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 September 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—12,984,310 shares
Class B Common Stock—1,005,185 shares
(Number of shares outstanding, by class, as of October 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	LOCOM	Lower of the Cost or Market Value
AOCI	Accumulated Other Comprehensive Income	MD&A	Management's Discussion and Analysis
ASC	Accounting Standards Codification	MSRs	Mortgage Servicing Rights
ASU	Accounting Standards Update	NCCOB	North Carolina Commissioner of Banks
BHC	Bank Holding Company	NII	Net Interest Income
bps	Basis point(s); 1 bp = 0.01%	NII Sensitivity	Net Interest Income Sensitivity
CODM	Chief Operating Decision Maker	NIM	Net Interest Margin
CRA	Community Reinvestment Act of 1977	NPR	Notice of Proposed Rulemaking
CRE	Commercial Real Estate	OREO	Other Real Estate Owned
DPA	Deferred Purchase Agreement	PAA	Purchase Accounting Accretion or Amortization
DTAs	Deferred Tax Assets	PAM	Proportional Amortization Method
ETR	Effective Income Tax Rate	PCD	Purchased Credit Deteriorated
EVE Sensitivity	Economic Value of Equity Sensitivity	PD	Probability of Obligor Default
FASB	Financial Accounting Standards Board	ROU	Right of Use
FCB	First-Citizens Bank & Trust Company	SBA	Small Business Administration
FDIC	Federal Deposit Insurance Corporation	SEC	Securities and Exchange Commission
FHLB	Federal Home Loan Bank	SOFR	Secured Overnight Financing Rate
FOMC	Federal Open Market Committee	SVB	Silicon Valley Bank
FRB	Board of Governors of the Federal Reserve System or Federal Reserve Bank	SVBB	Silicon Valley Bridge Bank, N.A.
GAAP	United States Generally Accepted Accounting Principles	TMT	Technology Media and Telecommunications
HQLS	High-Quality Liquid Securities	UPB	Unpaid Principal Balance
ISDA	International Swaps and Derivatives Association	VIE	Variable Interest Entity
LGD	Loss Given Default		

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

dollars in millions, except share data	September 30, 2024	December 31, 2023
Assets		
Cash and due from banks	$ 862	$ 908
Interest-earning deposits at banks	25,640	33,609
Securities purchased under agreements to resell	455	473
Investment in marketable equity securities (cost of $70 at September 30, 2024 and $75 at December 31, 2023)	82	84
Investment securities available for sale (cost of $28,502 at September 30, 2024 and $20,688 at December 31, 2023), net of allowance for credit losses	28,190	19,936
Investment securities held to maturity (fair value of $9,168 at September 30, 2024 and $8,503 at December 31, 2023)	10,391	9,979
Assets held for sale	68	76
Loans and leases	138,695	133,302
Allowance for loan and lease losses	(1,678)	(1,747)
Loans and leases, net of allowance for loan and lease losses	137,017	131,555
Operating lease equipment, net	9,186	8,746
Premises and equipment, net	1,974	1,877
Goodwill	346	346
Other intangible assets, net	265	312
Other assets	6,091	5,857
Total assets	$ 220,567	$ 213,758
Liabilities		
Deposits:		
Noninterest-bearing	$ 39,396	$ 39,799
Interest-bearing	112,178	106,055
Total deposits	151,574	145,854
Credit balances of factoring clients	1,250	1,089
Borrowings:		
Short-term borrowings	391	485
Long-term borrowings	36,770	37,169
Total borrowings	37,161	37,654
Other liabilities	7,754	7,906
Total liabilities	197,739	192,503
Stockholders' equity		
Preferred stock - $0.01 par value (20,000,000 shares authorized at September 30, 2024 and December 31, 2023)	881	881
Common stock:		
Class A - $1 par value (32,000,000 shares authorized at September 30, 2024 and December 31, 2023; 13,174,023 and 13,514,933 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively)	13	14
Class B - $1 par value (2,000,000 shares authorized and 1,005,185 shares issued and outstanding at September 30, 2024 and December 31, 2023)	1	1
Additional paid in capital	3,389	4,108
Retained earnings	18,703	16,742
Accumulated other comprehensive loss	(159)	(491)
Total stockholders' equity	22,828	21,255
Total liabilities and stockholders' equity	$ 220,567	$ 213,758

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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

dollars in millions, except share and per share data	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest income				
Interest and fees on loans	$ 2,430	$ 2,426	$ 7,206	$ 5,796
Interest on investment securities	358	180	970	407
Interest on deposits at banks	350	504	1,176	1,071
Total interest income	3,138	3,110	9,352	7,274
Interest expense				
Deposits	1,004	769	2,907	1,632
Borrowings	338	351	1,011	841
Total interest expense	1,342	1,120	3,918	2,473
Net interest income	1,796	1,990	5,434	4,801
Provision for credit losses	117	192	276	1,126
Net interest income after provision for credit losses	1,679	1,798	5,158	3,675
Noninterest income				
Rental income on operating lease equipment	262	248	776	719
Fee income and other service charges	81	71	233	188
Client investment fees	55	52	159	106
Wealth management services	54	49	157	140
International fees	29	30	87	63
Service charges on deposit accounts	45	44	133	112
Factoring commissions	19	21	55	60
Cardholder services, net	42	41	122	103
Merchant services, net	12	12	36	36
Insurance commissions	14	13	42	40
Realized gain (loss) on sale of investment securities, net	4	(12)	4	(26)
Fair value adjustment on marketable equity securities, net	9	(1)	3	(20)
Gain on sale of leasing equipment, net	5	10	19	18
Gain on acquisition	—	12	—	9,891
Loss on extinguishment of debt	—	—	(2)	—
Other noninterest income	19	25	92	102
Total noninterest income	650	615	1,916	11,532
Noninterest expense				
Depreciation on operating lease equipment	99	95	293	275
Maintenance and other operating lease expenses	59	51	164	163
Salaries and benefits	788	727	2,277	1,922
Net occupancy expense	62	65	182	179
Equipment expense	128	117	368	308
Professional fees	42	12	91	43
Third-party processing fees	55	54	173	139
FDIC insurance expense	31	36	105	76
Marketing expense	20	22	52	78
Acquisition-related expenses	46	121	148	354
Intangible asset amortization	15	17	47	40
Other noninterest expense	111	99	318	266
Total noninterest expense	1,456	1,416	4,218	3,843
Income before income taxes	873	997	2,856	11,364
Income tax expense	234	245	779	412
Net income	$ 639	$ 752	$ 2,077	$ 10,952
Preferred stock dividends	15	15	46	44
Net income available to common stockholders	$ 624	$ 737	$ 2,031	$ 10,908
Earnings per common share				
Basic	$ 43.42	$ 50.71	$ 140.27	$ 750.79
Diluted	$ 43.42	$ 50.67	$ 140.26	$ 750.19
Weighted average common shares outstanding				
Basic	14,375,974	14,528,310	14,480,874	14,527,718
Diluted	14,375,974	14,539,133	14,481,919	14,539,383

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
dollars in millions	**2024**	**2023**	**2024**	**2023**
Net income	$ 639	$ 752	$ 2,077	$ 10,952
Other comprehensive income (loss), net of tax				
Net unrealized gain (loss) on securities available for sale	438	(108)	325	(150)
Net change in unrealized loss on securities available for sale transferred to securities held to maturity	1	—	1	1
Net change in defined benefit pension items	—	—	(8)	4
Net unrealized gain on cash flow hedge derivatives	12	—	14	—
Other comprehensive income (loss), net of tax	$ 451	$ (108)	$ 332	$ (145)
Total comprehensive income	$ 1,090	$ 644	$ 2,409	$ 10,807

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 per 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 June 30, 2024	$ 881	$ 14	$ 1	$ 4,099	$ 18,102	$ (610)	$ 22,487
Net income	—	—	—	—	639	—	639
Other comprehensive income, net of tax	—	—	—	—	—	451	451
Stock based compensation	—	—	—	(4)	—	—	(4)
Repurchased 353,058 shares of Class A common stock	—	(1)	—	(706)	—	—	(707)
Cash dividends declared ($1.64 per common share):							
Class A common stock	—	—	—	—	(21)	—	(21)
Class B common stock	—	—	—	—	(2)	—	(2)
Preferred stock dividends declared:							
Series A	—	—	—	—	(5)	—	(5)
Series B	—	—	—	—	(8)	—	(8)
Series C	—	—	—	—	(2)	—	(2)
Balance at September 30, 2024	$ 881	$ 13	$ 1	$ 3,389	$ 18,703	$ (159)	$ 22,828
Balance at June 30, 2023	$ 881	$ 14	$ 1	$ 4,106	$ 15,541	$ (772)	$ 19,771
Net income	—	—	—	—	752	—	752
Other comprehensive loss, net of tax	—	—	—	—	—	(108)	(108)
Stock based compensation	—	—	—	—	—	—	—
Cash dividends declared ($0.75 per common share):							
Class A common stock	—	—	—	—	(10)	—	(10)
Class B common stock	—	—	—	—	—	—	—
Preferred stock dividends declared:							
Series A	—	—	—	—	(5)	—	(5)
Series B	—	—	—	—	(8)	—	(8)
Series C	—	—	—	—	(3)	—	(3)
Balance at September 30, 2023	$ 881	$ 14	$ 1	$ 4,106	$ 16,267	$ (880)	$ 20,389

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

	Nine Months Ended						
dollars in millions, except per 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	—	—	—	—	2,077	—	2,077
Other comprehensive income, net of tax	—	—	—	—	—	332	332
Stock based compensation	—	—	—	(13)	—	—	(13)
Repurchased 353,058 shares of Class A common stock	—	(1)	—	(706)	—	—	(707)
Cash dividends declared ($4.92 per common share):							
Class A common stock	—	—	—	—	(65)	—	(65)
Class B common stock	—	—	—	—	(5)	—	(5)
Preferred stock dividends declared:							
Series A	—	—	—	—	(14)	—	(14)
Series B	—	—	—	—	(24)	—	(24)
Series C	—	—	—	—	(8)	—	(8)
Balance at September 30, 2024	$ 881	$ 13	$ 1	$ 3,389	$ 18,703	$ (159)	$ 22,828
Balance at December 31, 2022	$ 881	$ 14	$ 1	$ 4,109	$ 5,392	$ (735)	$ 9,662
Net income	—	—	—	—	10,952	—	10,952
Other comprehensive loss, net of tax	—	—	—	—	—	(145)	(145)
Stock based compensation	—	—	—	(3)	—	—	(3)
Cash dividends declared ($2.25 per common share):							
Class A common stock	—	—	—	—	(31)	—	(31)
Class B common stock	—	—	—	—	(2)	—	(2)
Preferred stock dividends declared:							
Series A	—	—	—	—	(14)	—	(14)
Series B	—	—	—	—	(22)	—	(22)
Series C	—	—	—	—	(8)	—	(8)
Balance at September 30, 2023	$ 881	$ 14	$ 1	$ 4,106	$ 16,267	$ (880)	$ 20,389

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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

dollars in millions	Nine Months Ended September 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,077	$10,952
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	276	1,126
Deferred tax (benefit) expense	(127)	110
Depreciation, amortization, and accretion, net	36	(12)
Stock based compensation expense	—	4
Realized (gain) loss on sale of investment securities, net	(4)	26
Fair value adjustment on marketable equity securities, net	(3)	20
(Gain) loss on sale of loans, net	(7)	3
Gain on sale of operating lease equipment, net	(19)	(18)
Loss on sale of premises and equipment, net	1	—
Gain on other real estate owned, net	(6)	(3)
Gain on acquisition	—	(9,891)
Loss on extinguishment of debt	2	—
Origination of loans held for sale	(799)	(503)
Proceeds from sale of loans held for sale	867	475
Impairment of premises and equipment and other assets	—	21
Net change in other assets	(169)	(410)
Net change in other liabilities	(245)	(130)
Other operating activities	(11)	(11)
Net cash provided by operating activities	1,869	1,759
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in interest-earning deposits at banks	7,969	2,322
Purchases of marketable equity securities	(6)	—
Proceeds from sales of investments in marketable equity securities	15	—
Purchases of investment securities available for sale	(13,339)	(8,415)
Proceeds from maturities of investment securities available for sale	5,036	774
Proceeds from sales of investment securities available for sale	695	245
Purchases of investment securities held to maturity	(791)	(213)
Proceeds from maturities of investment securities held to maturity	401	434
Net decrease (increase) in securities purchased under agreements to resell	18	(549)
Net (increase) decrease in loans	(5,606)	6,215
Proceeds from sales of loans	244	290
Net increase in credit balances of factoring clients	161	287
Purchases of operating lease equipment	(793)	(815)
Proceeds from sales of operating lease equipment	149	178
Purchases of premises and equipment	(301)	(197)
Proceeds from sales of other real estate owned	16	15
Cash acquired, net of cash paid as consideration for acquisition	—	810
Proceeds from surrender of bank-owned life insurance policies	—	1,094
Other investing activities	(279)	312
Net cash (used in) provided by investing activities	(6,411)	2,787
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in time deposits	(2,295)	6,238
Net increase (decrease) in demand and other interest-bearing deposits	8,063	(5,658)
Net (decrease) increase in securities sold under customer repurchase agreements	(94)	7
Repayment of short-term borrowings	—	(2,250)
Proceeds from issuance of short-term borrowings	—	500
Repayment of long-term borrowings	(348)	(13,016)
Proceeds from issuance of long-term borrowings	—	9,990
Repurchase of Class A common stock	(700)	—
Cash dividends paid	(116)	(78)
Other financing activities	(14)	(6)
Net cash provided by (used in) financing activities	4,496	(4,273)
Change in cash and due from banks	(46)	273
Cash and due from banks at beginning of period	908	518

Cash and due from banks at end of period	$ 862	$ 791

dollars in millions	Nine Months Ended September 30, 2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$ 4,005	$ 2,443
Income taxes	754	429
Significant non-cash investing and financing activities:		
Transfers of loans to other real estate	1	20
Transfers of premises and equipment to other real estate	5	5
Transfer of assets from held for investment to held for sale	329	309
Transfer of assets from held for sale to held for investment	25	14
Commitments extended during the period on affordable housing investment credits	360	81
Purchase Money Note as consideration for SVBB Acquisition	—	35,808

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.

Refer to 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 reported in the SVB portfolio at December 31, 2023, were 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 reported in the owner occupied commercial mortgage loan class at December 31, 2023, were 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 for additional information.

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 nine months ended September 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, estimates 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. Refer to the "Pledged Assets" section in Note 4—Loans and Leases for additional information.

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 $9.89 billion gain on acquisition in the Consolidated Statements of Income for the nine months ended September 30, 2023 was preliminary as Measurement Period Adjustments were recorded after September 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 approximated fair value.

Investment securities
Fair values for securities were based on quoted market prices, where available. If quoted market prices were not available, fair value estimates were based on observable inputs including quoted market prices for similar instruments, quoted market prices that were not in an active market or other inputs that were observable in the market. In the absence of observable inputs, fair value was 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 is 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 is 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 estimated 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 was calculated as the difference in the alternative cost of funds and the net deposit cost.

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 values of accrued interest receivable and the remaining other assets were determined to approximate book value.

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

Deferred tax liability
The SVBB Acquisition was an asset acquisition for tax purposes and 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 PAM.

The tax treatment of FDIC-assisted acquisitions is complex and subject to interpretations that may result in future adjustments of deferred 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 intangibles
Estimates indicated there was no material value to attribute to the loss indemnification asset or true-up liability. This was 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 $1.34 billion, $334 million and $381 million, respectively, attributable to the SVBB Acquisition were included in BancShares' Consolidated Statement of Income for the nine months ended September 30, 2023.

NOTE 3 — INVESTMENT SECURITIES

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

Amortized Cost and Fair Value - Investment Securities

dollars in millions

	September 30, 2024			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investment securities available for sale				
U.S. Treasury	$ 11,765	$ 78	$ (26)	$ 11,817
Government agency	87	—	(2)	85
Residential mortgage-backed securities	13,201	234	(419)	13,016
Commercial mortgage-backed securities	2,925	25	(172)	2,778
Corporate bonds	507	—	(30)	477
Municipal bonds	17	—	—	17
Total investment securities available for sale	$ 28,502	$ 337	$ (649)	$ 28,190
Investment in marketable equity securities	$ 70	$ 18	$ (6)	$ 82
Investment securities held to maturity				
U.S. Treasury	$ 482	$ —	$ (27)	$ 455
Government agency	1,512	—	(99)	1,413
Residential mortgage-backed securities	4,667	37	(545)	4,159
Commercial mortgage-backed securities	3,429	—	(564)	2,865
Supranational securities	299	—	(25)	274
Other	2	—	—	2
Total investment securities held to maturity	$ 10,391	$ 37	$ (1,260)	$ 9,168
Total investment securities	$ 38,963	$ 392	$ (1,915)	$ 37,440

	December 31, 2023			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Investment securities available for sale				
U.S. Treasury	$ 10,554	$ 34	$ (80)	$ 10,508
Government agency	120	—	(3)	117
Residential mortgage-backed securities	7,154	72	(540)	6,686
Commercial mortgage-backed securities	2,319	9	(197)	2,131
Corporate bonds	529	—	(47)	482
Municipal bonds	12	—	—	12
Total investment securities available for sale	$ 20,688	$ 115	$ (867)	$ 19,936
Investment in marketable equity securities	$ 75	$ 17	$ (8)	$ 84
Investment securities held to maturity				
U.S. Treasury	$ 479	$ —	$ (40)	$ 439
Government agency	1,506	—	(143)	1,363
Residential mortgage-backed securities	4,205	—	(644)	3,561
Commercial mortgage-backed securities	3,489	—	(614)	2,875
Supranational securities	298	—	(35)	263
Other	2	—	—	2
Total investment securities held to maturity	$ 9,979	$ —	$ (1,476)	$ 8,503
Total investment securities	$ 30,742	$ 132	$ (2,351)	$ 28,523

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 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 September 30, 2024, accrued interest receivable for available for sale and held to maturity debt securities was $145 million and $19 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 nine months ended September 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 September 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	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment securities available for sale				
Non-amortizing securities maturing in:				
One year or less	$ 6,014	$ 6,013	$ 5,674	$ 5,658
After one through five years	5,880	5,925	4,996	4,959
After five through 10 years	373	352	408	369
After 10 years	22	21	17	16
Government agency	87	85	120	117
Residential mortgage-backed securities	13,201	13,016	7,154	6,686
Commercial mortgage-backed securities	2,925	2,778	2,319	2,131
Total investment securities available for sale	$ 28,502	$ 28,190	$ 20,688	$ 19,936
Investment securities held to maturity				
Non-amortizing securities maturing in:				
One year or less	$ 186	$ 182	$ 27	$ 26
After one through five years	1,564	1,477	1,636	1,508
After five through 10 years	545	485	622	533
Residential mortgage-backed securities	4,667	4,159	4,205	3,561
Commercial mortgage-backed securities	3,429	2,865	3,489	2,875
Total investment securities held to maturity	$ 10,391	$ 9,168	$ 9,979	$ 8,503

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

Interest and Dividends on Investment Securities

dollars in millions	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest income - taxable investment securities	$ 357	$ 178	$ 967	$ 402
Interest income - nontaxable investment securities	—	2	1	4
Dividend income - marketable equity securities	1	—	2	1
Interest on investment securities	$ 358	$ 180	$ 970	$ 407

Fair value adjustment on marketable equity securities and realized gains and losses on sales of investment securities, net are presented on the Consolidated Statements of Income. The realized gain on sale of marketable equity securities was $4 million for the three and nine months ended September 30, 2024 and $0 million for the respective 2023 periods. The following table presents the gross realized losses on the sales of investment securities available for sale.

Realized Losses on Debt Securities Available For Sale

dollars in millions	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Gross realized gains on sales of investment securities available for sale	$ —	$ —	$ —	$ —
Gross realized losses on sales of investment securities available for sale	—	(12)	—	(26)
Net realized losses on sales of investment securities available for sale	$ —	$ (12)	$ —	$ (26)

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	September 30, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available for sale						
U.S. Treasury	$ 304	$ —	$ 1,370	$ (26)	$ 1,674	$ (26)
Government agency	—	—	85	(2)	85	(2)
Residential mortgage-backed securities	260	(1)	3,816	(418)	4,076	(419)
Commercial mortgage-backed securities	91	(1)	1,314	(171)	1,405	(172)
Corporate bonds	4	—	456	(30)	460	(30)
Total	$ 659	$ (2)	$ 7,041	$ (647)	$ 7,700	$ (649)

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available for sale						
U.S. Treasury	$ 955	$ —	$ 1,919	$ (80)	$ 2,874	$ (80)
Government agency	23	—	94	(3)	117	(3)
Residential mortgage-backed securities	293	(3)	4,073	(537)	4,366	(540)
Commercial mortgage-backed securities	157	(1)	1,386	(196)	1,543	(197)
Corporate bonds	89	(9)	393	(38)	482	(47)
Total	$ 1,517	$ (13)	$ 7,865	$ (854)	$ 9,382	$ (867)

As of September 30, 2024, there were 495 investment securities available for sale with continuous unrealized losses for more than 12 months, of which 424 were government sponsored enterprise-issued mortgage-backed securities, government agency securities, or U.S. treasury securities and the remaining 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 September 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 September 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 September 30, 2024.

