



First Citizens BancShares, Inc.
PILLAR 3 REGULATORY CAPITAL DISCLOSURES

For the period ended June 30, 2024

TABLE OF CONTENTS

SCOPE OF APPLICATION	5
PRINCIPLES OF CONSOLIDATION	5
CAPITAL STRUCTURE	7
CAPITAL INSTRUMENTS	7
CAPITAL ADEQUACY	8
CAPITAL MANAGEMENT	8
REQUIRED RATIOS	10
RISK MANAGEMENT	11
COUNTERPARTY RISK MANAGEMENT	17
CREDIT RISK MITIGATION	19
CREDIT PHILOSOPHY	19
SECURITIZATION	20
EQUITY EXPOSURES	21
EVALUATION OF INVESTMENTS	21

DISCLOSURE MAP

PILLAR 3		2Q 2024	2023
REQUIREMENT	DESCRIPTION	FORM 10-Q	FORM 10-K
OVERVIEW	Organization / Overview	11 / 60	4
	Capital Requirements	109	15, 173
SCOPE OF APPLICATION	Business Combinations	14	109
	Transfer of Funds or Capital Restrictions		16
	Basis of Presentation	11	
CAPITAL STRUCTURE	Capital Instruments	108	90
	Regulatory Capital Tiers	109	174
CAPITAL ADEQUACY	Capital Management	108	90
	Risk-Based Capital Ratios	109	91
CAPITAL CONSERVATION BUFFER	Required Ratios	109	15
CREDIT RISK	Risk Management	94	73
	Credit Risk	94	74
	Credit Risk Exposures	96	75
COUNTERPARTY CREDIT RISK	Counterparty Risk Management	102	83
	Credit Derivatives	46	166, 83
CREDIT RISK MITIGATION	Credit Philosophy	94	33
SECURITIZATION	Securitization Exposures		189
EQUITY EXPOSURES	Evaluation of Investments	88	132
	Type of Investments	89	133
	Investment Securities	89	132
INTEREST RATE RISK	Risk Management	103	73

OVERVIEW

ORGANIZATION

First Citizens BancShares, Inc. (the “Parent Company” and when including all its subsidiaries on a consolidated basis, “BancShares,” “we,” “us,” or “our”) was incorporated under the laws of Delaware on August 7, 1986, to become the holding company of First-Citizens Bank & Trust Company (“FCB,” or the “Bank”), its banking subsidiary. FCB opened in 1898 as the Bank of Smithfield in Smithfield, North Carolina, and later changed its name to First-Citizens Bank & Trust Company.

Silicon Valley Bridge Bank 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 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”).

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 six months ended June 30, 2024. The SVB Acquisition is further discussed in Note 2 — Business Combinations of the Form 10-Q.

General Business

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. In addition, BancShares owns a fleet of railcars and locomotives that are leased to railroads and shippers. See Business Segments below for more information on markets we serve and products and services we offer.

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

The SVB Acquisition expanded our client base to serve private equity and venture capital and complimented our existing wealth management business by adding enhanced digital capabilities. The SVB Acquisition further diversifies our loan portfolio and business mix, particularly across technology and life sciences and healthcare industries, and wealth clients.

CAPITAL REQUIREMENTS

BancShares and FCB are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on BancShares' Consolidated Financial Statements. Certain activities, such as the ability to undertake new business initiatives, including acquisitions, the access to and cost of funding for new business initiatives, the ability to pay dividends, the ability to repurchase shares or other capital instruments, the level of deposit insurance costs, and the level and nature of regulatory oversight, largely depend on a financial institution's capital strength.

