Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We are subject to a number of risks and uncertainties that could have a material impact on our business, financial condition and results of operations and cash flows. As a financial services organization, certain elements of risk are inherent in our transactions and operations and are present in the business decisions we make. We encounter risks as part of the normal course of our business, and our success is dependent on our ability to identify, understand and manage the risks presented by our business activities. We categorize risks into the following areas, and the principal risks and uncertainties that management believes make an investment in us speculative or risky are summarized within their respective areas: • Strategic Risks: The risks to our earnings or capital arising from our business decisions or improper implementation of those decisions. ▪ We may be adversely affected by risks associated with completed, pending or any potential future acquisitions. ▪ **We encounter significant competition that may reduce** ~~Our future results will suffer if we do not effectively manage~~ our **market share and profitability** ~~expanded operations following the CIT Merger~~. • Operational Risks: The risks of loss resulting from inadequate or failed processes, ~~people~~ **staffing** and systems or from external events. ▪ We face significant operational risks in our businesses and may fail to maintain appropriate operational infrastructure and oversight. ▪ A cyberattack, information or security breach, or a technology outage of ours or of a third **-** party could adversely affect our ability to conduct our business, manage our exposure to risk, result in the disclosure or misuse of confidential customer or employee data or proprietary information, and increase our costs to maintain and update our operational and security systems and infrastructure. This could adversely impact our results of operations, liquidity and financial condition, as well as cause us legal or reputational harm. • Credit Risks: The risks that a borrower, obligor, or counterparty will fail to perform on an obligation or that our risk management processes will fail or be insufficient. ▪ If we fail to effectively manage credit risk, our business and financial condition will suffer. ▪ Our allowance for credit losses may prove to be insufficient to absorb losses in our ~~loan~~ **credit** portfolios. • Market Risks: The risks to our financial condition resulting from adverse movements in domestic and international macroeconomic and political conditions, as well as economic output levels, interest and inflation rates, employment levels, prices of commodities, consumer confidence levels, and changes in consumer spending, international trade policy, and fiscal and monetary policy. ▪ Unfavorable economic or political conditions, as considered through a range of metrics, have and could continue to adversely affect our business. ▪ Failure to effectively manage our interest rate risk could adversely affect us. • Liquidity Risks: The risks that we will be unable to meet our obligations as they come due because of an inability to (i) liquidate assets or obtain adequate funding, or (ii) unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions, or that we will not meet the liquidity management requirements applicable to us as a Category IV banking organization, subject to the applicable transition periods. ▪ If our current level of balance sheet liquidity were to experience pressure, it could affect our ability to pay deposits and fund our operations. ▪ We are subject to enhanced liquidity risk management requirements as a Category IV banking organization, subject to the applicable transition periods, including reporting, liquidity stress testing, and ~~a~~ liquidity buffer, as well as resolution planning at the bank level, and failure to meet these requirements could result in regulatory and compliance risks, and possible restrictions on our activities. • Capital Adequacy Risks: The risks that our capital levels become inadequate to preserve our safety and soundness, support our ongoing business operations and strategies and provide us with support against unexpected or sudden changes in the business / economic environment, or that we will not meet the capital adequacy requirements applicable to us as a Category IV banking organization, subject to the applicable transition periods. ▪ Our ability to grow is contingent upon access to capital, which may not be readily available to us. ▪ We and FCB are subject to capital adequacy and liquidity guidelines and, if we fail to meet these guidelines, our financial condition and ability to make capital distributions would be adversely affected. • Compliance Risks: The risks of loss or reputational harm to us resulting from regulatory sanctions, fines, penalties or losses due to our failure to comply with laws, rules, regulations or other supervisory requirements applicable to us. ▪ We operate in a highly regulated industry, and the laws and regulations that govern our operations, taxes, corporate governance, executive compensation and financial accounting and reporting, including changes in them or our failure to comply with them, may adversely affect us. ▪ Information security and data privacy are areas of heightened legislative and regulatory focus. • Asset Risks: The risks that the value of our long- lived assets will be lower than expected, resulting in reduced income over the remaining life of the asset or a lower sale value. ▪ We may not be able to realize our entire investment in the equipment that we lease to our customers. • Financial Reporting Risks: The risks that our financial information is reported incorrectly or incompletely, including through the improper application of accounting standards or other errors or omissions. ▪ Accounting standards may change and increase our operating costs or otherwise adversely affect our results. ▪ Our accounting policies and processes are critical to the reporting of our financial condition and results of operations. They require management to make estimates about matters that are uncertain, and such estimates may be materially different from actual results. The risks and uncertainties that management believes are material to an investment in us are described below. Additional risks and uncertainties that are not currently known to management or that management does not currently deem material could also have a material adverse impact on our financial condition, the results of our operations or our business. If such risks and uncertainties were to materialize or the likelihoods of the risks were to increase, we could be adversely affected, and the market price of our securities could significantly decline. We plan to continue to grow our business organically. However, we have pursued and expect to continue to pursue acquisition opportunities that we believe support our business strategies and may enhance our profitability. ~~For example, on January 3, 2022, we consummated the acquisition of CIT, which added $ 53. 78 billion in total assets, $ 39. 43 billion in deposits and $ 32. 71 billion in loans.~~ We must generally satisfy a number of material conditions prior to consummating any acquisition including, in many cases, federal and state regulatory approval ~~. Among other things, our~~ **or requirements, and we may be subject to potentially increased regulatory requirements in the future. Our** regulators will consider **, among other things,** our capital, liquidity, profitability, regulatory compliance **, adequacy of risk management,** and levels of goodwill when considering acquisition and expansion proposals **. The Federal Reserve, FDIC, and OCC are currently reevaluating the framework for review of bank mergers and acquisitions. On January 29, 2024, the OCC announced a proposed rule to eliminate expedited processing and use of streamlined application forms with respect to transactions subject to its review and approval under the BMA. Additionally, the OCC' s proposal highlights additional scrutiny of transactions generally. The Federal Reserve and FDIC have not proposed a similar rulemaking, but the agencies may be impacted or influenced by the actions of the OCC** . We may fail to complete strategic and competitively significant business opportunities as a result of our inability to obtain required regulatory approvals in a timely manner or at all, or the approval for such opportunity could include conditions imposing additional costs or limitations that reduce the anticipated related benefits. **Our recent** ~~On July 9, 2021, President Biden issued the Executive Order, which encouraged federal banking agencies to review the framework for evaluating bank mergers and~~ acquisitions ~~under~~ **include** the ~~BHC Act~~ **SVBB Acquisition in March 2023** and the ~~Bank~~ **CIT** Merger ~~Act. The Executive Order has received significant public support from members of Congress as well as from members of the board of the FDIC and Federal Reserve and the Acting Comptroller of the Currency. The Director of the CFPB " has publicly sought a greater role for the CFPB~~ in **January 2022** ~~the evaluation of bank merger proposals~~ . ~~Any enhanced regulatory scrutiny~~ **We may fail to realize the anticipated benefits** of **our previous** ~~bank mergers and~~ acquisitions and **fully integrating our prior** ~~revision of the regulatory framework for approval of bank mergers could adversely affect the marketplace for bank merger transactions and could result in potential future~~ acquisitions ~~by us being delayed, impeded or restricted in certain respects and result in new rules that possibly limit the size of financial institutions that we~~ may be **more difficult, costly** ~~able to acquire in the future or alter the terms for~~ - **or time-** ~~such transactions. We may be unsuccessful in identifying, consummating~~ -- **consuming than expected** ~~or integrating any potential acquisitions~~ . Acquisitions of financial institutions, assets of financial institutions or other operating entities involve operational risks and uncertainties. **In addition,** ~~Acquired~~ **acquired** companies or assets may have unknown or contingent liabilities, exposure to unexpected asset quality problems that require write downs or write- offs, additional regulatory requirements or difficulty retaining key employees and customers. ~~Due~~ **In the past, we have acquired, and may in the future continue** to **acquire, the assets and assume certain liabilities of failed banks in FDIC- assisted transactions. FDIC- assisted transactions, such as the SVBB Acquisition, present unique risks because of the limited due diligence, expedited timelines and minimal negotiation of terms. To mitigate certain of those risks, including credit risks of acquired loans, FDIC- assisted transactions typically provide for FDIC assistance, including potential loss- sharing. For example, in connection with the SVBB Acquisition, FCB entered into a commercial shared loss agreement with the FDIC pursuant to which the FDIC is obligated to reimburse FCB for (i) 0 % of losses on the first $ 5 billion of covered loans and (ii) 50 % of losses in excess of $ 5 billion on covered loans. In addition, FCB agreed to reimburse the FDIC for 50 % of recoveries related to covered loans in the SVBB Acquisition. Although loss sharing agreements reduce the credit risks of, and capital required for, FDIC- assisted transactions,** these **transactions often require additional resources** and **time to service acquired problem loans, costs related to integration of personnel and operating systems, and** ~~other~~ -- **the** ~~issues relating~~ **establishment of processes and internal controls** to ~~acquisitions~~ **service acquired assets in accordance with applicable FDIC standards. If the covered loans are not managed in accordance with the commercial shared loss agreement** , **the FDIC has the right to refuse or delay payment for loan losses. Furthermore, reimbursable losses are based on the book value of the relevant loans as determined by the FDIC as of the effective date of the transaction. Therefore, the amount that** we ~~may~~ **realize on the loans acquired in the SVBB Acquisition could differ materially from the carrying value that will be reflected in our consolidated financial statements, based upon the timing and amount of collections on the covered loans in future periods. Any losses we experience on the assets acquired in the SVBB Acquisition that are** not **covered under** ~~be able to realize projected cost savings, synergies or other~~ -- **the commercial shared loss agreement** ~~benefits associated with any such acquisition. Failure to efficiently integrate any acquired entities or assets into our existing operations~~ could ~~significantly increase our operating costs and consequently~~ have ~~material~~ **an** adverse ~~effects~~ - **effect** on our **business,** financial condition ~~and~~ **,** results of operations **and prospects** . Following the ~~CIT Merger~~ **consummation of the SVBB Acquisition** , the size and geographic and operational scope of our business has increased significantly. The **SVBB Acquisition was a substantial reason for our increased asset size from total consolidated assets of $ 109. 30 billion at December 31, 2022 to $ 213. 76 billion at December 31, 2023. The SVBB Acquisition, like the** CIT Merger ~~more than doubled our asset size~~ , increased the breadth and complexity of our business with the addition of new business lines in which we have not previously engaged and expanded our geographic scope to new ~~geographic~~ areas **. Further, legacy Silicon Valley Bank loans were concentrated within certain industries, including technology, life science and healthcare, and with private equity and venture capital clients** . Our future success depends, in part, upon the ability to manage this expanded business **while strengthening our reputation among the venture capital and private equity communities, and other participants in the industries that legacy Silicon Valley Bank served** , which will pose substantial challenges for management, including challenges related to the management and monitoring of new and expanded operations and associated increased costs and complexity. ~~We~~ **Due to these and other issues relating to acquisitions, we** may **not** be **able** ~~unsuccessful in this regard or fail~~ to realize **projected** ~~the expected operating efficiencies,~~ cost savings ~~and~~ **, synergies or** other benefits ~~currently anticipated from the CIT Merger~~ **associated with any prior or future acquisition** . ~~We encounter~~ **Failure to efficiently integrate any acquired entities or assets into our existing operations could** ~~significant~~ **significantly increase** ~~competition that may reduce~~ our ~~market share~~ **operating costs** and **consequently have material adverse effects on our financial condition and results of operations. Our** profitability **depends on our ability to compete successfully** . We operate in a highly competitive industry **,** and **we expect competition to intensify. We** compete with other banks and specialized financial services providers in our market areas. Our primary competitors include local, regional and national banks; credit unions; commercial finance companies; leasing companies; various wealth management providers; independent and captive insurance agencies; mortgage companies; and other non- bank providers of financial services. Some of our larger competitors, including certain banks with a significant presence in our market areas, have the capacity to offer products and services we do not offer **, which may enable them to be more aggressive than us in competing for loans and deposits** . Some of our non- bank competitors operate in less stringent regulatory environments, and certain competitors are not subject to federal or state income taxes. The fierce competitive pressures that we face adversely affect pricing for many of our products and services. Additionally, technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods without involving banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or virtual accounts. Consumers can also complete transactions, such as paying bills or transferring funds directly without the assistance of banks. Transactions utilizing digital assets, including cryptocurrencies, stablecoins and other similar assets, have increased substantially. Certain characteristics of digital asset transactions, such as the speed with which such transactions can be conducted, the ability to transact without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, and the anonymous nature of the transactions, are appealing to certain consumers. Accordingly, digital asset service providers — which, at present, are not subject to as extensive regulation as banking organizations and other financial institutions — have become active competitors for our customers' banking business and may have greater flexibility in competing for business. The process of eliminating banks as intermediaries, known as " disintermediation, " could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. **Further, an initiative by the CFPB, as prompted by the Biden Administration, to promote " open and decentralized banking " through the proposal of a personal financial data rights rule designed to facilitate the transfer of customer information at the direction of the customer to other financial institutions could lead to greater competition for products and services among banks and nonbanks alike if a final rule is adopted. The timing of and prospects for any such action are uncertain at this time.