There were no debt securities on nonaccrual status as of September 30, 2024 or December 31, 2023.

Investment securities having an aggregate carrying value of $3.82 billion at September 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 PAM. Refer to 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.

Loans by Class

dollars in millions	September 30, 2024	December 31, 2023
Commercial		
Commercial construction	$ 4,924	$ 3,918
Owner occupied commercial mortgage	16,372	15,471
Non-owner occupied commercial mortgage	16,078	14,995
Commercial and industrial	30,867	29,794
Leases	2,020	2,054
Total commercial	70,261	66,232
Consumer		
Residential mortgage	23,237	22,776
Revolving mortgage	2,455	2,165
Consumer auto	1,543	1,442
Consumer other	1,347	1,176
Total consumer	28,582	27,559
SVB		
Global fund banking	27,114	25,553
Investor dependent - early stage	1,128	1,403
Investor dependent - growth stage	2,434	2,897
Innovation C&I and cash flow dependent	9,176	9,658
Total SVB	39,852	39,511
Total loans and leases	$ 138,695	$ 133,302

Refer to Note 1—Significant Accounting Policies and Basis of Presentation for discussion of the changes in loan classes.

At September 30, 2024 and December 31, 2023, accrued interest receivable on loans included in other assets was $615 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 $107 million and $415 million for the three and nine months ended September 30, 2024, including $16 million and $71 million for unfunded commitments, respectively. Discount accretion income, which primarily related to the SVBB Acquisition, was $275 million and $535 million for the three and nine months ended September 30, 2023, including $69 million and $88 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	September 30, 2024	December 31, 2023
Deferred fees, including unamortized costs and unearned fees on non-PCD loans	$ (86)	$ (72)
Net unamortized discount on acquired loans		
Non-PCD	$ 1,577	$ 1,860
PCD	111	176
Total net unamortized discount	$ 1,688	$ 2,036

The aging of the outstanding loans and leases by class at September 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

	September 30, 2024					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total
Commercial						
Commercial construction	$ 42	$ 12	$ 3	$ 57	$ 4,867	$ 4,924
Owner occupied commercial mortgage	37	29	27	93	16,279	16,372
Non-owner occupied commercial mortgage	8	22	379	409	15,669	16,078
Commercial and industrial	126	46	83	255	30,612	30,867
Leases	31	15	10	56	1,964	2,020
Total commercial	244	124	502	870	69,391	70,261
Consumer						
Residential mortgage	132	33	100	265	22,972	23,237
Revolving mortgage	18	6	11	35	2,420	2,455
Consumer auto	11	3	3	17	1,526	1,543
Consumer other	6	3	4	13	1,334	1,347
Total consumer	167	45	118	330	28,252	28,582
SVB						
Global fund banking	—	—	—	—	27,114	27,114
Investor dependent - early stage	2	3	2	7	1,121	1,128
Investor dependent - growth stage	—	3	6	9	2,425	2,434
Innovation C&I and cash flow dependent	14	3	2	19	9,157	9,176
Total SVB	16	9	10	35	39,817	39,852
Total loans and leases	$ 427	$ 178	$ 630	$ 1,235	$ 137,460	$ 138,695

	December 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total
Commercial						
Commercial construction	$ 43	$ 8	$ 2	$ 53	$ 3,865	$ 3,918
Owner occupied commercial mortgage	21	10	47	78	15,393	15,471
Non-owner occupied commercial mortgage	100	188	283	571	14,424	14,995
Commercial and industrial	177	49	116	342	29,452	29,794
Leases	55	15	21	91	1,963	2,054
Total commercial	396	270	469	1,135	65,097	66,232
Consumer						
Residential mortgage	136	33	73	242	22,534	22,776
Revolving mortgage	15	3	11	29	2,136	2,165
Consumer auto	9	3	2	14	1,428	1,442
Consumer other	8	3	4	15	1,161	1,176
Total consumer	168	42	90	300	27,259	27,559
SVB						
Global fund banking	—	—	—	—	25,553	25,553
Investor dependent - early stage	10	12	9	31	1,372	1,403
Investor dependent - growth stage	5	2	7	14	2,883	2,897
Innovation C&I and cash flow dependent	27	3	40	70	9,588	9,658
Total SVB	42	17	56	115	39,396	39,511
Total loans and leases	$ 606	$ 329	$ 615	$ 1,550	$ 131,752	$ 133,302

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 September 30, 2024 and December 31, 2023 are presented below.

Loans on Nonaccrual Status [(1) (2)]

dollars in millions	September 30, 2024		December 31, 2023	
	Nonaccrual Loans	Loans > 90 Days and Accruing	Nonaccrual Loans	Loans > 90 Days and Accruing
Commercial				
Commercial construction	$ 4	$ 3	$ 2	$ 1
Owner occupied commercial mortgage	76	7	60	8
Non-owner occupied commercial mortgage	469	86	411	39
Commercial and industrial	288	24	194	59
Leases	31	1	31	7
Total commercial	868	121	698	114
Consumer				
Residential mortgage	138	7	127	4
Revolving mortgage	22	—	21	—
Consumer auto	7	—	5	—
Consumer other	2	3	1	3
Total consumer	169	10	154	7
SVB				
Global fund banking	—	—	—	—
Investor dependent - early stage	56	—	37	2
Investor dependent - growth stage	35	—	37	—
Innovation C&I and cash flow dependent	116	—	43	—
Total SVB	207	—	117	2
Total loans and leases	$ 1,244	$ 131	$ 969	$ 123

(1) Accrued interest that was reversed when the loan went to nonaccrual status was $11 million for the nine months ended September 30, 2024 and $10 million for the year ended December 31, 2023.
(2) Nonaccrual loans for which there was no related ALLL totaled $303 million at September 30, 2024 and $138 million at December 31, 2023.

Other real estate owned (“OREO”) and repossessed assets were $62 million as of September 30, 2024 and 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 September 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

September 30, 2024									
Risk Classification:	**Term Loans by Origination Year**								
dollars in millions	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Revolving Converted to Term Loans**	**Total**
Commercial construction									
Pass	$ 817	$ 1,746	$ 1,348	$ 369	$ 165	$ 75	$ 125	$ —	$ 4,645
Special Mention	—	27	68	31	7	23	—	—	156
Substandard	—	6	68	9	7	29	—	—	119
Doubtful	—	—	—	4	—	—	—	—	4
Ungraded	—	—	—	—	—	—	—	—	—
Total commercial construction	817	1,779	1,484	413	179	127	125	—	4,924
Owner occupied commercial mortgage									
Pass	1,952	2,443	2,832	2,686	2,245	3,191	195	29	15,573
Special Mention	11	39	28	57	34	94	9	—	272
Substandard	13	33	117	53	60	236	10	1	523
Doubtful	—	—	—	—	—	4	—	—	4
Ungraded	—	—	—	—	—	—	—	—	—
Total owner occupied commercial mortgage	1,976	2,515	2,977	2,796	2,339	3,525	214	30	16,372
Non-owner occupied commercial mortgage									
Pass	2,074	3,106	2,798	2,130	1,721	2,450	110	3	14,392
Special Mention	—	37	332	57	4	118	—	—	548
Substandard	2	1	123	23	137	729	1	—	1,016
Doubtful	—	—	—	—	17	105	—	—	122
Ungraded	—	—	—	—	—	—	—	—	—
Total non-owner occupied commercial mortgage	2,076	3,144	3,253	2,210	1,879	3,402	111	3	16,078
Commercial and industrial									
Pass	7,831	5,341	3,868	2,221	1,250	1,584	6,326	58	28,479
Special Mention	87	49	206	231	8	71	99	—	751
Substandard	105	114	231	133	173	247	373	3	1,379
Doubtful	2	25	40	11	2	23	13	—	116
Ungraded	—	—	—	—	—	—	142	—	142
Total commercial and industrial	8,025	5,529	4,345	2,596	1,433	1,925	6,953	61	30,867
Leases									
Pass	571	558	347	179	112	59	—	—	1,826
Special Mention	8	16	31	12	9	—	—	—	76
Substandard	16	31	24	14	14	9	—	—	108
Doubtful	1	3	3	2	1	—	—	—	10
Ungraded	—	—	—	—	—	—	—	—	—
Total leases	596	608	405	207	136	68	—	—	2,020
Total commercial	$ 13,490	$ 13,575	$ 12,464	$ 8,222	$ 5,966	$ 9,047	$ 7,403	$ 94	$ 70,261

SVB - Risk Classifications by Class

Risk Classification:	Term Loans by Origination Year							Revolving Converted to Term Loans	
	September 30, 2024								
dollars in millions	**2024**	**2023**	**2022**	**2021**	**2020**	**2019 & Prior**	**Revolving**	**Revolving Converted to Term Loans**	**Total**
Global fund banking									
Pass	$ 854	$ 220	$ 162	$ 23	$ 16	$ 14	$ 25,792	$ 17	$ 27,098
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	5	8	2	—	1	—	16
Doubtful	—	—	—	—	—	—	—	—	—
Ungraded	—	—	—	—	—	—	—	—	—
Total global fund banking	854	220	167	31	18	14	25,793	17	27,114
Investor dependent - early stage									
Pass	242	321	157	18	—	—	96	3	837
Special Mention	3	17	1	1	—	—	—	—	22
Substandard	9	69	78	17	—	—	44	—	217
Doubtful	19	15	16	—	—	—	2	—	52
Ungraded	—	—	—	—	—	—	—	—	—
Total investor dependent - early stage	273	422	252	36	—	—	142	3	1,128
Investor dependent - growth stage									
Pass	744	681	415	52	—	—	202	4	2,098
Special Mention	5	15	9	1	—	—	26	—	56
Substandard	26	53	129	17	1	—	18	—	244
Doubtful	8	4	13	9	—	—	2	—	36
Ungraded	—	—	—	—	—	—	—	—	—
Total investor dependent - growth stage	783	753	566	79	1	—	248	4	2,434
Innovation C&I and cash flow dependent									
Pass	1,523	1,781	1,476	465	204	25	2,009	—	7,483
Special Mention	108	169	123	55	4	17	91	—	567
Substandard	112	182	254	157	67	—	242	—	1,014
Doubtful	—	—	7	—	—	—	105	—	112
Ungraded	—	—	—	—	—	—	—	—	—
Total innovation C&I and cash flow dependent	1,743	2,132	1,860	677	275	42	2,447	—	9,176
Total SVB	$ 3,653	$ 3,527	$ 2,845	$ 823	$ 294	$ 56	$ 28,630	$ 24	$ 39,852

Consumer Loans - Delinquency Status by Class

Days Past Due:	September 30, 2024								
	Term Loans by Origination Year								
dollars in millions	2024	2023	2022	2021	2020	2019 & Prior	Revolving	Revolving Converted to Term Loans	Total
Residential mortgage									
Current	$ 1,783	$ 3,046	$ 5,352	$ 5,244	$ 2,988	$ 4,555	$ 4	$ —	$ 22,972
30-59 days	2	9	15	10	14	82	—	—	132
60-89 days	—	—	2	3	4	24	—	—	33
90 days or greater	—	3	7	10	10	70	—	—	100
Total residential mortgage	1,785	3,058	5,376	5,267	3,016	4,731	4	—	23,237
Revolving mortgage									
Current	—	—	—	—	—	—	2,320	100	2,420
30-59 days	—	—	—	—	—	—	13	5	18
60-89 days	—	—	—	—	—	—	1	5	6
90 days or greater	—	—	—	—	—	—	3	8	11
Total revolving mortgage	—	—	—	—	—	—	2,337	118	2,455
Consumer auto									
Current	516	400	311	180	82	37	—	—	1,526
30-59 days	1	3	3	2	1	1	—	—	11
60-89 days	—	2	1	—	—	—	—	—	3
90 days or greater	—	1	1	1	—	—	—	—	3
Total consumer auto	517	406	316	183	83	38	—	—	1,543
Consumer other									
Current	127	172	108	35	6	20	866	—	1,334
30-59 days	1	—	—	—	—	1	4	—	6
60-89 days	—	1	—	—	—	—	2	—	3
90 days or greater	—	—	—	—	—	2	2	—	4
Total consumer other	128	173	108	35	6	23	874	—	1,347
Total consumer	$ 2,430	$ 3,637	$ 5,800	$ 5,485	$ 3,105	$ 4,792	$ 3,215	$ 118	$ 28,582

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

Commercial Loans - Risk Classifications by Class

Risk Classification:	**December 31, 2023**								
	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**								
	2023	**2022**	**2021**	**2020**	**2019**	**2018 & Prior**	**Revolving**	**Revolving Converted to Term Loans**	**Total**
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
Total SVB	$ 4,560	$ 4,548	$ 1,632	$ 513	$ 129	$ 60	$ 27,996	$ 73	$ 39,511

Consumer Loans - Delinquency Status by Class

Days Past Due:	Term Loans by Origination Year								
dollars in millions	2023	2022	2021	2020	2019	2018 & Prior	Revolving	Revolving Converted to Term Loans	Total
	December 31, 2023								
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:

Nine Months Ended September 30, 2024

	Term Loans by Origination Year								
dollars in millions	2024	2023	2022	2021	2020	2019 & Prior	Revolving	Revolving Converted to Term Loans	Total
Commercial									
Owner occupied commercial mortgage	$ —	$ —	$ —	$ —	$ —	$ 8	$ —	$ —	$ 8
Non-owner occupied commercial mortgage	—	—	—	—	19	70	—	—	89
Commercial and industrial	8	33	65	15	4	9	38	1	173
Leases	1	4	4	4	2	2	—	—	17
Total commercial	9	37	69	19	25	89	38	1	287
Consumer									
Residential mortgage	—	—	—	—	—	1	—	—	1
Consumer auto	—	2	1	1	—	—	—	—	4
Consumer other	—	1	1	1	—	1	12	—	16
Total consumer	—	3	2	2	—	2	12	—	21
SVB									
Investor dependent - early stage	—	28	40	18	2	—	6	—	94
Investor dependent - growth stage	—	9	23	9	1	4	1	—	47
Innovation C&I and cash flow dependent	—	2	—	—	—	1	12	—	15
Total SVB	—	39	63	27	3	5	19	—	156
Total loans and leases	$ 9	$ 79	$ 134	$ 48	$ 28	$ 96	$ 69	$ 1	$ 464

Nine Months Ended September 30, 2023

	Term Loans by Origination Year								
dollars in millions	2023	2022	2021	2020	2019	2018 & Prior	Revolving	Revolving Converted to Term Loans	Total
Commercial									
Owner occupied commercial mortgage	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ 1
Non-owner occupied commercial mortgage	—	—	—	—	48	12	—	—	60
Commercial and industrial	5	53	22	7	4	11	26	1	129
Leases	1	7	4	3	1	1	—	—	17
Total commercial	6	60	26	10	53	24	27	1	207
Consumer									
Residential mortgage	—	—	—	—	—	2	—	—	2
Consumer auto	—	1	1	1	—	—	—	—	3
Consumer other	5	1	1	—	—	—	9	—	16
Total consumer	5	2	2	1	—	2	9	—	21
SVB									
Investor dependent - early stage	1	17	18	3	—	—	10	—	49
Investor dependent - growth stage	24	40	17	13	—	—	1	—	95
Innovation C&I and cash flow dependent	7	—	—	40	—	—	18	—	65
Total SVB	32	57	35	56	—	—	29	—	209
Total loans and leases	$ 43	$ 119	$ 63	$ 67	$ 53	$ 26	$ 65	$ 1	$ 437

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 September 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	Total	Percent of Total Loan Class
Commercial							
Owner occupied commercial mortgage	$ 15	$ 1	$ —	8	$ —	$ 24	0.15 %
Non-owner occupied commercial mortgage	30	6	—	—	—	36	0.22
Commercial and industrial	100	—	—	3	1	104	0.34
Total commercial	145	7	—	11	1	164	0.23
Consumer							
Residential mortgage	1	—	—	1	—	2	0.01
Revolving mortgage	1	—	—	—	—	1	0.05
Total consumer	2	—	—	1	—	3	0.01
SVB							
Investor dependent - early stage	—	15	—	—	2	17	1.54
Investor dependent - growth stage	6	19	—	—	6	31	1.29
Innovation C&I and cash flow dependent	40	—	—	—	—	40	0.43
Total SVB	46	34	—	—	8	88	0.22
Total loans and leases	$ 193	$ 41	$ —	$ 12	$ 9	$ 255	0.18 %

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

Amortized Cost of Loans Modified during the three months ended September 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							
Commercial construction	$ 13	$ —	$ —	$ —	$ —	$ 13	0.34 %
Owner occupied commercial mortgage	1	—	—	—	—	1	0.01
Non-owner occupied commercial mortgage	155	—	—	—	—	155	1.09
Commercial and industrial	44	13	—	3	—	60	0.21
Total commercial	213	13	—	3	—	229	0.36
Consumer							
Residential mortgage	3	—	—	—	—	3	0.01
Total consumer	3	—	—	—	—	3	0.01
SVB							
Investor dependent - early stage	2	12	—	6	—	20	1.17
Investor dependent - growth stage	9	14	—	—	—	23	0.58
Innovation C&I and cash flow dependent	20	—	—	—	—	20	0.23
Total SVB	31	26	—	6	—	63	0.15
Total loans and leases	$ 247	$ 39	$ —	$ 9	$ —	$ 295	0.22 %

[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 September 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	36	0.60 %	—	$ —
Owner occupied commercial mortgage	17	1.82	6	—
Non-owner occupied commercial mortgage	7	—	6	—
Commercial and industrial	17	2.61	6	—
Leases	11	—	—	—
Total commercial	15	2.03	6	—
Consumer				
Residential mortgage	47	2.07	11	—
Revolving mortgage	60	5.42	—	—
Consumer auto	31	—	—	—
Consumer other	60	10.54	—	—
Total consumer	52	3.29	11	—
SVB				
Investor dependent - early stage	6	—	7	—
Investor dependent - growth stage	9	—	6	—
Innovation C&I and cash flow dependent	12	—	—	—
Total SVB	11	—	6	—
Total loans and leases	14	2.19 %	6	$ —

Financial Effects of Loan Modifications made during the three months ended September 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	3	— %	—	$ —
Owner occupied commercial mortgage	19	4.25	—	—
Non-owner occupied commercial mortgage	6	—	—	—
Commercial and industrial	14	2.11	7	—
Total commercial	8	2.12	7	—
Consumer				
Residential mortgage	91	5.25	—	—
Revolving mortgage	58	3.40	—	—
Consumer other	36	7.63	—	—
Total consumer	88	4.41	—	—
SVB				
Investor dependent - early stage	10	1.00	5	—
Investor dependent - growth stage	11	—	5	—
Innovation C&I and cash flow dependent	4	—	—	—
Total SVB	7	1.00	5	—
Total loans and leases	9	1.49 %	6	$ —

Amortized Cost of Loans Modified during the nine months ended September 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
Commercial								
Commercial construction	$ 3	$ —	$ —	$ —	$ —	$ —	$ 3	0.06 %
Owner occupied commercial mortgage	36	1	4	9	9	—	59	0.36
Non-owner occupied commercial mortgage	108	6	—	—	26	—	140	0.88
Commercial and industrial	133	24	31	12	1	—	201	0.65
Total commercial	280	31	35	21	36	—	403	0.57
Consumer								
Residential mortgage	7	—	—	1	—	—	8	0.04
Revolving mortgage	4	—	—	1	—	—	5	0.20
Total consumer	11	—	—	2	—	—	13	0.05
SVB								
Investor dependent - early stage	—	23	—	—	17	1	41	3.55
Investor dependent - growth stage	7	55	—	—	16	—	78	3.22
Innovation C&I and cash flow dependent	58	67	—	—	—	—	125	1.36
Total SVB	65	145	—	—	33	1	244	0.61
Total loans and leases	$ 356	$ 176	$ 35	$ 23	$ 69	$ 1	$ 660	0.48 %

[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 $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 nine months ended September 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	$ 14	$ —	$ —	$ —	$ —	$ —	$ 14	0.35 %
Owner occupied commercial mortgage	23	—	2	—	—	—	25	0.15
Non-owner occupied commercial mortgage	327	—	—	—	—	—	327	2.29
Commercial and industrial	106	28	—	3	—	—	137	0.48
Total commercial	470	28	2	3	—	—	503	0.78
Consumer								
Residential mortgage	5	—	—	3	—	—	8	0.04
Total consumer	5	—	—	3	—	—	8	0.03
SVB								
Investor dependent - early stage	3	18	—	6	—	—	27	1.59
Investor dependent - growth stage	9	14	—	—	—	—	23	0.58
Innovation C&I and cash flow dependent	79	—	—	—	—	—	79	0.90
Total SVB	91	32	—	6	—	—	129	0.31
Total loans and leases	$ 566	$ 60	$ 2	$ 12	$ —	$ —	$ 640	0.48 %

[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 nine months ended September 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	15	0.60 %	—	$ —
Owner occupied commercial mortgage	28	1.67	18	—
Non-owner occupied commercial mortgage	20	—	40	—
Commercial and industrial	16	0.71	11	—
Leases	11	—	6	—
Total commercial	20	0.93	26	—
Consumer				
Residential mortgage	70	2.09	11	—
Revolving mortgage	60	4.73	—	—
Consumer auto	29	0.26	—	—
Consumer other	57	9.65	—	—
Total consumer	66	3.41	11	—
SVB				
Investor dependent - early stage	9	2.75	8	—
Investor dependent - growth stage	12	—	8	—
Innovation C&I and cash flow dependent	12	—	12	—
Total SVB	11	2.75	9	—
Total loans and leases	19	1.07 %	14	$ —

Financial Effects of Loan Modifications made during the nine months ended September 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	4	— %	—	$ —
Owner occupied commercial mortgage	14	3.53	—	—
Non-owner occupied commercial mortgage	11	—	—	—
Commercial and industrial	19	2.25	6	—
Total commercial	13	2.66	6	—
Consumer				
Residential mortgage	76	3.52	—	—
Revolving mortgage	57	2.44	—	—
Consumer auto	25	0.70	—	—
Consumer other	54	8.47	—	—
Total consumer	74	3.56	—	—
SVB				
Investor dependent - early stage	9	1.00	5	—
Investor dependent - growth stage	11	—	5	—
Innovation C&I and cash flow dependent	4	—	—	—
Total SVB	5	1.00	5	—
Total loans and leases	13	2.21 %	6	$ —

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 September 30, 2024, there were $39 million of loans modified in the twelve months ended September 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 September 30, 2024)

dollars in millions	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total
Commercial					
Commercial construction	$ 3	$ —	$ —	$ —	$ 3
Owner occupied commercial mortgage	50	—	9	2	61
Non-owner occupied commercial mortgage	156	1	—	16	173
Commercial and industrial	201	1	—	2	204
Total commercial	410	2	9	20	441
Consumer					
Residential mortgage	9	1	2	4	16
Revolving mortgage	6	—	—	—	6
Total consumer	15	1	2	4	22
SVB					
Investor dependent - early stage	40	—	—	1	41
Investor dependent - growth stage	87	—	—	—	87
Innovation C&I and cash flow dependent	145	—	—	—	145
Total SVB	272	—	—	1	273
Total loans and leases	$ 697	$ 3	$ 11	$ 25	$ 736

Modified Loans Payment Status (nine months ended September 30, 2023)

dollars in millions	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total
Commercial					
Commercial construction	$ 14	$ —	$ —	$ —	$ 14
Owner occupied commercial mortgage	25	—	—	—	25
Non-owner occupied commercial mortgage	290	—	—	37	327
Commercial and industrial	137	—	—	—	137
Total commercial	466	—	—	37	503
Consumer					
Residential mortgage	7	1	—	—	8
Total consumer	7	1	—	—	8
SVB					
Investor dependent - early stage	24	—	3	—	27
Investor dependent - growth stage	20	—	3	—	23
Innovation C&I and cash flow dependent	63	16	—	—	79
Total SVB	107	16	6	—	129
Total loans and leases	$ 580	$ 17	$ 6	$ 37	$ 640

At September 30, 2024, there were $44 million of commitments to lend additional funds to debtors experiencing financial difficulty for which the terms of the loan were modified during the nine months ended September 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.

