating. These models incorporate both internal and external historical default and loss data, as well as other borrower and loan characteristics, to assign a risk rating. The preliminary risk rating assigned by the model can be adjusted as a result of borrower specific facts and circumstances that, in management’s judgment, warrant a modification of the modeled risk rating to arrive at the final approved risk ratings.

Consumer Lending

Consumer lending begins with an evaluation of a consumer borrower’s credit profile against published standards. Credit decisions are made after analyzing quantitative and qualitative factors including to assess the borrower’s ability to repay the loan, and secondary sources of repayment, such as collateral values, and considering the transaction from a judgmental perspective. value.

Consumer products use traditional and measurable standards to document and assess the creditworthiness of a loan applicant. Credit standards follow industry standard documentation requirements. Performance is largely evaluated based on an acceptable pay history along with a quarterly assessment which incorporates current market conditions. Loans may also be monitored during quarterly reviews of the borrower’s refreshed credit score. When warranted, an additional review of the loan-to-value of the underlying collateral may be conducted.

Our ALLL estimate as of March 31, 2024 June 30, 2024 included extensive reviews of the changes in credit risk associated with the uncertainties around macroeconomic forecasts. These loss estimates consider industry risk and the actual net losses incurred during prior periods of economic stress as well as recent credit trends.

Our ALLL methodology was discussed further in our 2023 Form 10-K, in the section entitled “Critical Accounting Estimates” of the MD&A and Note 1—Significant Accounting Policies and Basis of Presentation.

Allowance for Loan and Lease Losses

We updated our loan classes during the first quarter of 2024 as further discussed in Note 1—Significant Accounting Policies and Basis of Presentation. Loan and lease and ALLL disclosures for 2023 periods included in this Form 10-Q were recast to reflect the changes in loan classes.

The ALLL at March 31, 2024 June 30, 2024 was $1.74 billion $1.70 billion, representing a decrease of $10 $47 million from $1.75 billion at December 31, 2023. The ALLL as a percentage of total loans and leases at March 31, 2024 June 30, 2024 was 1.28% 1.22%, compared to 1.31% at December 31, 2023.

The $10 million decrease in the ALLL compared to December 31, 2023 was primarily the result of a mix shift to the global fund banking portfolio, which has lower loss rates relative to our other loan portfolios, lower specific reserves for individually evaluated loans, consistent credit quality, and changes in the macroeconomic forecasts and a decline in specific reserves on individually evaluated loans. forecast.

As presented in Table 31 33, the decrease in the ALLL from December 31, 2023 included an increase of $7 million related to the SVB portfolio and decreases of $6 $23 million, $13 million, and $11 million related to the Commercial, Consumer, and Consumer SVB portfolios, respectively.

While management utilizes its best judgment and information available, the ultimate adequacy of our ALLL is dependent upon a variety of factors beyond our control which are inherently difficult to predict, the most significant being the macroeconomic scenario forecasts that determine the economic variables utilized in the ALLL models. Due to the inherent uncertainty in the macroeconomic forecasts, BancShares utilizes baseline, upside, and downside macroeconomic scenarios and weights the scenarios based on review of variable forecasts for each scenario and comparison to expectations. At March 31, 2024 June 30, 2024, ALLL estimates in these scenarios ranged from approximately $1.42 $1.38 billion, when weighing the upside scenario 100%, to approximately $2.19 $2.14 billion when weighting the downside scenario 100%. BancShares management determined that an ALLL of $1.74 billion $1.70 billion was appropriate as of March 31, 2024 June 30, 2024.

Table 29 30
ALLL for Loans and Leases

dollars in millions	*dollars in millions* Three Months Ended March 31, 2024				*dollars in millions* Three Months Ended June 30, 2024			
	Commercial	**Consumer**	**SVB**	**Total**	**Commercial**	**Consumer**	**SVB**	**Total**
Balance at beginning of period								
Provision (benefit) for loan and lease losses								
Provision for loan and lease losses								
Provision (benefit) for loan and lease losses								
Provision for loan and lease losses								
Provision (benefit) for loan and lease losses								
Provision for loan and lease losses								
Charge-offs								
Charge-offs								
Charge-offs								
Recoveries								
Balance at end of period								
Balance at end of period								
Balance at end of period								
Net charge-off ratio	Net charge-off ratio			0.31 %	Net charge-off ratio			0.38 %
Net charge-offs								
Average loans								
Percent of loans in each category to total loans	Percent of loans in each category to total loans 50 %	21 %	29 %	100 %	Percent of loans in each category to total loans 50 %	20 %	30 %	100 %
	Three Months Ended December 31, 2023							
	Three Months Ended December 31, 2023							
	Three Months Ended December 31, 2023							

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

	Commercial	**Commercial**	**Consumer**	**SVB**	**Total**		**Commercial**	**Consumer**	**SVB**	**Total**
Balance at beginning of period										
Provision for loans and lease losses										
Provision (benefit) for loans and lease losses										
Provision for loans and lease losses										
Provision (benefit) for loans and lease losses										
Provision for loans and lease losses										
Provision (benefit) for loans and lease losses										
Charge-offs										
Recoveries										
Balance at end of period										
Balance at end of period										
Balance at end of period										
Net charge-off ratio	Net charge-off ratio				0.53 %	Net charge-off ratio				0.31 %
Net charge-offs										
Average loans										
Percent of loans in each category to total loans	Percent of loans in each category to total loans	50 %	20 %	30 %	100 %	Percent of loans in each category to total loans	50 %	21 %	29 %	100 %

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended June 30, 2023

Three Months Ended June 30, 2023

Three Months Ended June 30, 2023

	Commercial	**Commercial**	**Consumer**	**SVB**	**Total**		**Commercial**	**Consumer**	**SVB**	**Total**
Balance at beginning of period										
Initial PCD ALLL										
Day 2 provision for loan and lease losses										
Provision for loan and lease losses										
Total provision for loans and lease losses										
Provision (benefit) for loan and lease losses										
Provision (benefit) for loan and lease losses										
Charge-offs										
Recoveries										
Balance at end of period										
Net charge-off ratio	Net charge-off ratio				0.27 %	Net charge-off ratio				0.47 %
Net charge-offs										
Average loans										

Percent of loans in each category to total loans	Percent of loans in each category to total loans	44 %	19 %	37 %	100 %	Percent of loans in each category to total loans 47 %	20 %	33 %	100 %

Table 31
ALLL for Loans and Leases

dollars in millions	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
	Commercial	Consumer	SVB	Total	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 1,126	$ 166	$ 455	$ 1,747	$ 789	$ 133	$ —	$ 922
Initial PCD ALLL	—	—	—	—	14	3	203	220
Day 2 provision for loan and lease losses	—	—	—	—	39	43	380	462
Provision (benefit) for loan and lease losses	125	(5)	68	188	230	1	9	240
Total provision (benefit) for loan and lease losses	125	(5)	68	188	269	44	389	702
Charge-offs	(171)	(13)	(103)	(287)	(124)	(14)	(100)	(238)
Recoveries	23	5	24	52	20	7	4	31
Balance at end of period	$ 1,103	$ 153	$ 444	$ 1,700	$ 968	$ 173	$ 496	$ 1,637
Net charge-off ratio				0.35 %				0.39 %
Net charge-offs	$ 148	$ 8	$ 79	$ 235	$ 104	$ 7	$ 96	$ 207
Average loans				$ 135,565				$ 104,913
Percent of loans in each category to total loans	50 %	20 %	30 %	100 %	47 %	20 %	33 %	100 %

Net charge-offs during the current quarter were $103 $132 million, a decrease an increase of $74 $29 million from $177 $103 million during the linked quarter. The net charge-off ratio was 0.31% 0.38% and 0.53% 0.31% for the current and linked quarters, respectively. The decrease increase in net charge-offs compared to the linked quarter primarily reflects lower higher charge-offs related to in the Equipment Finance and Commercial and SVB portfolios. The declines Finance portfolios in Commercial portfolio commercial loans. In addition, net charge-offs in the current quarter SVB loans were mostly in energy and equipment finance loans. Within the SVB portfolio, the declines in net charge-offs were higher, primarily in early-stage investor dependent loans.