** The loss of these revenue streams and the lower cost ~~of~~ deposits as a source of funds could have a material adverse effect on our financial condition and results of operations. ~~We may fail to realize all of the anticipated benefits of the CIT Merger, or those benefits may take longer to realize than expected. We may also encounter difficulties in completing the integration of the acquired operations and may incur expenses in excess of those forecasted in connection with the completion. The success of the CIT Merger, including anticipated benefits and cost savings, depends, in substantial part, on our ability to successfully complete the integration of the acquired operations in a manner that results in various benefits, such as anticipated synergies and cost savings, and that does not materially disrupt existing customer relationships or result in decreased revenues due to loss of customers. Although our merger integration is substantially complete, the process of integrating operations resulted in a loss of key personnel, and we could still discover inconsistencies in standards, controls, procedures and policies, which could adversely affect us. While we have attempted to accurately forecast a certain level of expense and expected cost savings in connection with the integration, there are many factors beyond our control that could affect the total amount and the timing of the integration expense and projected cost savings. In addition, the diversion of management' s attention and any unexpected delays or difficulties encountered in completing the integration of the acquired operations could have an adverse effect on our business, financial condition, operating results and prospects.~~ Certain provisions in our Certificate of Incorporation and Bylaws may prevent a change in management or a takeover attempt that a stockholder might consider to be in their best interests. We are a **BHC** ~~banking holding company~~ incorporated in the state of Delaware. Certain anti- takeover provisions under Delaware law and certain provisions contained in our Amended and Restated Certificate of Incorporation (our " Certificate of Incorporation) and Amended and Restated Bylaws (our " Bylaws ") could delay or prevent the removal of our directors and other management. The provisions could also delay or make more difficult a tender offer, merger or proxy contest a stockholder might consider to be in their best interests. For example, our Certificate of Incorporation and Bylaws: • allow the Board to issue and set the terms of preferred shares without further stockholder approval; • limit who can call a special meeting of stockholders; • establish advance notice requirements for nominations for election to the Board and proposals of other business to be considered at annual meetings of stockholders; and • authorize the issuance of two classes of common stock, one of which, Class B common stock, par value $ 1 per share (" Class B common stock "), is entitled to cast 16 votes per share. As of December 31, ~~2022~~ **2023** , approximately **30** ~~34. 1~~ % of the outstanding shares of Class B common stock were owned and entitled to be voted by our directors and executive officers and certain of their affiliates. These provisions, as well as provisions of the ~~BHC~~ **BHCA** ~~Act~~ and other relevant statutes and regulations that require advance notice and applications for regulatory approval of changes in control of banks and **BHCs** ~~bank holding companies~~ , may discourage bids for our common stock at a premium over market price, adversely affecting the price that could be received by our stockholders for our common stock. Additionally, the fact that the Holding family and entities related to various family members hold or control shares representing approximately 50 % ~~, and in the past have held or controlled shares representing more than 50 %,~~ of the voting power of our common stock may discourage potential takeover attempts and bids for our common stock at a premium over market price. Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders. This could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees or agents. Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, other employees or stockholder to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware; or (iv) any action asserting a claim against us governed by the internal affairs doctrine. These choice of forum provisions do not preclude or contract the scope of exclusive federal or concurrent jurisdiction for any actions brought under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended **(the " Exchange Act ")** . Accordingly, our choice of forum provisions will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our stockholders will not be deemed to have waived our compliance with these laws, rules and regulations. These choice of forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees or agents, which may discourage lawsuits against us and our directors, officers and other employees or agents. If a court were to find the choice of forum provision contained in our Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees. We rely on dividends from FCB for paying dividends on our common and preferred stock and servicing our debt obligations, and FCB' s ability to pay us dividends is restricted. As ~~a~~ **an** FHC, we are a separate legal entity from FCB. We derive most of our revenue and cash flow from dividends paid by FCB. These dividends are the primary source from which we pay dividends on our common and preferred stock and interest and principal on our debt obligations. State and federal laws impose restrictions on the dividends that FCB may pay to us **. In general, we are required to submit an annual capital plan to the FRB that includes any planned dividends, redemptions, or stock repurchases over a set planning horizon. The FRB could prohibit or limit our payment of dividends, redemptions, or stock repurchases if it determines that payment of the dividend or such redemption or stock repurchase would constitute an unsafe or unsound practice** . In the event FCB is unable to pay dividends to us for an extended period of time, we may not be able to service our debt obligations or pay dividends on our common or preferred stock, and the inability to receive dividends from FCB could consequently have a material adverse effect on our business, financial condition and results of operations. Our financial performance depends upon our ability to attract and retain customers for our products and services, which may be adversely impacted by weakened consumer or business confidence and by any inability on our part to predict and satisfy customers' needs and demands. Our financial performance is subject to risks associated with the loss of customer confidence and demand. A fragile, weakening or changing economy, or ambiguity surrounding the economic future, may lessen the demand for our products and services. Our performance may also be negatively impacted if we fail to attract and retain customers because we are not able to successfully anticipate, develop and market products and services that satisfy market demands. Such events could impact our performance through fewer loans, reduced fee income and fewer deposits, each of which could result in reduced net income. New technologies, and our ability to efficiently and effectively implement, market and deliver new products and services to our customers present competitive risks. The financial services industry is continually undergoing rapid technological change with frequent introduction of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The rapid growth of new digital technologies related to the digitization of banking services and capabilities, including through internet services, smart phones and other mobile devices, requires us to continuously evaluate our product and service offerings to ensure they remain competitive. These trends were accelerated by the COVID- 19 pandemic increasing demand for mobile banking solutions. Our success depends in part on our ability to adapt and deliver our products and services in a manner responsive to evolving industry standards and consumer preferences. New technologies by banks and non- bank service providers may create risks if our products and services are no longer competitive with then- current standards, and could negatively affect our ability to attract or maintain a loyal customer base. **In addition, our utilization of new technologies may also create risks that our customers may not be ready for or may not adopt such technologies.** We may not be able to effectively implement new technology- driven products and services that allow us to remain competitive or be successful in marketing these products and services to our customers. These risks may affect our ability to grow and could reduce our revenue streams from certain products and services, while increasing expenses associated with developing more competitive solutions, which could adversely affect our results of operations and financial condition. **We are subject to reputational risks that could harm our business and prospects. If we were subject to reputational harm, it could have a material adverse impact on our business, financial condition and results of operations. Maintaining our reputation is important to our business and our brand. We are subject to reputational risks that could harm our business and prospects and arise from numerous sources, including those discussed further in this Annual Report on Form 10- K. Sources of reputational risks may include, among others, cyberattacks, legal claims and regulatory action, fraudulent activities aimed at us or parties with whom we do business, inaccurate or incomplete data, insufficient operational infrastructure or oversight, malicious actions by employees, non- compliance with applicable law or regulatory policies by us or parties with whom we do business, any inability to provide reliable financial reports or maintain effective internal controls, failure of our environmental, social and governance (" ESG ") practices to meet investor or stakeholder expectations, and public perceptions of our business practices, including our deposit pricing and acquisition activity. Our reputation may also be damaged by adverse publicity or negative information regarding us, whether or not true, that may be published or broadcast by the media or posted on social media, non- mainstream news services or other parts of the internet. This risk can be magnified by the speed and pervasiveness with which information is disseminated through those channels. Reputational harm may lead to, among other things, a decline in our deposit balances and have a material adverse impact on our business, financial condition and results of operations.** Safely conducting and growing our business requires that we create and maintain an appropriate operational and organizational control infrastructure. Operational risk can arise in numerous ways, including, but not limited to, employee fraud, customer fraud ~~and~~ **,** control lapses in bank operations and information technology **, and pace of**

change brought about by organizational growth . Our dependence on our employees and internal and third **-** party automated systems and vendors to record and process transactions may further increase the risk that technical failures or system- tampering will result in losses that are difficult to detect. Our internal controls that are intended to safeguard and maintain our operational and organizational infrastructure and information **, as well as oversee and monitor control effectiveness,** have inherent limitations and may not be successful. We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control. In addition, our railcars are used to transport a variety of products including, but not limited to, cement, energy products, chemicals and coal. An accidental derailment of these railcars could result in personal injury and property damage, which could be significant, as well as potential environmental remediation and restoration obligations and penalties. Failure to maintain appropriate operational infrastructure and oversight or to safely operate our business can lead to loss of service to customers, reputational harm, legal actions and noncompliance with various laws and regulations, all of which could have a material adverse impact on our business, financial condition and results of operations. Our businesses are highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of third parties with whom we interact or on whom we rely. Our businesses rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks, which may provide a point of entry for adverse effects on our own network environment. We, our customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyberattacks. These cyberattacks include computer viruses, malicious or destructive code, ransomware, phishing attacks, denial of service or ~~information or~~ other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary ~~and other information of ours, our~~ - **or personal data** ~~employees, our customers or of third parties, damages to systems, or other material disruption to our or our customers' or other third parties' network access or business operations~~ . As cyber threats continue to evolve, we have been and will ~~likely~~ continue to be required to expend significant resources to continuously enhance our protective measures and may be required to expend significant resources to investigate and remediate any information security vulnerabilities or incidents. We ~~may not be able to~~ anticipate ~~all security breaches, nor may~~ we ~~be able~~ **will continue** to **experience cyberattacks, and we acknowledge that we cannot** implement guaranteed preventive measures against ~~such~~ **all** security ~~breaches~~ **threats** . Additionally, a security breach may be difficult to detect, even after it occurs, which may compound the ~~issues~~ - **issue** related to such breach. Continued **geopolitical and** geographical turmoil, including the ongoing ~~conflict~~ **conflicts in** ~~between Russia and~~ Ukraine **and the Middle East, as well as increasing tensions in the South China Sea** , has heightened the risk of ~~cyberattack~~ **cyberattacks** and has created new ~~risk~~ **risks** for cybersecurity ~~, and similar concerns~~ . For example, the United States government has warned that sanctions imposed against Russia by the United States in response to its conflict with Ukraine could motivate Russia to engage in malicious cyber activities against the United States. **In addition, the United States government has warned that Iran may pose an increased cyber threat to U. S. critical infrastructure, such as the financial services sector, as the conflicts in the Middle East continue.** If such cyberattacks ~~occurred~~ --- **occur** , it could result in severe costs and disruptions to governmental entities and companies and their operations. The impact of the conflict and retaliatory measures is continually evolving and cannot be predicted with certainty. **Compared to previous years, FCB has a higher risk of being impacted by geopolitical events due to FCB' s expanded geographic footprint and increased prominence. Our Enterprise Cyber Security Office (" ECSO ") continues in its efforts to closely monitor changes in the threat landscape.