Loans Pledged

dollars in millions	September 30, 2024	December 31, 2023
FHLB of Atlanta		
Lendable collateral value of pledged non-PCD loans	$ 17,245	$ 15,072
Less: advances	—	—
Less: letters of credit	1,450	1,450
Available borrowing capacity	$ 15,795	$ 13,622
Pledged non-PCD loans (contractual balance)	$ 30,106	$ 25,370
FRB		
Lendable collateral value of pledged non-PCD loans	$ 5,621	$ 5,115
Less: advances	—	—
Available borrowing capacity	$ 5,621	$ 5,115
Pledged non-PCD loans (contractual balance)	$ 6,689	$ 6,273
FDIC		
Lendable collateral value of pledged loans	$ 44,117	$ 51,179
Less: advances	—	—
Less: Purchase Money Note	35,991	36,072
Available borrowing capacity	$ 8,126	$ 15,107
Pledged loans (contractual balance)	$ 44,117	$ 51,179

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 September 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"). Collectively, these are referred to as the "Day 2 Provision for Credit Losses." 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	Three Months Ended September 30, 2024				Three Months Ended September 30, 2023			
	Commercial	Consumer	SVB	Total	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 1,103	$ 153	$ 444	$ 1,700	$ 968	$ 173	$ 496	$ 1,637
Provision (benefit) for loan and lease losses	78	—	45	123	166	(10)	56	212
Charge-offs	(116)	(8)	(53)	(177)	(83)	(7)	(109)	(199)
Recoveries	11	5	16	32	13	4	6	23
Balance at end of period	$ 1,076	$ 150	$ 452	$ 1,678	$ 1,064	$ 160	$ 449	$ 1,673

The moderate decrease in the ALLL at September 30, 2024 compared to June 30, 2024 was primarily due to changes in credit quality and lower loan balances, partially offset by changes in the macroeconomic forecast, higher specific reserves, and the estimate related to Hurricane Helene.

dollars in millions	Nine Months Ended September 30, 2024				Nine Months Ended September 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	203	(5)	113	311	396	(9)	65	452
Total provision (benefit) for loan and lease losses	203	(5)	113	311	435	34	445	914
Charge-offs	(287)	(21)	(156)	(464)	(207)	(21)	(209)	(437)
Recoveries	34	10	40	84	33	11	10	54
Balance at end of period	$ 1,076	$ 150	$ 452	$ 1,678	$ 1,064	$ 160	$ 449	$ 1,673

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

Provision for Credit Losses

dollars in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Day 2 Provision for Loan and Lease Losses	$ —	$ —	$ —	$ 462
Provision for loan and lease losses	123	212	311	452
Total provision for loan and lease losses	123	212	311	914
Day 2 Provision for Off-balance Sheet Credit Exposure	—	—	—	254
Benefit from off-balance sheet credit exposure	(6)	(17)	(35)	(42)
Total (benefit) provision for off-balance sheet credit exposure	(6)	(17)	(35)	212
(Benefit) provision for investment securities available for sale credit losses	—	(3)	—	—
Provision for credit losses	$ 117	$ 192	$ 276	$ 1,126

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	Classification	September 30, 2024	December 31, 2023
Lease assets:			
Operating lease ROU assets	Other assets	$ 331	$ 354
Finance leases	Premises and equipment	7	9
Total lease assets		$ 338	$ 363
Lease liabilities:			
Operating leases	Other liabilities	$ 373	$ 396
Finance leases	Other borrowings	8	9
Total lease liabilities		$ 381	$ 405
Weighted-average remaining lease terms:			
Operating leases		7.5 years	8.1 years
Finance leases		16.5 years	15.4 years
Weighted-average discount rate:			
Operating leases		2.80 %	2.70 %
Finance leases		3.63	3.52

As of September 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		Three Months Ended September 30,		Nine Months Ended September 30,	
	Classification	2024	2023	2024	2023
Operating lease cost	Occupancy expense	$ 19	$ 18	$ 56	$ 46
Finance lease ROU asset amortization	Equipment expense	—	1	1	1
Variable lease cost [(1)]	Occupancy expense	7	8	22	16
Sublease income	Occupancy expense	(1)	(1)	(4)	(2)
Net lease cost [(1)]		$ 25	$ 26	$ 75	$ 61

[(1)] *Includes short-term lease cost, which is not material.*

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 12 years.

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

Supplemental Cash Flow Information

dollars in millions	Nine Months Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 57	$ 45
Financing cash flows from finance leases	1	2
ROU assets obtained in exchange for new operating lease liabilities	26	69
ROU assets obtained in exchange for new finance lease liabilities	—	4

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Lease income – Operating leases	$ 236	$ 229	$ 714	$ 664
Variable lease income – Operating leases (1)	26	19	62	55
Rental income on operating leases	262	248	776	719
Interest income – Sales type and direct financing leases	44	43	131	127
Variable lease income included in Other noninterest income (2)	15	15	46	44
Interest income – Leveraged leases	1	2	3	11
Total lease income	$ 322	$ 308	$ 956	$ 901

(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 September 30, 2024 and December 31, 2023. There was no goodwill impairment during the nine months ended September 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 nine months ended September 30, 2024:

Core Deposit Intangibles

dollars in millions	Nine Months Ended September 30, 2024
Balance at beginning of period, net of accumulated amortization	$ 312
Less: amortization for the period	47
Balance at end of period, net of accumulated amortization	$ 265

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

Core Deposit Intangible Accumulated Amortization

dollars in millions	September 30, 2024	December 31, 2023
Gross balance	$ 501	$ 501
Less: accumulated amortization	236	189
Balance, net of accumulated amortization	$ 265	$ 312

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

Core Deposit Intangible Expected Amortization

dollars in millions		
Remainder 2024	$	16
2025		54
2026		46
2027		39
2028		34
2029		30
Thereafter		46
Balance, net of accumulated amortization	$	265

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 September 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	September 30, 2024		December 31, 2023	
Affordable housing tax credit investments	$	2,066	$	1,887
Other tax credit equity investments		2		3
Total tax credit equity investments	$	2,068	$	1,890
Other unconsolidated investments		149		162
Total assets (maximum loss exposure) [(1)]	$	2,217	$	2,052
Liabilities for commitments to tax credit investments [(2)]	$	1,033	$	947

[(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 on the Consolidated Statements of Income 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 on the Consolidated Statements of Income.

Tax Credit Investments Recognized in Income Tax Expense

dollars in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of affordable housing tax credit investments [(1)]	$ 58	$ 44	$ 176	$ 111
Tax credits from affordable housing tax credit investments	(58)	(46)	(173)	(79)
Other tax benefits from affordable housing tax credit investments	(8)	(7)	(29)	(45)
Net income tax benefit from affordable housing tax credit investments [(2)]	$ (8)	$ (9)	$ (26)	$ (13)

[(1)] Amortization is included in depreciation, amortization, and accretion, net as an adjustment to reconcile net income to net cash provided by operating activities on the Consolidated Statements of Cash Flows.
[(2)] Net income tax benefit impact is included in net income in cash flows from operating activities on the Consolidated Statements of Cash Flows. 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 operating activities.

NOTE 9 — OTHER ASSETS

The following table includes the components of other assets:

Other Assets

dollars in millions	September 30, 2024	December 31, 2023
Affordable housing tax credit and other unconsolidated investments [(1)]	$ 2,217	$ 2,052
Accrued interest receivable	904	832
Fair value of derivative financial instruments	553	640
Pension assets	482	474
Right of use assets for operating leases, net	331	354
Income tax receivable	342	209
Counterparty receivables	133	114
Bank-owned life insurance	107	105
Nonmarketable equity securities	127	103
Other real estate owned	53	58
Mortgage servicing rights	27	25
Federal Home Loan Bank stock	19	20
Other	796	871
Total other assets	$ 6,091	$ 5,857

[(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	September 30, 2024	December 31, 2023
Noninterest-bearing demand	$ 39,396	$ 39,799
Checking with interest	23,216	23,754
Money market	34,567	30,611
Savings	40,266	35,258
Time	14,129	16,432
Total deposits	$ 151,574	$ 145,854

At September 30, 2024, the scheduled maturities of time deposits were:

Deposit Maturities
dollars in millions

Twelve months ended September 30,		
2025	$	13,400
2026		641
2027		47
2028		20
2029		21
Thereafter		—
Total time deposits	$	14,129

Time deposits with a denomination of $250,000 or more were $3.84 billion and $4.16 billion at September 30, 2024 and December 31, 2023, respectively.

NOTE 11 — BORROWINGS

Short-term Borrowings

Securities Sold under Agreements to Repurchase
BancShares held $391 million and $485 million at September 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 $451 million and $502 million at September 30, 2024 and December 31, 2023, respectively.

Long-term Borrowings

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

Long-term Borrowings

dollars in millions	Maturity	September 30, 2024	December 31, 2023
Parent Company:			
Subordinated:			
Fixed-to-Floating subordinated notes at 3.375%	March 2030	$ 351	$ 350
Junior subordinated debentures (FCB/SC Capital Trust II)[1]	June 2034	—	20
Subsidiaries:			
Senior:			
Senior unsecured fixed-to-floating rate notes at 2.969%	September 2025[3]	—	316
Fixed senior unsecured notes at 6.00%	April 2036	51	51
Subordinated:			
Fixed subordinated notes at 6.125%	March 2028	403	404
Fixed-to-Fixed subordinated notes at 4.125%	November 2029	100	100
Junior subordinated debentures (SCB Capital Trust I)[1]	April 2034	—	10
Secured:			
Purchase Money Note to FDIC fixed at 3.50% [2]	March 2028	35,991	36,072
Capital lease obligations	Maturities through May 2057	8	9
Unamortized purchase accounting adjustments		(134)	(163)
Total long-term borrowings		$ 36,770	$ 37,169

[1] The borrowings were called during the first quarter of 2024, resulting in a $2 million loss on extinguishment of debt for the nine months ended September 30, 2024.
[2] Issued in connection with the SVBB Acquisition and secured by collateral. Refer to Note 2—Business Combinations and Note 4—Loans and Leases.
[3] Included a callable feature one year prior to maturity and the debt was redeemed in September 2024.

Pledged Assets

Refer to the "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 designated as hedging instruments include interest rate swap contracts utilized to manage our interest rate exposure for items on our Consolidated Balance 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 utilized for 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	September 30, 2024			December 31, 2023		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives designated as hedging instruments (Qualifying hedges)						
Fair Value Hedges						
Interest rate contracts hedging time deposits	$ 334	$ —	$ —	$ —	$ —	$ —
Interest rate contracts hedging long-term borrowings	750	—	—	815	—	—
Total fair value hedges [(1) (4)]	1,084	—	—	815	—	—
Cash Flow Hedges						
Interest rate contracts hedging loans [(1) (4)]	2,500	—	—	—	—	—
Total derivatives designated as hedging instruments	$ 3,584	$ —	$ —	$ 815	$ —	$ —
Derivatives not designated as hedging instruments (Non-qualifying hedges)						
Interest rate contracts [(1) (4)]	$ 25,538	$ 446	$ (415)	$ 24,548	$ 530	$ (518)
Foreign exchange contracts [(2)]	8,198	93	(91)	9,142	104	(117)
Other contracts [(3)]	1,308	14	(1)	983	6	(1)
Total derivatives not designated as hedging instruments	$ 35,044	$ 553	$ (507)	$ 34,673	$ 640	$ (636)
Gross derivatives fair values presented in the Consolidated Balance Sheets		$ 553	$ (507)		$ 640	$ (636)
Less: gross amounts offset in the Consolidated Balance Sheets		—	—		—	—
Net amount presented in other assets and other liabilities in the Consolidated Balance Sheets		553	(507)		640	(636)
Less: amounts subject to master netting agreements [(5)]		(114)	114		(97)	97
Less: cash collateral pledged (received) subject to master netting agreements [(6)]		(234)	46		(405)	39
Total net derivative fair value		$ 205	$ (347)		$ 138	$ (500)

(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 $660 million and $0 million, respectively, as of September 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 $70 million and $47 million, respectively, at September 30, 2024, which includes $24 million and $0 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.
(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.

Fair Value Hedges

The following table presents the impact of fair value hedges recorded in interest expense on the Consolidated Statements of Income:

Recognized Gains (Losses) on Fair Value Hedges

dollars in millions		Three Months Ended September 30,		Nine Months Ended September 30,	
	Interest Expense	2024	2023	2024	2023
Gain on hedging instruments - time deposits	Deposits	$ 2	$ —	$ 1	$ —
Gain (loss) on hedging instruments - borrowings	Borrowings	4	—	(2)	—
Loss on hedged item - time deposits	Deposits	(3)	—	(2)	—
Loss on hedged item - borrowings	Borrowings	(5)	—	—	—
Net loss on fair value hedges	Total interest expense	$ (2)	$ —	$ (3)	$ —

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

value hedges:

dollars in millions	Carrying Value of Hedged Items	Cumulative Fair Value Hedging Adjustment Included in the Carrying Value of Hedged Items	
		Currently Designated	No Longer Designated
September 30, 2024			
Long-term borrowings	$ 801	$ 4	$ —
Deposits	336	2	—
December 31, 2023			
Long-term borrowings	879	5	—

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, and the pretax amount reclassified from AOCI to earnings for the three and nine months ended September 30, 2024:

Unrealized Gain on Cash Flow Hedges

dollars in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Other comprehensive income on cash flow hedge derivatives before reclassifications	$ 14	$ —	$ 17	$ —
Amounts reclassified from AOCI to earnings	2	—	2	—
Other comprehensive income on cash flow hedge derivatives	$ 16	$ —	$ 19	$ —
Decrease in interest income on loans due to amounts reclassified from AOCI to earnings	$ (2)	$ —	$ (2)	$ —

The following table presents other information for cash flow hedges:

Other Information for Cash Flow Hedges

dollars in millions	September 30, 2024	December 31, 2023
Unrealized gain on cash flow hedge derivatives reported in AOCI, net of income taxes	$ 14	$ —
Estimate to be reclassified from AOCI to earnings during the next 12 months, net of income taxes [(1)]	$ 14	$ —
Maximum number of months over which forecasted cash flows are hedged	13	—

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

Non-Qualifying Hedges

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

Gains (Losses) on Non-Qualifying Hedges

dollars in millions	Amounts Recognized	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Interest rate contracts	Other noninterest income	$ (5)	$ 8	$ 6	$ 37
Foreign currency forward contracts	Other noninterest income	(20)	11	3	10
Other contracts	Other noninterest income	2	1	1	1
Total non-qualifying hedges - income statement impact		$ (23)	$ 20	$ 10	$ 48

Refer to Note 14—Fair Value for further information on derivatives.

NOTE 13 — OTHER LIABILITIES

The following table includes the components of other liabilities:

Other Liabilities

dollars in millions	September 30, 2024	December 31, 2023
Deferred taxes [(1)]	$ 3,561	$ 3,579
Commitments to fund tax credit investments	1,033	947
Incentive plan liabilities	570	689
Fair value of derivative financial instruments	507	636
Accrued expenses and accounts payable	265	351
Lease liabilities	373	396
Reserve for off-balance sheet credit exposure	281	316
Accrued interest payable	149	137
Other	1,015	855
Total other liabilities	$ 7,754	$ 7,906

[(1)] *Primarily includes deferred taxes associated with the SVBB Acquisition. Refer to Note 2—Business Combinations for additional information.*

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

	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
Investment securities available for sale				
U.S. Treasury	$ 11,817	$ —	$ 11,817	$ —
Government agency	85	—	85	—
Residential mortgage-backed securities	13,016	—	13,016	—
Commercial mortgage-backed securities	2,778	—	2,778	—
Corporate bonds	477	—	313	164
Municipal bonds	17	—	17	—
Total investment securities available for sale	$ 28,190	$ —	$ 28,026	$ 164
Marketable equity securities	82	31	51	—
Loans held for sale	41	—	41	—
Derivative assets [(1)]				
Interest rate contracts — qualifying hedges	$ —	$ —	$ —	$ —
Interest rate contracts — non-qualifying hedges	$ 446	$ —	$ 445	$ 1
Foreign exchange contracts — non-qualifying hedges	93	—	93	—
Other derivative contracts — non-qualifying hedges	14	—	—	14
Total non-qualifying hedge assets	$ 553	$ —	$ 538	$ 15
Total derivative assets	$ 553	$ —	$ 538	$ 15
Liabilities				
Derivative liabilities [(1)]				
Interest rate contracts — qualifying hedges	$ —	$ —	$ —	$ —
Interest rate contracts — non-qualifying hedges	$ 415	$ —	$ 415	$ —
Foreign exchange contracts — non-qualifying hedges	91	—	91	—
Other derivative contracts — non-qualifying hedges	1	—	—	1
Total non-qualifying hedge liabilities	$ 507	$ —	$ 506	$ 1
Total derivative liabilities	$ 507	$ —	$ 506	$ 1

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investment securities available for sale				
U.S. Treasury	$ 10,508	$ —	$ 10,508	$ —
Government agency	117	—	117	—
Residential mortgage-backed securities	6,686	—	6,686	—
Commercial mortgage-backed securities	2,131	—	2,131	—
Corporate bonds	482	—	325	157
Municipal bonds	12	—	12	—
Total investment securities available for sale	$ 19,936	$ —	$ 19,779	$ 157
Marketable equity securities	84	36	48	—
Loans held for sale	38	—	38	—
Derivative assets [(1)]				
Interest rate contracts — qualifying hedges	$ —	$ —	$ —	$ —
Interest rate contracts — non-qualifying hedges	$ 530	$ —	$ 529	$ 1
Foreign exchange contracts — non-qualifying hedges	104	—	104	—
Other derivative contracts — non-qualifying hedges	6	—	—	6
Total non-qualifying hedge assets	$ 640	$ —	$ 633	$ 7
Total derivative assets	$ 640	$ —	$ 633	$ 7
Liabilities				
Derivative liabilities [(1)]				
Interest rate contracts — qualifying hedges	$ —	$ —	$ —	$ —
Interest rate contracts — non-qualifying hedges	$ 518	$ —	$ 518	$ —
Foreign exchange contracts — non-qualifying hedges	117	—	117	—
Other derivative contracts — non-qualifying hedges	1	—	—	1
Total non-qualifying hedge liabilities	$ 636	$ —	$ 635	$ 1
Total derivative liabilities	$ 636	$ —	$ 635	$ 1