Net charge-offs for the current YTD were $235 million, an increase of $28 million from $207 million in the prior YTD. The increase was primarily related to Equipment Finance and Commercial Finance portfolios in commercial loans, which was partially offset by a decrease in SVB loan net charge-offs.

The following table provides trends in the ALLL ratios:

Table 30 32
ALLL Ratios

dollars in millions

dollars in millions

dollars in millions

ALLL

ALLL

ALLL

Total loans and leases

Total loans and leases

Total loans and leases

ALLL to total loans and leases

ALLL to total loans and leases

ALLL to total loans and leases

Commercial loans and leases:

Commercial loans and leases:

Commercial loans and leases:

ALLL - commercial

ALLL - commercial

ALLL - commercial

Commercial loans and leases

Commercial loans and leases
Commercial loans and leases
Commercial ALLL to commercial loans and leases
Commercial ALLL to commercial loans and leases
Commercial ALLL to commercial loans and leases
Consumer loans:
Consumer loans:
Consumer loans:
ALLL - consumer
ALLL - consumer
ALLL - consumer
Consumer loans
Consumer loans
Consumer loans
Consumer ALLL to consumer loans
Consumer ALLL to consumer loans
Consumer ALLL to consumer loans
SVB loans:
SVB loans:
SVB loans:
ALLL - SVB
ALLL - SVB
ALLL - SVB
SVB loans
SVB loans
SVB loans
SVB ALLL to SVB loans
SVB ALLL to SVB loans
SVB ALLL to SVB loans

A reserve for off-balance sheet credit exposures exposure is established for unfunded commitments and is included in other liabilities, presented in Note 13—Other Liabilities. These unfunded commitments are assessed to determine both the probability of funding as well as the expectation of future losses. BancShares estimates the expected funding amounts and applies its PD and LGD models to those expected funding amounts to estimate the reserve.

The reserve for off-balance sheet credit exposures exposure was $287 million at March 31, 2024 June 30, 2024, a decrease of $29 million compared to $316 million at December 31, 2023. The decrease from December 31, 2023 primarily reflects declines in the volumes of SVB Commercial segment unfunded commitments, mainly in the Innovation C&I portfolios. commitments. Refer to Note 21—Commitments and Contingencies for information relating to off-balance sheet commitments.

The following table presents the ALLL by loan class:

Table 31 33
ALLL by Loan Class

dollars in millions:	ALLL
dollars in millions:	ALLL
dollars in millions:	ALLL
Commercial	
Commercial	
Commercial	
Commercial construction	
Commercial construction	
Commercial construction	

Owner occupied commercial mortgage
Owner occupied commercial mortgage
Owner occupied commercial mortgage
Non-owner occupied commercial mortgage
Non-owner occupied commercial mortgage
Non-owner occupied commercial mortgage
Commercial and industrial
Commercial and industrial
Commercial and industrial
Leases
Leases
Leases
Total commercial
Total commercial
Total commercial
Consumer
Consumer
Consumer
Residential mortgage
Residential mortgage
Residential mortgage
Revolving mortgage
Revolving mortgage
Revolving mortgage
Consumer auto
Consumer auto
Consumer auto
Consumer other
Consumer other
Consumer other
Total consumer
Total consumer
Total consumer
SVB
SVB
SVB
Global fund banking
Global fund banking
Global fund banking
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - early stage
Investor dependent - growth stage
Investor dependent - growth stage
Investor dependent - growth stage
Innovation and cash flow dependent
Innovation and cash flow dependent
Innovation and cash flow dependent
Total SVB
Total SVB
Total SVB

Total ALLL
Total ALLL
Total ALLL

Credit Metrics

Nonperforming Assets

Nonperforming assets include nonaccrual loans and leases, other real estate owned (“OREO”) and repossessed assets. Accounting policies related to nonperforming assets were discussed further in our 2023 Form 10-K, in the section entitled “Credit Metrics” of the MD&A and Note 1—Significant Accounting Policies and Basis of Presentation.

The following table presents total nonperforming assets:

Table 32 34
Non-Performing Assets

dollars in millions
dollars in millions
dollars in millions
Nonaccrual loans:
Nonaccrual loans:
Nonaccrual loans:
Commercial loans
Commercial loans
Commercial loans
Consumer loans
Consumer loans
Consumer loans
SVB loans
SVB loans
SVB loans
Total nonaccrual loans
Total nonaccrual loans
Total nonaccrual loans
Other real estate owned and repossessed assets
Other real estate owned and repossessed assets
Other real estate owned and repossessed assets
Total nonperforming assets
Total nonperforming assets
Total nonperforming assets
ALLL to total loans and leases
ALLL to total loans and leases
ALLL to total loans and leases
Ratio of total nonperforming assets to total loans, leases, other real estate owned and repossessed assets
Ratio of total nonperforming assets to total loans, leases, other real estate owned and repossessed assets
Ratio of total nonperforming assets to total loans, leases, other real estate owned and repossessed assets
Ratio of nonaccrual loans and leases to total loans and leases
Ratio of nonaccrual loans and leases to total loans and leases
Ratio of nonaccrual loans and leases to total loans and leases
Ratio of ALLL to nonaccrual loans and leases
Ratio of ALLL to nonaccrual loans and leases
Ratio of ALLL to nonaccrual loans and leases

Nonaccrual loans and leases at March 31, 2024 June 30, 2024 were $1.07 $1.14 billion, an increase of $105 $172 million from $969 million at December 31, 2023 and an increase of $67 million from $1.07 billion at March 31, 2024. The increase from December 31, 2023 was primarily due to higher non-owner occupied commercial nonaccrual loans, partially offset by lower nonaccrual loans in the consumer portfolio. The increase related to commercial was mostly in the mortgage and commercial and industrial loan class, mainly in the business capital loans, and in the non-owner occupied commercial mortgage loan class. classes. Refer to the “CRE Portfolio” discussion below for further information and Note 4—Loans and Leases for tabular presentation of nonaccrual loans by loan class. Nonaccrual loans in the SVB loans are mostly in the investor dependent portfolios.

OREO and repossessed assets at March 31, 2024 June 30, 2024 was $58 million $64 million, compared to $62 million at December 31, 2023 and $58 million at March 31, 2024. Nonperforming assets as a percentage of total loans, leases, OREO and repossessed assets at March 31, 2024 June 30, 2024 was 0.84% 0.86% compared to 0.77% at December 31, 2023 and 0.84% at March 31, 2024.

Past Due Accounts

The percentage of loans 30 days or more past due at March 31, 2024 June 30, 2024 was 1.12% 1.01% of total loans, compared to 1.16% at December 31, 2023 and 1.12% at March 31, 2024. Delinquency status by loan class is presented in Note 4—Loans and Leases.