** Cybersecurity risks for **large** banking ~~organizations~~ **institutions, such as FCB,** have significantly increased in recent years in part because of the proliferation of new technologies, **including generative AI,** the use of the internet **and mobile banking** to conduct financial transactions, and the increased sophistication ~~and~~ **of criminal** activities ~~of organized crime~~ **. Cyberattacks involving large financial institutions** , ~~hackers, terrorists~~ **including distributed denial of service attacks designed to disrupt external customer- facing services** , nation ~~- states~~ - **state cyberattacks** ~~, activists~~ and **ransomware attacks designed to deny organizations access to key internal resources or systems or** other ~~external parties~~ **critical data, as well as targeted social engineering and phishing email and text message attacks designed to allow unauthorized persons to obtain access to an institution' s information systems and data or that of its customers, are becoming more common and increasingly sophisticated. In particular, there has been an observed increase in the number of distributed denial of service attacks against the financial sector over the past year, which increase is believed to be partially attributable to politically motivated attacks as well as financial demands coupled with extortion** . These risks are expected to continue **and further intensify** in the future ~~as that proliferation intensifies~~ . For example, we will likely see an increase in cybersecurity risks in the future as we continue to augment our mobile- payment and other internet- based product offerings and expand our internal usage of web- based products and applications. In addition, financially motivated attacks remain a challenge from a cybercrime perspective due to the increased sophistication and activities of **threat actors, which may include** organized crime groups, hackers, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced ~~internal~~ control environment may be vulnerable to compromise **given the possibility of employee error, failures to follow security procedures or malfeasance** . Additionally, the increase of supply chain attacks **,** including **potential attacks on** third parties with access to our data or those providing critical services **to us** , remain an ~~emerging~~ operational **risk** ~~issue which could adversely affect our business, customers, reputation and operations~~ . As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate and remediate any information security vulnerabilities. **Furthermore** ~~Although to date we are not aware of any material losses or other material consequences relating to technology failure~~ , ~~cyberattacks~~ **past and future business transactions (such as acquisitions** or **integrations) could expose**

~~other information or security breaches, whether directed at~~ us **to additional cybersecurity risks and vulnerabilities, as** ~~or~~ **our systems could be negatively affected by vulnerabilities present** ~~third parties, we may suffer such losses or other consequences~~ in ~~the future~~ **acquired or integrated entities' systems and technologies** . We also face indirect technology, cybersecurity and operational risks relating to customers and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including financial counterparties; financial intermediaries such as clearing agents, exchanges and clearing houses; vendors **and other external dependencies** ; regulators; and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, **an event** ~~a technology failure, cyberattack or other information or security breach~~ that ~~significantly~~ **materially** degrades, ~~deletes~~ or **disrupts** ~~compromises the~~ systems ~~or data~~ of one or more financial entities could have a material impact on counterparties or other market participants, including us. This consolidation interconnectivity and complexity increases the risk of operational failure, ~~on~~ **for** both individual and industry- wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third- party technology failure, cyberattack or other information or security breach, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our customers, manage our exposure to risk or expand our businesses. Cyberattacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyberattack on our systems has been successful, ~~whether~~ **correct** or not ~~this perception is correct~~ , may damage our reputation with customers and third parties ~~with whom we do business and may encourage further cyberattacks~~ . A successful penetration or circumvention of system security could cause us negative consequences, including loss of customers and business opportunities, disruption to our operations and business, misappropriation or destruction of our confidential information and that of our customers, or damage to our customers' and third parties' computers or systems **. In addition** , ~~and~~ **such penetration or circumvention** could result in a violation of applicable data privacy and protection laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs ~~,~~ and additional compliance costs ~~,~~ **. The consequences and results of** any ~~of which~~ **such penetration or circumvention** could adversely impact our results of operations, liquidity and financial condition. ~~The ongoing COVID- 19 pandemic~~ **Although to date we are not aware of any material losses or other material consequences relating to technology failure** , ~~including its variant strains~~ **cyberattacks or other information or security breaches** , **whether directed at us or third parties, we** may **suffer such losses** ~~continue to adversely affect our~~ - **or** ~~business, financial condition and results of operations. The spread of COVID- 19 created a global health- crisis that caused significant economic disruption and continues to cause illness, quarantines, reduced attendance at events and reduced travel, reduced commercial and financial activity, and overall economic and financial market instability. While the level of disruption caused by the COVID- 19 pandemic has generally lessened in 2022, there is no assurance that the pandemic will not worsen again, including as a result of the emergence of new strains of the virus. Continuation of the COVID- 19 pandemic, or a similar crisis, could negatively impact our capital, liquidity, and~~ other **consequences** ~~financial positions and our business, results of operations, and prospects. Economic factors stemming from the lasting effects of the pandemic, including inflation risks, oil price volatility and changes~~ in ~~interest rates, have and may continue to destabilize financial markets and negatively impact our customers' business activities and operations, making it difficult for them~~ - **the** ~~to satisfy existing debt obligations. Moreover, as economic conditions relating to the pandemic have improved and evolved, the Federal Reserve has shifted its focus to limiting the inflationary and other potentially adverse effects of the extensive pandemic- related government stimulus, which signals the potential for a continued period of economic uncertainty. The duration and severity of the pandemic continues to be impossible to predict, as is the potential for a seasonal or other resurgence. The full extent of the impact will depend on~~ future ~~developments that are highly uncertain including the duration and spread of any further outbreak, its severity, vaccine effectiveness and acceptance, governmental actions to contain the virus (including its variants) and the long- term economic impact, both globally, as well as in our banking markets, which includes the potential for further recession. The effects of the COVID- 19 pandemic heightened specific risk factors and could still impact substantially all risk factors described herein~~ . We are subject to litigation and other legal liability risks, and our expenses related to such risks may adversely affect our results. We are subject to litigation risks in the ordinary course of our business. Claims and legal actions, including supervisory actions by our regulators, that have been or may be initiated against us (including against entities that we acquire) from time to time could involve large monetary sums and significant defense costs. During the last credit crisis, we saw the number of cases and our expenses related to those cases increase and **we** expect to see the same in future credit crises. The outcomes of such cases are always uncertain until finally adjudicated or resolved. In the course of our business, we may foreclose on and take title to real estate that contains or was used in the manufacture or processing of hazardous materials or that is subject to other environmental risks. In addition, we may lease equipment to our customers that is used to mine, develop, and process hazardous materials, and our railcars may be used to transport hazardous materials. As a result, we could be subject to environmental liabilities or claims for negligence, property damage or personal injury with respect to these properties or equipment. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean- up costs incurred by these parties in connection with environmental contamination, accidents or other hazardous risks, or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site or equipment involved in a hazardous incident, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination, property damage, personal injury or other hazardous risks emanating from the property or related to the equipment. We establish reserves for legal claims when payments associated with the claims become probable and our liability can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual amount paid in resolution of a legal claim may be substantially higher than any amounts reserved for the matter. The ultimate resolution of a legal proceeding, depending on the remedy sought and any relief granted, could materially adversely affect our results of operations and financial condition. Substantial legal claims or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. We may be exposed to substantial uninsured legal liabilities and regulatory actions which could adversely affect our results of operations and financial condition. For additional information, refer to the Notes to the Consolidated Financial Statements, Note 24 ~~-~~ **—** Commitments and Contingencies, in this Annual Report on Form 10- K. We depend on qualified personnel for our success and may not be able to retain or attract such personnel. As a human capital- intensive business, our success depends to a great extent on our ability to attract and retain highly skilled and qualified executive officers and management, financial, compliance, technical, operations, sales, and support employees, which has taken on heightened importance because of the significant expansion of the size and geographic and operational scope of our business that occurred in connection with the CIT Merger **and SVBB Acquisition** . We face significant competition in the recruitment of qualified executive officers and employees. Losses of, or changes in, our current executive officers or other personnel and their expertise and services, or substantial increases in the costs of employee compensation or benefits, may disrupt our business and could adversely affect our financial condition and results of operations. We have developed an executive officer succession plan **intended to avoid significant disruptions in our business** , but it may be ineffective, or we may fail in implementing it **. In order to be successful in retaining current executive officers and other key personnel we recognize that it is important to both maintain personnel to support current operations, as well as attract and hire additional key personnel to assist with executing growth, expansion and acquisition strategies** . We may be unsuccessful in retaining our current executive officers or other key personnel, or hiring additional key personnel to assist in executing our growth, expansion and acquisition strategies, all of which could cause those strategies to fail or be less successful than they would otherwise be. Our compensation practices are subject to review and oversight by the Federal Reserve, the FDIC and other regulators. The federal banking agencies have issued joint guidance on executive compensation designed to help ensure that a banking organization' s incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd- Frank Act required those agencies, along with the SEC, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. ~~Effective January~~ **In October** ~~2023~~ **2022** , the SEC adopted final rules requiring national securities exchanges, including ~~The~~ Nasdaq ~~Stock Market Stock Market LLC (" Nasdaq ")~~ where we are currently listed, to establish new listing standards relating to policies for the recovery of erroneously awarded incentive-based compensation, which are often referred to as " clawback policies **.** " **The final rules directed U** . **S. stock exchanges to require** ~~Among other requirements, these new listing standards will obligate~~ listed companies to **implement, disclose and enforce clawback policies to** recover **excess** incentive- based compensation **that** ~~paid to its~~ current or former executive officers ~~in~~ **received based on financial reporting measures that are later restated. In June 2023,** the ~~event~~ **SEC approved** the ~~company is~~ **Nasdaq' s proposed clawback listing standards, which now** ~~required~~ - **require us and other Nasdaq- listed companies** to ~~make~~ **(i) adopt and implement a compliant clawback policy; (ii) file the clawback policy as an exhibit to our annual reports; and (iii) provide** certain ~~accounting restatements~~ **disclosures relating to any compensation recovery triggered by the clawback policy** . If, as a result of complying with the new rules, we are unable to attract and retain qualified employees, or do so at rates necessary to maintain our competitive position, or if the compensation costs required to attract and retain employees become more significant, our performance, including our competitive position, could be materially adversely affected. We are exposed to losses related to fraud. As technology continues to evolve, criminals are using increasingly more sophisticated techniques to commit and hide fraudulent activity. Fraudulent activity that we have been and are likely to continue to be exposed to can come in many forms, including debit card / credit card fraud, check fraud, wire fraud, electronic scanning devices attached to ATM machines, social engineering, digital fraud **, malware,** and phishing **, smishing, or vishing** attacks to obtain personal information and fraudulent impersonation of our customers through the use of falsified **documents, fake identification,** or stolen credentials. We expect that combating fraudulent activities as they evolve will require continued ongoing investments and attention in the future as significant fraud could cause us direct losses or impair our customer relationships, among other potential consequences, adversely impacting our reputation or results of operation. Our business and financial performance could be impacted by natural or man- made disasters, global pandemics, acts of war or terrorist activities, climate change or other adverse external events. Natural or man- made disasters (including, but not limited to, earthquakes, hurricanes, tornadoes, floods, **tsunamis,** fires, pollution, and explosions), global pandemics, acts of war, terrorist activities, climate change or other adverse external events could hurt our financial performance (i) directly through damage to our facilities or other impacts to our ability to conduct business in the ordinary course, and (ii) indirectly through such damage or impacts to our customers, suppliers or other counterparties. In particular, a significant amount of our business is concentrated in North Carolina, South Carolina, California, Texas, New York and Florida, including areas where our facilities and retail and commercial customers have been and in the future could be impacted by hurricanes and flooding, earthquakes ~~or~~ wildfires **, and rising sea levels** . We also do business in Georgia, Virginia, Nebraska, Arizona, New Jersey, Hawaii, Nevada, as well as in Canada, all of which also include areas significantly exposed to the foregoing risks. We could also suffer adverse results to the extent that disasters, wars, terrorist activities, riots or civil unrest affect the broader markets or economy or our operations specifically. Our ability to minimize the consequences of such events is in significant measure reliant on the quality of our disaster recovery planning and our ability, if any, to forecast the events, and such quality and ability may be inadequate. There has been increasing political and social attention to the issue of climate change and related environmental