(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. Refer to 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	Significant Unobservable Inputs
	September 30, 2024	December 31, 2023		
Assets				
Corporate bonds	$ 164	$ 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	$ 15	$ 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	$ 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	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023		
	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	$ 157	$ 7	$ 1	$ 174	$ —	$ —
Purchases	—	7	—	—	—	—
Changes in fair value included in earnings	(1)	1	—	—	5	—
Changes in fair value included in comprehensive income	8	—	—	(13)	—	—
Transfers in	—	—	—	—	—	1
Transfers out	—	—	—	—	—	—
Maturity and settlements	—	—	—	(9)	—	—
Ending balance	$ 164	$ 15	$ 1	$ 152	$ 5	$ 1

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 September 30, 2024 and December 31, 2023:

Aggregate Fair Value and UPB - Residential Mortgage Loans

dollars in millions	September 30, 2024			December 31, 2023		
	Fair Value	Unpaid Principal Balance	Difference	Fair Value	Unpaid Principal Balance	Difference
Originated loans held for sale	$ 41	$ 40	**$ 1**	$ 38	$ 37	$ 1

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 nine months ended September 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 September 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	Fair Value Measurements				
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Gains (Losses)**
September 30, 2024					
Assets held for sale - loans	$ 3	$ —	$ —	$ 3	$ (4)
Loans - collateral dependent loans	314	—	—	314	(114)
Other real estate owned	13	—	—	13	5
Total	$ 331	$ —	$ —	$ 331	$ (113)
December 31, 2023					
Assets held for sale - loans	$ 12	$ —	$ —	$ 12	$ (4)
Loans - collateral dependent loans	265	—	—	265	(131)
Other real estate owned	16	—	—	16	4
Total	$ 293	$ —	$ —	$ 293	$ (131)

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 September 30, 2024 and December 31, 2023, the weighted average discount applied was 9.41% 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

	September 30, 2024				
		Estimated Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and due from banks	$ 862	$ 862	$ —	$ —	$ 862
Interest-earning deposits at banks	25,640	25,640	—	—	25,640
Securities purchased under agreements to resell	455	—	455	—	455
Investment in marketable equity securities	82	31	51	—	82
Investment securities available for sale	28,190	—	28,026	164	28,190
Investment securities held to maturity	10,391	—	9,168	—	9,168
Loans held for sale	65	—	41	24	65
Net loans	135,036	—	1,450	133,464	134,914
Accrued interest receivable	904	—	904	—	904
Federal Home Loan Bank stock	19	—	19	—	19
Mortgage servicing rights	27	—	—	42	42
Derivative assets - qualifying hedges	—	—	—	—	—
Derivative assets - non-qualifying hedges	553	—	538	15	553
Financial Liabilities					
Deposits with no stated maturity	137,445	—	137,445	—	137,445
Time deposits	14,129	—	14,128	—	14,128
Credit balances of factoring clients	1,250	—	—	1,250	1,250
Securities sold under customer repurchase agreements	391	—	391	—	391
Long-term borrowings	36,762	—	36,765	—	36,765
Accrued interest payable	149	—	149	—	149
Derivative liabilities - qualifying hedges	—	—	—	—	—
Derivative liabilities - non-qualifying hedges	507	—	506	1	507

	December 31, 2023				
		Estimated Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and due from banks	$ 908	$ 908	$ —	$ —	$ 908
Interest-earning deposits at banks	33,609	33,609	—	—	33,609
Securities purchased under agreements to resell	473	—	473	—	473
Investment in marketable equity securities	84	36	48	—	84
Investment securities available for sale	19,936	—	19,779	157	19,936
Investment securities held to maturity	9,979	—	8,503	—	8,503
Loans held for sale	73	—	38	35	73
Net loans	129,545	—	1,479	125,217	126,696
Accrued interest receivable	832	—	832	—	832
Federal Home Loan Bank stock	20	—	20	—	20
Mortgage servicing rights	25	—	—	42	42
Derivative assets - qualifying hedges	—	—	—	—	—
Derivative assets - non-qualifying hedges	640	—	633	7	640
Financial Liabilities					
Deposits with no stated maturity	129,427	—	129,427	—	129,427
Time deposits	16,427	—	16,416	—	16,416
Credit balances of factoring clients	1,089	—	—	1,089	1,089
Securities sold under customer repurchase agreements	485	—	485	—	485
Long-term borrowings	37,160	—	36,816	—	36,816
Accrued interest payable	137	—	137	—	137
Derivative liabilities - qualifying hedges	—	—	—	—	—
Derivative liabilities - non-qualifying hedges	636	—	635	1	636

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 September 30, 2024 and December 31, 2023 included $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 are 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 September 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

	September 30, 2024	
	Outstanding	
	Class A	Class B
Common stock - June 30, 2024	13,524,550	1,005,185
Shares purchased under authorized repurchase plan	(353,058)	—
Restricted stock units vested, net of shares held to cover taxes	2,531	—
Common stock - September 30, 2024	13,174,023	1,005,185
Common stock - December 31, 2023	13,514,933	1,005,185
Shares purchased under authorized repurchase plan	(353,058)	—
Restricted stock units vested, net of shares held to cover taxes	12,148	—
Common stock - September 30, 2024	13,174,023	1,005,185

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 stockholders have one vote per share while Class B common 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 AOCI as of September 30, 2024 and December 31, 2023:

Components of Accumulated Other Comprehensive (Loss) Income

dollars in millions	September 30, 2024			December 31, 2023		
	Pretax	Income Taxes	Net of Income Taxes	Pretax	Income Taxes	Net of Income Taxes
Unrealized loss on securities available for sale	$ (312)	$ 60	$ (252)	$ (752)	$ 175	$ (577)
Unrealized loss on securities available for sale transferred to held to maturity	(6)	2	(4)	(7)	2	(5)
Defined benefit pension items	112	(29)	83	122	(31)	91
Unrealized gain on cash flow hedge derivatives	19	(5)	14	—	—	—
Total accumulated other comprehensive loss	$ (187)	$ 28	$ (159)	$ (637)	$ 146	$ (491)

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

	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	$ (577)	$ (5)	$ 91	$ —	$ (491)
AOCI activity before reclassifications	325	—	(8)	12	329
Amounts reclassified from AOCI to earnings	—	1	—	2	3
Other comprehensive income (loss) for the period	325	1	(8)	14	332
Balance as of September 30, 2024	$ (252)	$ (4)	$ 83	$ 14	$ (159)
Balance as of December 31, 2022	$ (739)	$ (6)	$ 10	$ —	$ (735)
AOCI activity before reclassifications	(169)	—	4	—	(165)
Amounts reclassified from AOCI to earnings	19	1	—	—	20
Other comprehensive (loss) income for the period	(150)	1	4	—	(145)
Balance as of September 30, 2023	$ (889)	$ (5)	$ 14	$ —	$ (880)

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

	Three Months Ended September 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	$ 594	$ (156)	$ 438	$ (155)	$ 40	$ (115)	
Amounts reclassified from AOCI to earnings	—	—	—	9	(2)	7	$12 realized loss on sales of investment securities available for sale, net; $(3) provision for credit losses
Other comprehensive income (loss) on securities available for sale	$ 594	$ (156)	$ 438	$ (146)	$ 38	$ (108)	
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	$ —	$ —	$ —	
Unrealized gain on cash flow hedge derivatives:							
AOCI activity before reclassifications	$ 14	$ (4)	$ 10	$ —	$ —	$ —	
Amounts reclassified from AOCI to earnings	2	—	2	—	—	—	Interest and fees on loans
Other comprehensive income on cash flow hedge derivatives	$ 16	$ (4)	$ 12	$ —	$ —	$ —	
Total other comprehensive income (loss)	$ 611	$ (160)	$ 451	$ (146)	$ 38	$ (108)	

dollars in millions	Nine Months Ended September 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	$ 440	$ (115)	$ 325	$ (229)	$ 60	$ (169)	
Amounts reclassified from AOCI to earnings	—	—	—	26	(7)	19	Realized loss on sale of investment securities, net
Other comprehensive income (loss) on securities available for sale	$ 440	$ (115)	$ 325	$ (203)	$ 53	$ (150)	
Unrealized loss on securities available for sale transferred to held to maturity:							
Amounts reclassified from AOCI to earnings	$ 1	$ —	$ 1	$ 1	$ —	$ 1	Interest on investment securities
Other comprehensive income on securities available for sale transferred to held to maturity	$ 1	$ —	$ 1	$ 1	$ —	$ 1	
Defined benefit pension items:							
Other comprehensive (loss) income for defined benefit pension items	$ (10)	$ 2	$ (8)	$ 5	$ (1)	$ 4	
Unrealized gain on cash flow hedge derivatives:							
AOCI activity before reclassifications	$ 17	$ (5)	$ 12	$ —	$ —	$ —	
Amounts reclassified from AOCI to earnings	2	—	2	—	—	—	Interest and fees on loans
Other comprehensive income on cash flow hedge derivatives	$ 19	$ (5)	$ 14	$ —	$ —	$ —	
Total other comprehensive income (loss)	$ 450	$ (118)	$ 332	$ (197)	$ 52	$ (145)	

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ 639	$ 752	$ 2,077	$ 10,952
Preferred stock dividends	15	15	46	44
Net income available to common stockholders	$ 624	$ 737	$ 2,031	$ 10,908
Weighted average common shares outstanding				
Basic shares outstanding	14,375,974	14,528,310	14,480,874	14,527,718
Stock-based awards	—	10,823	1,045	11,665
Diluted shares outstanding	14,375,974	14,539,133	14,481,919	14,539,383
Earnings per common share				
Basic	$ 43.42	$ 50.71	$ 140.27	$ 750.79
Diluted	$ 43.42	$ 50.67	$ 140.26	$ 750.19

NOTE 18 — INCOME TAXES

BancShares' global effective income tax rates ("ETRs") were 26.8% and 24.6% for the three months ended September 30, 2024 and 2023, respectively, and 27.3% and 3.6% for the nine months ended September 30, 2024 and 2023, respectively. The increase in effective tax rate for the three months ended September 30, 2024 compared to 2023 was primarily due to the release of state valuation allowances in the prior year period. The increase in the effective tax rate for the nine months ended September 30, 2024 compared to 2023 was primarily due to the effects of the non-taxable nature of the gain on acquisition relating to the SVBB Acquisition in the prior year period.

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost	$ 2	$ 2	$ 7	$ 7
Interest cost	15	15	45	45
Expected return on assets	(23)	(21)	(69)	(64)
Net periodic benefit	$ (6)	$ (4)	$ (17)	$ (12)

NOTE 20 — BUSINESS SEGMENT INFORMATION

BancShares made changes to its 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 September 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, technology media and telecommunications (“TMT”), asset-backed lending, capital finance, maritime, aerospace and 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 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 interest and fees on loans, rental income on operating lease equipment, fee income and other revenue from banking services and capital markets 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 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 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 Provision 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	Three Months Ended September 30, 2024					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 768	$ 274	$ 583	$ (48)	$ 219	$ 1,796
Provision for credit losses	38	29	50	—	—	117
Net interest income (expense) after provision for credit losses	730	245	533	(48)	219	1,679
Noninterest income	149	133	139	207	22	650
Noninterest expense	517	227	393	130	189	1,456
Income before income taxes	362	151	279	29	52	873
Income tax expense	99	41	75	8	11	234
Net income	$ 263	$ 110	$ 204	$ 21	$ 41	$ 639
Select Period End Balances						
Loans and leases	$ 66,092	$ 32,689	$ 39,852	$ 62	$ —	$ 138,695
Operating lease equipment, net	—	767	—	8,419	—	9,186
Deposits	72,169	2,754	35,945	14	40,692	151,574

	Three Months Ended September 30, 2023					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 681	$ 249	$ 537	$ (40)	$ 563	$ 1,990
Provision (benefit) for credit losses	24	132	39	—	(3)	192
Net interest income (expense) after provision for credit losses	657	117	498	(40)	566	1,798
Noninterest income	135	139	141	194	6	615
Noninterest expense	482	205	413	116	200	1,416
Income before income taxes	310	51	226	38	372	997
Income tax expense	85	14	61	10	75	245
Net income	$ 225	$ 37	$ 165	$ 28	$ 297	$ 752
Select Period End Balances						
Loans and leases	$ 61,035	$ 30,220	$ 41,906	$ 41	$ —	$ 133,202
Operating lease equipment, net	—	739	—	7,922	—	8,661
Deposits	69,108	3,370	36,236	12	37,507	146,233

dollars in millions

	Nine Months Ended September 30, 2024					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 2,197	$ 823	$ 1,706	$ (136)	$ 844	$ 5,434
Provision for credit losses	121	65	90	—	—	276
Net interest income (expense) after provision for credit losses	2,076	758	1,616	(136)	844	5,158
Noninterest income	446	400	415	612	43	1,916
Noninterest expense	1,534	676	1,164	374	470	4,218
Income before income taxes	988	482	867	102	417	2,856
Income tax expense	270	127	235	27	120	779
Net income	$ 718	$ 355	$ 632	$ 75	$ 297	$ 2,077

	Nine Months Ended September 30, 2023					
	General Bank	Commercial Bank	SVB Commercial	Rail	Corporate	Total BancShares
Net interest income (expense)	$ 1,889	$ 744	$ 1,128	$ (101)	$ 1,141	$ 4,801
Provision for credit losses	40	353	17	—	716	1,126
Net interest income (expense) after provision for credit losses	1,849	391	1,111	(101)	425	3,675
Noninterest income	388	420	295	549	9,880	11,532
Noninterest expense	1,349	615	900	357	622	3,843
Income before income taxes	888	196	506	91	9,683	11,364
Income tax expense (benefit)	222	55	136	23	(24)	412
Net income	$ 666	$ 141	$ 370	$ 68	$ 9,707	$ 10,952

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	September 30, 2024	December 31, 2023
Financing Commitments		
Financing assets (excluding leases)	$ 56,147	$ 57,567
Letters of Credit		
Standby letters of credit	2,261	2,412
Other letters of credit	108	103
Deferred Purchase Agreements	1,902	2,076
Purchase and Funding Commitments (1)	372	685

(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 September 30, 2024 and 2023, substantially all undrawn financing commitments were senior facilities. Financing commitments also include $76 million and $66 million at September 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 $177 million and $143 million at September 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 $1.86 billion and $1.92 billion of DPA exposures at September 30, 2024 and December 31, 2023, respectively, related to receivables on which BancShares has assumed the credit risk. The table also includes $45 million and $161 million available under DPA credit line agreements provided at September 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 September 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 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. Refer to 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") 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 also owns a fleet of railcars and locomotives that are leased to railroads and shippers.

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 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 healthcare industries, and wealth clients.

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.

Recent Events

Share Repurchase Program
On July 25, 2024, BancShares announced that its Board of Directors (the "Board") authorized a share repurchase program, which allows BancShares to repurchase shares of its Class A common stock in an aggregate amount up to $3.5 billion through 2025. During the third quarter of 2024, we repurchased approximately $700 million of our Class A common stock. Refer to Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for additional information regarding repurchase activity during the current quarter and through October 31, 2024**.**

Under the 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.

Hurricanes Helene and Milton
On September 26, 2024, Hurricane Helene ("Helene") made landfall in the Big Bend area of the Florida Gulf Coast as a Category 4 hurricane. Helene's most significant impacts were across the southern Appalachians, where widespread and severe flooding occurred. On October 9, 2024, Hurricane Milton made landfall in the central west coast of Florida and caused extensive damage and flooding across the Florida peninsula. The operations of our branches and offices were not significantly affected. At September 30, 2024, we estimated a $20 million loan loss reserve related to Helene, which will continue to be assessed as further information becomes available.

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 and 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.

Recent Economic, Industry and Regulatory Developments

During its September 2024 meeting, the FRB's Federal Open Market Committee ("FOMC") reduced the benchmark federal funds rate to a range between 4.75% - 5.00%. In its statement, the FOMC said it gained greater confidence that inflation is moving sustainably toward 2 percent, and therefore lowered the target range for the federal funds rate by 0.50%. The FOMC followed this with a further 0.25% reduction at its November 2024 meeting to reduce the benchmark federal funds rate to a range between 4.50% - 4.75%.

During 2023, the FDIC finalized a notice of proposed rulemaking ("NPR") covering an 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 is payable in eight quarterly installments beginning in 2024. In 2024, the FDIC revised its loss estimate, indicating higher losses than originally estimated to the deposit insurance fund. As a result, we accrued an additional FDIC insurance special assessment charge of approximately $11 million in 2024. The additional FDIC insurance special assessment charge will be paid in two quarterly installments beginning in 2026. The projected number of additional quarters and the estimated rate applicable to those quarters are subject to change depending on any adjustments to estimated losses or amendments to uninsured deposits.

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. If the NPRs are finalized, we expect we would need to raise additional long-term debt to satisfy the 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 covered insured depository institution in group A under the CIDI Rule, we will be required to, among other things, 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. While the final rule became effective beginning October 1, 2024, our first submission under the new regulatory reporting requirements will not be due until 2025.

Financial Performance Summary

The following tables in this MD&A include financial data for the three months ended September 30, 2024 (the "current quarter"), the three months ended June 30, 2024 (the "linked quarter"), the three months ended September 30, 2023 (the "prior year quarter"), the nine months ended September 30, 2024 ("current YTD"), and the nine months ended September 30, 2023 ("prior YTD"). The operations acquired in the SVBB Acquisition (the "acquired SVBB operations") were included in our results of operations for the current YTD, but only from the SVBB Acquisition Date through September 30, 2023 (the "partial prior YTD"). Many year-to-date comparisons in this MD&A highlight the impact of including the acquired SVBB operations for the current YTD and the partial prior 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 September 30, 2024 to December 31, 2023, but the tables also provide the linked quarter balances.

The following table summarizes BancShares' results:

Table 1
Selected Financial Data

dollars in millions, except share data	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Results of Operations:					
Interest income	$ 3,138	$ 3,130	$ 3,110	$ 9,352	$ 7,274
Interest expense	1,342	1,309	1,120	3,918	2,473
Net interest income	1,796	1,821	1,990	5,434	4,801
Provision for credit losses	117	95	192	276	1,126
Net interest income after provision for credit losses	1,679	1,726	1,798	5,158	3,675
Noninterest income	650	639	615	1,916	11,532
Noninterest expense	1,456	1,386	1,416	4,218	3,843
Income before income taxes	873	979	997	2,856	11,364
Income tax expense	234	272	245	779	412
Net income	639	707	752	2,077	10,952
Preferred stock dividends	15	16	15	46	44
Net income available to common stockholders	$ 624	$ 691	$ 737	$ 2,031	$ 10,908
Per Common Share Information:					
Weighted average common shares outstanding (diluted)	14,375,974	14,534,499	14,539,133	14,481,919	14,539,383
Diluted earnings per common share	$ 43.42	$ 47.54	$ 50.67	$ 140.26	$ 750.19
Key Performance Metrics:					
Return on average assets	1.15 %	1.30 %	1.41 %	1.27 %	7.81 %
Net interest margin [(1)]	3.53	3.64	4.07	3.62	3.95
Net interest margin, excluding purchase accounting accretion [(1)(3)]	3.33	3.36	3.52	3.35	3.50
Select Average Balances:					
Investment securities	$ 38,189	$ 36,445	$ 24,388	$ 35,769	$ 21,222
Total loans and leases [(2)]	139,115	137,514	133,248	136,804	114,496
Operating lease equipment, net	9,028	8,888	8,617	8,908	8,421
Total assets	220,466	218,891	211,994	218,487	187,429
Total deposits	151,472	150,246	144,043	149,817	125,290
Total stockholders' equity	22,851	22,052	20,116	22,197	17,002
Select Ending Balances:					
Investment securities	$ 38,663	$ 37,666	$ 26,818		
Total loans and leases	138,695	139,341	133,202		
Operating lease equipment, net	9,186	8,945	8,661		
Total assets	220,567	219,827	213,765		
Total deposits	151,574	151,079	146,233		
Total stockholders' equity	22,828	22,487	20,389		
Loan to deposit ratio	91.50 %	92.23 %	91.09 %		
Noninterest-bearing deposits to total deposits	25.99	26.49	29.50		
Capital Ratios:					
Common equity Tier 1	13.24 %	13.33 %	13.24 %		
Tier 1 risk-based capital	13.78	13.87	13.83		
Total risk-based capital	15.36	15.45	15.64		
Tier 1 leverage	10.17	10.29	9.73		
Asset Quality:					
Ratio of nonaccrual loans to total loans	0.90 %	0.82 %	0.68 %		
Allowance for loan and lease losses to loans ratio	1.21	1.22	1.26		
Net charge off ratio	0.42	0.38	0.53	0.37	0.45

[(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. Refer to the "NIM, Excluding PAA" item in 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.