The Federal Reserve imposes certain capital requirements on bank holding companies under the Bank Holding Company Act ("BHCA"), including a minimum leverage ratio and minimum ratios of "qualifying" capital to risk-weighted assets. The metrics utilized to measure regulatory capital include the Tier 1 leverage-based Capital ("Leverage Ratio") and the risk-based capital ("Total Capital"), Tier 1 risk-based capital ("Tier 1 Capital Ratio"), and common equity Tier 1 capital ("CET1" or "Commons Equity Tier 1") risk-based capital ratios (collectively, the "Regulatory Capital Ratios"). Federal banking agencies approved regulatory capital guidelines ("Basel III") aimed at strengthening previous capital requirements for banking organizations. Basel III became effective for BancShares on January 1, 2015, and the associated capital conservation buffers of 2.5% were fully phased in by January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Additionally, federal banking agencies have developed Prompt Corrective Action ("PCA") well-capitalized thresholds for Regulatory Capital Ratios. The following table includes the Basel III requirements and PCA well-capitalized thresholds for the Regulatory Capital Ratios.

For further information on capital requirements, refer to *First Citizens BancShares, Inc.: Capital Requirements* in *Item 1. Business* – section in our 2023 Annual Report on Form 10-K, *Note 19 – "Regulatory Capital"* in the Notes to the Consolidated Financial Statements in our 2023 Annual Report on Form 10-K.

PILLAR 3 REPORTING

This document presents the Pillar 3 Disclosures in compliance with Basel III as described in Subpart D – Risk-weighted Assets – Standardized Approach of the Basel III Rule. These Pillar 3 Disclosures should be read in conjunction with the Form 10Q of Company's 2024 Quarterly Report as of June 30, 2024.

SCOPE OF APPLICATION

PRINCIPLES OF CONSOLIDATION

The accounting and reporting policies of BancShares are in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and general practices within the banking industry.

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 (“PB”), 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.

VIEs are legal entities that either do not have sufficient equity to finance their activities without the support from other parties or whose equity investors lack a controlling financial interest. BancShares has investments in certain partnerships and limited liability entities that have been evaluated and determined to be VIEs. Consolidation of a VIE is appropriate if a reporting entity holds a controlling financial interest in the VIE and is the primary beneficiary. BancShares is not the primary beneficiary and does not hold a controlling interest in the VIEs as it does not have the power to direct the activities that most significantly impact the VIEs’ economic performance. As such, assets and liabilities of these entities are not consolidated into the financial statements of BancShares. The recorded investment in these entities is reported within other assets.

See Note 8 — Variable Interest Entities and Note 9 — Other Assets in the Notes to the Unaudited Consolidated Financial Statements in our 2024 Quarterly Report on Form 10-Q as of June 30, 2024, for additional information.

TRANSFER OF FUNDS OR CAPITAL RESTRICTIONS

The Parent Company is a legal entity, separate and distinct from its subsidiaries. Revenues of the Parent Company primarily result from dividends received from FCB. There are various legal limitations applicable to the payment of dividends by FCB to the Parent Company and to the payment of dividends by the Parent Company to its shareholders. The payment of dividends by FCB or the Parent Company may be limited by certain factors, such as requirements to maintain capital above regulatory guidelines. Bank regulatory agencies have the authority to prohibit FCB or the Parent Company from engaging in an unsafe or unsound practice in conducting their business. The payment of dividends, depending on the financial condition of FCB or the Parent Company, could be deemed to constitute such an unsafe or unsound practice. BancShares became a Category IV banking organization and is required to submit a capital plan annually to the Federal Reserve in accordance with the applicable transition provisions. The annual capital plan will include planned capital distributions over a specified forecasting horizon. BancShares is subject to biennial supervisory capital stress testing under the Federal Reserve’s CCAR process. The SCB (stress capital buffer) would replace the static 2.5% component of the capital conservation buffer with a capital buffer that is based on supervisory stress test results and the Parent Company’s planned capital distributions. As discussed above, BancShares’ SCB would be calculated as the greater of (i) the difference between BancShares’ starting and minimum projected CET1 capital ratios under the severely adverse scenario in the supervisory stress test plus four quarters of planned common stock dividends as a percentage of risk-weighted assets and (ii) 2.5 percent. BancShares’ supervisory stress testing results under CCAR could impact the ability of the Parent Company to declare dividends or make other capital distributions, including common share repurchases.