sustainability matters. Federal and state legislators and regulatory agencies have proposed and continue to advance numerous legislative and regulatory initiatives seeking to mitigate the negative effects of climate change. ~~On~~ **For example, on** October 21, 2021, the Financial Stability Oversight Council published a report identifying climate- related financial risk as an " emerging threat " to financial stability ~~. On~~ **, on** December 16, 2021, the OCC issued proposed principles for climate- related financial risk management for national banks with more than $ 100 billion in total assets ~~. On~~ **, on March 21, 2022, the SEC issued proposed requirements for companies to disclose information about climate- related risks that are likely to have an impact on their business, as well as climate goals or planning processes that the company has developed in response thereto, and on** March 30, 2022 and December 2, 2022, the FDIC and Federal Reserve ~~Board~~ issued their own proposed principles, respectively, for climate risk management by larger banking organizations **, and on October 24, 2023, the federal banking agencies jointly finalized principles for climate- related financial risk management for banking organizations with $ 100 billion or more in total consolidated assets. On December 6, 2023, the SEC noted in its regulatory agenda that it has delayed the adoption of a final rule on disclosure of climate- related risks until April 2024. There is no assurance as to the timing of a final rule or if the rule will be adopted as proposed. In addition, states in which we conduct business have taken, or are considering taking, similar actions on climate- related financial risks. See Item 1. Business — Regulatory Considerations — Other Regulations applicable to the Parent Company and FCB — Climate- Related Regulation and Risk Management for additional information** . To the extent that these initiatives lead to the promulgation of new regulations or supervisory guidance applicable to us, we would expect to experience increased compliance costs and other compliance- related risks **. Moreover, this could result in increased management time and attention to ensure we are compliant with the regulations and expectations** . Such climate change- related measures may also result in the imposition of taxes and fees, the required purchase of emission credits or the implementation of significant operational changes, each of which may require us to expend significant capital and incur compliance, operating, maintenance and remediation costs. We are unable to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks to us, our customers or third parties on which we rely. For example, an increase in the frequency or magnitude of natural disasters, shifts in local climates and other disruptions related to climate change may adversely affect the value of real properties securing our loans, which could diminish the value of our loan portfolio. Such events may also cause reductions in regional and local economic activity that may have an adverse effect on our customers. Consumers and businesses in communities that we serve may change their behavior and preferences as a result of these issues and new climate change laws and regulations aimed at mitigating climate change. The impact on our customers will likely vary depending on their specific attributes, including their reliance on or role in carbon intensive activities and therefore, we could experience a drop in demand for our products and services, particularly in certain sectors. We may also be subject to adverse action from our regulators or other third parties, such as environmental advocacy organizations, in relation to how our business relates to or has addressed or failed to address climate change- related risks. Each of these outcomes could have a material adverse effect on our financial condition and results of operations. We rely on third **-** party vendors to provide key components of our business infrastructure, and our vendors may be responsible for or contribute to failures that adversely affect our operations. Third party vendors provide key components of our business infrastructure, including certain data processing and information services. Their services could be difficult to quickly replace in the event of failure or other interruption in service. Failures of certain vendors to provide services could adversely affect our ability to deliver products and services to our customers. Third party vendors also present information security risks to us, both directly and indirectly through our customers. Our monitoring of significant vendor risks, including the financial stability of critical vendors, may be inadequate and incomplete. ~~The lingering effects of the COVID- 19 pandemic and subsequent impacts from variant strains may continue to compound vendor risks, as unexpected disruptions can impact a third party vendor' s operations with little warning.~~ These effects include the direct impact of disease as well as secondary effects on third **-** party vendors, including pandemic- related changes to how vendors are engaged, onboarded and monitored. The failure of a critical third **-** party vendor to provide key components of our business infrastructure could substantially disrupt our business and cause us to incur significant expense while harming our relationships with our customers. The quality of our data could deteriorate and cause financial or reputational harm to **FCB** ~~the Bank~~ . Our ~~Data~~ **data** ~~Governance~~ **governance** program is reliant on the execution of procedures, process controls and system functionality, and errors may occur. Incomplete, inconsistent, or inaccurate data could lead to non-compliance with regulatory requirements and result in fines. Additionally, adverse impacts on customers could result in reputational harm and customer attrition. Inaccurate or incomplete data presents the risk that business decisions relying on such data will prove inefficient, ineffective or harmful to us. Additionally, information we provide to our investors and regulators may be negatively impacted by inaccurate or incomplete data, which could have a wide range of adverse consequences such as legal liability and reputational harm. Malicious action by an employee could result in harm to our customers or **FCB** ~~the Bank~~ . Several high- profile cases of employee misconduct have occurred at other financial institutions. Such an event may lead to large regulatory fines, as well as an erosion in customer confidence, which could impact our financial and competitive position. Our **system of controls and procedures addressing employee misconduct and our** employee code of ethics and policies governing our compensation, conduct and sales practices may be inadequate to deter and respond to potential employee misconduct **. Malicious actions by an employee could have a wide range of adverse consequences such as legal liability and reputational harm. Deposit insurance premiums levied against banks, including FCB, may increase if the number of bank failures increase or the cost of resolving failed banks increases. The FDIC maintains a Deposit Insurance Fund (" DIF ") to protect insured depositors in the event of bank failures. The DIF is funded by fees assessed on IDIs including FCB. Future deposit premiums paid by banks, including FCB, will depend on FDIC rules, which are subject to change, the level of the DIF and the magnitude and cost of future bank failures. For example, in November 2023, the FDIC finalized a special assessment of $ 16. 30 billion, of which $ 64 million was FCB' s assessed amount to help recoup losses to the DIF from protecting uninsured depositors following the bank closures earlier in 2023. We may be required to pay significantly higher FDIC premiums if market developments change such that the DIF balance is reduced or the FDIC changes its rules to require higher premiums** . Effectively managing credit risks is essential for the operation of our business. There are credit risks inherent in making any loan, including risks of repayment, risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. Our loan approval procedures and our credit risk monitoring may be or become inadequate to appropriately manage the inherent credit risks associated with lending. Our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or other conditions affecting customers and the quality of our loan portfolio. Any failure to manage such credit risks may materially adversely affect our business, consolidated results of operations and financial condition because it may lead to loans that we make not being paid back in part or in full on a timely basis or at all. ~~Our allowance for credit losses may prove to be insufficient to absorb losses in our credit portfolios.~~ We maintain an allowance for ~~credit~~ **loan and lease** losses (" ~~ACL~~ **ALLL** ") that is designed to cover expected credit losses on loans **and leases** that borrowers may not repay in their entirety. A reserve is also maintained in other liabilities to cover expected losses for ~~unfunded commitments~~ **off- balance sheet credit exposures** . The ~~ACL~~ **ALLL** may not be sufficient to cover actual credit losses, and future provisions for credit losses could materially and adversely affect our operating results. Accounting measurements related to asset impairment and the ~~ACL~~ **ALLL** require significant estimates that are subject to uncertainty and revisions driven by new information and changing circumstances. The significant uncertainties surrounding our borrowers' abilities to conduct their businesses successfully through changing economic environments, competitive challenges and other factors complicate our estimates of the risk and amount of loss on any loan. Due to the degree of uncertainty and the susceptibility to change, the actual losses may vary substantially from current estimates. We also expect fluctuations in the ~~ACL~~ **ALLL** due to economic changes nationally as well as locally within the states in which we conduct business. ~~This is especially true as the economy reacts to the continuation of and potential recovery from the impacts from the COVID- 19 pandemic and related variant strains.~~ In addition, the reserve related to ~~unfunded commitments~~ **off- balance sheet credit exposures** may not be sufficient to cover actual losses, and future provisions for such losses could also materially and adversely affect our operating results and are also subject to significant uncertainties and fluctuations. As an integral part of their examination process, our banking regulators periodically review the ~~ACL~~ **ALLL** and may require us to increase it by recognizing additional provisions for credit losses charged to expense or to decrease the allowance by recognizing loan charge- offs, net of recoveries. Any such required additional credit loss provisions or loan charge- offs could have a material adverse effect on our financial condition and results of operations. Our concentration of loans and leases **in certain** ~~to borrowers and lessees within the medical and dental~~ industries **increases** ~~, as well as~~ the ~~rail business,~~ **risk for losses and** could impair our earnings if ~~those~~ **these** industries experience economic difficulties. **Our loans and leases include concentrations in certain industries in healthcare, such as medical and dental industries, as well as the rail business. A significant portion of the loans acquired in the SVBB Acquisition were concentrated within certain industries, including technology, life science and healthcare, and with private equity and venture capital clients, areas in which we did not have significant exposure prior to the SVBB Acquisition. Although we believe our combined loan portfolio is diversified, borrowers in certain industries may have a heightened vulnerability to negative economic conditions. For example,** ~~Statutory~~ **statutory** or regulatory changes relevant to the medical and dental industries, or economic conditions in the market generally, could negatively impact these borrowers' businesses and their ability to repay their loans with us ~~, which could have a material adverse effect on our financial condition and results of operations~~ . Additionally, smaller practices such as those in the dental industry generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, and generally have a heightened vulnerability to negative economic conditions. ~~Consequently~~ **Repayment of loans in the portfolios for early- stage and mid- stage privately held companies** , **including those acquired in the SVBB Acquisition, may depend upon receipt by those borrowers of additional financing from venture capitalists or others, or, in some cases, a successful sale to a third- party, public offering or other form of liquidity event. In addition, decreases in the amount of equity capital available to early- stage and mid- stage companies, including through a decrease in merger and acquisition activity, could adversely impact the ability of borrowers to repay our loans in these industries. If such events occur, our levels of nonperforming assets and charge offs may increase, and** we ~~could~~ **may** be required to increase our ~~ACL~~ **ALLL** through additional provisions on our income statement, which would reduce reported net income **and could have an adverse effect on our business, financial condition, results of operations and prospects** . Due to our substantial concentration in our rail business, if there is a significant downturn in shipping by railcar, it could have a material adverse effect on our business and results of operations ~~. The impacts from the COVID- 19 pandemic and variant strains has created volatility and uncertainty in the economy, which has and is expected to continue to adversely impact our rail business~~ . In addition, volatility in the price of, and demand for oil and gas may have negative effects on not only our loan exposures in the exploration and production section, but may also lead to a decreased demand for our railcars. **Deteriorating credit quality** ~~Economic conditions in real estate markets impacting collateral values~~ and our reliance on junior liens may adversely impact our business and our results of operations. **As a lender, we are exposed to the risk that our customers will be unable to repay their loans and other obligations in accordance with the terms of the relevant agreements, and that any collateral securing the payment of their loans and obligations may be insufficient to assure full repayment. Credit losses are inherent in the business of making loans and entering into other financial arrangements. Factors that influence our credit losses include overall economic conditions affecting businesses and consumers, generally, but also residential and CRE valuations. For example,** ~~Real~~ **real** property collateral values may be impacted by economic conditions in the real estate market and may result in losses on loans that, while adequately collateralized at the time of origination, become inadequately collateralized over time. ~~Our~~ **CRE loans may involve a higher risk of default compared to our other types of loans as a result of several factors, including, but not limited to, prevailing economic conditions and volatility in real estate markets, occupancy, rental collections, interest rates, and collateral value. Recent trends including the growth of e- commerce, adverse impacts of the COVID- 19 pandemic, and long- term work- from- home arrangements, as well as increases in variable rates on CRE loans in connection with the significant**