Third Quarter Income Statement Highlights

- *Net income* for the current quarter was $639 million, a decrease of $68 million or 10% from $707 million for the linked quarter. Net income available to common stockholders for the current quarter was $624 million, a decrease of $67 million or 10% from $691 million for the linked quarter. Earnings per diluted common share for the current quarter was $43.42, a decrease from $47.54 for the linked quarter.
    - As further discussed below, the decreases were mainly due to higher noninterest expense. Other changes in net income included lower net interest income (“NII”) and higher provision for credit losses, which were partially offset by higher noninterest income.
- Select items in the current quarter and linked quarter included acquisition-related expenses of $46 million and $44 million, respectively.
- *Return on average assets* for the current quarter was 1.15% compared to 1.30% for the linked quarter.
- *NII* for the current quarter was $1.80 billion, a decrease of $25 million compared to the linked quarter as the $33 million increase in interest expense was partially offset by an $8 million increase in interest income. The $33 million increase in interest expense was mostly related to growth in the average balance of interest-bearing deposits. The $8 million increase in interest income was mainly due to the higher average loan balance, partially offset by lower loan accretion income. NII excluding PAA for the current quarter was $1.70 billion, an increase from $1.68 billion for the linked quarter. Refer to the “NIM, Excluding PAA” item in the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP measure.
- *NIM* for the current quarter was 3.53%, a decrease of 11 basis points (“bps”) from 3.64% for the linked quarter, primarily related to lower PAA and the items discussed above for NII. NIM, excluding PAA, was 3.33% compared to 3.36% in the linked quarter. Refer to the “NIM, Excluding PAA” item in 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* was $117 million in the current quarter compared to $95 million in the linked quarter. The increase of $22 million was the result of a $28 million increase in the provision for loan and lease losses, partially offset by a $6 million increase in the benefit for off-balance sheet credit exposure. The higher provision for loan and lease losses is mainly attributable to an estimate of $20 million related to Helene, as well as increases in net charge-offs and specific reserves, partially offset by changes in credit quality and lower loan balances.
- *Noninterest income* for the current quarter was $650 million, an increase of $11 million or 2% from $639 million for the linked quarter. The increase in noninterest income included an $11 million improvement from the linked quarter for fair value adjustments on marketable equity securities, a $4 million increase in fees income and other service charges, mainly due to higher capital market fees, and a realized $4 million gain on sale of marketable equity securities. The remaining change included an $18 million decline in other noninterest income, mainly attributable to fair value changes in customer derivative positions and other nonmarketable investments, and an increase of $10 million spread among the remaining noninterest income items.
- *Noninterest expense* for the current quarter was $1.46 billion, an increase of $70 million or 5% from $1.39 billion for the linked quarter, primarily attributable to increases of $43 million in salaries and benefits and $18 million in professional fees. The remaining increases were spread among various noninterest expense line items.

Year-to-Date Income Statement Highlights

- *Net income* for the current YTD was $2.08 billion, a decrease of $8.88 billion or 81% from $10.95 billion for the prior YTD. Net income available to common stockholders for the current YTD was $2.03 billion, a decrease of $8.88 billion from $10.91 billion for the prior YTD. Earnings per diluted common share for the current YTD was $140.26, a decrease from $750.19 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 $9.89 billion 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 $148 million, and
  - Additional FDIC insurance special assessment of $11 million.
- The prior YTD included the following select items:
  - Gain on acquisition of $9.89 billion for the SVBB Acquisition,
  - Day 2 Provision for Credit Losses of $716 million for the SVBB Acquisition,
  - Loss of $12 million, primarily on the sale of municipal bonds acquired in the SVBB Acquisition, and
  - Acquisition-related expenses of $354 million.
- *Return on average assets* for the current YTD was 1.27% compared to 7.81% for the prior YTD.
- *NII* for the current YTD was $5.43 billion, an increase of $633 million or 13% from $4.80 billion for the prior YTD. The increase was primarily due to the acquired SVBB operations 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 interest-bearing deposits and borrowings and lower loan accretion income.
- *NIM* for the current YTD was 3.62%, a decrease of 33 bps from 3.95% for the prior YTD. The decrease in NIM from higher average balances of interest-bearing deposits and the Purchase Money Note, higher rates paid on deposits, and lower PAA income were partially offset by the NIM impact of higher average balances and yields on loans and investment securities. NIM, excluding PAA, was 3.35% for the current YTD compared to 3.50% for the prior YTD. Refer to the “NIM, Excluding PAA” item in 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 YTD was $276 million, a decrease of $850 million from $1.13 billion for the prior YTD. The decrease was primarily related to the Day 2 Provision for Credit Losses of $716 million in the prior YTD and changes in the macroeconomic forecast, partially offset by the estimated loan loss provision related to Helene.
- *Noninterest income* for the current YTD was $1.92 billion, a decrease of $9.62 billion from $11.53 billion for the prior YTD. The decrease was mostly due to the gain on acquisition of $9.89 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* for the current YTD was $4.22 billion, an increase of $375 million or 10% from $3.84 billion. The increase was mostly due to the acquired SVBB operations being included for the current YTD and the partial prior YTD, including higher salaries and benefits, partially offset by lower acquisition-related expenses.

Balance Sheet Highlights

- *Loans and leases* at September 30, 2024 were $138.70 billion, an increase of $5.39 billion or 4% from $133.30 billion at December 31, 2023 and a decrease of $646 million or 1% from $139.34 billion at June 30, 2024. Compared to December 31, 2023, there was loan growth in each of our business segments. Loan growth in the General Bank segment was primarily related to business and commercial loans in our Branch Network. Loan growth in the Commercial Bank segment was mainly due to the technology media and telecommunications (“TMT”) and the Healthcare industry verticals. Loan growth in the SVB Commercial segment was concentrated in global fund banking loans.
  - Compared to June 30, 2024, the decrease in the SVB Commercial segment of $2.12 billion was primarily due to declines in global fund banking as repayment levels outpaced draw activity on new lines of credit. The decline in the SVB Commercial segment loans was partially offset by loan growth in the General Bank and Commercial Bank segment loan portfolios discussed above.
- *Investment securities* at September 30, 2024 were $38.66 billion, an increase of $8.66 billion or 29% from $30.00 billion at December 31, 2023 and an increase of $997 million or 3% from $37.67 billion at June 30, 2024. Compared to December 31, 2023 and June 30, 2024, the increases were primarily due to purchases of short-duration U.S. agency mortgage-backed and U.S. Treasury investment securities.
- *Deposits* at September 30, 2024 were $151.57 billion, an increase of $5.72 billion or 4% from $145.85 billion at December 31, 2023 and an increase of $495 million or 0.3% from $151.08 billion at June 30, 2024. The increase from December 31, 2023 reflected deposit growth in our Branch Network in the General Bank segment, the Direct Bank in Corporate, and in the SVB Commercial segment. The increase from June 30, 2024 reflected deposit growth in our Branch Network and SVB Commercial segment, partially offset by declines in the Commercial Bank segment and Direct Bank.

- *Borrowings* at September 30, 2024 were $37.16 billion, a decrease of $493 million from $37.65 billion at December 31, 2023 and a decrease of $297 million from $37.46 billion at June 30, 2024. The decrease from December 31, 2023 was mostly due to the current quarter redemption of our 2.969% senior unsecured borrowings, along with declines in securities sold under customer purchase agreements and the Purchase Money Note. The decrease from June 30, 2024 reflected the unsecured senior borrowings redemption, partially offset by higher securities sold under customer purchase agreements.
- At September 30, 2024, BancShares remained well capitalized with a total risk-based capital ratio of 15.36%, a Tier 1 risk-based capital ratio of 13.78%, a common equity Tier 1 ratio of 13.24% and a Tier 1 leverage ratio of 10.17%.

Funding, Liquidity and Capital Overview

Deposit Composition and Trends

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

Table 2
Select Deposit Data

	Deposits as of September 30, 2024		
	Ending Balance (in millions)	Average Size (in thousands)	Uninsured %
General Bank segment	$ 72,169	$ 35	36 %
Commercial Bank segment	2,754	232	84
SVB Commercial segment	35,945	502	72
Corporate and Rail segment[(1)]	40,706	56	8
Total	$ 151,574	53	39

(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 mainly included $39.50 billion in our Direct Bank, with the remaining primarily comprised of brokered deposits.

As displayed in the table above, the average size of deposits varies across our business segments. The uninsured percentage is the percentage of uninsured deposits to total deposits at period end for the respective segments and Corporate. At September 30, 2024, total uninsured deposits were approximately $58.59 billion or 39% of total deposits. Uninsured deposits were $54.15 billion or 37% of total deposits at December 31, 2023.

Table 3
Deposit Trends
dollars in millions

	Deposit Balance		
	September 30, 2024	June 30, 2024	December 31, 2023
General Bank segment	$ 72,169	$ 71,479	$ 68,729
Commercial Bank segment	2,754	2,958	3,228
SVB Commercial segment	35,945	35,891	34,730
Corporate and Rail segment	40,706	40,751	39,167
Total deposits	$ 151,574	$ 151,079	$ 145,854

Aggregate deposits for our General Bank segment and Corporate increased from December 31, 2023, primarily from deposit growth in our Branch Network and Direct Bank, respectively. SVB Commercial segment deposits increased from $34.73 billion at December 31, 2023 to $35.95 billion at September 30, 2024, mainly due to slight improvement in the macroeconomic environment and increases in client acquisitions. Deposit growth in the current quarter was mostly from our Branch Network. Refer to "Deposit Concentrations" in the Deposits section later in this MD&A for additional information on SVB Commercial segment deposits.

Liquidity Position

We strive to maintain a strong liquidity position, and our risk appetite for liquidity is low. At September 30, 2024, we had $58.36 billion in high-quality liquid assets consisting of $24.71 billion in cash and interest-earning deposits at banks (primarily held at the FRB) and $33.65 billion in high-quality liquid securities ("HQLS"). Additionally, we have unused borrowing capacity with the Federal Home Loan Bank ("FHLB") and FRB of $15.80 billion and $5.62 billion, respectively.

In connection with the SVBB Acquisition, FCB and the FDIC, as lender and as collateral agent, entered into the 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 limits subsequently described in this MD&A as referenced below. The immediate available capacity of the Advance Facility Agreement was $8.13 billion at September 30, 2024. Refer to the "Liquidity Risk" section of this MD&A for further discussion.

Investment Securities Duration
At September 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 September 30, 2024. The investment securities available for sale portfolio had an average duration of 2.2 years and the held to maturity portfolio had an average duration of 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	September 30, 2024			
	Composition[1]	Amortized Cost	Fair Value	Fair Value to Cost
Total investment securities available for sale	75.3 %	$ 28,502	$ 28,190	98.9 %
Total investment securities held to maturity	24.5	10,391	9,168	88.2
Investment in marketable equity securities	0.2	70	82	117.1
Total investment securities	100 %	$ 38,963	$ 37,440	

[1] *Calculated as a percentage of the total fair value of investment securities.*

Capital Position
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

NII is affected by changes in interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. Interest income and expense and the respective yields and rates includes amortization of premiums, accretion of discounts, and impacts from hedging activities.

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 volume and yields or rates. Changes in NII due to changes in (i) volume (average balances of interest-earning assets and interest-bearing liabilities) and (ii) yields or rates are based on the following:

- 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

	Three Months Ended								
	September 30, 2024			June 30, 2024			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]	$ 137,602	$ 2,430	7.03 %	$ 135,965	$ 2,422	7.15 %	$ 38	$ (30)	$ 8
Investment securities	38,189	354	3.70	36,445	327	3.60	16	11	27
Securities purchased under agreements to resell	241	4	5.34	236	3	5.37	1	—	1
Interest-earning deposits at banks	26,167	350	5.33	28,059	378	5.42	(22)	(6)	(28)
Total interest-earning assets [2]	$ 202,199	$ 3,138	6.18 %	$ 200,705	$ 3,130	6.26 %	$ 33	$ (25)	$ 8
Operating lease equipment, net	$ 9,028			$ 8,888					
Cash and due from banks	717			750					
Allowance for loan and lease losses	(1,725)			(1,763)					
All other noninterest-earning assets	10,247			10,311					
Total assets	$ 220,466			$ 218,891					
Interest-bearing deposits									
Checking with interest	$ 23,946	$ 134	2.23 %	$ 24,427	$ 137	2.26 %	$ (2)	$ (1)	$ (3)
Money market	34,127	278	3.24	31,998	250	3.14	19	9	28
Savings	39,944	436	4.34	38,434	415	4.35	22	(1)	21
Time deposits	14,429	156	4.29	16,043	173	4.33	(16)	(1)	(17)
Total interest-bearing deposits	112,446	1,004	3.55	110,902	975	3.54	23	6	29
Borrowings:									
Securities sold under customer repurchase agreements	384	—	0.55	380	—	0.46	—	—	—
Short-term borrowings	384	—	0.55	380	—	0.46	—	—	—
Federal Home Loan Bank borrowings	—	—	2.01	—	—	2.00	—	—	—
Senior unsecured borrowings	361	2	2.59	375	3	2.49	(1)	—	(1)
Subordinated debt	900	8	3.34	901	7	3.32	—	1	1
Other borrowings	35,803	328	3.66	35,824	324	3.61	—	4	4
Long-term borrowings	37,064	338	3.64	37,100	334	3.60	(1)	5	4
Total borrowings	37,448	338	3.61	37,480	334	3.56	(1)	5	4
Total interest-bearing liabilities	$ 149,894	$ 1,342	3.57 %	$ 148,382	$ 1,309	3.54 %	$ 22	$ 11	$ 33
Noninterest-bearing deposits	$ 39,026			$ 39,344					
Credit balances of factoring clients	1,195			1,234					
Other noninterest-bearing liabilities	7,500			7,879					
Stockholders' equity	22,851			22,052					
Total liabilities and stockholders' equity	$ 220,466			$ 218,891					
Interest rate spread [2]			2.61 %			2.72 %			
Net interest income and net interest margin [2]		$ 1,796	3.53 %		$ 1,821	3.64 %			

(1) *Loans and leases include 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 $1.80 billion, a decrease of $25 million from the linked quarter. This decrease was due to a $33 million increase in interest expense, partially offset by an $8 million increase in interest income.
  - Interest income earned on loans and leases for the current quarter was $2.43 billion, an increase of $8 million from $2.42 billion for the linked quarter. Higher average balances led to an increase of $46 million in loan interest income. This was partially offset by a decrease of $38 million in loan accretion income. Loan accretion income was $107 million in the current quarter compared to $145 million in the linked quarter and is expected to continue trending lower as the acquired loans approach maturity.
  - Interest income earned on investment securities for the current quarter was $358 million, an increase of $28 million or 8% from $330 million for the linked quarter. 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, higher yields on the more recently purchased investment securities.
  - Interest income on interest-earning deposits at banks for the current quarter was $350 million, a decrease of $28 million or 7% from $378 million for the linked quarter. The decrease was mostly due to a lower average balance of interest-earning deposits at banks resulting from the purchases of investment securities described above.
  - Interest expense on interest-bearing deposits for the current quarter was $1.00 billion, an increase of $29 million or 3% from $975 million for the linked quarter. The increase was primarily related to growth in money market deposits in the Branch Network and savings accounts in the Direct Bank, partially offset by a decrease in the average balance of time deposits.
- NIM for the current quarter was 3.53%, a decrease of 11 bps from 3.64% for the linked quarter, primarily related to lower PAA and the items discussed above for NII. NIM, excluding PAA, was 3.33% compared to 3.36% in the linked quarter. Refer to the “NIM, Excluding PAA” item in the “Non-GAAP Financial Measures” section of this MD&A. The impact of the 0.50% reduction in the benchmark federal funds rate by the FOMC during its September meeting was not significant to the current quarter NIM.
- Average interest-earning assets for the current quarter were $202.20 billion, an increase of $1.49 billion or 1% from $200.71 billion for the linked quarter. The increase mainly reflected higher average balances for loans, as the higher average investment securities balance was offset by the decline in average interest-earning deposits at banks. The yield on average interest-earning assets was 6.18%, a decrease of 8 bps from the linked quarter, primarily due to decreases in loan accretion and yield on interest-earning deposits at banks, partially offset by a higher yield on investment securities.
- Average interest-bearing liabilities for the current quarter were $149.89 billion, an increase of $1.51 billion or 1% from $148.38 billion in the linked quarter. The increase reflected higher average interest-bearing deposit balances. The rate paid on average interest-bearing liabilities increased by 3 bps from the linked quarter, primarily due to a higher average rate paid on money market deposits, while average rates paid on other deposit types were down. Although the rate paid on average money market deposits increased compared to the linked quarter, it declined late in the current quarter.

Table 6
Average Balances and Yields/Rates

dollars in millions

	Three Months Ended								
	September 30, 2024			September 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]	$ 137,602	$ 2,430	7.03 %	$ 131,653	$ 2,426	7.30 %	$ 101	$ (97)	$ 4
Investment securities	38,189	354	3.70	24,388	177	2.90	119	58	177
Securities purchased under agreements to resell	241	4	5.34	223	3	5.28	1	—	1
Interest-earning deposits at banks	26,167	350	5.33	37,456	504	5.34	(153)	(1)	(154)
Total interest-earning assets [2]	$ 202,199	$ 3,138	6.18 %	$ 193,720	$ 3,110	6.37 %	$ 68	$ (40)	$ 28
Operating lease equipment, net	$ 9,028			$ 8,617					
Cash and due from banks	717			911					
Allowance for loan and lease losses	(1,725)			(1,714)					
All other noninterest-earning assets	10,247			10,460					
Total assets	$ 220,466			$ 211,994					
Interest-bearing deposits									
Checking with interest	$ 23,946	$ 134	2.23 %	$ 24,600	$ 134	2.15 %	$ (4)	$ 4	$ —
Money market	34,127	278	3.24	29,684	179	2.40	29	70	99
Savings	39,944	436	4.34	30,185	303	3.99	105	28	133
Time deposits	14,429	156	4.29	16,489	153	3.68	(20)	23	3
Total interest-bearing deposits	112,446	1,004	3.55	100,958	769	3.02	110	125	235
Borrowings:									
Securities sold under customer repurchase agreements	384	—	0.55	454	—	0.35	—	—	—
Short-term borrowings	384	—	0.55	454	—	0.35	—	—	—
Federal Home Loan Bank borrowings	—	—	2.01	444	6	5.47	(4)	(2)	(6)
Senior unsecured borrowings	361	2	2.59	382	2	2.46	—	—	—
Subordinated debt	900	8	3.34	1,042	10	3.65	(1)	(1)	(2)
Other borrowings	35,803	328	3.66	35,831	333	3.71	(1)	(4)	(5)
Long-term borrowings	37,064	338	3.64	37,699	351	3.72	(6)	(7)	(13)
Total borrowings	37,448	338	3.61	38,153	351	3.68	(6)	(7)	(13)
Total interest-bearing liabilities	$ 149,894	$ 1,342	3.57 %	$ 139,111	$ 1,120	3.20 %	$ 104	$ 118	$ 222
Noninterest-bearing deposits	$ 39,026			$ 43,085					
Credit balances of factoring clients	1,195			1,209					
Other noninterest-bearing liabilities	7,500			8,473					
Stockholders' equity	22,851			20,116					
Total liabilities and stockholders’ equity	$ 220,466			$ 211,994					
Interest rate spread [2]			2.61 %			3.17 %			
Net interest income and net interest margin [2]		$ 1,796	3.53 %		$ 1,990	4.07 %			

[1] Loans and leases include 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

	Nine Months Ended								
	September 30, 2024			September 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]	$ 135,302	$ 7,206	7.11 %	$ 113,028	$ 5,796	6.85 %	$ 1,180	$ 230	$ 1,410
Investment securities	35,769	960	3.58	21,222	401	2.52	347	212	559
Securities purchased under agreements to resell	240	10	5.37	139	6	5.12	4	—	4
Interest-earning deposits at banks	29,192	1,176	5.38	27,794	1,071	5.15	55	50	105
Total interest-earning assets [2]	$ 200,503	$ 9,352	6.22 %	$ 162,183	$ 7,274	5.99 %	$ 1,586	$ 492	$ 2,078
Operating lease equipment, net	$ 8,908			$ 8,421					
Cash and due from banks	751			891					
Allowance for loan and lease losses	(1,762)			(1,420)					
All other noninterest-earning assets	10,087			17,354					
Total assets	$ 218,487			$ 187,429					
Interest-bearing deposits									
Checking with interest	$ 24,112	$ 401	2.22 %	$ 21,783	$ 274	1.68 %	$ 32	$ 95	$ 127
Money market	32,358	760	3.14	26,686	407	2.04	99	254	353
Savings	38,296	1,242	4.33	23,410	601	3.44	454	187	641
Time deposits	15,712	504	4.28	14,404	350	3.25	34	120	154
Total interest-bearing deposits	110,478	2,907	3.51	86,283	1,632	2.53	619	656	1,275
Borrowings:									
Securities sold under customer repurchase agreements	398	1	0.49	455	1	0.32	—	—	—
Short-term FHLB borrowings	—	—	—	145	5	4.79	(5)	—	(5)
Short-term borrowings	398	1	0.49	600	6	1.40	(5)	—	(5)
Federal Home Loan Bank borrowings	—	—	2.00	3,084	120	5.22	(74)	(46)	(120)
Senior unsecured borrowings	371	7	2.53	686	11	2.16	(6)	2	(4)
Subordinated debt	904	23	3.32	1,045	29	3.59	(4)	(2)	(6)
Other borrowings	35,829	980	3.65	24,450	675	3.68	311	(6)	305
Long-term borrowings	37,104	1,010	3.63	29,265	835	3.80	227	(52)	175
Total borrowings	37,502	1,011	3.59	29,865	841	3.75	222	(52)	170
Total interest-bearing liabilities	$ 147,980	$ 3,918	3.53 %	$ 116,148	$ 2,473	2.84 %	$ 841	$ 604	$ 1,445
Noninterest-bearing deposits	$ 39,339			$ 39,007					
Credit balances of factoring clients	1,178			1,129					
Other noninterest-bearing liabilities	7,793			14,143					
Stockholders' equity	22,197			17,002					
Total liabilities and stockholders' equity	$ 218,487			$ 187,429					
Interest rate spread [2]			2.69 %			3.15 %			
Net interest income and net interest margin [2]		$ 5,434	3.62 %		$ 4,801	3.95 %			