CRE Portfolio

Our CRE portfolio is diversified across various property types. The following table provides an overview of the property type exposures within our CRE portfolio:

Table 33 35

Commercial Real Estate Portfolio (1)

dollars in millions	*dollars in millions*	**March 31, 2024**			**December 31, 2023**			*dollars in millions*	**June 30, 2024**			**March 31, 2024**			**December 31, 2023**		
		Balance	**Balance**	**% to Total Loans and Leases**		**Balance**	**% to Total Loans and Leases**			**Balance**	**% to Total Loans and Leases**		**Balance**	**% to Total Loans and Leases**		**Balance**	**% to Total Loans and Leases**
Multi-Family	Multi-Family	$ 5,341	3.94	3.94 %	$ 4,356	3.27	3.27 %	Multi-Family	$ 5,538	3.98	3.98 %	$ 5,341	3.94	3.94 %	$ 4,356	3.27	3.27 %
Medical Office																	
Industrial / Warehouse																	
General Office																	
Industrial / Warehouse																	
Retail																	
Hotel/Motel																	
Retail																	
Retail																	
Hotel / Motel																	
Other																	
Total	Total	$21,136	15.61	15.61 %	$21,252	15.94	15.94 %	Total	$21,816	15.66	15.66 %	$21,136	15.61	15.61 %	$21,252	15.94	15.94 %

(1) *The definition of CRE in these tables is aligned with FRB and FDIC guidance on CRE and includes the following: construction loans, loans where the primary repayment is from third party rental income, and loans not secured by real estate but for the purpose of real estate. These tables exclude the owner occupied commercial mortgage loan class.*

Evolving macroeconomic and social conditions (including the increase in remote working in connection with the COVID-19 pandemic) may result in changes for general office demand moving forward. Select metrics specific to our general office loan portfolio are as follows:

Table 34 36

Select General Office Loan Metrics (1)

dollars in millions	*dollars in millions*	**March 31, 2024**	**December 31, 2023**	*dollars in millions*	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**
% of total loans and leases	% of total loans and leases	2.03 %	2.20 %	% of total loans and leases	1.93 %	2.03 %	2.20 %
% of CRE loans	% of CRE loans	13.02 %	13.77 %	% of CRE loans	12.30 %	13.02 %	13.77 %
Average loan balance							
Net charge-offs (%)	Net charge-offs (%)	2.78 %	3.56 %	Net charge-offs (%)	2.82 %	2.78 %	3.56 %
Delinquencies as a % of total CRE loans	Delinquencies as a % of total CRE loans	12.00 %	13.56 %	Delinquencies as a % of total CRE loans	11.79 %	12.00 %	13.56 %
Non-performing loans as a % of CRE loans	Non-performing loans as a % of CRE loans	15.13 %	11.38 %	Non-performing loans as a % of CRE loans	15.97 %	15.13 %	11.38 %
ALLL ratio	ALLL ratio	5.40 %	4.77 %	ALLL ratio	6.30 %	5.40 %	4.77 %

Concentration Risk

We strive to minimize the risks associated with large concentrations within specific geographic areas, collateral types or industries. Despite our focus on diversification, several characteristics of our loan portfolio subject us to risk, such as our concentrations of real estate secured loans, revolving mortgage loans and healthcare-related loans. Additionally, SVB portfolio loans are concentrated in loans with large balances and loans in certain industries and customer groups, including private equity and venture capital.

Loan concentration data regarding our Commercial, Consumer, and SVB loan portfolios is summarized below.

Commercial Loan Concentrations

Geographic Concentrations

The following table summarizes state concentrations of 5.0% or greater of our loans. Data is based on obligor location.

Table 35 37
Commercial Loans and Leases - Geography

dollars in millions	*dollars in millions*	March 31, 2024			December 31, 2023			*dollars in millions*	June 30, 2024			March 31, 2024			December 31, 2023		
State																	
California																	
California																	
California		$14,118	20.9	20.9 %	$ 13,824	20.9	20.9 %		$14,530	21.0	21.0 %	$14,118	20.9	20.9 %	$13,824	20.9	20.9 %
North Carolina																	
Texas																	
Florida																	
South Carolina																	
All other states																	
Total U.S.	Total U.S.	$65,937	97.5	97.5 %	$ 64,507	97.4	97.4 %	Total U.S.	$67,362	97.6	97.6 %	$65,937	97.5	97.5 %	$64,507	97.4	97.4 %
Total International																	
Total	Total	$67,601	100.0	100.0 %	$ 66,232	100.0	100.0 %	Total	$69,030	100.0	100.0 %	$67,601	100.0	100.0 %	$66,232	100.0	100.0 %

Industry Concentrations

The following table represents loans by industry of obligor:

Table 36 38
Commercial Loans and Leases - Industry

dollars in millions	*dollars in millions*	March 31, 2024			December 31, 2023			*dollars in millions*	June 30, 2024			March 31, 2024			December 31, 2023		
Real Estate	Real Estate	$17,027	25.2	25.2 %	$ 16,610	25.1	25.1 %	Real Estate	$17,327	25.1	25.1 %	$17,027	25.2	25.2 %	$16,610	25.1	25.1 %
Healthcare																	
Business Services																	
Transportation, Communication, Gas, Utilities																	
Manufacturing																	
Wholesale																	
Retail																	
Service Industries																	
Finance and Insurance																	
Other																	
Total	Total	$67,601	100.0	100.0 %	$ 66,232	100.0	100.0 %	Total	$69,030	100.0	100.0 %	$67,601	100.0	100.0 %	$66,232	100.0	100.0 %

Consumer Loan Concentrations

Loan concentrations may exist when multiple borrowers could be similarly impacted by economic or other conditions. The following table summarizes state concentrations greater than 5.0% based on customer address:

Table 37 39
Consumer Loans - Geography

dollars in millions	*dollars in millions*	*dollars in millions*	
State	State	State	
California	California	California	
North Carolina	North Carolina	North Carolina	
South Carolina	South Carolina	South Carolina	
Massachusetts	Massachusetts	Massachusetts	
Other states	Other states	Other states	
Total	Total	Total	

SVB Loans

SVB loan concentrations may exist when there are borrowers engaged in similar activities or types of loans extended to a diverse group of borrowers that could cause those borrowers or portfolios to be similarly impacted by economic or other conditions.

The SVB portfolio is focused on two primary markets, Global Fund Banking includes global fund banking and Technology and Life Science/Healthcare. innovation banking loans.

Global Fund Banking

The Global Fund Banking global fund banking loan portfolio includes loans to clients in the private equity and venture capital community. Global Fund Banking fund banking represented 67% 69% of SVB loans and 20% 21% of total loans at March 31, 2024 June 30, 2024, compared to 65% and 19% at December 31, 2023 and 67% and 20% at March 31, 2024. The vast majority of this portfolio consists of capital call lines of credit, the repayment of which is dependent on the payment of capital calls by the underlying limited partner investors in the funds managed by these firms. These facilities are generally governed by financial covenants oriented towards ensuring that the funds' remaining callable capital is sufficient to repay the loan, and larger commitments (typically provided to larger private equity funds) are typically secured by an assignment of the general partner's right to call capital from the fund's limited partner investors.

Technology and Life Science/Healthcare Innovation Banking

The Technology and Life Science/Healthcare loan portfolio Innovation banking primarily includes loans to technology, life science and healthcare industry clients at in the various stages of their life cycles. The classes of financing receivables for our technology and life science/healthcare market segments loans are classified as Investor Dependent - Early Stage, Investor Dependent - Growth Stage, and Innovation Commercial and Industrial ("Innovation C&I") and Cash Flow Dependent for reporting purposes.

Investor Dependent - Early Stage loans represented 3% of SVB loans and 1% of total loans at March 31, 2024 June 30, 2024, compared to 4% and 1% at December 31, 2023 and 3% and 1% at March 31, 2024. These include loans to pre-revenue, development-stage companies and companies that are in the early phases of commercialization, with revenues of up to $5 million. Repayment of these loans may be dependent upon receipt by borrowers of additional equity financing from venture capital firms or other investors, or in some cases, a successful sale to a third-party or an initial public offering.

Investor Dependent - Growth Stage loans represented 7% 6% of SVB loans and 2% of total loans at March 31, 2024 June 30, 2024, unchanged from compared to 7% and 2% at December 31, 2023 and 7% and 2% at March 31, 2024. These include loans to growth-stage enterprises. Companies with revenues between $5 million and $15 million, or pre-revenue clinical-stage biotechnology companies, are considered to be mid-stage, and companies with revenues in excess of $15 million are considered to be later-stage.