increase over a span of 17 months in the target for the federal funds rate from near zero to 5. 25 %- 5. 50 % by July 2023, have had an adverse impact on the CRE sector, including retail stores, hotels and office buildings, creating greater risk exposure for our CRE loan portfolio. In addition, our reliance on junior liens is concentrated in our consumer revolving mortgage loan portfolio. Approximately two- thirds of the consumer revolving mortgage portfolio is secured by junior lien positions, and lower real estate values for collateral underlying these loans may cause the outstanding balance of the senior lien to exceed the value of the collateral, resulting in a junior lien loan becoming effectively unsecured. Inadequate collateral values, rising interest rates and unfavorable economic conditions could result in greater delinquencies, write- downs or charge- offs in future periods, which could have a material adverse impact on our results of operations and capital adequacy. Our financial condition could be adversely affected by the soundness of other financial institutions. **The soundness and stability of many** ~~Financial~~ **financial** ~~services~~ institutions ~~are~~ **may be closely** interrelated as a result of **credit,** trading, clearing, counterparty and other relationships **between the institutions** . ~~We~~ **As a result, concerns about, or a default or threatened default by, one institution could lead to significant market- wide liquidity and credit problems, losses or defaults by other institutions. For example, the failures of several high- profile banking institutions in early 2023 caused significant market volatility, regulatory uncertainty, and decreased confidence in the U. S. banking system. In response to the recent bank failures, the United States government has proposed a variety of measures and new regulations designed to strengthen capital levels, liquidity standards, and risk management practices and otherwise restore confidence in financial institutions. Any reforms, if adopted, could have a significant impact on banks and BHCs, including us. In addition, we** have exposure to numerous financial services providers, including banks, securities brokers and dealers and other financial services providers. Our monitoring of the financial conditions of financial institutions with which we have credit exposure is inherently limited and may be inadequate, and transactions with those institutions expose us to credit risk through the possibility of counterparty default. Our business is subject to periodic fluctuations based on international, national, regional and local economic conditions. These fluctuations are not predictable, cannot be controlled and have had and may continue to have or further have a material adverse impact on our operations and financial condition. Our banking operations are primarily located within several states but are locally oriented and community- based. Our retail and commercial banking activities are primarily concentrated within the same geographic footprint. The markets in which we have the greatest presence are North Carolina, South Carolina, California, Texas, New York, and Florida. We also do business in Canada, primarily related to our rail portfolio. Worsening economic conditions within our markets, particularly within those with our greatest presence, could have a material adverse effect on our financial condition, results of operations and cash flows. Accordingly, we expect to continue to be dependent upon local business conditions, rail industry conditions and conditions in the local residential and commercial real estate markets we serve. Unfavorable changes in unemployment, real estate values, **inflation,** interest rates, foreign currency exchange rate fluctuations and other factors could weaken the economies of the communities we serve and otherwise adversely affect our business. Thus far, this includes **higher unrealized losses** ~~declines in fee income and impacts~~ on **investment** ~~the fair value of our equity~~ securities, but could create additional adverse impacts to provision for credit losses and declines in demand for our products and services. We conduct limited business operations in certain foreign jurisdictions, and we engage in certain cross border lending and leasing transactions. An economic recession or downturn or business disruption associated with the political or economic environments in the international markets in which we operate could similarly adversely affect us. In addition, the political environment, the level of United States debt and global economic conditions can have a destabilizing effect on financial markets. Weakness in any of our market areas could have an adverse impact on our earnings, and consequently, our financial condition and capital adequacy. For example, a U. S. government debt default, threatened default, or downgrade of the sovereign credit ratings of the United States by credit rating agencies, could have an adverse impact on the financial markets, interest rates and economic conditions in the United States and worldwide. The U. S. debt ceiling and budget deficit concerns in recent years have increased the possibility of U. S. government shutdowns, forced federal spending reductions, debt defaults, credit- rating downgrades and an economic slowdown or recession in the United States. Political tensions may make it difficult for Congress to agree on any further increases to or suspension of the debt ceiling in a timely manner or at all, which may lead to a default by the U. S. government or downgrades of its credit ratings. Many of the investment securities held in FCB' s portfolio are issued by the U. S. government and government agencies and sponsored entities, which are generally viewed as among the most conservative investment options. While the likelihood may be remote, a government default or threat of default would impact the price and liquidity of U. S. government securities. A debt default or further downgrade to the U. S. government' s sovereign credit rating or its perceived creditworthiness could also adversely affect the ability of the U. S. government to support the financial stability of **the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, commonly known as** Fannie Mae ~~,~~ **and** Freddie Mac, ~~and~~ **respectively, as well as** the **Federal Home Loan Banks ("** FHLBs **")** . Since banks are sensitive to the risk of downturns, the stock prices of all banks typically decline, sometimes substantially, if the market believes that a downturn has become more likely or is imminent. This effect can and often does occur indiscriminately, initially without much regard to different risk postures of different banks. Weakness in any of our market areas could have an adverse impact on our earnings, and consequently, our financial condition and capital adequacy. Our results of operations and cash flows are highly dependent upon net interest income **(" NII ")** . Interest rates are highly sensitive to many factors that are beyond our control, including general economic and market conditions and policies of various governmental and regulatory agencies, particularly the actions of the Federal Reserve' s Federal Open Market Committee (" FOMC "). Changes in monetary policy, including changes in interest rates, could influence interest income, interest expense, and the fair value of our financial assets and liabilities. If changes in interest rates on our interest- earning assets are not equal to the changes in interest rates on our interest- bearing liabilities, our **NII** ~~net interest income~~ and, therefore, our net income, could be adversely impacted. **If indicators show signs that inflation is stabilizing, the FOMC may begin to reduce interest rates over the next 12 months. Any future change in monetary policy by the Federal Reserve resulting in lower interest rates may negatively**

impact our performance and financial condition due to the composition of our interest rate sensitive assets and liabilities. Our portfolio is generally in a net asset- sensitive position whereby our assets reprice faster than our liabilities, which is generally concentrated at the short end of the yield curve. While our interest expense may decline, the impact on our interest- rate sensitive assets may be greater, resulting in a potential decrease to our NII. As interest rates rise, our interest expense will increase and our net interest ~~margins~~ **margin (" NIM ")** may decrease, negatively impacting our performance and our financial condition. To the extent banks and other financial services providers compete for interest- bearing deposit accounts through higher interest rates, our deposit base could be reduced if we are unwilling to pay those higher rates. If we decide to compete with those higher interest rates, our cost of funds could increase and our **NIM** ~~net interest margins~~ could be reduced, dependent on the timing and sensitivities of our interest- earning assets and interest- bearing liabilities. Additionally, higher interest rates may impact our ability to originate new loans. Increases in interest rates could adversely affect the ability of our borrowers to meet higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and net charge- offs. We cannot control or predict with certainty changes in interest rates. The forecasts of future **NII** ~~net interest income~~ by our interest rate risk monitoring system are estimates and may be inaccurate. Actual interest rate movements may differ from our forecasts, and unexpected actions by the FOMC may have a direct impact on market interest rates. The Federal Reserve announced in January of 2022 that it would be slowing the pace of its bond purchasing and increasing the target range for the federal funds rate over time. **On January 1** ~~The FOMC since has increased the target range seven times throughout 2022. As of December 31~~, 2022, the target range for the federal funds rate ~~had been~~ **was 0 %; however, over the past two years, the FOMC has steadily** increased ~~to 4~~ **the target range, reaching a range of 5** . 25 % to ~~4.~~ 5 **. 50** % ~~and~~ **as of December 31, 2023, with** the FOMC ~~signaled~~ **deciding to maintain this target range as of January 31, 2024. Although economists are projecting** that ~~future~~ **the target funds rate will most likely decline in small periodic increments, it remains uncertain whether the FOMC will begin to reduce the federal funds rate, the extent and frequency of any such reductions, whether the FOMC will leave the rate at its current elevated level for a lengthy period of time or whether FOMC will** ~~increases~~ **increase the targeted federal funds rate should inflation** ~~may be appropriate in order to attain a monetary policy sufficiently restrictive to~~ return ~~inflation~~ to **elevated** ~~more normalized~~ levels. The higher interest **rate environment of recent periods, and our offerings of higher** rates **to attract or maintain deposits, has** increased the cost of deposits **,** and **may continue to do so, dependent on the Federal Reserve actions. In addition, the high interest rate environment has increased costs on** our other funding sources, and may continue to ~~increase costs~~ **do so** , **in** ~~dependent on~~ the ~~Federal Reserve actions~~ **event we may need to issue debt** . Accounting for acquired assets may result in earnings volatility. Fair value discounts that are recorded at the time an asset is acquired are accreted into interest income based on **United States generally accepted** accounting principles ~~generally accepted in the United States~~ (" GAAP "). The rate at which those discounts are accreted is unpredictable and the result of various factors including prepayments and estimated credit losses. Post- acquisition credit deterioration results in the recognition of provision expense. Volatility in earnings could unfavorably influence investor interest in our common stock, thereby depressing the market value of our stock and the market capitalization of **BancShares** ~~our company~~. The performance of equity securities and corporate bonds in our investment securities portfolio could be adversely impacted by the soundness and fluctuations in the market values of other financial institutions. Our investment securities portfolio contains certain equity securities and corporate bonds of other financial institutions. As a result, a portion of our investment securities portfolio is subject to fluctuation due to changes in the financial stability and market value of other financial institutions, as well as interest rate sensitivity to economic and market conditions. Such fluctuations could reduce the value of our investment securities portfolio and consequently have an adverse effect on our results of operations. We have seen volatile earnings impacts related to the fair value of equity securities in recent periods. ~~We may be adversely impacted by the transition from LIBOR as a reference rate. We have loans, borrowings and other financial instruments, including our Series B Preferred Stock, with attributes that are either directly or indirectly dependent on the London Interbank Offered Rate (" LIBOR "). In 2017, the United Kingdom' s Financial Conduct Authority (the " FCA ") announced that after 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. In November 2020, to facilitate an orderly LIBOR transition, the Office of the Comptroller of the Currency, the FDIC and the Federal Reserve jointly announced that entering into new contracts using LIBOR as a reference rate after December 31, 2021, would create a safety and soundness risk. On March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of 1- week and 2- month United States dollar LIBOR, and immediately after June 30, 2023, in the case of the remaining United States dollar LIBOR settings. In addition, on March 15, 2022, the U. S. Congress passed the Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act ") as part of the Consolidated Appropriations Act, 2022, which provides protection for contracts without workable fallback provisions and includes safe- harbor provisions to shield parties from liability under potential lawsuits due to the transition away from LIBOR. The final rule implementing the LIBOR Act was announced by the FRB on December 16, 2022, which among other things, (i) identifies benchmark rates based on the Secured Overnight Funding Rate (" SOFR ") to replace LIBOR settings in multiple categories of legacy contracts; (ii) specifies benchmark conforming changes related to the calculation, administration and other implementing actions of such benchmark replacements; and (iii) preempts state and local LIBOR replacement laws relating to the selection or use of a benchmark replacement or related conforming changes. BancShares anticipates taking advantage of the safe harbors that are afforded under the LIBOR Act and the implementing final rule. In the United States, efforts to identify a set of alternative United States dollar reference interest rates are ongoing, and the Alternative Reference Rate Committee (the " ARRC ") has recommended the use of SOFR. SOFR is different from LIBOR in that it is a backward- looking secured rate rather than a forward- looking unsecured rate. These differences could lead to a greater disconnect between the Bank' s costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, the ARRC has also recommended Term SOFR, which is a forward- looking SOFR based on SOFR futures and may in part reduce differences between SOFR and LIBOR. To further reduce differences between replacement~~