(1) Loans and leases include 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 $5.43 billion, an increase of $633 million or 13% from $4.80 billion for the prior YTD. The increase reflected the acquired SVBB operations 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 and lower loan accretion income.
  - Interest income on loans and leases for the current YTD was $7.21 billion, an increase of $1.41 billion or 24% from $5.80 billion for the prior YTD. The increase largely resulted from earning interest income on the acquired SVBB loans for the current YTD and the partial prior YTD, as well as the benefit from organic loan growth at higher yields and the impact from floating-rate loan resets. Loan accretion income was $415 million in the current YTD and $535 million in the prior YTD, a decrease of $120 million.
  - Interest income on investment securities for the current YTD was $970 million, an increase of $563 million or 138% from $407 million for the prior YTD. The increase was due to purchases of short duration agency mortgage-backed and U.S. Treasury investment securities available for sale, and to a lesser extent, a higher yield on the more recently purchased investment securities.
  - Interest income on interest-earning deposits at banks for the current YTD was $1.18 billion, an increase of $105 million or 10% from $1.07 billion for the prior YTD. The increase was a result of higher yields, as well as a higher average YTD balance as amounts related to the SVBB Acquisition were included for the current YTD and the partial prior YTD. The higher current YTD average balance was partially offset by outflows that funded the purchases of investment securities discussed above.
  - Interest expense on interest-bearing deposits for the current YTD was $2.91 billion, an increase of $1.28 billion or 78% from $1.63 billion for the prior YTD. The increase is largely due to a higher average YTD balance as the interest-bearing deposits related to the SVBB Acquisition were included for the current YTD and the partial prior YTD. Organic interest-bearing deposit growth in our General Bank and SVB Commercial segments, as well as the Direct Bank, and higher rates paid on average interest-bearing deposits also contributed to the increase.
  - Interest expense on borrowings for the current YTD was $1.01 billion, an increase of $170 million or 20% from $841 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 3.62%, a decrease of 33 bps from 3.95% for the prior YTD. The decrease in NIM from higher average balances of interest-bearing deposits and the Purchase Money Note, higher rates paid on deposits, and lower loan accretion income were partially offset by higher average balances and total yields on loans and investment securities. NIM, excluding PAA, was 3.35% for the current YTD compared to 3.50% for the prior YTD. Refer to the “NIM, Excluding PAA” item in the “Non-GAAP Financial Measures” section of this MD&A.
- Average interest-earning assets for the current YTD were $200.50 billion, an increase of $38.32 billion or 24% from $162.18 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 6.22% in the current YTD, an increase of 23 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 $147.98 billion, an increase of $31.83 billion or 27% from $116.15 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 3.53%, an increase of 69 bps from the prior YTD, primarily due to a higher rate paid on average interest-bearing deposits, partially offset by the impact of repaying FHLB borrowings in the prior year.

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

Table 8
Average Interest-earning Asset Mix

	% of Average Interest-earning Assets				
	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Loans and leases	68 %	68 %	68 %	67 %	70 %
Investment securities	19	18	13	18	13
Interest-earning deposits at banks	13	14	19	15	17
Total interest-earning assets	100 %	100 %	100 %	100 %	100 %

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

Table 9
Average Interest-bearing Liability Mix

	% of Average Interest-bearing Liabilities				
	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total interest-bearing deposits	75 %	75 %	73 %	75 %	75 %
Long-term borrowings	25	25	27	25	25
Total interest-bearing liabilities	100 %	100 %	100 %	100 %	100 %

Provision for Credit Losses

The provision for credit losses for the current quarter was $117 million, an increase of $22 million or 24% from $95 million for the linked quarter. The increase of $22 million was the result of a $28 million increase in the provision for loan and lease losses, partially offset by a $6 million increase in the benefit for off-balance sheet credit exposure. The higher provision for loan and lease losses is mainly attributable to an estimate of $20 million related to Helene, as well as increases in net charge-offs and specific reserves, partially offset by changes in credit quality and lower loan balances.

The provision for credit losses for the current YTD was $276 million, a decrease of $850 million or 76% from $1.13 billion for the prior YTD. The decrease was primarily related to the Day 2 Provision for Credit Losses of $716 million in the prior YTD and changes in the macroeconomic forecast, partially offset by the estimated loan loss provision related to Helene.

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.

Table 10
Provision for Credit Losses

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Day 2 Provision for Loan and Lease Losses	$ —	$ —	$ —	$ —	$ 462
Provision for loan and lease losses	123	95	212	311	452
Total provision for loan and lease losses	123	95	212	311	914
Day 2 Provision for Off-balance Sheet Credit Exposure	—	—	—	—	254
Benefit for off-balance sheet credit exposure	(6)	—	(17)	(35)	(42)
Total (benefit) provision for off-balance sheet credit exposure	(6)	—	(17)	(35)	212
(Benefit) provision for investment securities available for sale credit losses	—	—	(3)	—	—
Provision for credit losses	$ 117	$ 95	$ 192	$ 276	$ 1,126

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 11
Noninterest Income

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Rental income on operating lease equipment	$ 262	$ 259	$ 248	$ 776	$ 719
Other noninterest income:					
Fee income and other service charges	81	77	71	233	188
Client investment fees	55	54	52	159	106
Wealth management services	54	52	49	157	140
International fees	29	30	30	87	63
Service charges on deposit accounts	45	44	44	133	112
Factoring commissions	19	19	21	55	60
Cardholder services, net	42	40	41	122	103
Merchant services, net	12	12	12	36	36
Insurance commissions	14	13	13	42	40
Realized gain (loss) on sale of investment securities, net	4	—	(12)	4	(26)
Fair value adjustment on marketable equity securities, net	9	(2)	(1)	3	(20)
Gain on sale of leasing equipment, net	5	4	10	19	18
Gain on acquisition	—	—	12	—	9,891
Loss on extinguishment of debt	—	—	—	(2)	—
Other noninterest income	19	37	25	92	102
Total other noninterest income	388	380	367	1,140	10,813
Total noninterest income	$ 650	$ 639	$ 615	$ 1,916	$ 11,532

Rental Income on Operating Lease Equipment

Rental income on operating lease equipment was $262 million for the current quarter, an increase of $3 million or 1% from $259 million for the linked quarter. Rental income on operating lease equipment was $776 million for the current YTD, an increase of $57 million or 8% from $719 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 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 $388 million, an increase of $8 million from $380 million for the linked quarter. The changes compared to the linked quarter mostly reflect small increases and decreases among the various noninterest income categories, with the main items described below:

- $11 million favorable fair value adjustment on marketable equity securities relative to the linked quarter.
- During the current quarter, we sold marketable equity securities and realized a $4 million gain.
- 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, increased by $4 million, mainly due to higher capital market fees.
- Other noninterest income declined $18 million, mainly attributable to fair value changes in customer derivative positions and other nonmarketable investments.

Other noninterest income for the current YTD was $1.14 billion, a decrease of $9.67 billion from $10.81 billion for the prior YTD. The decrease was mostly due to the gain on acquisition of $9.89 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. The prior YTD also included a loss on sale of investment securities available for sale of $26 million.

Noninterest Expense

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

Table 12
Noninterest Expense

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Depreciation on operating lease equipment	$ 99	$ 98	$ 95	$ 293	$ 275
Maintenance and other operating lease expenses	59	60	51	164	163
Operating expenses:					
Salaries and benefits	788	745	727	2,277	1,922
Net occupancy expense	62	58	65	182	179
Equipment expense	128	126	117	368	308
Professional fees	42	24	12	91	43
Third-party processing fees	55	58	54	173	139
FDIC insurance expense	31	33	36	105	76
Marketing expense	20	18	22	52	78
Acquisition-related expenses	46	44	121	148	354
Intangible asset amortization	15	15	17	47	40
Other noninterest expense	111	107	99	318	266
Total operating expenses	1,298	1,228	1,270	3,761	3,405
Total noninterest expense	$ 1,456	$ 1,386	$ 1,416	$ 4,218	$ 3,843

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 life 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 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 $59 million, a decrease of $1 million, or 2%, from $60 million for the linked quarter. Maintenance and other operating lease expenses for the current YTD were $164 million, an increase of $1 million or 1% from $163 million for the 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 $1.30 billion, an increase of $70 million or 6% compared to $1.23 billion in the linked quarter. The main components of the increase in operating expenses for the current quarter compared to the linked quarter are summarized below:

- The $43 million increase in salaries and benefits was mainly attributable to an additional working day in the current quarter, net staff additions, increases in incentive accruals and temporary labor costs associated with technology projects.
- The $18 million increase in professional fees was mostly due to continued enhancements to our large financial institution regulatory compliance capabilities.
- The $4 million increase in net occupancy expense was largely due to higher utility expenses and increased bank building rent costs.
- Other noninterest expense increased $4 million, mainly due to a $3 million loss estimate for physical property damage to branches in western North Carolina impacted by Helene. Refer to the “Recent Events” section of the Executive Overview in this MD&A for further comments on Helene.

Operating expenses for the current YTD were $3.76 billion, an increase of $356 million or 10% compared to $3.41 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 $355 million increase in salaries and benefits and a $60 million increase in equipment expense, partially offset by lower acquisition-related and marketing expenses. Professional fees are higher due to enhancements related to our large financial institution regulatory compliance capabilities. The increase in FDIC insurance expense was primarily due to the inclusion of the acquired SVBB deposits for the current YTD and the partial prior YTD, as well as organic deposit growth and a special assessment of approximately $11 million recognized in 2024. The $26 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 13
Acquisition-related expenses

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Salaries and benefits	$ 16	$ 12	$ 67	$ 57	$ 244
Professional fees	28	23	22	77	57
Asset impairment	—	—	21	—	21
Other acquisition-related expense	2	9	11	14	32
Total acquisition-related expense	$ 46	$ 44	$ 121	$ 148	$ 354

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.

Income Taxes

Table 14
Income Tax Data

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Income before income taxes	$ 873	$ 979	$ 997	$ 2,856	$ 11,364
Income tax expense	$ 234	$ 272	$ 245	$ 779	$ 412
Effective tax rate	26.8 %	27.8 %	24.6 %	27.3 %	3.6 %

The effective tax rate (“ETR”) was 26.8% for the current quarter compared to 27.8% in the linked quarter. The decrease in the ETR for the current quarter compared to the linked quarter was primarily due to state tax law changes enacted in the second quarter of 2024 that impacted the valuation of gross temporary differences. The ETR was 27.3% for the current YTD compared to 3.6% 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 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 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 descriptions of segment products and services.

General Bank

Table 15
General Bank: Financial Data

dollars in millions	Three Months Ended			Nine Months Ended	
Earnings Summary	**September 30, 2024**	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net interest income	$ 768	$ 738	$ 681	$ 2,197	$ 1,889
Provision for credit losses	38	55	24	121	40
Net interest income after provision for credit losses	730	683	657	2,076	1,849
Noninterest income	149	152	135	446	388
Noninterest expense	517	497	482	1,534	1,349
Income before income taxes	362	338	310	988	888
Income tax expense	99	93	85	270	222
Net income	$ 263	$ 245	$ 225	$ 718	$ 666
Select Period End Balances					
Loans and leases	$ 66,092	$ 65,195	$ 61,035		
Deposits	72,169	71,479	69,108		

General Bank segment net income for the current quarter increased $18 million from the linked quarter. Segment NII increased $30 million compared to the linked quarter, benefiting from higher interest income related to loan growth. The lower provision for credit losses in the current quarter was primarily due to the linked quarter reserve build for certain loan portfolios, such as private banking loans. Noninterest income was down modestly. Noninterest expense increased $20 million mainly due to higher salaries and 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 $52 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.

The $897 million increase in loans and leases compared to the linked quarter was mainly due to growth in commercial and business loans in our Branch Network. Consumer mortgage loans were up modestly as we continue to originate and sell rather than hold for investment.

Deposits in the General Bank segment primarily include deposits from the Branch Network, as well as Wealth and Community Association Banking channels. The $690 million increase in deposits compared to the linked quarter was primarily in money market deposits in the Branch Network.

Commercial Bank

Table 16
Commercial Bank: Financial Data

dollars in millions	Three Months Ended			Nine Months Ended	
Earnings Summary	**September 30, 2024**	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net interest income	$ 274	$ 279	$ 249	$ 823	$ 744
Provision for credit losses	29	22	132	65	353
Net interest income after provision for credit losses	245	257	117	758	391
Noninterest income	133	131	139	400	420
Noninterest expense	227	221	205	676	615
Income before income taxes	151	167	51	482	196
Income tax expense	41	44	14	127	55
Net income	$ 110	$ 123	$ 37	$ 355	$ 141
Select Period End Balances					
Loans and leases	$ 32,689	$ 32,116	$ 30,220		
Operating lease equipment, net	767	767	739		
Deposits	2,754	2,958	3,370		

Commercial Bank segment net income for the current quarter decreased $13 million from the linked quarter. Segment NII decreased $5 million compared to the linked quarter, primarily due to higher interest expense on interest-bearing deposits. The $7 million increase in provision for credit losses compared to the linked quarter was primarily due to an increase in net charge-offs, mostly in Commercial Real Estate (“CRE”) and Equipment Finance portfolios. Noninterest income increased $2 million, benefiting from higher capital market fees. Noninterest expense increased $6 million, mostly attributable to higher salaries and benefits. 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 $214 million compared to the prior YTD, mainly due to the $288 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 $20 million decline in noninterest income was mostly due to lower fair value changes in customer derivative positions and factoring commissions, partially offset by higher capital market fees. The $61 million increase in noninterest expense was mainly due to higher salaries and benefits costs.

The $573 million increase in loans and leases compared to the linked quarter reflects loan growth in a number of industry verticals, primarily TMT and Healthcare.

Deposits in the Commercial Bank segment decreased by $204 million from the linked quarter as declines in noninterest-bearing and interest-bearing checking were partially offset by growth in money market deposits.

SVB Commercial

Table 17
SVB Commercial: Financial Data

dollars in millions	Three Months Ended			Nine Months Ended	
Earnings Summary	**September 30, 2024**	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net interest income	$ 583	$ 577	$ 537	$ 1,706	$ 1,128
Provision for credit losses	50	18	39	90	17
Net interest income after provision for credit losses	533	559	498	1,616	1,111
Noninterest income	139	139	141	415	295
Noninterest expense	393	387	413	1,164	900
Income before income taxes	279	311	226	867	506
Income tax expense	75	85	61	235	136
Net income	$ 204	$ 226	$ 165	$ 632	$ 370
Select Period End Balances					
Loans and leases	$ 39,852	$ 41,968	$ 41,906		
Deposits	35,945	35,891	36,236		

SVB Commercial segment net income for the current quarter decreased $22 million from the linked quarter. NII increased $6 million due to higher interest income on a higher average loan balance, partially offset by higher interest expense on deposits due to a shift to interest-bearing deposits from noninterest-bearing deposits. The provision for credit losses increased $32 million, primarily the result of higher specific reserves in the investor dependent portfolios. Noninterest income was consistent with the linked quarter. Noninterest expense increased over the linked quarter by $6 million. Refer to sections entitled “Noninterest Income” and “Noninterest Expense” of this MD&A for further discussion.

SVB Commercial segment net income for the current YTD increased $262 million compared to the prior YTD, mainly because the acquired SVBB operations were reflected in earnings for the current YTD and the partial prior YTD.

The decrease of $2.12 billion in loans and leases compared to the linked quarter was mainly attributable to a decline in global fund banking loans as repayment levels outpaced new originations and draw activity on lines of credit. The average loan balance in the current quarter was higher compared to the linked quarter.

Deposits totaled $35.95 billion at September 30, 2024, an increase from $35.89 billion at June 30, 2024, mainly due to growth in money market deposits, partially offset by declines in noninterest-bearing and interest-bearing checking.

Rail

Table 18
Rail: Financial Data

dollars in millions

	Three Months Ended			Nine Months Ended	
Earnings Summary	**September 30, 2024**	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Rental income on operating leases	$ 205	$ 201	$ 190	$ 604	$ 545
Less: depreciation on operating lease equipment	52	51	49	152	142
Less: maintenance and other operating lease expenses	59	60	51	164	163
Adjusted rental income on operating lease equipment (1)	94	90	90	288	240
Interest expense, net	48	45	40	136	101
Noninterest income	2	2	4	8	4
Noninterest expense	19	18	16	58	52
Income before income taxes	29	29	38	102	91
Income tax expense	8	8	10	27	23
Net income	$ 21	$ 21	$ 28	$ 75	$ 68
Select Period End Balances					
Loans and leases	$ 62	$ 62	$ 41		
Operating lease equipment, net	8,419	8,178	7,922		
Deposits	14	10	12		

(1) *Adjusted rental income on operating lease equipment is a non-GAAP measure. Refer to the “Non-GAAP Financial Measures” section of this MD&A for a reconciliation from the most comparable GAAP measure to the non-GAAP 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. Railcar depreciation is recognized on a straight-line basis over the estimated useful life of the asset. Maintenance and other operating lease expenses relate to equipment ownership and leasing costs associated with the portfolio and tend to be variable due to timing and number of railcars coming on or off lease and the asset condition. 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 lease equipment for the current quarter were $21 million, $205 million, and $94 million, respectively. The increase from the linked quarter in rental income on operating leases and adjusted rental income on operating lease equipment was due to the higher operating lease equipment balance.

Segment net income for the current YTD compared to the prior YTD increased $7 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 $48 million, largely attributable to growth of our railcar fleet, along with strong re-pricing. Noninterest income primarily reflects net gains on sale of leasing equipment. Refer to 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 130% of the average prior or expiring lease rate during the third quarter of 2024. Our fleet is effectively fully utilized. Railcar utilization, including commitments to lease, was 98.1% at September 30, 2024 and 98.7% at December 31, 2023.

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 September 30, 2024 consisted of approximately 125,600 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 19
Operating lease Railcar Portfolio by Type (units and net investment)

	September 30, 2024		June 30, 2024		December 31, 2023	
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	45 %	42 %	45 %	42 %	45 %	42 %
Tank cars	27	38	27	38	27	38
Mill/ coil gondolas	8	6	8	7	8	7
Coal	7	1	7	1	7	1
Boxcars	6	6	6	6	6	6
Other	7	7	7	6	7	6
Total	100 %	100 %	100 %	100 %	100 %	100 %

Table 20
Rail Operating Lease Equipment by Obligor Industry

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
Manufacturing	$ 3,410	41 %	$ 3,392	41 %	$ 3,281	41 %
Rail	1,954	23	1,815	22	1,889	24
Wholesale	1,456	17	1,351	17	1,217	15
Oil and gas extraction / services	588	7	620	8	573	7
Energy and utilities	238	3	225	3	230	3
Other	773	9	775	9	776	10
Total	$ 8,419	100 %	$ 8,178	100 %	$ 7,966	100 %

Corporate

Table 21

Corporate: Financial Data

dollars in millions	Three Months Ended			Nine Months Ended	
Earnings Summary	**September 30, 2024**	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net interest income	$ 219	$ 272	$ 563	$ 844	$ 1,141
(Benefit) provision for credit losses	—	—	(3)	—	716
Net interest income after provision for credit losses	219	272	566	844	425
Noninterest income	22	14	6	43	9,880
Noninterest expense	189	152	200	470	622
Income before income taxes	52	134	372	417	9,683
Income tax expense (benefit)	11	42	75	120	(24)
Net income	$ 41	$ 92	$ 297	$ 297	$ 9,707
Select Period End Balances					
Deposits	$ 40,692	$ 40,741	$ 37,507		

Current quarter net income and income before income taxes for Corporate decreased $51 million and $82 million, respectively, from the linked quarter.

NII decreased $53 million from the linked quarter, mainly due to a decline in loan accretion income and higher interest costs for the Direct Bank. NII also included a $28 million increase in interest income on investments, which was offset by a $28 million decrease in interest income on interest-earning deposits at banks. Refer to the “Net Interest Income and Net Interest Margin” section of this MD&A for further discussion.

Corporate noninterest income increased $8 million from the linked quarter, primarily related to higher fair value adjustments on marketable equity securities and realized gains on investment securities.