Additionally, under The Federal Deposit Insurance Act (“The FDI Act”), insured depository institutions, such as FCB, are prohibited from making capital distributions, including the payment of dividends, if, after making such distributions, the institution would become “undercapitalized” as such term is used in the statute. Additionally, under Basel III capital guidelines, banking institutions with a Regulatory Capital Ratio above the Basel III minimum, but below the Basel III requirement will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. Based on FCB’s current financial condition, the Parent Company currently does not expect these provisions to have any material impact on its ability to receive dividends from FCB. The Parent Company’s non-bank subsidiaries pay dividends to the Parent Company periodically on a non-regulated basis.

FCB receives management fees from its subsidiaries and the Parent Company for expenses incurred for performing various functions on their behalf. These fees are charged to each company based upon the estimated cost for usage of services by that company. The fees are eliminated from the consolidated financial statements.

For further information on Transfer of Funds or Capital Restrictions, please refer to the "First Citizens BancShares, Inc.: Limits on Dividends and Other Payments" in Part I, Item 1 – Business in our 2024 Quarterly Report on Form 10-Q.

REGULATED SUBSIDIARIES' CAPITAL

The Company's regulated subsidiaries as of June 30, 2024, include the regulated banking subsidiary, the Edge and Agreement Corporation, a regulated insurance entity, two broker-dealer subsidiaries and two registered investment advisors. All these entities were in compliance with their respective minimum total capital requirements as of June 30, 2024.

CAPITAL STRUCTURE

CAPITAL INSTRUMENTS

The Company's qualifying common equity tier 1 capital instruments consists of common stock. The Parent Company has Class A Common Stock and Class B Common Stock.

For additional information regarding BancShares common stock, refer to Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities in the Notes to the Consolidated Financial Statements in our 2023 Annual Report on Form 10-K.

As of June 30, 2024, Bancshares's qualifying additional Tier 1 capital instrument is non-cumulative perpetual preferred stock of \$881 million, and its qualifying Tier 2 capital instrument is subordinated notes of \$720 million including phase out of \$180 million. For additional information on the Tier 1 and Tier 2 capital instruments refer to Note 11 – Borrowings and Note 15 – Stockholders' Equity, respectively, in the Notes to the Consolidated Financial Statements in our Form 10-Q as of June 30, 2024.

REGULATORY CAPITAL TIERS

The components of capital including Common Equity Tier 1, Tier 1 and Total Capital are as follows:

Regulatory Capital Tiers (dollars in millions)	
	June 30, 2024
Common Equity Tier 1 ("CET1") Capital	
Common stock	\$ 15
Paid in capital	4,099
Retained earnings	18,102
Accumulated other comprehensive loss ("AOCI")	(610)
Total common stockholders' equity	21,606
Effect of certain items in AOCI excluded from CET1 Capital	610
Adjusted total equity	22,216
Less: Goodwill, net of associated deferred tax liabilities ("DTLs")	(346)
Less: Intangible assets, net of associated DTLs	(207)
Total CET1 Capital	21,663
Preferred stock	881
Total Additional Tier 1 Capital	881
Total Tier 1 Capital	22,543
Qualifying Tier 2 Capital instruments	720
Qualifying adjusted allowance for credit losses ("AACL") ⁽¹⁾	1,857
Total Tier 2 Capital	2,576
Total Capital	\$ 25,120

⁽¹⁾ AACL includes credit loss allowances related to loans, except for allowances for purchased credit deteriorated ("PCD") assets. AACL also includes the allowance for off-balance sheet credit exposures (i.e. unfunded lending commitments and Deferred Purchase Agreements) recorded in other liabilities.

CAPITAL ADEQUACY

CAPITAL MANAGEMENT

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 that may be employed at management's discretion.

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.

For additional information regarding capital management, refer to the *Item 1. Business – Regulation: Regulatory Considerations* in our 2023 Annual report of 10-K, *Capital Adequacy* section and *Note 15 – Stockholders' Equity* in the Notes to the Unaudited Consolidated Financial Statements in our 2024 Quarterly Report on Form 10-Q as of June 30, 2024.

RISK-BASED CAPITAL RATIOS

The following tables present information on the Company's Standardized Approach for Risk Weighted Assets ("RWA") components included within the regulatory capital ratios on June 30, 2024. The regulatory capital rules applicable to the Company were the Basel III Rule and the Simplification Final Rule.