~~indices and substitute indices, some market practitioners have also gravitated towards credit sensitive alternative reference rates besides SOFR. At this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, there is still uncertainty around how quickly replacement reference rates will develop sufficient liquidity and industry- wide usage, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR- indexed financial instruments. The transition from LIBOR is complex and is expected to create additional costs and risks. Since proposed replacement reference rates, such as SOFR, are calculated differently, payments under contracts referencing such rates will differ from those referencing LIBOR. We may incur significant expense in effecting the transition and may be subject to disputes or litigation with our borrowers over the appropriateness or comparability to LIBOR of the replacement reference rates. Consequently, failure to adequately manage this transition process with our customers could adversely impact our reputation and potentially introduce additional legal risks. The replacement reference rates could also result in a reduction in our interest income. We may also receive inquiries and other actions from regulators with respect to our preparation and readiness for the replacement of LIBOR with replacement reference rates. The transition will change our market risk profiles, requiring changes to risk and pricing models, systems, contracts, valuation tools and product design, and failure to adequately manage this transition process could consequently have a material adverse effect on our business, financial condition and results of operations.~~ The value of our goodwill may decline in the future. Our goodwill could become impaired in the future. At December 31, ~~2022~~ **2023** , we had $ 346 million of goodwill recorded as an asset on our balance sheet. We test goodwill for impairment at least annually, comparing the estimated fair value of a reporting unit with its net book value. We also test goodwill for impairment when certain events occur, such as a significant decline in our expected future cash flows, a significant adverse change in the business climate or a sustained decline in the price of our common stock. These tests may result in a write- off of goodwill deemed to be impaired, which could have a significant impact on our financial results. The market price of our common stock may be volatile ~~due to its relative illiquidity and other factors~~ . Although publicly traded, our common stock, particularly our Class B common stock, has less liquidity and public float than many other large, publicly traded financial services companies. Lower liquidity increases the price volatility of our common stock and could make it difficult for our stockholders to sell or buy our common stock at specific prices. Excluding the impact of liquidity, the market price of our common stock can fluctuate widely in response to other factors, including expectations of financial and operating results, actual operating results, actions of institutional stockholders, speculation in the press or the investment community, market perception of acquisitions, including the CIT Merger **and the SVBB Acquisition** , rating agency upgrades or downgrades **, the anticipated or actual incurrence of additional debt** , stock prices of other companies that are similar to us, general market expectations related to the financial services industry and the potential impact of government actions affecting the financial services industry. For example, the closing price per share of our Class A common stock, par value $ 1 per share (" Class A common stock ") on the Nasdaq Global Select Market ranged from a low of $ ~~598~~ **509** . ~~01~~ **06** to a high of $ ~~947~~ **1, 512** . ~~71~~ **07** during the year ended December 31, ~~2022~~ **2023** . Our deposit base represents our primary source of core funding and balance sheet liquidity. We typically have the ability to stimulate core deposit growth through reasonable and effective pricing strategies. However, **these deposits are subject to fluctuation due to certain factors outside our control, such as increasing competitive pressures for retail or corporate customer deposits, changes** in **interest rates and returns on other investment classes, or a loss of confidence by customers in us or in the banking sector generally which could result in a significant outflow of deposits within a short period of time, which may have a material adverse effect on our liquidity position. In** circumstances where our ability to generate needed liquidity is impaired, we need access to ~~non- core~~ **other sources of** funding such as borrowings from the **FHLBs** ~~Federal Home Loan Bank~~ and the Federal Reserve, Federal Funds purchased lines **,** and brokered deposits **. In connection with the SVBB Acquisition, FCB issued a five- year note of approximately $ 36 billion payable to the FDIC (the " Purchase Money Note ") and FCB also entered into an Advance Facility Agreement, dated as of March 27, 2023 and effective as of November 20, 2023 (the " Advance Facility Agreement ") with the FDIC, pursuant to which the FDIC is providing total advances available through March 27, 2025 of up to $ 70 billion (subject to certain limits described below under Item 8. Financial Statements and Supplementary Data, Note 2 — Business Combinations), of which $ 15. 11 billion was immediately available at December 31, 2023. We may draw on the Advance Facility Agreement through March 27, 2025 to provide liquidity to offset deposit withdrawal or runoff of former SVBB deposit accounts and to fund the unfunded commercial lending commitments acquired in connection with the SVBB Acquisition** . While we maintain access to these non- core funding sources, ~~some~~ **including the Advance Facility Agreement, these** sources are dependent on the availability of collateral as well as the counterparty' s willingness and ability to lend. Failure to access sources of liquidity may affect our ability to pay deposits and fund our operations. ~~We~~ **Based on our asset size, we** are ~~subject to enhanced liquidity risk management requirements as a Category IV banking organization, subject to the applicable transition periods, including reporting, liquidity stress testing, and liquidity buffer, as well as resolution planning at the bank level, and failure to meet these requirements could result in regulatory and compliance risks, and possible restrictions on our activities. As a result of the CIT Merger, our total consolidated assets exceed $ 100 billion, and therefore we became~~ subject to enhanced liquidity risk management requirements as a Category IV banking organization, including reporting, liquidity stress testing, a liquidity buffer and resolution planning, subject to the applicable transition periods. Were we to meet or exceed certain other thresholds for asset size and other risk- based factors, we would become subject to additional requirements under the Tailoring Rules. We expect to incur significant expense in continuing to develop policies, programs and systems designed to comply with all such requirements applicable to us. Failure to develop and maintain an adequate liquidity risk management and monitoring process may lead to adverse regulatory action (including possible restrictions on our activities) **, along with inadequate liquidity** . Fee revenues from overdraft and **NSF** ~~nonsufficient funds~~ programs may be subject to increased supervisory scrutiny. Revenues derived from transaction fees associated with overdraft and ~~nonsufficient funds ("~~ NSF ~~")~~ programs ~~is~~ **are** included in ~~non- interest~~ **noninterest** income. In ~~2022~~ **2023** , we collected approximately $ ~~48~~ **42** million in overdraft ~~and NSF~~ fees (down from approximately $ ~~55~~ **49** million in ~~2021~~ **2022**), due to the reduction in our fees for overdrafts and elimination of NSF fees announced in January 2022. In 2021, certain members of Congress and the leadership of the CFPB expressed a heightened interest in bank overdraft and NSF programs. In December 2021, the CFPB published a report providing data on banks' overdraft and NSF fee revenues as well as observations regarding consumer protection issues relating to such programs and in October 2022, the CFPB published further guidance concerning unlawful practices related to overdraft fees. **In January 2024, the CFPB published proposed rulemakings aimed at restricting financial institutions' overdraft credit and NSF fee practices.** The CFPB **also** has pursued enforcement actions against banking organizations, and their executives, that oversee overdraft **and NSF** practices that are deemed to be unlawful and has indicated that it will continue to do so. In response to this increased congressional and regulatory scrutiny, and in anticipation of enhanced supervision and enforcement of overdraft practices in the future, certain banking organizations have begun to modify their overdraft programs. In January 2022, we announced an elimination of NSF fees and a decrease in overdraft fees. Continued competitive pressures from our peers, as well as any adoption by our regulators of new rules or supervisory guidance or more aggressive examination and enforcement policies in respect of banks' overdraft fee practices, could cause us to further modify our program and practices in ways that may have a negative impact on our revenue and earnings, which, in turn, could have an adverse effect on our financial condition and results of operations. In addition, as supervisory expectations and industry practices regarding overdraft fee programs change, our continued charging of overdraft fees may result in negative public opinion and increased reputation risk. Our primary capital sources have been retained earnings and debt issued through both private and public markets. Rating agencies regularly evaluate our creditworthiness and assign credit ratings to us and FCB. The ratings of the agencies are based on a number of factors, some of which are outside our control. In addition to factors specific to our financial strength and performance, the rating agencies also consider conditions generally affecting the financial services industry. We may not be able to maintain our current credit ratings. Rating reductions could adversely affect our access to funding sources and increase the cost of obtaining funding. Based on existing capital levels, we and FCB are well ~~–~~capitalized under current leverage and risk-based capital standards. Our ability to grow is contingent on our ability to generate or otherwise access sufficient capital to remain well ~~–~~capitalized under current and future capital adequacy guidelines. Under ~~regulatory~~ capital adequacy ~~guidelines~~ and other regulatory requirements, we, together with FCB, must meet certain capital **adequacy** and liquidity guidelines, subject to qualitative judgments by regulators about components, risk weightings and other factors. We and FCB are subject to capital rules issued by the federal banking agencies including required minimum capital and leverage ratios. **Regulators have implemented and may, from time to time, implement changes to these regulatory capital adequacy and liquidity requirements.** These requirements, and any ~~proposed changes in connection with the~~ **other** ~~federal banking agencies' plan~~ **new laws or regulations related** to ~~implement~~ **capital or liquidity, or any existing requirements that we may become subject to as a result of our significantly increased asset size by virtue of** the ~~final Basel III post- crisis reform standards~~ **CIT Merger and SVBB Acquisition or future acquisitions** , could adversely affect our ability to pay dividends, restrict certain business activities, including share repurchases, or compel us to raise capital, each of which may adversely affect our results of operations or financial condition **. On July 27, 2023, the federal banking agencies issued a proposed rule to implement the Basel III endgame standards into the capital and liquidity requirements for banking organizations with $ 100 billion or more in total consolidated assets. Among other things, the proposed rule would substantially change the existing calculation of risk- weighted assets and require banking organizations to use revised models for such calculations. The proposed rule would apply to FCB and BancShares directly based upon our current asset size** . Refer to the " Regulatory Considerations " section in Item 1. Business of this Annual Report on Form 10- K for additional information regarding the capital requirements under the Dodd- Frank Act and Basel III. We are required to submit an annual capital plan to the Federal Reserve and to be subject to supervisory stress testing under the Federal Reserve' s CCAR process on a biennial basis as a Category IV banking organization, subject to the applicable transition periods. Under the CCAR process, the Federal Reserve will evaluate our planned capital distributions (e. g., dividends) included in our capital plan over the planning horizon (i. e., nine consecutive quarters, beginning with the quarter preceding the quarter in which the capital plan is submitted over which the relevant projections extend) to determine whether we will be able to meet our ongoing capital needs under a range of different economic scenarios. Failure to obtain a non- objection on our capital plan submitted to the Federal Reserve, or to demonstrate capital adequacy under the CCAR process, could result in restrictions in our ability to declare and pay dividends, repurchase shares, or make other capital distributions. Refer to the " Regulatory Considerations " section of Item 1. Business of this Annual Report on Form 10- K for additional information regarding the annual capital plan submission to the Federal Reserve and supervisory stress testing under the CCAR process. Increases to our level of indebtedness could adversely affect our ability to raise additional capital and to meet our obligations. **In connection with the SVBB Acquisition, FCB issued the five- year Purchase Money Note of approximately $ 36 billion payable to the FDIC, which was subsequently amended and restated to adjust the principal amount to approximately $ 36. 07 billion. On August 29, 2023, the federal banking agencies released a notice of proposed rulemaking that requires large banks with total assets of $ 100 billion or more to maintain a minimum amount of long- term debt that can be used, in the instance of a bank' s failure, to absorb losses and increase options to resolve the failed bank.** Our existing debt, together with any future incurrence of additional indebtedness **, including under the Advance Facility Agreement** and ~~preferred stock~~ **the Purchase Money Note** , could have consequences that are materially adverse to our business, financial condition or results of operations. For example, it could: (i) limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; (ii) restrict us from making strategic acquisitions or cause us to make non- strategic divestitures; (iii) restrict us from paying dividends to our stockholders; (iv) increase our vulnerability to general economic and industry conditions; or (v) require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness and dividends on the preferred stock, thereby reducing our ability to use cash flows to fund our operations, capital expenditures and future business opportunities. ~~Refer~~ **We operate in a highly regulated industry and are subject** to **many laws, rules, and regulations at both the federal and state levels. These broad- based laws, rules, and regulations include, but are not limited to, expectations relating to AML, lending limits, client privacy, fair lending, prohibitions against unfair, deceptive or abusive acts or practices, regulatory reporting, and community reinvestment, In addition, we must comply with** ~~the~~ **other** ~~" Borrowings "~~ **that protect the deposit insurance fund** and the stability of the United States financial system,including laws and regulations that,among other matters,prescribe minimum capital requirements,impose limitations on our business activities and investments,limit the dividends or distributions that we can pay,restrict the ability of our bank subsidiaries to guarantee our debt and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP.Compliance with laws and regulations can be difficult and costly,and changes in laws and regulations often result in additional compliance costs.We are subject to extensive federal and applicable state regulation and supervision,primarily through FCB and certain nonbank subsidiaries.Banking regulations are primarily intended to protect depositors' funds, **federal deposit insurance funds** ~~amounts held within the DIF~~ ,and the banking system as a whole,not stockholders.These regulations affect our lending practices,capital structure,investment practices,dividend policy, **and** growth ~~,and governance and controls~~ ,among other things.Congress and federal regulatory agencies continually review banking laws,regulations,and policies for possible changes.The Sarbanes- Oxley Act of 2002 and the related rules and regulations issued by the SEC and **The** Nasdaq,as well as numerous other more recently enacted statutes and regulations,including the Dodd- Frank Act, **EGRRCPA** ~~Economic Growth Act~~ ,and regulations promulgated thereunder,have increased the scope,complexity and cost of corporate governance and reporting and disclosure practices,including the costs of completing our external audit and maintaining our internal controls.Such additional regulation and supervision may limit our ability to pursue business opportunities and result in a material adverse impact on our financial condition and results of operations.Changes to statutes,regulations,or regulatory policies,including changes in interpretation or implementation of statutes,regulations,or policies,could affect us in substantial and unpredictable ways.Such changes could subject us to additional costs,limit the types of financial services and products we may offer,or increase the ability of nonbanks to offer competing financial services and products,among other things.Failure to comply with laws,regulations,or policies ~~sections~~ **sanctions** ~~of Item 7~~ **by regulatory agencies (including potential limitations on our future acquisitions or operations, or requirements to forfeit assets), civil money penalties, or reputation damage** . **Data privacy and security risks have become the subject of increasing legislative and regulatory focus in recent years. The federal banking agencies have proposed regulations that would enhance cyber risk** ~~Management~~ **management** ~~As information security and data privacy risks for banking organizations