Corporate noninterest expense increased $37 million from the linked quarter, mainly from higher personnel costs and increased professional fees, mostly due to continued enhancements to our large financial institution regulatory compliance capabilities. Acquisition-related expenses were $46 million in the current quarter compared to $44 million in the linked quarter. Noninterest income and noninterest expense are discussed in the sections entitled “Noninterest Income” and “Noninterest Expense” of this MD&A.

Corporate net income for the current YTD decreased $9.41 billion compared to the prior YTD, which included the gain on acquisition of $9.89 billion, Day 2 Provision for Credit Losses of $716 million, and higher acquisition-related expenses. The prior YTD also included a loss on sale of investment securities available for sale of $26 million.

The income tax rates for the prior year 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 $49 million decrease from the linked quarter was primarily due to lower time deposits, partially offset by growth in savings deposits.

BALANCE SHEET ANALYSIS

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 September 30, 2024 totaled $25.64 billion, a decrease of $7.97 billion or 24% from $33.61 billion at December 31, 2023 and an increase of $279 million or 1% from $25.36 billion at June 30, 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 September 30, 2024 totaled $455 million, a decrease of $18 million from $473 million at December 31, 2023 and an increase of $63 million from $392 million at June 30, 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 September 30, 2024 totaled $38.66 billion, an increase of $8.66 billion or 29% from $30.00 billion at December 31, 2023 and an increase of $997 million or 3% from $37.67 billion at June 30, 2024. The increase from December 31, 2023 reflected purchases that totaled $14.14 billion, which were primarily U.S agency residential mortgage-backed and short-duration U.S. Treasury investment securities, partially offset by maturities, sales, and paydowns of $6.15 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 September 30, 2024, investment securities available for sale had a net pretax unrealized loss of $312 million, compared to a net pretax unrealized loss of $752 million as of December 31, 2023, primarily reflecting the impacts of lower 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 increases when interest rates decrease or when credit spreads tighten. 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 September 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 September 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 September 30, 2024.

The following table presents the investment securities portfolio, segregated by major category:

Table 22
Investment Securities

dollars in millions	September 30, 2024			June 30, 2024			December 31, 2023		
	Composition(1)	**Amortized Cost**	**Fair Value**	**Composition(1)**	**Amortized cost**	**Fair value**	**Composition(1)**	**Amortized Cost**	**Fair Value**
Investment securities available for sale:									
U.S. Treasury	31.6 %	$ 11,765	$ 11,817	32.6 %	$ 11,818	$ 11,751	36.8 %	$ 10,554	$ 10,508
Government agency	0.2	87	85	0.3	99	97	0.4	120	117
Residential mortgage-backed securities	34.8	13,201	13,016	33.2	12,561	11,975	23.4	7,154	6,686
Commercial mortgage-backed securities	7.4	2,925	2,778	7.6	2,938	2,727	7.5	2,319	2,131
Corporate bonds	1.3	507	477	1.3	526	486	1.7	529	482
Municipal bonds	—	17	17	—	17	17	—	12	12
Total investment securities available for sale	75.3 %	$ 28,502	$ 28,190	75.0 %	$ 27,959	$ 27,053	69.8 %	$ 20,688	$ 19,936
Investment in marketable equity securities	0.2 %	$ 70	$ 82	0.2 %	$ 75	$ 78	0.3 %	$ 75	$ 84
Investment securities held to maturity:									
U.S. Treasury	1.2 %	$ 482	$ 455	1.2	$ 481	$ 440	1.5 %	$ 479	$ 439
Government agency	3.8	1,512	1,413	3.8	1,510	1,367	4.9	1,506	1,363
Residential mortgage-backed securities	11.1	4,667	4,159	11.4	4,793	4,093	12.5	4,205	3,561
Commercial mortgage-backed securities	7.7	3,429	2,865	7.7	3,450	2,782	10.1	3,489	2,875
Supranational securities	0.7	299	274	0.7	299	262	0.9	298	263
Other	—	2	2	—	2	2	—	2	2
Total investment securities held to maturity	24.5 %	$ 10,391	$ 9,168	24.8 %	$ 10,535	$ 8,946	29.9 %	$ 9,979	$ 8,503
Total investment securities	100.0 %	$ 38,963	$ 37,440	100.0 %	$ 38,569	$ 36,077	100.0 %	$ 30,742	$ 28,523

(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 September 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 based on book yield to maturity and takes into account amortization of premiums and accretion of discounts, but does not include the effects of hedging. The total weighted average yields for investment securities available for sale and held to maturity are based on the underlying weighted average amortized cost.

Table 23
Weighted Average Yield on Investment Securities

	September 30, 2024				
	Within One Year	One to Five Years	Five to 10 Years	After 10 Years	Total
Investment securities available for sale:					
U.S. Treasury	4.34 %	4.39 %	— %	— %	4.36 %
Government agency	—	4.80	5.14	—	5.07
Residential mortgage-backed securities [1]	5.57	4.09	4.74	3.83	3.97
Commercial mortgage-backed securities [1]	4.92	4.69	8.18	3.19	4.03
Corporate bonds	6.33	7.81	5.36	6.13	5.93
Municipal bonds	—	—	—	7.84	7.84
Total investment securities available for sale	4.37 %	4.49 %	4.90 %	3.77 %	4.18 %
Investment securities held to maturity:					
U.S. Treasury	1.19 %	1.42 %	1.57 %	— %	1.38 %
Government agency	1.09	1.46	1.88	—	1.53
Residential mortgage-backed securities [1]	—	—	2.63	2.43	2.43
Commercial mortgage-backed securities [1]	—	2.45	1.86	2.59	2.59
Supranational securities	1.20	1.40	1.68	—	1.56
Other	3.84	—	—	—	3.84
Total investment securities held to maturity	1.18 %	1.45 %	1.79 %	2.50 %	2.28 %

[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 September 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 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 September 30, 2024 were $68 million, a decrease of $8 million or 10% from $76 million at December 31, 2023 and a decrease of $24 million or 25% from $92 million at June 30, 2024.

Table 24
Assets Held for Sale

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Loans and leases:			
Commercial	$ 24	$ 20	$ 26
Consumer	41	67	38
SVB	—	—	9
Loans and leases	65	87	73
Operating lease equipment	3	5	3
Total assets held for sale	$ 68	$ 92	$ 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 September 30, 2024 were $138.70 billion, an increase of $5.39 billion or 4% from $133.30 billion at December 31, 2023 and a decrease of $646 million or 1% from $139.34 billion at June 30, 2024. The increase from December 31, 2023 mostly reflects growth in commercial loans and consumer loans, while SVB loans were modestly higher. The increase of $4.03 billion in commercial loans was spread across various classes due to strong loan originations. The consumer loan growth of $1.02 billion was mostly in residential mortgages. Within the SVB loan classes, the $341 million growth was attributed to the global fund banking portfolio, partially offset by declines in investor dependent loans.

Refer to the Note 4—Loans and Leases for further information.

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

Table 25
Loans and Leases

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
	Balance	% to Total Loans	Balance	% to Total Loans	Balance	% to Total Loans
Commercial:						
Commercial construction	$ 4,924	3 %	$ 4,484	3 %	$ 3,918	3 %
Owner occupied commercial mortgage	16,372	12	16,233	12	15,471	12
Non-owner occupied commercial mortgage	16,078	12	15,580	11	14,995	11
Commercial and industrial	30,867	22	30,684	22	29,794	22
Leases	2,020	1	2,049	2	2,054	2
Total commercial	$ 70,261	50 %	$ 69,030	50 %	$ 66,232	50 %
Consumer:						
Residential mortgage	$ 23,237	17 %	$ 23,101	16 %	$ 22,776	17 %
Revolving mortgage	2,455	2	2,351	2	2,165	2
Consumer auto	1,543	1	1,503	1	1,442	1
Consumer other	1,347	1	1,388	1	1,176	1
Total consumer	$ 28,582	21 %	$ 28,343	20 %	$ 27,559	21 %
SVB:						
Global fund banking	$ 27,114	19 %	$ 28,915	20 %	$ 25,553	19 %
Investor dependent - early stage	1,128	1	1,179	1	1,403	1
Investor dependent - growth stage	2,434	2	2,627	2	2,897	2
Innovation C&I and cash flow dependent	9,176	7	9,247	7	9,658	7
Total SVB	$ 39,852	29 %	$ 41,968	30 %	$ 39,511	29 %
Total loans and leases	$ 138,695	100 %	$ 139,341	100 %	$ 133,302	100 %
Allowance for loan and lease losses	(1,678)		(1,700)		(1,747)	
Net loans and leases	$ 137,017		$ 137,641		$ 131,555	

The unamortized discount related to acquired loans was $1.69 billion at September 30, 2024, a decrease of $348 million from $2.04 billion at December 31, 2023 and $93 million from $1.78 billion at June 30, 2024. The decrease from December 31, 2023 reflects accretion of $415 million, including $71 million for unfunded commitments, for the nine months ended September 30, 2024. The decrease from June 30, 2024 reflects accretion of $107 million, including $16 million for unfunded commitments, for the quarter ended September 30, 2024.

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 portfolio in Rail.

Table 26
Operating Lease Equipment

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Railcars and locomotives	$ 8,419	$ 8,178	$ 7,966
Other equipment	767	767	780
Total [(1)]	$ 9,186	$ 8,945	$ 8,746

[(1)] *Includes off-lease rail equipment of $248 million at September 30, 2024, $164 million at June 30, 2024 and $253 million at December 31, 2023.*

Interest-Bearing Liabilities

Interest-bearing liabilities include interest-bearing deposits, securities sold under agreements to repurchase, and borrowings. Interest-bearing liabilities at September 30, 2024 totaled $149.34 billion, an increase of $5.63 billion or 4% from $143.71 billion at December 31, 2023 and an increase of $818 million or less than 1% from $148.52 billion at June 30, 2024. The increase from December 31, 2023 was due to deposit growth as further discussed below.

Deposits

Total deposits at September 30, 2024 were $151.57 billion, an increase of $5.72 billion or 4% from $145.85 billion at December 31, 2023 and an increase of $495 million from $151.08 billion at June 30, 2024. The increase from December 31, 2023 was mainly attributable to:

- growth in money market and time deposit accounts in the Branch Network,
- higher savings deposits, partially offset by lower time deposits in the Direct Bank, and
- an increase in money market deposits in the SVB Commercial segment.

The increase in deposits from June 30, 2024 reflected higher money market and savings deposits, partially offset by lower time and noninterest-bearing deposits.

The following table summarizes the types of deposits:

Table 27
Deposits

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Noninterest-bearing demand	$ 39,396	$ 40,016	$ 39,799
Checking with interest	23,216	23,907	23,754
Money market	34,567	32,636	30,611
Savings	40,266	39,361	35,258
Time	14,129	15,159	16,432
Interest-bearing deposits	112,178	111,063	106,055
Total deposits	$ 151,574	$ 151,079	$ 145,854
Noninterest-bearing deposits to total deposits	26.0 %	26.5 %	27.3 %

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 branches and offices, 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 September 30, 2024 in North Carolina and South Carolina represented approximately 25.5% and 7.8%, respectively, of total deposits.

The Direct Bank had $39.50 billion or 26.1% of our total deposits as of September 30, 2024. The Direct Bank deposits mainly consist of savings deposit accounts.

SVB Commercial segment deposits as of September 30, 2024 were $35.95 billion or 23.7% of total deposits and are primarily concentrated in online banking. Deposits in the SVB Commercial segment include large dollar accounts with private equity and venture capital clients, primarily in the technology, life science and healthcare industries. Deposit accounts in the SVB Commercial segment with balances in excess of $50 million totaled approximately $5.75 billion as of September 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 the FDIC and FRB. We estimate total uninsured deposits were $58.59 billion, which represented approximately 38.7% of total deposits at September 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 September 30, 2024:

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

dollars in millions	September 30, 2024
Time deposits maturing in:	
Three months or less	$ 787
Over three months through six months	505
Over six months through 12 months	230
More than 12 months	51
Total	$ 1,573

Borrowings
Total borrowings at September 30, 2024 were $37.16 billion, a decrease of $493 million from $37.65 billion at December 31, 2023 and a decrease of $297 million from $37.46 billion at June 30, 2024. The decrease from December 31, 2023 related to the redemption of our 2.969% senior unsecured borrowings in the current quarter and Capital Trust debentures in the first quarter, along with declines in securities sold under agreements to repurchase and the Purchase Money Note payable to the FDIC. We redeemed the senior unsecured notes in September 2024 prior to incurring a higher cost upon conversion to a floating rate instrument.

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

Table 29
Borrowings

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Securities sold under agreements to repurchase	$ 391	$ 386	$ 485
Federal Deposit Insurance Corporation			
3.500% fixed rate note due March 2028 [(1)]	35,803	35,790	35,846
Senior Unsecured Borrowings			
2.969% fixed-to-floating rate notes due September 2025[(2)]	—	316	318
6.000% fixed rate notes due April 2036	58	59	59
Subordinated debt			
6.125% fixed rate notes due March 2028	450	449	460
4.125% fixed-to-fixed rate notes due November 2029	100	100	101
3.375% fixed-to-floating rate notes due March 2030	351	350	349
SCB Capital Trust I - floating rate debentures due April 2034	—	—	10
FCB/SC Capital Trust II - floating rate debentures due June 2034	—	—	18
Other borrowings	8	8	8
Total borrowings	$ 37,161	$ 37,458	$ 37,654

(1) *Purchase Money Note was issued in connection with the SVBB Acquisition.*
(2) *Included a callable feature one year prior to maturity and the debt was redeemed in September 2024.*

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 reflect a decline in 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 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 to assess the borrower's ability to repay the loan, and secondary sources of repayment, such as collateral 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 September 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 September 30, 2024 was $1.68 billion, representing a decrease of $69 million from $1.75 billion at December 31, 2023. The ALLL as a percentage of total loans and leases at September 30, 2024 was 1.21%, compared to 1.31% at December 31, 2023. The decreases in the ALLL were primarily the result of changes in the macroeconomic forecast and in credit quality, YTD net charge-offs, and lower specific reserves for individually evaluated loans at September 30, 2024 compared to December 31, 2023. The decreases were partially offset by increases related to loan growth and the $20 million loan loss reserve related to Helene. Refer to the "Recent Events" section of the Executive Overview in this MD&A for further comments on Helene.

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 September 30, 2024, ALLL estimates in these scenarios ranged from approximately $1.38 billion, when weighing the upside scenario 100%, to approximately $2.14 billion when weighting the downside scenario 100%. BancShares management determined that an ALLL of $1.68 billion was appropriate as of September 30, 2024.

Table 30
ALLL for Loans and Leases

dollars in millions	Three Months Ended September 30, 2024			
	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 1,103	$ 153	$ 444	$ 1,700
Provision for loan and lease losses	78	—	45	123
Charge-offs	(116)	(8)	(53)	(177)
Recoveries	11	5	16	32
Balance at end of period	$ 1,076	$ 150	$ 452	$ 1,678
Net charge-off ratio				0.42 %
Net charge-offs	$ 105	$ 3	$ 37	$ 145
Average loans				$ 139,014
Percent of loans in each category to total loans	50 %	21 %	29 %	100 %

	Three Months Ended June 30, 2024			
	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 1,120	$ 155	$ 462	$ 1,737
Provision for loans and lease losses	66	1	28	95
Charge-offs	(96)	(6)	(57)	(159)
Recoveries	13	3	11	27
Balance at end of period	$ 1,103	$ 153	$ 444	$ 1,700
Net charge-off ratio				0.38 %
Net charge-offs	$ 83	$ 3	$ 46	$ 132
Average loans				$ 137,426
Percent of loans in each category to total loans	50 %	20 %	30 %	100 %

	Three Months Ended September 30, 2023			
	Commercial	Consumer	SVB	Total
Balance at beginning of period	$ 968	$ 173	$ 496	$ 1,637
Provision (benefit) for loan and lease losses	166	(10)	56	212
Charge-offs	(83)	(7)	(109)	(199)
Recoveries	13	4	6	23
Balance at end of period	$ 1,064	$ 160	$ 449	$ 1,673
Net charge-off ratio				0.53 %
Net charge-offs	$ 70	$ 3	$ 103	$ 176
Average loans				$ 133,173
Percent of loans in each category to total loans	48 %	20 %	32 %	100 %

Table 31
ALLL for Loans and Leases

dollars in millions	Nine Months Ended September 30, 2024				Nine Months Ended September 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	203	(5)	113	311	396	(9)	65	452
Total provision (benefit) for loan and lease losses	203	(5)	113	311	435	34	445	914
Charge-offs	(287)	(21)	(156)	(464)	(207)	(21)	(209)	(437)
Recoveries	34	10	40	84	33	11	10	54
Balance at end of period	$ 1,076	$ 150	$ 452	$ 1,678	$ 1,064	$ 160	$ 449	$ 1,673
Net charge-off ratio				0.37 %				0.45 %
Net charge-offs	$ 253	$ 11	$ 116	$ 380	$ 174	$ 10	$ 199	$ 383
Average loans				$ 136,723				$ 114,436
Percent of loans in each category to total loans	50 %	21 %	29 %	100 %	48 %	20 %	32 %	100 %

Net charge-offs during the current quarter were $145 million, an increase of $13 million from $132 million during the linked quarter. The net charge-off ratio was 0.42% and 0.38% for the current and linked quarters, respectively. The increase in net charge-offs compared to the linked quarter reflects higher commercial loan charge-offs, mostly due to increases in the CRE and Equipment Finance portfolios. Net charge-offs were down from the prior quarter in the SVB loans, primarily in early-stage investor dependent loans. Net charge-offs in our consumer loans were consistent with the prior quarter.

Net charge-offs for the current YTD were $380 million, a slight decrease of $3 million from $383 million in the prior YTD. Lower net charge-offs in SVB Commercial offset the increases in commercial and consumer loans. The higher net charge-offs within the commercial loans was primarily related to CRE and Equipment Finance portfolios in commercial loans.

The following table provides trends in the ALLL ratios:

Table 32
ALLL Ratios

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
ALLL	$ 1,678	$ 1,700	$ 1,747
Total loans and leases	$ 138,695	$ 139,341	$ 133,302
ALLL to total loans and leases	1.21 %	1.22 %	1.31 %
Commercial loans and leases:			
ALLL - commercial	$ 1,076	$ 1,103	$ 1,126
Commercial loans and leases	$ 70,261	$ 69,030	$ 66,232
Commercial ALLL to commercial loans and leases	1.53 %	1.60 %	1.70 %
Consumer loans:			
ALLL - consumer	$ 150	$ 153	$ 166
Consumer loans	$ 28,582	$ 28,343	$ 27,559
Consumer ALLL to consumer loans	0.53 %	0.55 %	0.60 %
SVB loans:			
ALLL - SVB	$ 452	$ 444	$ 455
SVB loans	$ 39,852	$ 41,968	$ 39,511
SVB ALLL to SVB loans	1.13 %	1.05 %	1.15 %

A reserve for off-balance sheet credit exposure is established for unfunded commitments and is included in other liabilities, presented in Note 13—Other Liabilities. 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 exposure was $281 million at September 30, 2024, a decrease of $35 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. 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 33
ALLL by Loan Class

dollars in millions:	September 30, 2024		June 30, 2024		December 31, 2023	
	ALLL	ALLL as a Percentage of Loans	ALLL	ALLL as a Percentage of Loans	ALLL	ALLL as a Percentage of Loans
Commercial						
Commercial construction	$ 45	0.91 %	$ 41	0.92 %	$ 44	1.12 %
Owner occupied commercial mortgage	61	0.37	50	0.31	47	0.31
Non-owner occupied commercial mortgage	331	2.06	373	2.40	335	2.24
Commercial and industrial	600	1.95	600	1.95	656	2.20
Leases	39	1.92	39	1.92	44	2.12
Total commercial	1,076	1.53	1,103	1.60	1,126	1.70
Consumer						
Residential mortgage	76	0.33	76	0.33	94	0.41
Revolving mortgage	18	0.75	18	0.75	16	0.75
Consumer auto	6	0.37	5	0.35	5	0.34
Consumer other	50	3.72	54	4.00	51	4.31
Total consumer	150	0.53	153	0.55	166	0.60
SVB						
Global fund banking	72	0.26	70	0.24	69	0.27
Investor dependent - early stage	95	8.44	80	6.79	96	6.84
Investor dependent - growth stage	105	4.32	120	4.52	127	4.40
Innovation and cash flow dependent	180	1.95	174	1.87	163	1.69
Total SVB	452	1.13	444	1.05	455	1.15
Total ALLL	$ 1,678	1.21 %	$ 1,700	1.22 %	$ 1,747	1.31 %

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 34
Non-Performing Assets

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Nonaccrual loans:			
Commercial loans	$ 868	$ 880	$ 698
Consumer loans	169	150	154
SVB loans	207	111	117
Total nonaccrual loans	1,244	1,141	969
Other real estate owned and repossessed assets	62	64	62
Total nonperforming assets	$ 1,306	$ 1,205	$ 1,031
ALLL to total loans and leases	1.21 %	1.22 %	1.31 %
Ratio of total nonperforming assets to total loans, leases, other real estate owned and repossessed assets	0.94	0.86	0.77
Ratio of nonaccrual loans and leases to total loans and leases	0.90	0.82	0.73
Ratio of ALLL to nonaccrual loans and leases	135	149	180

Nonaccrual loans and leases at September 30, 2024 were $1.24 billion, an increase of $275 million from $969 million at December 31, 2023 and an increase of $103 million from $1.14 billion at June 30, 2024. The increase from December 31, 2023 was primarily due to non-owner occupied commercial mortgage and commercial and industrial loan classes in commercial loans and innovation C&I and cash flow dependent loans in SVB loans. 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.