Standardized Approach Risk-Weighted Assets (dollars in millions)			
	June 30, 2024		
	Exposure Amount		RWA Amount
Loans and Leases:			
Residential mortgages exposures	\$	25,124	\$ 14,272
HVCRE loans		901	1,351
Past due and non-accrual loans		1,109	1,543
All other loans and leases ³		112,294	103,549
Total loans and leases		139,428	120,715
Less: Allowance for credit losses		(1,700)	—
Operating lease equipment		8,949	8,949
Sovereign/Supranational exposures		44,360	—
Other assets		28,795	11,813
Total on-balance sheet assets		219,832	141,477
Rail purchase commitments		535	535
Loan commitments with original maturity within 1 year ⁽¹⁾		9,522	1,614
Loan commitments with original maturity over 1 year ⁽¹⁾		36,438	15,587
Unconditionally cancellable commitments		15,732	—
Letters of credit		3,914	2,889
Other off-balance sheet items ⁽²⁾		1,876	436
Total off-balance sheet items		68,017	21,061
Less: Excess of AACL		—	—
Total	\$	287,849	\$ 162,538

⁽¹⁾ For regulatory reporting purpose, asset-based lending unused commitments should be measured as the contractual borrowing base less outstanding loans and letters of credit under the commitment.

⁽²⁾ The exposure amount includes notional amount for reverse repos and other off-balance sheet items, as well as the credit equivalent amount for derivative transactions.

⁽³⁾ For covered exposures and off-balance sheet commitments RWA includes the benefit from FDIC loss sharing agreement

Regulatory Capital Ratios (dollars in millions)			
	30-Jun-24		
	BancShares		Bank
Total risk-based capital		15.45%	15.05%
Tier 1 risk-based capital		13.87%	13.68%
Common equity Tier 1		13.33%	13.68%
Tier 1 Leverage		10.15%	10.29%
Risk-Weighted Assets	\$	162,538	\$ 162,477

CAPITAL CONSERVATION BUFFER

REQUIRED RATIOS

Federal banking agencies approved regulatory capital guidelines (“Basel III”) aimed at strengthening previous capital requirements for banking organizations.

BancShares is required to maintain risk-based capital ratios as follows:

	Basel III Minimum	Basel III Conservation Buffers	Basel III Requirements
Total Risk-based capital	8.00%	2.50%	10.50%
Tier 1 risk-based capital	6.00%	2.50%	8.50%
Common equity Tier 1	4.50%	2.50%	7.00%
Tier 1 Leverage	4.00%	---	4.00%

As of June 30, 2024, BancShares has met the effective minimum ratios, with CET1 Capital, Tier 1 Capital and Total Capital ratios of 13.33%, 13.87% and 15.45%, respectively.

At June 30, 2024, BancShares had a Tier 1 risk-based capital ratio conservation buffer of 7.45%, which is in excess of the fully phased in Basel III conservation buffer of 2.50%. The capital ratio conservation buffers represent the excess of the regulatory capital ratio as of June 30, 2024, over the Basel III minimum.

CREDIT RISK

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 Commercial Real Estate ("CRE") property values due to current interest rate levels that impacted the ALLL forecasts. Key indicators will continue to be monitored and impacts assessed as part of our ongoing risk management framework.

CREDIT RISK

Credit risk 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.

For further information on Lending and Lease Risk, refer to the *Item 7A. Quantitative and Qualitative Disclosure about Market Risk - Credit Risk Management* section in our 2023 annual report on Form 10-K. For further information on Counterparty Credit Risk, refer to the next section in this document.

The general policies for Lending and Leasing Risk conform to U.S. GAAP, as well as bank regulatory authorities where applicable. Below is a summary of four of the additional credit risk related policies.

Past Due and Non-Accrual Loans

Loans and leases are classified as past due when the payment of principal and interest based upon contractual terms is 30 days or greater delinquent. Loans and leases are generally placed on nonaccrual when principal or interest becomes 90 days past due or when it is probable the principal or interest is not fully collectible. When loans are placed on nonaccrual, previously uncollected accrued interest is reversed from interest income and the ongoing accrual of interest is discontinued. All payments received thereafter are applied as a reduction of the outstanding balance until the account is collected, charged-off or returned to accrual status. Loans and leases are generally removed from nonaccrual status when they become current for a sustained period and there is no longer concern as to the collectability of principal and interest.