Innovation C&I and Cash Flow Dependent loans represented 23% 22% of SVB loans and 7% of total loans at March 31, 2024 June 30, 2024, compared to 24% and 7% at December 31, 2023 and 23% and 7% at March 31, 2024. This portfolio is comprised of two types of loans, Innovation C&I and Cash Flow Dependent. Innovation C&I includes loans in innovation sectors such as technology, life science and life science/healthcare industries. These loans are dependent on either the borrower's cash flows or balance sheet for repayment. Cash Flow Dependent loans are typically used to assist a select group of private equity sponsors with the acquisition of businesses, and repayment is generally dependent upon the cash flows of the combined entities.

The following table provides a summary of SVB loans by size and class. The breakout below is based on total client balances (individually or in the aggregate) as of March 31, 2024 June 30, 2024:

Table 38 40

SVB Loans by Size and Class

dollars in millions	*dollars in millions*	**Less Than $5 Million**	**$5 to < $10 Million**	**$10 to < $20 Million**	**$20 to < $30 Million**	**> $30 Million**	**Total SVB Loans**	*dollars in millions*	**Less Than $5 Million**	**$5 to < $10 Million**	**$10 to < $20 Million**	**$20 to < $30 Million**	**> $30 Million**	**Total SVB Loans**
Global fund banking														
Investor dependent - early stage														
Investor dependent - growth stage														
Innovation C&I and cash flow dependent														
Total														
Total														
Total														

SVB Loans - State Concentrations

The following table summarizes state concentrations greater than 5.0% within the SVB loans portfolio at March 31, 2024 June 30, 2024, based on borrower location:

Table 39 41

SVB Loans - Geography

dollars in millions	*dollars in millions*	**June 30, 2024**			**March 31, 2024**			**December 31, 2023**		
dollars in millions										
dollars in millions										
State										
State										
State										
California										
California										
California		$ 9,572	22.8	22.8 %	$ 9,152	23.0	23.0 %	$ 9,458	23.9	23.9 %
New York										
New York										
New York										
Massachusetts										
Massachusetts										
Massachusetts										
Connecticut										
Texas										
Texas										
Texas										
Connecticut										
Connecticut										
Connecticut										
All other states										
All other states										
All other states										
Total U.S.										
Total U.S.										
Total U.S.										
Total International										
Total International										
Total International										
Total	Total	$ 41,968	100.0	100.0 %	$ 39,846	100.0	100.0 %	$ 39,511	100.0	100.0 %

Total

Total

COUNTERPARTY RISK **Counterparty Risk**

We enter into interest rate derivatives and foreign exchange forward contracts as part of our overall risk management practices and also on behalf of our clients. We establish risk metrics and evaluate and manage the counterparty risk associated with these derivative instruments in accordance with the comprehensive Risk Management Framework and Risk Appetite Framework and Statement.

Counterparty credit exposure or counterparty risk is a primary risk of derivative instruments, relating to the ability of a counterparty to perform its financial obligations under the derivative contract. We seek to control credit risk of derivative agreements through counterparty credit approvals, pre-established exposure limits and monitoring procedures, which are integrated with our cash and issuer related credit processes.

The applicable Chief Credit Officer, or delegate, approves each counterparty and establishes exposure limits based on credit analysis of each counterparty. Derivative agreements for BancShares' risk management purposes and for the hedging of client transactions are executed with major financial institutions and are settled through the major clearing exchanges, which are rated investment grade by nationally recognized statistical rating agencies. Credit exposure is mitigated via the exchange of collateral between the counterparties covering mark-to-market valuations. Client related derivative transactions, which are primarily related to lending activities, are incorporated into our loan underwriting and reporting processes.

ASSET RISK **Asset Risk**

Asset risk is a form of price risk that is a primary risk of our leasing businesses. This relates to the risk of earning capital arising from changes in the value of owned leasing equipment. Asset risk in our leasing business is evaluated and managed in the divisions and overseen by risk management processes. In our asset-based lending business, we also use residual value guarantees to mitigate or partially mitigate exposure to end of lease residual value exposure on certain of our finance leases. Our business process consists of: (1) setting residual values at transaction inception, (2) systematic periodic residual value reviews, and (3) monitoring levels of residual realizations. Residual realizations, by business and product, are reviewed as part of the quarterly financial and asset quality review. Reviews for impairment are performed at least annually.

In combination with other risk management and monitoring practices, asset risk is monitored through reviews of the equipment markets, including utilization rates and traffic flows; the evaluation of supply and demand dynamics; the impact of new technologies; and changes in regulatory requirements on different types of equipment. At a high level, demand for equipment is correlated with Gross Domestic Product growth trends for the markets the equipment serves, as well as the more immediate conditions of those markets. Cyclicality in the economy and shifts in trade flows due to specific events represent risks to the earnings that can be realized by these businesses. For instance, in the Rail segment, BancShares seeks to mitigate these risks by maintaining a relatively young fleet of assets, which can bolster attractive lease and utilization rates.

MARKET RISK **Market Risk**

Interest rate risk management

BancShares is exposed to the risk that changes in market conditions may affect interest rates and negatively impact earnings. The risk arises from the nature of BancShares' business activities, the composition of BancShares' balance sheet, and changes in the level or shape of the yield curve. BancShares manages this inherent risk strategically based on prescribed guidelines and approved limits.

Interest rate risk can arise from many of BancShares' business activities, such as lending, leasing, investing, deposit taking, derivatives, and funding activities. We evaluate and monitor interest rate risk primarily through two metrics.

- *Net Interest Income Sensitivity* ("NII Sensitivity") measures the net impact of hypothetical changes in interest rates on forecasted NII; and
- *Economic Value of Equity* ("EVE") *Sensitivity* ("EVE Sensitivity") measures the net impact of these hypothetical changes on the value of equity by assessing the economic value of assets, liabilities and off-balance sheet instruments.

BancShares uses a holistic process to measure and monitor both short term and long term risks, which includes, but is not limited to, gradual and immediate parallel rate shocks, changes in the shape of the yield curve, and changes in the relationship of various yield curves. NII Sensitivity generally focuses on shorter term earnings risk, while EVE Sensitivity assesses the longer-term risk of the existing balance sheet.

Our exposure to NII Sensitivity is guided by the Risk Appetite Framework and Statement and a range of risk metrics and BancShares may utilize tools across the balance sheet to adjust its interest rate risk exposures, including through business line actions and actions within the investment, funding and derivative portfolios.

The composition of our interest rate sensitive assets and liabilities generally results in a net asset-sensitive position for NII Sensitivity, whereby our assets will reprice faster than our liabilities.

Our funding sources consist primarily of deposits and we also support our funding needs through wholesale funding sources (including unsecured and secured borrowings).

The deposit rates we offer are influenced by market conditions and competitive factors. Market rates are the key drivers of deposit costs and we continue to optimize deposit costs by improving our deposit mix. Changes in interest rates, expected funding needs, as well as actions by competitors, can affect our deposit taking activities and deposit pricing. We believe our targeted non-maturity deposit customer retention is strong and we remain focused on optimizing our mix of deposits. We regularly assess the effect of deposit rate changes on our balances and seek to achieve optimal alignment between assets and liabilities.

The following table summarizes the results of 12-month NII Sensitivity simulations produced by our asset/liability management system. These simulations assume static balance sheet replacement with like products and implied forward market rates, but also incorporate additional assumptions, including prepayment estimates, pricing estimates, deposit behaviors, and using internal models. The below simulations assume an immediate 100 and 200 bps parallel increase and decrease from the market-based forward curve for March 31, 2024 and December 31, 2023.

current interest rates.

Table 40 42
Net Interest Income Sensitivity Simulation Analysis

		Estimated (Decrease) Increase in NII			Estimated (Decrease) Increase in NII	Estimated (Decrease) Increase in NII	
Change in interest rate (bps)	**Change in interest rate (bps)**	**March 31, 2024**	**December 31, 2023**	**Change in interest rate (bps)**	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**
-200	-200	(16.8) %	(20.1) %	-200	(13.8) %	(16.8) %	(20.1) %
-100							
+100							
+100							
+100							
+200							

NII Sensitivity metrics at March 31, 2024 June 30, 2024, compared to December 31, 2023, were primarily affected by cash deployment into investment securities, and execution of interest rate hedges, as well as higher market rates.