OREO and repossessed assets at September 30, 2024 and December 31, 2023 were $62 million, compared to $64 million at June 30, 2024. Nonperforming assets as a percentage of total loans, leases, OREO and repossessed assets at September 30, 2024 was 0.94% compared to 0.77% at December 31, 2023 and 0.86% at June 30, 2024.

Past Due Accounts

The percentage of loans 30 days or more past due at September 30, 2024 was 0.89% of total loans, compared to 1.16% at December 31, 2023 and 1.01% at June 30, 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 35
Commercial Real Estate Portfolio [1]

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
	Balance	% to Total Loans and Leases	Balance	% to Total Loans and Leases	Balance	% to Total Loans and Leases
Multi-Family	$ 5,715	4.12 %	$ 5,538	3.98 %	$ 4,356	3.27 %
Medical Office	3,704	2.67	3,598	2.58	3,494	2.62
General Office	2,536	1.83	2,683	1.93	2,927	2.20
Industrial / Warehouse	3,544	2.56	3,296	2.37	2,888	2.16
Retail	1,959	1.41	1,949	1.40	1,828	1.37
Hotel/Motel	860	0.62	778	0.56	792	0.59
Other	4,371	3.15	3,974	2.84	4,967	3.73
Total	$ 22,689	16.36 %	$ 21,816	15.66 %	$ 21,252	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 shift to more hybrid work arrangements) may result in changes for general office demand moving forward. Select metrics specific to our general office loan portfolio are as follows:

Table 36
Select General Office Loan Metrics

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
% of total loans and leases	1.83 %	1.93 %	2.20 %
% of CRE loans	11.18 %	12.30 %	13.77 %
Average loan balance	$ 2	$ 2	$ 2
Net charge-offs (YTD annualized %)	3.77 %	2.82 %	3.56 %
Delinquencies as a % of total CRE loans	12.61 %	11.79 %	13.56 %
Non-performing loans as a % of CRE loans	13.61 %	15.97 %	11.38 %
ALLL ratio	4.89 %	6.30 %	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 37
Commercial Loans and Leases - Geography

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
State						
California	$ 14,657	20.9 %	$ 14,530	21.0 %	$ 13,824	20.9 %
North Carolina	10,551	15.0	10,204	14.8	9,831	14.8
Texas	4,360	6.2	4,557	6.6	4,453	6.7
Florida	4,052	5.8	4,022	5.8	3,831	5.8
South Carolina	3,498	5.0	3,428	5.0	3,287	5.0
All other states	31,444	44.7	30,621	44.4	29,281	44.2
Total U.S.	$ 68,562	97.6 %	$ 67,362	97.6 %	$ 64,507	97.4 %
Total International	1,699	2.4	1,668	2.4	1,725	2.6
Total	$ 70,261	100.0 %	$ 69,030	100.0 %	$ 66,232	100.0 %

Industry Concentrations
The following table represents loans by industry of obligor:

Table 38
Commercial Loans and Leases - Industry

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
Real Estate	$ 17,863	25.4 %	$ 17,327	25.1 %	$ 16,610	25.1 %
Healthcare	10,056	14.3	9,908	14.3	9,259	14.0
Business Services	7,765	11.1	7,645	11.1	7,055	10.7
Transportation, Communication, Gas, Utilities	5,991	8.5	6,046	8.8	5,814	8.8
Manufacturing	5,808	8.3	5,755	8.3	5,845	8.8
Service Industries	3,903	5.6	3,812	5.5	3,498	5.3
Retail	3,867	5.5	3,660	5.3	3,560	5.4
Wholesale	3,184	4.5	3,175	4.6	3,553	5.3
Finance and Insurance	3,082	4.4	3,352	4.9	3,454	5.2
Other	8,742	12.4	8,350	12.1	7,584	11.4
Total	$ 70,261	100.0 %	$ 69,030	100.0 %	$ 66,232	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 39
Consumer Loans - Geography

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
State						
California	$ 8,833	30.9 %	$ 8,871	31.3 %	$ 8,787	31.9 %
North Carolina	6,875	24.1	6,732	23.8	6,370	23.1
South Carolina	3,610	12.6	3,522	12.4	3,326	12.1
Massachusetts	1,715	6.0	1,738	6.1	1,726	6.2
Other states	7,549	26.4	7,480	26.4	7,350	26.7
Total	$ 28,582	100.0 %	$ 28,343	100.0 %	$ 27,559	100.0 %

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 includes global fund banking and innovation banking loans.

Global Fund Banking

The global fund banking loan portfolio includes loans to clients in the private equity and venture capital community. Global fund banking represented 68% of SVB loans and 20% of total loans at September 30, 2024, compared to 65% and 19% at December 31, 2023 and 69% and 21% at June 30, 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.

Innovation Banking

Innovation banking primarily includes loans to technology, life science and healthcare industry clients in the various stages of their life cycles. The 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 September 30, 2024, compared to 4% and 1% at December 31, 2023 and 3% and 1% at June 30, 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 6% of SVB loans and 2% of total loans at September 30, 2024, compared to 7% and 2% at December 31, 2023 and 6% and 2% at June 30, 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% of SVB loans and 7% of total loans at September 30, 2024, compared to 24% and 7% at December 31, 2023 and 22% and 7% at June 30, 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 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 September 30, 2024:

Table 40
SVB Loans by Size and Class

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	$ 890	$ 1,406	$ 2,566	$ 1,610	$ 20,642	$ 27,114
Investor dependent - early stage	824	170	134	—	—	1,128
Investor dependent - growth stage	568	702	656	216	292	2,434
Innovation C&I and cash flow dependent	216	316	806	1,272	6,566	9,176
Total	$ 2,498	$ 2,594	$ 4,162	$ 3,098	$ 27,500	$ 39,852

SVB Loans - State Concentrations

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

Table 41
SVB Loans - Geography

dollars in millions	September 30, 2024		June 30, 2024		December 31, 2023	
State						
California	$ 9,908	24.9 %	$ 9,572	22.8 %	$ 9,458	23.9 %
New York	7,075	17.8	7,437	17.7	7,338	18.6
Massachusetts	5,010	12.6	5,168	12.3	5,213	13.2
Connecticut	3,888	9.8	4,643	11.1	3,246	8.2
Texas	3,879	9.7	3,477	8.3	3,645	9.2
All other states	9,219	23.0	10,587	25.2	8,987	22.8
Total U.S.	38,979	97.8	40,884	97.4	37,887	95.9
Total International	873	2.2	1,084	2.6	1,624	4.1
Total	$ 39,852	100.0 %	$ 41,968	100.0 %	$ 39,511	100.0 %

Counterparty Risk

We enter into interest rate and foreign exchange derivatives 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.

Derivative agreements for BancShares' risk management purposes and for the hedging of client transactions are primarily executed with investment grade financial institutions, with others cleared through certain central party clearing houses. 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 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

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. A component of our interest rate risk management strategy is the use of derivative instruments to manage fluctuations in earnings caused by changes in market interest rates. Interest rate swaps are the primary type of derivative instrument that we use as part of our interest rate risk management strategy. These derivatives hedge interest income variability of floating rate loans indexed to Secured Overnight Financing Rate ("SOFR"), as well as fair value changes of fixed rate time deposits and long-term debt indexed to SOFR. Refer to Note 12—Derivative Financial Instruments for further information on our derivative portfolio.

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, and also incorporate additional assumptions, including prepayment estimates, pricing estimates, deposit behaviors, and the use of internal models. The below simulations assume an immediate 100 and 200 bps parallel increase and decrease from current interest rates.

Table 42
Net Interest Income Sensitivity Simulation Analysis

	Estimated (Decrease) Increase in NII		
Change in interest rate (bps)	**September 30, 2024**	**June 30, 2024**	**December 31, 2023**
-200	(13.6) %	(13.8) %	(20.1) %
-100	(6.9)	(7.6)	(10.0)
+100	7.4	7.4	9.8
+200	16.5	14.4	19.4

NII Sensitivity metrics at September 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 other balance compositional changes.

As of September 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 SOFR. Deposit betas are currently modeled to have a portfolio average of approximately 30%-40% over the twelve-month forecast horizon, including 45%-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, including utilizing a dynamic rate level dependent modeling approach for our deposit attrition assumption. In addition to interest rate changes, other key assumptions used in our EVE Sensitivity simulations include asset prepayment speeds, discount spreads, interest-bearing deposit betas and deposit levels.

The 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:

Table 43
Economic Value of Equity Modeling Analysis

	Estimated Increase (Decrease) in EVE	
Change in interest rate (bps)	**September 30, 2024**	**June 30, 2024**
-200	4.2 %	5.2 %
-100	3.2	2.7
+100	(3.2)	(2.5)
+200	(5.2)	(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 44
Loan Maturity Distribution
dollars in millions

	At September 30, 2024, Maturing				
	Within One Year	One to Five Years	Five to 15 Years	After 15 Years	Total
Commercial					
Commercial construction	$ 1,493	$ 2,644	$ 752	$ 35	$ 4,924
Owner occupied commercial mortgage	1,895	7,347	6,760	370	16,372
Non-owner occupied commercial mortgage	3,260	9,559	2,492	767	16,078
Commercial and industrial	9,768	16,760	3,330	1,009	30,867
Leases	665	1,256	99	—	2,020
Total commercial	17,081	37,566	13,433	2,181	70,261
Consumer					
Residential mortgage	605	2,648	7,164	12,820	23,237
Revolving mortgage	63	196	856	1,340	2,455
Consumer auto	342	1,056	145	—	1,543
Consumer other	328	652	144	223	1,347
Total consumer	1,338	4,552	8,309	14,383	28,582
SVB					
Global fund banking	24,887	2,064	163	—	27,114
Investor dependent - early stage	118	1,010	—	—	1,128
Investor dependent - growth stage	196	2,238	—	—	2,434
Innovation and cash flow dependent	1,320	7,470	386	—	9,176
Total SVB	26,521	12,782	549	—	39,852
Total loans and leases	$ 44,940	$ 54,900	$ 22,291	$ 16,564	$ 138,695

As noted above, approximately 60%-65% of our total loans have floating contractual reference rates, indexed primarily to the Prime Lending Rate and SOFR. The following table provides information regarding the sensitivity to changes in interest rates of loans and leases maturing one year or after, as of September 30, 2024:

Table 45
Loan Interest Rate Sensitivity

dollars in millions	Loans Maturing One Year or After with	
	Fixed Interest Rates	Variable Interest Rates
Commercial		
Commercial construction	$ 1,289	$ 2,142
Owner occupied commercial mortgage	12,898	1,579
Non-owner occupied commercial mortgage	6,608	6,210
Commercial and industrial	10,022	11,077
Leases	1,343	12
Total commercial	32,160	21,020
Consumer		
Residential mortgage	8,940	13,692
Revolving mortgage	29	2,363
Consumer auto	1,201	—
Consumer other	308	711
Total consumer	10,478	16,766
SVB		
Global fund banking	2	2,225
Investor dependent - early stage	23	987
Investor dependent - growth stage	6	2,232
Innovation and cash flow dependent	—	7,856
Total SVB	31	13,300
Total loans and leases	$ 42,669	$ 51,086

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 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 September 30, 2024 we had $58.36 billion of high-quality liquid assets (26.5% of total assets) and $29.64 billion of contingent liquidity sources available.

Table 46
Liquidity

dollars in millions		**September 30, 2024**
Available cash	$	24,705
High-quality liquid securities [(1)]		33,654
High-quality liquid assets	$	58,359
Credit Facilities:		**Current Capacity [(2)]**
FDIC facility [(3)]	$	8,126
FHLB facility [(4)]		15,795
FRB facility		5,621
Line of credit		100
Total contingent sources	$	29,642
Total liquid assets and contingent sources	$	88,001
Total uninsured deposits	$	58,592
Coverage ratio of total liquid assets and contingent sources to uninsured deposits		150 %

(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 September 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 and Direct Bank. Total deposits at September 30, 2024 were $151.57 billion, an increase of $5.72 billion or 4% from $145.85 billion at December 31, 2023 and an increase of $495 million or less than 1% from $151.08 billion at June 30, 2024.

We use borrowings to diversify the funding of our business operations. Total borrowings at September 30, 2024 were $37.16 billion, a decrease of $493 million from $37.65 billion at December 31, 2023 and a decrease of $297 million from $37.46 billion at June 30, 2024. 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 47
FHLB Balances

dollars in millions	September 30, 2024	June 30, 2024	December 31, 2023
Total borrowing capacity	$ 17,245	$ 16,134	$ 15,072
Less:			
Advances	—	—	—
Letters of credit [1]	1,450	1,450	1,450
Available capacity	$ 15,795	$ 14,684	$ 13,622
Pledged Non-PCD loans (contractual balance)	$ 30,106	$ 27,003	$ 25,370

[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 $5.62 billion on a secured basis. There were no outstanding borrowings with the FRB Discount Window at September 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 $8.13 billion and was not utilized as of September 30, 2024. Refer to Note 2—Business Combinations for further discussion.

Contractual Obligations and Commitments

The following table includes significant contractual obligations and commitments as of September 30, 2024, representing required and potential cash outflows, including impacts from purchase accounting adjustments and deferred fees. Refer to 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 48
Contractual Obligations and Commitments

dollars in millions	Payments Due by Period				
	Less than 1 year	1-3 years	4-5 years	Thereafter	Total
Contractual obligations:					
Time deposits [1]	$ 13,400	$ 688	$ 41	$ —	$ 14,129
Short-term borrowings	391	—	—	—	391
Long-term borrowings [1][2]	(35)	(74)	36,370	509	36,770
Total contractual obligations	$ 13,756	$ 614	$ 36,411	$ 509	$ 51,290
Commitments:					
Financing commitments	$ 30,144	$ 15,735	$ 3,502	$ 6,766	$ 56,147
Letters of credit	1,647	618	98	6	2,369
Deferred purchase agreements	1,902	—	—	—	1,902
Purchase and funding commitments	372	—	—	—	372
Affordable housing partnerships [1]	390	570	29	44	1,033
Total commitments	$ 34,455	$ 16,923	$ 3,629	$ 6,816	$ 61,823

[1] *Time deposits and long-term borrowings are presented net of purchase accounting adjustments of $3 million and $134 million, respectively. On-balance sheet commitments for affordable housing partnerships are included in other liabilities and presented net of a purchase accounting adjustment of $40 million.*

[(2)] *Bracketed balances represent the estimated amortization of the purchase accounting adjustment and deferred costs in excess of any principal balance.*

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 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 three quarters of 2024, we paid quarterly dividends of $1.64 on the Class A common stock and Class B common stock. In October 2024, our Board declared and increased the quarterly dividend on the Class A common stock and Class B common stock to $1.95 per common share. The dividends are payable on December 16, 2024 to stockholders of record as of November 29, 2024.

During the first three 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. In October 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 December 16, 2024.

Capital Composition and Ratios

As discussed earlier in this MD&A, the Board authorized a Class A common share repurchase program in July 2024. During the current quarter we purchased 353,058 shares. Refer to the “Recent Events” section above for more information and Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for additional information related to our monthly repurchase activity during the current quarter and through October 31, 2024.

The following table details the change in outstanding Class A common stock through September 30, 2024:

Table 49
Changes in Shares of Class A Common Stock Outstanding

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Class A common stock shares outstanding at beginning of period	13,524,550	13,514,933
Shares purchased under authorized repurchase plan	(353,058)	(353,058)
Restricted stock units vested, net of shares held to cover taxes	2,531	12,148
Class A common stock shares outstanding at end of period	13,174,023	13,174,023

We also had 1,005,185 Class B common stock outstanding at September 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 50
Analysis of Capital Adequacy

dollars in millions	Basel III Requirements	Requirements to be Well Capitalized	September 30, 2024		June 30, 2024		December 31, 2023	
			Amount	Ratio	Amount	Ratio	Amount	Ratio
BancShares								
Risk-based capital ratios								
Total risk-based capital	10.50 %	10.00 %	$ 24,995	15.36 %	$ 25,120	15.45 %	$ 23,891	15.75 %
Tier 1 risk-based capital	8.50	8.00	22,434	13.78	22,543	13.87	21,150	13.94
Common equity Tier 1	7.00	6.50	21,554	13.24	21,663	13.33	20,270	13.36
Tier 1 leverage ratio	4.00	5.00	22,434	10.17	22,543	10.29	21,150	9.83
FCB								
Risk-based capital ratios								
Total risk-based capital	10.50 %	10.00 %	$ 23,813	14.64 %	$ 24,454	15.05 %	$ 23,600	15.56 %
Tier 1 risk-based capital	8.50	8.00	21,604	13.28	22,228	13.68	21,227	13.99
Common equity Tier 1	7.00	6.50	21,604	13.28	22,228	13.68	21,227	13.99
Tier 1 leverage ratio	4.00	5.00	21,604	9.80	22,228	10.15	21,227	9.88

As of September 30, 2024, BancShares and FCB had risk-based capital ratio conservation buffers of 7.36% and 6.64%, 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 September 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 September 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 Accounting Standards Updates (“ASUs”) were issued by the 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 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and also requires disclosure of the title and position of the CODM. This ASU clarifies that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit.	Effective for BancShares beginning with our financial statements for the year ending December 31, 2024, and for interim periods beginning in 2025, with retrospective application required for all periods presented. We did not early adopt this ASU. We have evaluated the impact of the ASU and will make the required segment disclosures in our 2024 Annual Report on Form 10-K. We do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

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 51
Rail Segment

dollars in millions	Three Months Ended			Nine Months Ended	
	September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Rental income on operating leases (GAAP)	$ 205	$ 201	$ 190	$ 604	$ 545
Less: depreciation on operating lease equipment	52	51	49	152	142
Less: maintenance and other operating lease expenses	59	60	51	164	163
Adjusted rental income on operating lease equipment (non-GAAP)	$ 94	$ 90	$ 90	$ 288	$ 240

NIM, Excluding PAA

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. 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.

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

Table 52
NIM, Excluding PAA

dollars in millions		Three Months Ended			Nine Months Ended	
		September 30, 2024	**June 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
NII (GAAP)	a	$ 1,796	$ 1,821	$ 1,990	$ 5,434	$ 4,801
Loan PAA income	b	107	145	275	415	535
Other PAA (expense) income	c	(6)	(5)	(6)	(16)	11
Total PAA	d = (b+c)	101	140	269	399	546
NII, excluding PAA (non-GAAP)	e = (a-d)	$ 1,695	$ 1,681	$ 1,721	$ 5,035	$ 4,255
Annualized NII (GAAP)	f = a annualized	$ 7,147	$ 7,322	$ 7,894	$ 7,259	$ 6,418
Annualized NII, excluding PAA (non-GAAP)	g = e annualized	6,746	6,760	6,829	6,726	5,689
Average interest-earning assets	h	$ 202,199	$ 200,705	$ 193,720	$ 200,503	$ 162,183
NIM (GAAP)	f/h	3.53 %	3.64 %	4.07 %	3.62 %	3.95 %
NIM, excluding PAA (non-GAAP)	g/h	3.33	3.36	3.52	3.35	3.50

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 recent 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 the recent interest rate cuts 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 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.

BancShares’ share repurchase program allows BancShares to repurchase shares of its Class A common stock through 2025. BancShares is not obligated under the share repurchase program 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. The authorization to repurchase Class A common stock will be utilized at management’s discretion. The actual timing and amount of Class A common stock that may be repurchased will depend on a number of factors, including the terms of any Rule 10-b5-1 plan then in effect, price, general business and market conditions, regulatory requirements, and alternative investment opportunities or capital needs.

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 the 2023 Form 10-K 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 September 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 September 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) The following table summarizes our monthly Class A common stock repurchase activity during the three months ended September 30, 2024. Subsequent to September 30, 2024, BancShares purchased an additional 189,709 shares of Class A common stock through October 31, 2024.

Table 53
Issuer Purchases of Class A Common Stock

dollars in millions, except per share data	Total Number of Class A Shares Purchased	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet be Purchased Under Plan
Repurchases from July 1 - 31, 2024	66,293	$ 2,113.47	66,293	$ 3,360
Repurchases from August 1 - 31, 2024	176,333	1,985.53	176,333	3,010
Repurchases from September 1 - 30, 2024	110,432	1,899.43	110,432	2,800
Total	353,058	$ 1,982.68	353,058	$ 2,800

On July 25, 2024, BancShares announced that its Board authorized a share repurchase program, which allows 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 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 third 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:	November 7, 2024		First Citizens BancShares, Inc.
			(Registrant)
		By:	/s/ Craig L. Nix
			Craig L. Nix
			Chief Financial Officer