Allowance for Loan and Lease Losses (“ALLL”)

The ALLL represents management’s best estimate of credit losses expected over the life of the loan or lease, adjusted for expected contractual payments and the impact of prepayment expectations. Estimates for loan and lease losses are determined by analyzing quantitative and qualitative components present as of the evaluation date. Adjustments to the ALLL are recorded with a corresponding entry to the provision or benefit for credit losses in accordance with FASB Accounting Standard Codification (“ASC”) 326 Financial Instruments-Credit Losses (“ASC 326”). ASC 326 introduced the current expected credit losses methodology (“CECL”) for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. BancShares adopted ASC 326 on January 1, 2020, and CECL is applied for all periods presented in these consolidated financial statements.

For more information, please refer to Note 1 – *Significant Accounting Policies and Basis of Presentation* in the Notes to the Consolidated Financial Statements in our 2023 Annual Report on Form 10-K.

Individually Reviewed Loans

Loans and leases are segregated into pools with similar risk characteristics, and each have a model that is utilized to estimate the ALLL under Current Expected Credit Losses (“CECL”). When loans do not share risk characteristics similar to others in the pool, the ALLL is evaluated on an individual basis. Given that BancShares’ CECL models are loan level models, the population of loans evaluated individually is not significant and consists primarily of loans greater than \$500 thousand. A specific ALLL is established, or partial charge-off is recorded, for the difference between the excess amortized cost of loan and the estimated fair value of the loan, less estimated cost to sell.

Loan Charge-Offs and Recoveries

Loan charge-offs are recorded after considering such factors as the borrower’s financial condition, the value of underlying collateral, guarantees, and the status of collection activities. Loan balances considered uncollectible are charged-off against the ALLL and deducted from the carrying value of the related loans. Consumer loans are subject to mandatory charge-off at specified delinquency dates in accordance with regulatory guidelines. The value of the underlying collateral for consumer loans is considered when determining the charge-off amount if repossession is reasonably assured and in process. See Note 4 — Loans and Leases in the Notes to the Consolidated Financial Statements in our 2023 Annual Report on Form 10-K for additional information. Realized recoveries of amounts previously charged-off are credited to the ALLL.

CREDIT RISK EXPOSURES

In the following tables, loans include loans and leases held for investment. Loans held for sale of \$86 million are not included in the tables below unless otherwise noted.

Loans Composition (dollars in millions)	
	June 30, 2024
Commercial:	
Commercial construction	\$ 4,484
Owner occupied commercial mortgage	16,233
Non-owner-occupied commercial mortgage	15,580
Commercial and industrial	30,684
Leases	2,049
Total commercial	69,030
Consumer:	
Residential mortgage	23,101
Revolving mortgage	2,351
Consumer auto	1,503
Consumer other	1,388
Total consumer	28,343
SVB:	
Global fund banking	28,915
Investor dependent - early stage	1,179
Investor dependent - growth stage	2,627
Innovation C&I and cash flow dependent	9,247
Total SVB	41,968
Total loans and leases	\$ 139,341

Loans by Obligor - Geographic Region (dollars in millions) ⁽¹⁾	
	June 30, 2024
United States	\$ 137,392
Asia / Pacific	156
Europe	783
Canada	597
Latin America	361
All other countries	52
Total	\$ 139,341

⁽¹⁾ This table reflects the country of domicile.

Loans by Obligor - Industry (dollars in millions)	
	June 30, 2024
Corporate	\$ 76,218
Non-bank financial institution	33,398
Bank	2
Public ⁽¹⁾	1,398
Household ⁽²⁾	28,325
Total	\$ 139,341

⁽¹⁾ Includes governments, their departments, and their agencies.

⁽²⁾ Includes individuals and families.