As of March 31, 2024 June 30, 2024, BancShares continues to have an asset sensitive interest rate risk profile and the potential exposure to forecasted earnings was largely driven by the composition of the balance sheet (primarily due to floating rate commercial loans and cash), as well as estimates of modest future deposit betas. Approximately 60%-65% of our loans have floating contractual reference rates, indexed primarily to the Prime Lending Rate and Secured Overnight Financing Rate ("SOFR"). Deposit betas are currently modeled to have a portfolio average of approximately 30%-35% over the twelve-month forecast horizon; including 40%-50% for interest-bearing non-maturity deposits. Deposit beta is the portion of a change in the federal funds rate that is passed on to the deposit rate. Actual deposit betas may be different than modeled, depending on various factors, including liquidity requirements, deposit mix and competitive pressures. Impacts to NII Sensitivity may change due to actual results differing from modeled expectations.

As noted above, EVE Sensitivity supplements NII simulations as it estimates risk exposures beyond a twelve-month horizon. EVE Sensitivity measures the change in the EVE driven by changes in assets, liabilities, and off-balance sheet instruments in response to a change in interest rates. EVE Sensitivity was calculated by estimating the change in the net present value of assets, liabilities, and off-balance sheet items under various rate movements. movements, including utilizing a dynamic rate level dependent modeling approach for our deposit attrition assumption.

The following table presents below simulations assume an immediate 100 and 200 bps parallel increase and decrease from current interest rates and the estimated impact on our EVE profile as of March 31, 2024 and December 31, 2023: profile:

Table 41 43
Economic Value of Equity Modeling Analysis

	Estimated (Decrease) Increase in EVE	
Change in interest rate (bps)	**March 31, 2024**	**December 31, 2023**
-200	(5.3) %	(7.2) %
-100	(2.2)	(3.2)
+100	1.8	2.6
+200	3.3	4.8

The EVE metrics at March 31, 2024 compared to December 31, 2023 were primarily affected by the balance sheet and market rate changes.

	Estimated Increase (Decrease) in EVE
Change in interest rate (bps)	**June 30, 2024**
-200	5.2 %
-100	2.7
+100	(2.5)
+200	(4.6)

In addition to the above reported sensitivities, a wide variety of potential interest rate scenarios are simulated within our asset/liability management system. Scenarios that impact balance sheet composition or the sensitivity to key assumptions are also evaluated.

We use results of our various interest rate risk analyses to formulate and implement asset and liability management strategies, in coordination with the Asset Liability Committee, to achieve the desired risk profile, while managing our objectives for market risk and other strategic objectives. Specifically, we may manage our interest rate risk position through certain pricing strategies and product design for loans and deposits, our investment portfolio, funding portfolio, or by using derivatives to mitigate earnings volatility.

The above sensitivities provide an estimate of our interest rate sensitivity; however, they do not account for potential changes in credit quality, size, mix, or changes in the competition for business in the industries we serve. They also do not account for other business developments and other actions. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations.

Loan Maturity and Loan Interest Rate Sensitivity

The following table provides loan maturity distribution information:

Table 42 44
Loan Maturity Distribution

dollars in millions	*dollars in millions*	**At March 31, 2024, Maturing**						*dollars in millions*	**At June 30, 2024, Maturing**			
	Within One Year	**Within One Year**	**One to Five Years**	**Five to 15 Years**		**After 15 Years**	**Total**	**Within One Year**	**One to Five Years**	**Five to 15 Years**	**After 15 Years**	**Total**
Commercial												
Commercial construction												
Commercial construction												
Commercial construction												
Owner occupied commercial mortgage												
Non-owner occupied commercial mortgage												
Commercial and industrial												
Leases												
Total commercial												
Consumer												
Residential mortgage												
Residential mortgage												
Residential mortgage												
Revolving mortgage												
Consumer auto												
Consumer other												
Total consumer												
SVB												
Global fund banking												
Global fund banking												
Global fund banking												
Investor dependent - early stage												
Investor dependent - growth stage												
Innovation and cash flow dependent												
Total SVB												
Total SVB												
Total SVB												
Total loans and leases												

The following table provides information regarding the sensitivity to changes in interest rates of loans and leases maturing one year or after, as of March 31, 2024 June 30, 2024:

Table 43 45
Loan Interest Rate Sensitivity

dollars in millions	*dollars in millions*	**Loans Maturing One Year or After with**	*dollars in millions*	**Loans Maturing One Year or After with**		
	Fixed Interest Rates	**Fixed Interest Rates**		**Variable Interest Rates**	**Fixed Interest Rates**	**Variable Interest Rates**
Commercial						
Commercial construction						
Commercial construction						
Commercial construction						

Owner occupied commercial mortgage
Non-owner occupied commercial mortgage
Commercial and industrial
Leases
Total commercial
Consumer
Residential mortgage
Residential mortgage
Residential mortgage
Revolving mortgage
Consumer auto
Consumer other
Total consumer
SVB
Global fund banking
Global fund banking
Global fund banking
Investor dependent - early stage
Investor dependent - growth stage
Innovation and cash flow dependent
Total SVB
Total SVB
Total SVB
Total loans and leases

LIQUIDITY RISK Liquidity Risk

Our liquidity risk management and monitoring process is designed to ensure the availability of adequate cash and collateral resources and funding capacity to meet our obligations. Our overall liquidity management strategy is intended to ensure appropriate liquidity to meet expected and contingent funding needs under both normal and stressed environments. Consistent with this strategy, we maintain sufficient amounts of available cash and high quality liquid securities (“HQLS”). HQLS. Additional sources of liquidity include committed credit facilities, repurchase agreements, brokered certificates of deposit issuances, unsecured debt issuances, and cash collections generated by portfolio asset sales to third parties.

We utilize measurement tools to assess and monitor the level and adequacy of our liquidity position, liquidity conditions and trends. We measure and forecast liquidity and liquidity risks under different hypothetical scenarios and across different horizons. We use a liquidity stress testing framework to better understand the range of potential risks and their impacts to which BancShares is exposed. Stress test results inform our business strategy, risk appetite, levels of liquid assets, and contingency funding plans. Also included among our liquidity measurement tools are key risk indicators that assist in identifying potential liquidity risk and stress events.

BancShares maintains a framework to establish liquidity risk tolerances, monitoring, and breach escalation protocol to alert management of potential funding and liquidity risks and to initiate mitigating actions as appropriate. Further, BancShares maintains a contingent funding plan, which details protocols and potential actions to be taken under liquidity stress conditions.

Liquidity includes available cash and HQLS. At March 31, 2024 June 30, 2024 we had $59.33 $56.91 billion of total high-quality liquid assets (27.2% (25.9% of total assets) and $32.90 $31.65 billion of contingent liquidity sources available.