and the broader financial system have significantly increased in recent years,data privacy and security issues have become the subject of increasing legislative and regulatory focus.The federal bank regulatory agencies have proposed regulations that would enhance cyber risk management~~ standards,which ~~would~~ apply to a wide range of LFIs and their third- party service providers,including us and FCB,and would focus on cyber risk governance and management,management of internal and external dependencies,and incident response,cyber resilience,and situational awareness. ~~Several~~ **Virtually all** states have also proposed or adopted information security legislation and regulations,which require,among other things,notification to affected individuals ~~when~~ **and / or attorneys general,in** ~~there~~ - - **the** ~~has been~~ **event of** a **data breach.We collect,process,maintain,and store personal information of customers,prospects and employees.We employ data** security ~~breach of their personal data.We receive,maintain,~~ and **technology solutions to support adherence to** ~~store non- public personal information of~~ our ~~customers~~ **data protection obligations** and **risk mitigation efforts** ~~counterparties,including,but not limited to,personally identifiable information and personal financial information~~ .The collection,sharing,use,disclosure,and protection of these types of information are governed by federal and state law. **An** ~~Both personally identifiable information and personal financial information are increasingly~~ - - **increasing** ~~subject to legislation~~ **number of states have actual or proposed privacy** and **information security** ~~regulation~~ **regulations** ,the intent of which is to increase transparency related to how personal information is processed,choices individuals have to control how their information is used and to protect the privacy of such information.For example,in June of 2018,the Governor of California signed into law the CCPA.The CCPA,which became effective on January 1,2020,and was amended in November 2020 by the CPRA,applies to for- profit businesses that conduct business in California and meet certain revenue or data collection thresholds.The CPRA,which became effective on January 1,2023, ~~amends~~ **amended** the scope and several of the substantive requirements of the CCPA,as well as ~~certain mechanisms~~ **created an administrative and enforcement.In addition,NYDFS adopted the NY Cybersecurity Regulation in February 2017.The NY Cybersecurity Regulation requires that financial services institutions regulated by NYDFS,including BancShares,among other things,implement and maintain a cybersecurity program and a cybersecurity policy that will be monitored and tested periodically,develop controls and technology standards** for ~~administration~~ **data protection,establish policies** and ~~enforcement~~ **procedures with respect to due- diligence evaluation and cybersecurity practices** of **vendors who will** ~~the statute.Numerous other states~~ have **access to** ~~also enacted or are in~~ the **institution** ~~process of enacting state- level privacy,data protection and / or data security laws and regulations.We may become subject~~ ' s ~~Discussion~~ **information systems or non- public information, annually certify compliance with the regulation,** and ~~Analysis~~ **provide notice to NYDFS within 72 hours** of **a cybersecurity event that has a reasonable likelihood of materially harming the institution or that must be reported to another government or self- regulating agency. NYDFS further amended its cybersecurity regulation effective November 1, 2023 with the majority of the amended provisions to take effect on April 29, 2024. Among other things, the adopted amendments will require new reporting, governance and oversight measures, enhanced cybersecurity safeguards and technical requirements, and mandatory notification to NYDFS in the event that the** ~~Financial~~ **financial** ~~Condition~~ **services institution makes** ~~and~~ - **an** ~~Results~~ **extortion payment in connection with a cybersecurity event involving it. Congress and federal regulators have also implemented or are considering implementing similar laws or regulations which could create new individual privacy**

rights and impose increased obligations on companies handling personal data. For example, on November 23, 2021, the federal financial regulatory agencies published a final cybersecurity rule which took effect on April 1, 2022. In addition, in July 2023, the SEC adopted new cybersecurity disclosure rules for public companies, like BancShares. Refer to the " Regulatory Considerations " section of ~~Operations~~ **Item 1. Business** of this Annual Report on Form 10- K for additional information regarding ~~our borrowings~~ **the various privacy, data protection and cybersecurity regulations that are applicable to BancShares** . We **continue to monitor developments and changes to applicable privacy and information security regulations and adapt our current practices to changing requirements. Failure to meet regulatory requirements may subject us to fines, litigation, or regulatory enforcement actions. We acknowledge that changes to our business practices, policies, or systems, unplanned or otherwise, may also adversely impact our** ~~operate~~ **operating** ~~in a highly~~ **results. We face heightened compliance risks** ~~regulated~~ -- **related** ~~industry~~ **to certain specialty commercial business lines. Our rail business line is subject to various laws, rules** and **regulations administered by authorities in various jurisdictions. In the United States, our equipment financing and leasing operations, including for our portfolio of railcars, maritime lending and other equipment financing and leasing,** are subject to ~~many laws,~~ rules ~~,~~ and regulations ~~at both the~~ **relating to safety, operations, maintenance and mechanical standards promulgated by various** federal and state **agencies and industry organizations** ~~levels. These broad- based laws~~ , **including the United States Department of Transportation, the Federal Railroad Administration, the Association of American Railroads, the Maritime Administration, the United States Coast Guard, and the United States Environmental Protection Agency. We are also subject to regulation by governmental agencies in foreign countries in which we do business. Our business operations and our equipment financing and leasing portfolios may be adversely impacted by** rules ~~,~~ and regulations ~~include~~ **promulgated by governmental and industry agencies** , ~~but are not limited to~~ **which could require substantial modification** , **maintenance** ~~expectations relating to anti- money laundering~~ , **or refurbishment of** ~~lending limits, client privacy, fair lending, prohibitions against unfair, deceptive or~~ **our railcars** ~~abusive acts or practices~~ , ~~regulatory reporting~~ **ships or other equipment** , ~~and community reinvestment. In addition, we must~~ **or could potentially make such equipment inoperable or obsolete. Failure to** comply with ~~other~~ **these laws, rules and** regulations that protect the deposit insurance fund and...... with laws, regulations, or policies could result in sanctions by regulatory agencies (including potential limitations on our future acquisitions or operations, or requirements to forfeit assets), civil money penalties, or reputation damage. As information security and data privacy risks...... money penalties, or reputation damage. Additionally, we may incur significant expenses in our efforts to comply with these laws, rules and regulations. We are a Category IV banking organization and therefore subject to certain enhanced prudential standards and enhanced supervision by the Federal Reserve under the Dodd- Frank Act, **and the federal banking regulators are considering additional enhanced prudential standards and requirements for all banking organizations with $ 100 billion or more in assets. Based on our asset size, we are subject to enhanced prudential standards under Section 165 of the Dodd- Frank Act,** as amended by the ~~EGRRCPA~~ **Economic Growth Act** , and implemented by the federal banking agencies' Tailoring Rules, subject to the applicable transition periods. **The federal banking agencies are re** ~~After reporting total consolidated assets of $ 100 billion or more, based on a four~~ - **evaluating the applicability of** ~~quarter trailing average, we became subject to~~ enhanced prudential standards **for Category IV** ~~under Section 165 of the Dodd- Frank Act, as amended by the EGRRCPA,~~ and **Category III** ~~implemented by the federal~~ banking ~~agencies'~~ **organizations, and there may be changes to the** Tailoring Rules ~~, subject~~ to ~~the applicable transition periods~~ **apply additional enhanced prudential standards to such organizations, which would increase BancShares' compliance costs** . ~~If~~ **Along with our growth, expectations are heightened to maintain strong risk management. In addition, if** we fail to develop and maintain at a reasonable cost the systems and processes necessary to comply with the standards and requirements imposed by these rules, it could have a material adverse effect on our business, financial condition or results of operations. Additionally, as we grow, and our assets exceed certain thresholds, regulatory requirements that we are subject to, as well as our compliance expenses, will increase. For example, after reporting $ 50 billion or more in weighted short- term wholesale funding, we will be subject to modified LCR and NSFR requirements, and we will be subject to full LCR and NSFR requirements after reporting $ 75 billion or more in weighted short- term wholesale funding **, nonbank assets, off- balance sheet exposure, or cross- jurisdictional activities** in addition to other enhanced prudential standards as a Category III banking organization **(or a Category II banking organization in the case of cross- jurisdictional assets)** . Refer to the " Regulatory Considerations " section of Item 1. Business of this Annual Report on Form 10- K for additional information regarding the enhanced prudential standards that we are subject to as a Category IV banking organization, and how our regulatory requirements will change based on our total assets and other risk- based factors under the Tailoring Rules. The CFPB has reshaped the consumer financial laws through rulemaking and enforcement of the prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact the business operations of depository institutions offering consumer financial products or services, including FCB. We are subject to supervision and examination by the CFPB for compliance with the CFPB' s regulations and policies. The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd- Frank Act with respect to financial institutions that offer covered financial products and services to consumers. The CFPB is responsible for adopting rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The CFPB has **increased enforcement staff and** initiated enforcement actions against a variety of bank and non- bank market participants with respect to a number of consumer financial products and services that has resulted in those participants expending significant time, money and resources to adjust to the initiatives being pursued by the CFPB. The CFPB has pursued a more aggressive enforcement policy in respect of a range of regulatory compliance matters under the Biden Administration. CFPB enforcement actions may serve as precedent for how the CFPB interprets and enforces consumer protection laws, including practices or acts that are deemed to be unfair, deceptive or abusive, with respect to all supervised institutions, including us. which may result in the imposition of higher standards of compliance with such laws. The limitations and restrictions that may be placed upon us by the CFPB with respect to our consumer product offerings and services may produce significant, material effects on our profitability. We may be adversely affected by changes in United States and foreign tax laws and other tax laws and regulations. Corporate tax rates affect our profitability and capital levels. We are subject to the income tax laws of the United States, its states and their municipalities and to those of the foreign jurisdictions in which we do business. These tax laws are complex and may be subject to different interpretations. We must make judgments and interpretations about the application of these tax laws when determining our provision for income taxes, our deferred tax assets and liabilities and our valuation allowance. Changes to the tax laws, administrative rulings or court decisions could increase our provision for income taxes and reduce our net income. The United States corporate tax code may be reformed by the United States Congress and additional guidance may be issued by the **Treasury** ~~United States~~ Department ~~of the Treasury~~ . In August 2022, Congress enacted the Inflation Reduction Act of 2022 ~~(the " Inflation Reduction Act ")~~ , which instituted, among other things, a 1 % excise tax on certain corporate stock repurchases which took effect on January 1, 2023. As a result, effective for tax years beginning after December 31, 2022, BancShares may be subject to a Corporate Alternative Minimum Tax (" CAMT "). BancShares will treat any CAMT that may be applicable to tax years beginning after December 31, 2022 as a period cost. Further changes in tax laws and regulations, and income tax rates in particular, could have an adverse impact on our financial condition and results of operations. These changes could also affect our ~~regulatory~~ **Regulatory** ~~capital~~ **Capital** ~~ratios~~ **Ratios** as calculated in accordance with the Basel III ~~Rules~~ **standards** . We are subject to ESG risks such as climate risk, hiring practices, diversity, racial and social justice issues, including in relation to our counterparties, which may adversely affect our reputation and ability to retain employees and customers. We are subject to a variety of risks arising from ~~environmental, social and governance ("~~ ESG ~~")~~ matters. ESG matters include, but are not limited to, climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. If our ESG practices do not meet (or are viewed as not meeting) investor or other industry stakeholder expectations and standards, which continue to evolve, our reputation and employee and customer retention may be negatively impacted. The Biden Administration, through ~~Executive~~ **executive** ~~Orders~~ **orders** and leadership appointments at the federal agencies, has communicated and sought to implement an agenda focused on oversight and legislative initiatives in a variety of areas material to our business, including addressing climate- related risks, promoting diversity and equality within the banking industry and addressing other ESG matters relevant to us. We could also incur additional costs and require additional resources to monitor, report and comply with various ESG practices. For example, ~~in~~ **on March 12,** 2022, the SEC proposed new climate disclosure rules, which if adopted, would require new climate- related disclosure in SEC filings, including certain climate- related metrics and greenhouse gas emissions data, information about climate- related targets and goals, transition plans, if any, and extensive attestation requirements. **Federal banking agencies have also issued principles related to climate risk management. See Item 1. Business — Regulatory Considerations — Other Regulations applicable to the Parent Company and FCB — Climate- Related Regulation and Risk Management for additional information.** Further, we may be exposed to negative publicity based on the identity and activities of those to whom we lend and with which we otherwise do business and the public' s view of the approach and performance of our customers and business partners with respect to ESG matters. **Moreover, management time and attention to ESG matters may be required to increase to ensure we are compliant with the regulations and expectations.** Our ~~loans~~ **failure to comply with any applicable rules or regulations with respect to ESG practices could lead to penalties and adversely impact our access to capital and employee retention, and could also impact third parties on which we rely, which could have** ~~and~~ **an** ~~leases~~ **adverse effect on our business, financial condition, or results of operations. Our portfolio** ~~include~~ **includes** ~~a significant portion of~~ leased equipment, including, but not limited to, railcars and locomotives, technology and office equipment and medical equipment. The realization of equipment values (residual values) during the life and at the end of the term of a lease is an important element in the profitability of our leasing business. At the inception of each lease, we record a residual value for the leased equipment based on our estimate of the future value of the equipment at the end of the lease term or end of the equipment' s estimated useful life. If the market value of leased equipment decreases at a rate greater than we projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions impacting supply and demand, it could adversely affect the current values or the residual values of such equipment. The Financial Accounting Standards Board (" FASB ") and the SEC periodically modify the standards governing the preparation of our financial statements. The nature of these changes is not predictable and has impacted and could further impact how we record transactions in our financial statements, which has led to and could lead to material changes in assets, liabilities, stockholders' equity, revenues, expenses and net income. Implementation of new accounting rules or standards could additionally require us to implement technology changes which could impact ongoing earnings. Accounting policies and processes are fundamental to how we record and report our financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with GAAP. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in us reporting materially different results than would have been reported under a different alternative. Management has identified certain accounting policies as being critical because they require management to make difficult, subjective or complex conclusions about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Because of the uncertainty surrounding management' s judgments and the estimates pertaining to these matters, we may be required to adjust accounting policies or restate prior period financial statements. Refer to " Critical Accounting Estimates " included in Item 7. Management' s Discussion and Analysis of Financial Condition and