Loans on Non-Accrual Status - Geographic Region (dollars in millions)

	June 30, 2024
United States	\$ 1,140
Europe	—
Asia / Pacific	1
Canada	—
Total	\$ 1,141

Loans on Non-Accrual Status - Industry (dollars in millions)

	June 30, 2024
Corporate	\$ 871
Non-bank financial institution	14
Bank	—
Public ⁽¹⁾	3
Household ⁽²⁾	142
SVB	
Global Fund Banking	—
Investor Dependent - Early Stage	40
Investor Dependent - Growth Stage	47
Innovation C&I and Cash Flow Dependent	24
Total	\$ 1,141

⁽¹⁾ Includes governments, their departments, and their agencies.

⁽²⁾ Includes individuals and families.

Loans Delinquency Status ⁽¹⁾ - Geographic Region (dollars in millions)

	June 30, 2024		
	30-89 Days Past Due	90 Days or Greater	Total Past Due
United States	\$ 585	\$ 151	\$ 736
Asia / Pacific	—	—	—
Canada	1	—	1
Latin America	1	—	1
Europe	—	—	—
Total	\$ 587	\$ 151	\$ 738

⁽¹⁾ Includes past due loans held for sale but excludes past due loans that are in nonaccrual status.

Loans Delinquency Status ⁽¹⁾ - Industry (dollars in millions)

	June 30, 2024		
	30-89 Days Past Due	90 Days or Greater	Total Past Due
Corporate	\$ 317	\$ 113	\$ 430
Non-bank financial institution	11	26	37
Bank	—	—	—
Public ⁽²⁾	199	9	208
Household ⁽³⁾	16	3	19
SVB			
Global Fund Banking	—	—	—
Investor Dependent - Early Stage	3	—	3
Investor Dependent - Growth Stage	—	—	—
Innovation C&I and Cash Flow Dependent	40	—	40
Total	\$ 587	\$ 151	\$ 738

⁽¹⁾ Includes past due loans held for sale but excludes past due loans that are in nonaccrual status.

⁽²⁾ Includes governments, their departments, and their agencies.

⁽³⁾ Includes individuals and families.

Charge-Offs (dollars in millions)

	Six Months Ended June 30, 2024		
	Gross Charge-offs	Recoveries	Net Charge-offs
Corporate	\$ 275	\$ 46	\$ 229
Non-bank financial institution	—	—	—
Bank	—	—	—
Public ⁽¹⁾	—	—	—
Household ⁽²⁾	13	7	6
Total	\$ 288	\$ 53	\$ 235

⁽¹⁾ Includes governments, their departments, and their agencies.

⁽²⁾ Includes individuals and families

Changes in Allowance for Loan and Lease Losses (dollars in millions)

	Six Months Ended June 30, 2024			
	Commercial	Consumer	SVB	Total
Balance at beginning of period ⁽¹⁾	\$ 1,126	\$ 166	\$ 455	\$ 1,747
Provision (benefit) for loan and lease losses	125	(5)	68	188
Charge-offs	(171)	(13)	(103)	(287)
Recoveries	23	5	24	52
Other	—	—	—	—
Balance on June 30, 2024	<u>\$ 1,103</u>	<u>\$ 153</u>	<u>\$ 444</u>	<u>\$ 1,700</u>

⁽¹⁾ Loan and lease and ALLL disclosures for 2023 periods included in the Form 10-Q were recast to reflect the changes in loan classes summarized in the Note 1 — Significant Accounting Policies and Basis of Presentation in our Quarterly Report on Form 10-Q as of March 31, 2024.

Loan Maturity Distribution (dollars in millions)