Table 44 46
Liquidity

dollars in millions		March 31, June 30, 2024
Available cash	$	30,027 24,480
High quality High-quality liquid securities (1)		29,304 32,427
Liquid High-quality liquid assets	$	59,331 56,907

Credit Facilities:		**Current Capacity (2)**
FDIC facility (3)	$	12,849 11,335
FHLB facility (4)		14,432 14,684
FRB facility		5,514 5,526
Line of credit		100
Total contingent sources	$	32,895 31,645
Total liquid assets and contingent sources	$	92,226 88,552

(1) *Consists of readily-marketable, unpledged securities, as well as securities pledged but not drawn against at the FHLB and available for sale, and generally is comprised of Treasury and U.S. Agency investment securities held outright or via reverse repurchase agreements.*

(2) *Current capacity is based on the amount of collateral pledged and available for use at March 31, 2024 June 30, 2024.*

(3) *Advance Facility Agreement with the FDIC obtained in connection with SVBB Acquisition and has a maximum capacity of $70 billion, subject to additional collateral pledge requirements. See below for additional details and limits on use.*

(4) *See following table for additional details.*

We fund our operations through deposits and borrowings. Our primary source of liquidity is derived from our various deposit channels, including our branch network Branch Network and Direct Bank. Total deposits at March 31, 2024 June 30, 2024 were $149.61 $151.08 billion, an increase of $3.76 $5.23 billion or 4% from $145.85 billion at December 31, 2023 and an increase of $1.47 billion or 1% from $149.61 billion at March 31, 2024. The increase in deposits from December 31, 2023 primarily reflected is mainly attributable to deposit growth in our Branch Network, the Direct Bank, and the SVB Commercial segment. Deposit growth in the Direct Bank. SVB Commercial segment was mainly due to slight improvement in the macroeconomic environment and increases in client acquisitions.

We use borrowings to diversify the funding of our business operations. Total borrowings at March 31, 2024 June 30, 2024 were $37.54 billion, $37.46 billion, a decrease of $114 million $196 million from $37.65 billion $37.65 billion at December 31, 2023 and a decrease of $82 million from $37.54 billion at March 31, 2024. The decrease in borrowings from December 31, 2023 primarily reflected lower short term borrowings and related to redemptions of the remaining Capital Trust debentures. debentures and declines in securities sold under customer repurchase agreements and the Purchase Money Note payable to the FDIC. In addition to the Purchase Money Note and FHLB advances, borrowings also include senior unsecured notes, securities sold under customer repurchase agreements, and subordinated notes.

Refer to the respective “Deposits” and “Borrowings” subsections in the “Interest-Bearing Liabilities” section of this MD&A for further details.

FHLB Capacity

A source of available funds is advances from the FHLB of Atlanta. We may pledge assets for secured borrowing transactions, which include borrowings from the FHLB and/or FRB, or for other purposes as required or permitted by law. The debt issued in conjunction with these transactions is collateralized by certain discrete receivables, securities, loans, leases and/or underlying equipment. Certain related cash balances are restricted.

Table 45 47
FHLB Balances

dollars in millions				
dollars in millions				
dollars in millions	*dollars in millions*	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**
Total borrowing capacity				
Total borrowing capacity				
Total borrowing capacity				
Less:				
Less:				
Less:				
Advances				
Advances				
Advances				
Letters of credit (1)				
Letters of credit (1)				
Letters of credit (1)				
Available capacity				
Available capacity				

Available capacity
Pledged Non-PCD loans (contractual balance)
Pledged Non-PCD loans (contractual balance)
Pledged Non-PCD loans (contractual balance)

(1) *Letters of credit were established with the FHLB to collateralize public funds.*

FRB Capacity

Under borrowing arrangements with the FRB of Richmond, FCB has access to $5.51 $5.53 billion on a secured basis. There were no outstanding borrowings with the FRB Discount Window at March 31, 2024 June 30, 2024 and December 31, 2023.

FDIC Credit Facility

FCB and the FDIC entered into the Advance Facility Agreement, dated as of March 27, 2023, and effective as of November 20, 2023, providing total advances available through March 27, 2025 of up to $70 billion (subject to the limits described below) solely to provide liquidity to offset deposit withdrawal or runoff of former SVBB deposit accounts and to fund the unfunded commercial lending commitments acquired in the SVBB Acquisition. Borrowings outstanding under the Advance Facility Agreement are limited to an amount equal to the value of loans and other collateral obtained from SVBB plus the value of any other unencumbered collateral agreed by the parties to serve as additional collateral, reduced by the amount of principal and accrued interest outstanding under the Purchase Money Note and the accrued interest on the Advance Facility Agreement. Interest on any outstanding principal amount accrues at a variable rate equal to the three-month weighted average of the Daily Simple SOFR plus 25 bps (but in no event less than 0.00%). The facility had a current capacity of $12.85 $11.34 billion and was not utilized as of March 31, 2024 June 30, 2024. See Note 2—Business Combinations for further discussion.

Contractual Obligations and Commitments

The following table includes significant contractual obligations and commitments as of March 31, 2024 June 30, 2024, representing required and potential cash outflows, including impacts from purchase accounting adjustments and deferred fees. See Note 21—Commitments and Contingencies for additional information regarding commitments. Financing commitments, letters of credit and deferred purchase commitments are presented at contractual amounts and do not necessarily reflect future cash outflows, as many are expected to expire unused or partially used.

Table 46 48
Contractual Obligations and Commitments

dollars in millions	*dollars in millions*	**Payments Due by Period**			*dollars in millions*	**Payments Due by Period**						
	Less than 1 year	**Less than 1 year**	**1-3 years**	**4-5 years**		**Thereafter**	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Thereafter**	**Total**
Contractual obligations:												
Time deposits (1)												
Time deposits (1)												
Time deposits (1)												
Short-term borrowings												
Long-term borrowings (1)(2)												
Total contractual obligations												
Commitments:												
Financing commitments												
Financing commitments												
Financing commitments												
Letters of credit												
Deferred purchase agreements												
Purchase and funding commitments												
Affordable housing partnerships (1)												
Total commitments												

(1) *Time deposits and long-term borrowings are presented net of purchase accounting adjustments of $8 $5 million and $151 $143 million, respectively. On-balance sheet commitments for affordable housing partnerships are included in other liabilities and presented net of a purchase accounting adjustment of $53 $49 million.*

(2) *Less than 1 year balance represents the estimated amortization of the purchase accounting adjustment and deferred costs in excess of scheduled repayments.*

CAPITAL

Capital requirements applicable to BancShares were discussed in “Regulatory Considerations” section in Item 1. Business of our 2023 Form 10-K, including a discussion of an NPR issued by the federal banking agencies regarding enhanced capital requirements.

BancShares’ total consolidated assets are between $100 billion and $250 billion, and, as such, BancShares is required to comply with certain enhanced prudential standards applicable to Category IV banking organizations, subject to the applicable transition periods. However, the proposed interagency rulemaking recently announced in 2023 by the FDIC, the FRB and the Office of the Comptroller of the Currency could alter the capital framework for banks with total assets of $100 billion or more. We are continuing to monitor these proposed rules. For further discussion, refer to the section entitled “Regulatory Considerations” in Item 1. Business of our 2023 Form 10-K.

BancShares maintains a comprehensive capital adequacy process. BancShares establishes internal capital risk limits and warning thresholds, which utilize Risk-Based and Leverage-Based Capital calculations, internal and external early warning indicators, its capital planning process, and stress testing to evaluate BancShares' capital adequacy for multiple types of risk in both normal and stressed environments. The capital management framework requires contingency plans be defined and may be employed at management's discretion.

Common and Preferred Stock Dividends

During the first quarter and second quarters of 2024, we paid a quarterly dividend dividends of $1.64 on the Class A common stock and Class B common stock. On April 24, 2024 July 23, 2024, our Board declared a quarterly dividend on the Class A common stock and Class B common stock of $1.64 per common share. The dividends are payable on June 17, 2024 September 16, 2024 to stockholders of record as of May 31, 2024 August 30, 2024.

During the first quarter and second quarters of 2024, we paid quarterly dividends on our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock as disclosed in Note 15—Stockholders' Equity. On April 24, 2024 July 23, 2024, our Board declared dividends on our Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock in accordance with their terms. The dividends are payable on June 17, 2024 September 16, 2024.