Results of Operations of this Annual Report on Form 10- K. Our business is highly quantitative and requires widespread use of financial models for day- to- day operations; these models may produce inaccurate predictions that significantly vary from actual results, and we may rely on these inaccurate predictions in making decisions that ultimately adversely affect our business. We rely on **qualitative and** quantitative models to measure risks and to estimate certain financial values. Such models may be used in many processes including, but not limited to, the pricing of various products and services, classifications of loans, setting interest rates on loans and deposits, quantifying interest rate and other market risks, forecasting losses, measuring capital adequacy and calculating economic and regulatory capital levels. Models may also be used to estimate the value of financial instruments and balance sheet items. Inaccurate or erroneous models present the risk that business decisions relying on the models will prove inefficient, ineffective or harmful to us. Additionally, information we provide to our investors and regulators may be negatively impacted by inaccurately designed or implemented models. For further information on risk monitoring, refer to the " Risk Management " section included in Item 7A. Quantitative and Qualitative Disclosure about Market Risk of this Annual Report on Form 10- K. We may fail to maintain an effective system of internal control over financial reporting, which could hinder our ability to prevent fraud and provide reliable financial reports to key stakeholders. We must have effective internal controls over financial reporting in order to provide reliable financial reports, to effectively prevent fraud and to operate successfully as a public company. If we are unable to provide reliable financial reports or prevent fraud, our reputation and operating results will be harmed and we may violate regulatory requirements or otherwise become subject to legal liability. We may discover material weaknesses or significant deficiencies requiring remediation, which would require additional expense and diversion of management attention, among other consequences. A " material weakness " is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of a company' s annual or interim financial statements will not be prevented or detected on a timely basis. Any failure to maintain effective internal controls or to implement any necessary improvement of our internal controls in a timely manner could, among other things, result in losses from fraud or error, harm our reputation or cause investors to lose confidence in our reported financial information, each of which could have a material adverse effect on our results of operations and financial condition and the market value of our common stock. **The SVBB Acquisition has been accounted for under the purchase method of accounting and is based upon a preliminary valuation that involves significant estimates that are subject to change. As required by GAAP, the SVBB Acquisition was accounted for under the purchase method of accounting and is based upon a preliminary valuation that involves significant estimates that are subject to change. The opening balances of acquired assets and assumed liabilities in connection with the SVBB Acquisition have been recorded at estimated fair value based on information currently available to us. In developing these fair value estimates, management was required to make significant estimates involving, among other things, the assigned risk ratings to loans based on credit quality, appraisals and estimated collateral values, estimated expected cash flows and appropriate liquidity and discount rates. The loans purchased in connection with the SVBB Acquisition have credit profiles that differ from most banking companies. For example, many of the legacy Silicon Valley Bank loans acquired were made to early- stage, privately held companies with modest or negative cash flows and / or no established record of profitable operations. In addition, a significant portion of the loans were comprised of larger loans equal to or greater than $ 20 million, and collateral for many of the legacy Silicon Valley Bank loans in the technology, life science and healthcare industries include intellectual property and other intangible assets, which are difficult to value and not readily salable in the case of default. Furthermore, the receivables from the FDIC for the commercial shared loss agreement involve significant estimates that involve uncertainty. In addition, the core deposit intangibles were valued using the after- tax cost savings method under the income approach. This method estimates the fair value by discounting to present value the favorable funding spread attributable to the core deposit balances over their estimated average remaining lives. The valuation considered a dynamic approach to interest rates and alternative cost of funds. The favorable funding spread is calculated as the difference in the alternative cost of funds and the net deposit cost. The estimates used in creating the preliminary fair value estimates of the assets acquired and liabilities assumed may change as additional information becomes available, which could lead to changes in our fair value estimates. We continue to review information relating to events or circumstances existing at the SVBB Acquisition Date that could impact the preliminary fair value estimates. Until management finalizes its fair value estimates for the acquired assets and assumed liabilities, the preliminary gain on acquisition can be updated for a period not to exceed one year following the SVBB Acquisition Date. The fair value measurements of certain other assets and liabilities are preliminary as we identify and assess information regarding the nature of these assets and liabilities and review the associated valuation assumptions and methodologies. The tax treatment of FDIC- assisted acquisitions is complex and subject to interpretations that may result in future adjustments of deferred taxes as of the SVBB Acquisition Date. As such, the amounts recorded for tax assets and liabilities are considered provisional as we continue to evaluate the nature and extent of permanent and temporary differences between the book and tax bases of the acquired assets and liabilities assumed, as well as the tax impact on the preliminary gain on acquisition. Item 1C. Cybersecurity Risk Management and Strategy BancShares maintains robust processes for assessing, identifying, and managing material risks from cybersecurity threats that are integrated with our overall risk management program. As part of its cybersecurity risk management framework, BancShares leverages a Three Lines of Defense model (the " Three Lines Model ") to promote clarity of roles and responsibilities in managing risk. Under the Three Lines Model, the ECSO led by our Chief Information Security Officer (the " CISO "), acts as a first line of defense and has primary responsibility for identifying, assessing, monitoring, and managing material risks from cybersecurity threats. Our CISO reports to our Chief Information & Operations Officer (" CIOO "), who reports directly to our Chief Executive Officer. As a part of the ECSO, Enterprise Incident Management (" EIM ") maintains incident response playbooks (i. e., standard operating procedures) to identify, respond, classify, and analyze incidents**

and events in accordance with BancShares' Enterprise Severity Matrix, and our Security Operation Center identifies, assesses, manages, and monitors potential cybersecurity events with EIM. In addition, BancShares maintains a third-party risk management team tasked with evaluating, identifying, and managing risk from all third- party engagements, including from cybersecurity threats. The second- line independent risk management, including compliance, enterprise risk management, and operational risk management, works with the first line ECSO to evaluate, assess, and manage material risks using an established Risk Appetite Framework that is designed to require that the cybersecurity organization appropriately document the current risk landscape and the activities undertaken to mitigate risk that falls outside of the enterprise risk tolerance. The third- line in the Three Lines Model is our internal audit team, which assesses the effectiveness of related controls. We maintain processes for escalation from each line, including processes to report information to management, management- level committees and to committees of the Board and the Board as a whole, as appropriate. For example, Risk Appetite Statements, top risks, and issues are reported to the Management Committees and the Risk Committee of the Board to monitor progress, identify trends, and escalate issues. BancShares follows a defense- in- depth and layered- control framework to protect the organization against cybersecurity threats and attacks. ECSO remains committed to maintaining and improving preventative and detective controls and enhancing our defenses in response to the evolving threat landscape. This mission is supported by policy, standards, and procedures which align to industry standards, including the National Institute of Standards and Technology Cybersecurity Framework, and are enforced through the firm' s preventive and detective controls. Additionally, BancShares has implemented a threat awareness program that includes cross- organizational information sharing capability for threat intelligence and membership and engagement with intelligence communities including the Financial Services Information Sharing and Analysis Center, Federal Bureau of Investigation, United States Department of Homeland Security, and others. BancShares also utilizes external experts and third- party assessors to maximize its risk intelligence coverage and management ability. BancShares engages internal auditors, external assessors, and consultants to benchmark, scale, manage, and identify cybersecurity threats. Consultants also assess BancShares' cybersecurity systems and complete vulnerability testing. These groups assist the ECSO with cybersecurity risk management and identification. The BancShares information security program continues to operate under heightened awareness due to industry threats and recent acquisitions. For more information regarding the risks we face from cybersecurity threats, refer to Item 1A. Risk Factors. Thus far, there have been no cybersecurity incidents that we have determined to have materially affected or to be reasonably likely to materially affect us, including with respect to our business, results of operations, or financial condition. The focus continues to be on monitoring the threat landscape and integration of entities. Governance The Board retains supervisory oversight responsibility for the organization and its activities, including enterprise risk management and cybersecurity threats, subject to the committee delegation described below. The Board conducts oversight of management through its subcommittees, presentations from senior leadership, and routine board- directed reporting to ensure management continues to operate and conduct business in alignment with Risk Appetite Statements. Oversight of cybersecurity and the ECSO organization is the responsibility of the Risk Committee. The Risk Committee further oversees cybersecurity and other risks through a subcommittee, the Enterprise Risk Oversight Committee (" EROC "), as well as additional management- level subcommittees beneath the Risk Committee including the Technology & Security Risk Committee (" TSRC ") and the Operational Risk Committee (" ORC " and, together with the EROC and TSRC, the " Management Committees "). Management Committees, which include as members the CISO and other cybersecurity leadership, have clear lines of communication with the Board and its committees. The Management Committees are designed with a purpose- driven scope and decision- making authority and are required to provide the Board with regular reporting of management' s current business activities and the potential risk associated with those activities. Management Committees are informed by EIM following the incident management process as per internal policies and standards. In addition, the Audit Committee of the Board (the " Audit Committee ") monitors internal audit' s coverage of cybersecurity governance, risks, and related controls, including any identified deficiencies, from cybersecurity or other risks, that could adversely affect the ability to record, process, summarize, and report financial data. The Risk Committee coordinates with Audit Committee for review of information security matters, as needed. The Board may from time to time create informal working groups to enable deeper and more detailed discussions related to our technology needs and investments and inform the Board on cybersecurity risks, among other topics. For example, our Board recently established and authorized a Task Force on Technology (the " Task Force ") to assist and support the Board in a strategic review of the role of technology in our operations, our current and future investments in technology resources, and the current board oversight of risk, governance, and controls surrounding technology and cybersecurity. The Task Force is comprised of members of the Board, working closely with management, including the CIOO. The CISO is responsible for assessing and managing material cyber risks. His expertise with assessing and managing material cyber risks is based on more than 20 years of cybersecurity experience with prior roles as a CISO and Global Head of Operations. The CISO is informed about and monitors the prevention, detection, mitigation, and remediation of cybersecurity by the ECSO through regular reporting and escalations, as required. He, the CIOO, and others report information about material risks from cybersecurity threats to the Board or a committee or subcommittee of the Board, as described below. The Risk Committee receives information on cybersecurity risk, including risk appetite utilization, breaches and emerging risks, and the control environment, directly or indirectly, from various sources, including each of the CISO, the EROC, Management Committees, the Task Force, the TSRC and the ORC. Additionally, the Risk Committee reviews BancShares' information security policies and program with a focus on whether they are appropriate to protect data, records, and proprietary information of BancShares as well as that of its customers and employees. Item 2. Properties