	June 30, 2024				
	Within 1 Year	1 to 5 Years	5 to 15 Years	After 15 Years	Total
Commercial					
Commercial construction	\$ 1,650	\$ 2,082	\$ 714	\$ 38	\$ 4,484
Owner occupied commercial mortgage	1,845	7,143	6,881	364	16,233
Non-owner-occupied commercial mortgage	3,105	9,158	2,584	733	15,580
Commercial and industrial	9,286	17,269	3,469	660	30,684
Leases	554	1,235	260	—	2,049
Total commercial	16,440	36,887	13,908	1,795	69,030
Consumer					
Residential mortgage	623	2,642	7,105	12,731	23,101
Revolving mortgage	61	205	814	1,271	2,351
Consumer auto	336	1,031	136	—	1,503
Consumer other	328	674	154	232	1,388
Total consumer	1,348	4,552	8,209	14,234	28,343
SVB					
Global fund banking	26,991	1,827	97	—	28,915
Investor dependent - early stage	132	1,047	—	—	1,179
Investor dependent - growth stage	264	2,363	—	—	2,627
Innovation and cash flow dependent	1,314	7,639	294	—	9,247
Total SVB	28,701	12,876	391	—	41,968
Total loans and leases	\$ 46,489	\$ 54,315	\$ 22,508	\$ 16,029	\$ 139,341

COUNTERPARTY CREDIT RISK

COUNTERPARTY RISK MANAGEMENT

We enter in interest rate derivatives and foreign exchange forward contracts as part of our overall risk management practices and 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.

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

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

CREDIT DERIVATIVES

BancShares is exposed to credit risk to the extent that the counterparty fails to perform under the terms of a derivative agreement. Losses related to credit risk are reflected in other noninterest income. BancShares manages this credit risk by requiring that all derivative transactions entered as hedges be conducted with counterparties rated investment grade at the initial transaction by nationally recognized rating agencies, and by setting limits on the exposure with any individual counterparty. In addition, pursuant to the terms of the Credit Support Annexes between BancShares and its counterparties, BancShares may be required to post collateral or may be entitled to receive collateral in the form of cash or highly liquid securities depending on the valuation of the derivative instruments as measured daily.

For further information on credit derivatives, refer to *Note 12 – Derivative Financial Instruments* in the Notes to the Unaudited Consolidated Financial Statements in our 2024 Quarterly Report Form 10-Q June 30, 2024.

COLLATERAL

In conjunction with the International Swaps and Derivatives Association ("ISDA") agreements described above, BancShares has entered in 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.

The following table presents notional amount and fair value of derivative financial instruments on a gross basis.

Derivative Financial Instruments (dollars in millions)			
	June 30, 2024		
	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	1,165	—	—
Total fair value hedges ⁽¹⁾⁽⁴⁾	1,499	—	—
Cash Flow Hedges			
Interest rate contracts hedging loans ⁽¹⁾⁽⁴⁾	2,500	—	—
Total derivatives designated as hedging instruments	3,999	—	—
Derivatives not designated as hedging instruments (non-qualifying hedges)			
Interest rate contracts ⁽¹⁾⁽⁴⁾	25,266	553	(569)
Foreign exchange contracts ⁽²⁾	8,685	83	(66)
Other contracts ⁽³⁾	1,233	10	(1)
Total derivatives not designated as hedging instruments	\$ 35,184	646	(636)
Gross derivatives fair values presented in the Consolidated Balance Sheets		646	(636)
Less: gross amounts offset in the Consolidated Balance Sheets		—	—
Net amount presented in other assets and other liabilities in the Consolidated Balance Sheets		646	(636)
Less: amounts subject to master netting agreements ⁽⁵⁾		(50)	50
Less: cash collateral pledged (received) subject to master netting agreements ⁽⁶⁾		(533)	3
Total net derivative fair value		\$ 63	\$ (583)

⁽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 \$176 million and \$0 million, respectively, as of June 30, 2024, and \$179 million and \$0 million, respectively, as of December 31, 2023.

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

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

⁽⁵⁾ BancShares' derivative transactions are governed by 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 in 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.

CREDIT RISK MITIGATION

CREDIT PHILOSOPHY

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 default, loss given default, 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 because of borrower specific facts and circumstances, that in management's judgment, warrant a modification of the modeled risk rating to arrive at the final approved risk ratings.

Consumer Lending

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

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

Our ALLL methodology is discussed further in the section entitled "Critical Accounting Estimates" of this MD&A and Note 1—Significant Accounting Policies and Basis of Presentation in our 2023 Annual Report form 10-K.