Capital Composition and Ratios

As discussed earlier in this MD&A, in July 2024 the Board authorized a Class A common share repurchase program. See the "Significant Events" section above for more information. The following table details activities that caused the change in outstanding Class A common stock during 2024: through June 30, 2024:

Table 47 49
Changes in Shares of Class A Common Stock Outstanding

	Three Months Ended March 31, 2024
Class A common stock shares outstanding at beginning of period	13,514,933
Restricted stock units vested, net of shares held to cover taxes	9,617
Class A common stock shares outstanding at end of period	13,524,550

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Class A common stock shares outstanding at beginning of period	13,524,550	13,514,933
Restricted stock units vested, net of shares held to cover taxes	—	9,617
Class A common stock shares outstanding at end of period	13,524,550	13,524,550

We also had 1,005,185 Class B common stock outstanding at March 31, June 30, 2024 and December 31, 2023.

We are committed to effectively managing our capital to protect our depositors, creditors and stockholders. We continually monitor the capital levels and ratios for BancShares and FCB to ensure they exceed the minimum requirements imposed by regulatory authorities and to ensure they are appropriate given growth projections, risk profile and potential changes in the regulatory or external environment. Failure to meet certain capital requirements may result in actions by regulatory agencies that could have a material impact on our consolidated financial statements.

In accordance with GAAP, the unrealized gains and losses on certain assets and liabilities, net of deferred taxes, are included in accumulated other comprehensive loss within stockholders' equity. These amounts are excluded from the calculation of our regulatory capital ratios under current regulatory guidelines.

Table 48 50
Analysis of Capital Adequacy

dollars in millions
dollars in millions
dollars in millions

	Amount
	Amount
	Amount
BancShares	
BancShares	
BancShares	
Risk-based capital ratios	
Risk-based capital ratios	
Risk-based capital ratios	
Total risk-based capital	
Total risk-based capital	
Total risk-based capital	

Tier 1 risk-based capital
Tier 1 risk-based capital
Tier 1 risk-based capital
Common equity Tier 1
Common equity Tier 1
Common equity Tier 1
Tier 1 leverage ratio
Tier 1 leverage ratio
Tier 1 leverage ratio
FCB
FCB
FCB
Risk-based capital ratios
Risk-based capital ratios
Risk-based capital ratios
Total risk-based capital
Total risk-based capital
Total risk-based capital
Tier 1 risk-based capital
Tier 1 risk-based capital
Tier 1 risk-based capital
Common equity Tier 1
Common equity Tier 1
Common equity Tier 1
Tier 1 leverage ratio
Tier 1 leverage ratio
Tier 1 leverage ratio

As of March 31, 2024 June 30, 2024, BancShares and FCB had risk-based capital ratio conservation buffers of 7.66% 7.45% and 7.37% 7.05%, respectively, which are in excess of the Basel III conservation buffer of 2.50%. As of December 31, 2023, BancShares and FCB risk-based capital ratio conservation buffers were 7.75% and 7.56%, respectively. The capital ratio conservation buffers represent the excess of the regulatory capital ratios as of March 31, 2024 June 30, 2024 and December 31, 2023 over the Basel III minimum for the ratio that is the binding constraint. Additional Tier 1 capital for BancShares includes perpetual preferred stock.

Additional Tier 2 capital for BancShares and FCB primarily consists of qualifying ALLL and qualifying subordinated debt.

CRITICAL ACCOUNTING ESTIMATES

The ALLL is considered a critical accounting estimate. The ALLL as of March 31, 2024 June 30, 2024 is discussed in Note 5—Allowance for Loan and Lease Losses and in the “Credit Risk” section above.

RECENT ACCOUNTING PRONOUNCEMENTS

The following ASUs Accounting Standards Updates (“ASUs”) were issued by the FASB Financial Accounting Standards Board but are not yet effective for BancShares:

Standard	Summary of Guidance	Effect on BancShares' Financial Statements
ASU No. 2023-09 - Income Taxes (Topic 740): Improvements to Income Tax Disclosures Issued December 2023	This ASU enhances income tax disclosure requirements primarily by requiring disclosure of specific categories in the rate reconciliation table and disaggregation of income taxes paid by jurisdiction.	Effective for BancShares beginning with our financial statements for the year ending December 31, 2025. Early adoption is permitted and this ASU allows for adoption on a prospective basis, with a retrospective option permitted to prior periods presented. We are currently evaluating the impact of this ASU on our income tax footnote disclosures.
ASU No. 2023-07 - Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures Issued November 2023	This ASU expands reportable segment disclosure requirements primarily through enhanced disclosures of significant segment expenses that are regularly provided to the chief operating decision maker and disclosure of the amount and composition of other segment items. Other segment items are the amount that reconciles segment revenues, less significant expenses, to segment profit or loss by reportable segment.	Effective for BancShares beginning with our financial statements for the year ending December 31, 2024, and for interim periods beginning in 2025. Early adoption is permitted, and retrospective application is required for all periods presented. We are currently evaluating the impact of the ASU on our segment footnote disclosures.

NON-GAAP FINANCIAL MEASUREMENTS

BancShares provides certain non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. A non-GAAP financial measure is a numerical measure of a company's historical or future financial performance or financial position that may either exclude or include amounts or is adjusted in some way to the effect of including or excluding amounts, as compared to the most directly comparable measure calculated and presented in accordance with GAAP financial statements. BancShares' management believes that non-GAAP financial measures, when reviewed in conjunction with GAAP financial information, can provide transparency about, or an alternate means of assessing, its operating results and financial position to its investors, analysts and management. These non-GAAP measures should be considered in addition to, and not superior to or a substitute for, GAAP measures presented in BancShares' consolidated financial statements and other publicly filed reports. In addition, our non-GAAP measures may be different from or inconsistent with non-GAAP financial measures used by other institutions.

Whenever we refer to a non-GAAP financial measure we will generally define and present the most directly comparable financial measure calculated and presented in accordance with GAAP, along with a reconciliation between the GAAP financial measure and the non-GAAP financial measure. We describe each of these measures below and explain why we believe the measure to be useful.

Adjusted Rental Income on Operating Lease Equipment for Rail Segment

Adjusted rental income on operating lease equipment within the Rail segment is calculated as rental income on operating leases less depreciation and maintenance. This metric allows us to monitor the performance and profitability of the rail leases after deducting direct expenses.

The following table details a reconciliation of rental income on operating leases to adjusted rental income on operating lease equipment:

Table 50 51

Rail Segment

dollars in millions	*dollars in millions*		**Three Months Ended**		**Six Months Ended**	
dollars in millions						
dollars in millions						
	March 31, 2024					
	March 31, 2024					
	March 31, 2024					
Rental income on operating leases (GAAP)						
Rental income on operating leases (GAAP)						
		June 30, 2024	**March 31, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Rental income on operating leases (GAAP)						
Less: depreciation on operating lease equipment						
Less: depreciation on operating lease equipment						
Less: depreciation on operating lease equipment						
Less: maintenance and other operating lease expenses						
Less: maintenance and other operating lease expenses						
Less: maintenance and other operating lease expenses						
Adjusted rental income on operating lease equipment (non-GAAP)						
Adjusted rental income on operating lease equipment (non-GAAP)						
Adjusted rental income on operating lease equipment (non-GAAP)						

NIM, Excluding PAA

NIM, excluding PAA, is calculated by dividing annualized NII, excluding PAA, by average interest-earning assets. Loan PAA income is primarily related to the loan discount in the SVBB Acquisition. Other PAA is primarily related to the discount on the Purchase Money Note payable to the FDIC for the SVBB Acquisition and the premium on deposits assumed in the acquisition of CIT Group Inc.

NIM, excluding PAA, is a meaningful metric as it allows us to analyze NIM trends more directly related to the rates of the underlying interest earning-assets and interest-bearing liabilities.