SECURITIZATION

SECURITIZATION EXPOSURES

Securitization exposure is an on- or off-balance sheet credit exposure (including credit-enhancing representations and warranties) that arises from a traditional or synthetic securitization (including a re-securitization), or an exposure that directly or indirectly references a securitization exposure.

The Company reports credit-enhancing representations for mortgage assets sold, which subject to 1250% risk weighting.

Securitization Risk-Weighted Assets (dollars in millions)

Exposure Type:	June 30, 2024		
	Exposure Amount	Effective Risk-Weight %	Risk-Weighted Asset Amount
Credit Enhancement	3	1250%	31

EQUITY EXPOSURES

EVALUATION OF INVESTMENTS

Investments in equity securities having readily determinable fair values are stated at fair value. Realized and unrealized gains and losses on these securities are included in noninterest income. Non-marketable equity securities are securities with no readily determinable fair values and are measured at cost. BancShares evaluates its equity securities for impairment and recoverability of the recorded investment by considering positive and negative evidence, including the profitability and asset quality of the issuer, dividend payment history and recent redemption experience. Impairment is assessed at each reporting period and if identified, is recognized in other noninterest expense.

TYPE OF INVESTMENTS

Certain investments held by BancShares are reported in other assets, including FHLB stock and nonmarketable securities without readily determinable fair values that are recorded at cost, and investments in qualified affordable housing projects, all of which are accounted for under the proportional amortization method (“PAM”).

The Company applies the Simple Risk-Weight Approach for its individual equity securities, under which the RWA is calculated by multiplying the carrying value of the equity exposures by the applicable risk weight.

GAINS (LOSSES)

There was no net realized investment gains or losses for the quarter end on June 30, 2024, to exclude losses from other than temporary impairment.

For further information on investment securities, refer to *Note 3 – Investment Securities* in the Notes to the Unaudited Consolidated Financial Statements in our 2024 Quarterly Report on Form 10-Q as of June 30, 2024.

Risk Weighting Approaches of Equity Exposures (dollars in millions)			
		June 30, 2024	
	Risk Weight Category	Exposure Amount	Risk-Weighted Asset Amount
Federal Reserve Bank Stock	0%	\$ —	\$ —
Federal Home Loan Bank Stock	20%	20	4
Investments in Unconsolidated Subsidiaries ⁽¹⁾⁽²⁾	100%	133	133
Marketable Equity Securities ⁽²⁾	300%	77	77
Non-Marketable Equity Securities ⁽²⁾⁽³⁾⁽⁴⁾	400%	2,221	2,221
Total		\$ 2,451	\$ 2,435

⁽¹⁾ Excludes investment that is risk-weighted as a securitization exposure.

⁽²⁾ Risk-Weighted at 100% as the aggregate carrying value of all equity investments does not exceed 10% of Total Capital.

⁽³⁾ Excludes Volcker covered funds as they are fully deducted from capital.

⁽⁴⁾ BancShares has investments in qualified affordable housing projects primarily for the purposes of fulfilling CRA requirements and obtaining tax credits

INTEREST RATE RISK

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 the 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* ("NII Sensitivity") measures the net impact of hypothetical changes in interest rates on forecasted NII; and
- *Economic Value of Equity 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, which is generally concentrated at the short end of the yield curve.

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.

Change to NII Sensitivity and EVE Sensitivity				
June 30, 2024				
	-200bps	-100 bps	+100 bps	+200 bps
NII Sensitivity	(13.8)%	(7.6)%	7.4 %	14.4 %
EVE Sensitivity	5.2 %	2.7 %	(2.5)%	(4.6)%

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

As of June 30, 2024, BancShares continues to have an asset sensitive interest rate risk profile and the potential exposure to forecasted earnings was largely driven by the composition of the balance sheet (primarily due to floating rate commercial loans and cash), as well as estimates of modest future deposit betas. Approximately 60%-65% of our loans have floating contractual reference rates, indexed primarily to

Prime, Secured Overnight Financing Rate ("SOFR") and LIBOR. Deposit betas are modeled to have a portfolio average of approximately 30%-35% over the forecast horizon. Deposit beta is the portion of a change in the fed 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 economic value of equity 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.

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 management volumes, specific risk events, 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 off-balance sheet 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.