The following table includes a reconciliation from NIM to NIM, excluding PAA:

Table 52
NIM, Excluding PAA

dollars in millions		Three Months Ended			Six Months Ended	
		June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net interest income (GAAP)	a	$ 1,821	$ 1,817	$ 1,961	$ 3,638	$ 2,811
Loan PAA income	b	145	163	243	308	260
Other PAA (expense) income	c	(5)	(4)	4	(10)	17
Total PAA	d = (b+c)	140	159	247	298	277
Net interest income, excluding PAA (non-GAAP)	e = (a-d)	$ 1,681	$ 1,658	$ 1,714	$ 3,340	$ 2,534
Annualized net interest income (GAAP)	f = a annualized	$ 7,322	$ 7,308	$ 7,865	$ 7,315	$ 5,668
Annualized net interest income, excluding PAA (non-GAAP)	g = e annualized	6,760	6,670	6,875	6,715	5,109
Average interest-earning assets	h	$ 200,705	$ 198,587	$ 191,215	$ 199,646	$ 146,154
Net interest margin (GAAP)	f/h	3.64 %	3.67 %	4.11 %	3.66 %	3.87 %
Net interest margin, excluding PAA (non-GAAP)	g/h	3.36	3.35	3.59	3.36	3.49

Forward-Looking Statements

Statements in this Form 10-Q contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the financial condition, results of operations, business plans, asset quality, future performance, and other strategic goals of BancShares. Words such as “anticipates,” “believes,” “estimates,” “expects,” “predicts,” “forecasts,” “intends,” “plans,” “projects,” “targets,” “designed,” “could,” “may,” “should,” “will,” “potential,” “continue,” “aims” or other similar words and expressions are intended to identify these forward-looking statements. These forward-looking statements are based on BancShares’ current expectations and assumptions regarding BancShares’ business, the economy, and other future conditions.

Because forward-looking statements relate to future results and occurrences, they are subject to inherent risks, uncertainties, changes in circumstances and other factors that are difficult to predict. Many possible events or factors could affect BancShares’ future financial results and performance and could cause actual results, performance or achievements of BancShares to differ materially from any anticipated results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, general competitive, economic, political (including the upcoming U.S. election), geopolitical events (including conflicts in Ukraine and the Middle East) and market conditions, including changes in competitive pressures among financial institutions and the impacts related to or resulting from recent bank failures, the risks and impacts of future bank failures and other volatility in the banking industry, public perceptions of our business practices, including our deposit pricing and acquisition activity, the financial success or changing conditions or strategies of BancShares’ vendors or customers, including changes in demand for deposits, loans and other financial services, fluctuations in interest rates, changes in the quality or composition of BancShares’ loan or investment portfolio, actions of government regulators, including recent interest rate hikes and any changes by the FRB, changes to estimates of future costs and benefits of actions taken by BancShares, BancShares’ ability to maintain adequate sources of funding and liquidity, the potential impact of decisions by the FRB on BancShares’ capital plans, adverse developments with respect to U.S. or global economic conditions, including significant turbulence in the capital or financial markets, the impact of any sustained or elevated inflationary environment, the impact of any cyberattack, information or security breach, the impact of implementation and compliance with current or proposed laws, regulations and regulatory interpretations, including potential increased regulatory requirements, limitations, and costs, such as FDIC special assessments, increases to FDIC deposit insurance premiums and the recently proposed interagency rule on regulatory capital, along with the risk that such laws, regulations and regulatory interpretations may change, the availability of capital and personnel, and the risks associated with BancShares’ previous acquisition transactions, including the SVBB Acquisition and the previously completed transaction with CIT Group Inc., or any future transactions.

Except to the extent required by applicable laws or regulations, BancShares disclaims any obligation to update forward-looking statements or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events or developments. Additional factors which could affect the forward-looking statements can be found in BancShares’ Annual Report on the 2023 Form 10-K for the fiscal year ended December 31, 2023 and its other filings with the SEC.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the potential economic loss resulting from changes in market prices and interest rates. This risk can either result in diminished current fair values of financial instruments or reduced NII in future periods. Changes in fair value that result from movement in market rates cannot be predicted with any degree of certainty. Therefore, the impact that future changes in market rates will have on the fair values of financial instruments is uncertain.

The information required by this Item 3. Quantitative and Qualitative Disclosures about Market Risk is set forth in the "Risk Management" section of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I of this Form 10-Q.

Item 4. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision of and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as of March 31, 2024 June 30, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that we are able to record, process, summarize and report in a timely manner the information required to be disclosed in the reports we file under the Exchange Act.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

We review our internal controls over financial reporting on an ongoing basis and make changes intended to ensure the quality of our financial reporting. The evaluation of the changes to processes, information technology systems and other components of internal control over financial reporting related to the SVBB Acquisition is ongoing. Otherwise, there were no changes in our internal control over financial reporting during the three months ended March 31, 2024 June 30, 2024 that have materially affected, or are reasonably likely to materially affect, BancShares' internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Parent Company and certain of its subsidiaries are named as defendants in various legal actions arising from our normal business activities in which damages in various amounts were claimed. Although the amount of any ultimate liability with respect to those matters cannot be determined, in the opinion of management, no legal actions currently exist that would be material to BancShares' consolidated financial statements. Additional information relating to legal proceedings is set forth in Note 21—Commitments and Contingencies, of BancShares' Notes to Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes in the risk factors during 2024 from those reported in our 2023 Form 10-K. For a discussion of the risks and uncertainties that management believes are material to an investment in us, refer to *Part I, Item 1A. Risk Factors*, of our 2023 Form 10-K, and *Forward-Looking Statements* of this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) There were no repurchases of our stock during the three months ended March 31, 2024 June 30, 2024.

On July 25, 2024, BancShares announced that the Board had authorized a share repurchase program, which will allow BancShares to repurchase shares of its Class A common stock in an aggregate amount up to $3.5 billion through December 31, 2025.

Under the newly authorized share repurchase program, shares of BancShares' Class A common stock may be purchased from time to time on the open market or in privately negotiated transactions, including through a Rule 10b5-1 plan, but the Board's action does not obligate BancShares to repurchase any minimum or particular number of shares, and repurchases may be suspended or discontinued at any time (subject to the terms of any Rule 10b5-1 plan in effect) without prior notice.

Item 5. Other Information.

During the first second quarter of 2024, none of BancShares' directors or officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

31.1	Certification of Chief Executive Officer (filed herewith)
31.2	Certification of Chief Financial Officer (filed herewith)
32.1	Certification of Chief Executive Officer (filed herewith)
32.2	Certification of Chief Financial Officer (filed herewith)
*101.INS	Inline XBRL Instance Document (filed herewith)
*101.SCH	Inline XBRL Taxonomy Extension Schema (filed herewith)
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase (filed herewith)
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase (filed herewith)
*101.DEF	Inline XBRL Taxonomy Definition Linkbase (filed herewith)
*104	Cover Page Interactive Data File (embedded within the Inline XBRL document filed as Exhibit 101)
*	Interactive data files are furnished but not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	May 9, August 8, 2024		First Citizens BancShares, Inc.
			(Registrant)
		By:	/s/ Craig L. Nix
			Craig L. Nix
			Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Frank B. Holding, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Citizens BancShares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (i) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (ii) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(iii) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(iv) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

(i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2024 August 8, 2024

/s/ Frank B. Holding, Jr.

Frank B. Holding, Jr.

Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Craig L. Nix, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of First Citizens BancShares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(i) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(ii) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(iii) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(iv) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024 August 8, 2024

/s/ Craig L. Nix
Craig L. Nix
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

The undersigned hereby certifies that (i) the Form 10-Q filed by First Citizens BancShares, Inc. (the "Issuer") for the period ended March 31, 2024 June 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

May 9, August 8, 2024

/s/ Frank B. Holding, Jr.
Frank B. Holding, Jr.
Chief Executive Officer

Exhibit 32.2

CERTIFICATION

The undersigned hereby certifies that (i) the Form 10-Q filed by First Citizens BancShares, Inc. (the "Issuer") for the period ended March 31, 2024 June 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in that report fairly presents, in all material respects, the financial condition and results of operations of the Issuer on the dates and for the periods presented therein.

May 9, August 8, 2024

/s/ Craig L. Nix

Craig L. Nix

Chief Financial Officer

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