BCI Financial Group, Inc. and Subsidiary

Consolidated Financial Statements as of and for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

Deloitte.

Deloitte & Touche LLP
Certified Public Accountants
333 Southeast 2nd Avenue
Suite 3600
Miami, FL 33131
USA

Tel: +1 305 372 3100
Fax: +1 305 372 3160
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
BCI Financial Group, Inc.
Miami, Florida

We have audited the accompanying consolidated financial statements of BCI Financial Group, Inc. and its subsidiary (BCI), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BCI's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BCI's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BCI as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

January 27, 2020

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands, except par value and share information)

	2019	2018
ASSETS		
INTEREST-EARNING ASSETS:		
Loans and leases—less:	$ 10,963,073	$ 10,176,516
Net loan discount	(17,150)	(26,734)
Deferred loan costs/(fees)	2,392	(5,851)
Allowance for loan and lease losses	(49,046)	(33,930)
Loans and leases—net	10,899,269	10,110,001
Loans held for sale	24,387	
Securities available for sale	3,330,030	2,803,493
Securities held to maturity (fair value: $10,076 in 2019 and $1,000 in 2018)	10,158	1,000
Equity securities	30,653	
Interest-bearing balances with financial institutions	306,468	287,462
Total interest-earning assets	14,600,965	13,201,956
CASH AND DUE FROM BANKS	120,894	99,698
ACCRUED INTEREST RECEIVABLE	42,424	40,007
BANK PREMISES AND EQUIPMENT—Net	86,259	87,153
OPERATING LEASE EQUIPMENT—Net	195,546	161,512
INTANGIBLE ASSETS—Net	94,590	115,365
GOODWILL—Net	120,926	134,392
FEDERAL HOME LOAN BANK AND FEDERAL RESERVE BANK STOCK	136,597	100,078
DEFERRED TAX ASSETS—Net	17,500	67,445
BANK-OWNED LIFE INSURANCE	347,272	263,441
OTHER ASSETS—Net	85,095	61,908
TOTAL	$ 15,848,068	$ 14,332,955
LIABILITIES AND EQUITY		
DEPOSITS AND BORROWINGS:		
Deposits	$ 11,853,400	$ 11,286,701
Other borrowings	1,850,000	1,015,000
Federal funds purchased and securities sold under agreements to repurchase	82,039	177,526
Total deposits and borrowings	13,785,439	12,479,227
OTHER LIABILITIES	161,497	142,145
Total liabilities	13,946,936	12,621,372
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDER'S EQUITY:		
Capital (common stock, $1 par value—927,345,444 shares authorized, issued, and outstanding)	1,516,477	1,516,477
Retained earnings	384,605	223,435
Accumulated other comprehensive loss—net of tax	(1,415)	(29,640)
Total stockholder's equity	1,899,667	1,710,272
NONCONTROLLING INTEREST	1,465	1,311
Total equity	1,901,132	1,711,583
TOTAL	$ 15,848,068	$ 14,332,955

See notes to consolidated financial statements.

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	**2018**
INTEREST INCOME:		
Interest and fees on loans and leases	$ 494,777	$ 398,284
Interest and dividends on securities	74,310	65,531
Interest on interest-bearing balances with financial institutions and securities purchased under agreements to resell	8,067	7,160
Total interest income	577,154	470,975
INTEREST EXPENSE:		
Interest on deposits	145,786	95,166
Interest on borrowings	26,070	20,669
Total interest expense	171,856	115,835
NET INTEREST INCOME	405,298	355,140
PROVISION FOR LOAN LOSSES	16,328	19,133
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	388,970	336,007
OTHER OPERATING INCOME:		
Service charges, commissions, and fees	37,333	31,429
Gain on sale of loans	5,761	893
Gain on sale of premises and equipment	5,232	453
Gain on sale of investment securities—net	2,316	-
Unrealized gains recognized on equity securities	900	-
Other	16,360	11,112
Total other operating income	67,902	43,887
OTHER OPERATING EXPENSES:		
Salaries and employee benefits	126,492	152,004
Occupancy expense	17,115	17,151
Equipment expense	5,699	4,692
Amortization of intangible assets	18,177	12,432
Amortization of goodwill	14,377	7,788
Federal Depository Insurance Corporation insurance	4,964	5,377
Other	58,896	55,990
Total other operating expenses	245,720	255,434

(Continued)

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
INCOME BEFORE INCOME TAX PROVISION	$ 211,155	$ 124,460
INCOME TAX PROVISION	(48,787)	(28,723)
NET INCOME BEFORE NONCONTROLLING INTEREST	162,368	95,737
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	134	74
NET INCOME ATTRIBUTABLE TO BCI FINANCIAL GROUP, INC.	162,234	95,663
OTHER COMPREHENSIVE GAIN (LOSS)—Net of tax:		
Net unrealized gains/(losses) on securities available for sale	41,028	(18,163)
Net unrealized (loss)/gain on derivatives designated as hedging instruments	(9,311)	4,183
Reclassification adjustment for gain on sales of securities available for sale—net included in net income	(1,729)	-
Reclassification adjustment for gain on derivatives—net included in net income	(2,703)	(1,457)
Cumulative effect adjustment for adoption of accounting standard	794	-
Other	146	-
Total other comprehensive income/(loss) attributable to BCI Financial Group	28,225	(15,437)
Total other comprehensive income/(loss) attributable to noncontrolling interest	20	(23)
COMPREHENSIVE INCOME ATTRIBUTABLE TO BCI FINANCIAL GROUP, INC.	$ 190,459	$ 80,226
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	$ 154	$ 51

See notes to consolidated financial statements.

(Concluded)

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Total Stockholder's Equity	Noncontrolling Interest	Total
BALANCE—December 31, 2017	$ 946,918	$ 127,772	$ (14,203)	$ 1,060,487	$ 819	$ 1,061,306
Net income	-	95,663	-	95,663	74	95,737
Capital contribution	569,559	-	-	569,559	441	570,000
Change in valuation of derivatives designated as hedging instruments—net of tax	-	-	2,726	2,726	-	2,726
Change in valuation—securities available for sale—net of tax	-	-	(18,163)	(18,163)	(23)	(18,186)
BALANCE—December 31, 2018	1,516,477	223,435	(29,640)	1,710,272	1,311	1,711,583
Net income	-	162,234	-	162,234	134	162,368
Cumulative effect adjustment for adoption of accounting standard	-	(1,064)	1,064	-	-	-
Change in valuation of derivatives designated as hedging instruments—net of tax	-	-	(12,014)	(12,014)	(10)	(12,024)
Other	-	-	146	146	-	146
Change in valuation—securities available for sale—net of tax	-	-	39,029	39,029	30	39,059
BALANCE—December 31, 2019	$ 1,516,477	$ 384,605	$ (1,415)	$ 1,899,667	$ 1,465	$ 1,901,132

See notes to consolidated financial statements.

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before noncontrolling interest	$ 162,368	$ 95,737
Adjustments to reconcile net income before noncontrolling interest to net cash provided by operating activities—net of acquisition:		
Depreciation and amortization	47,615	31,162
Provision for loan, lease, and off-consolidated-balance-sheet	16,728	20,010
Deferred tax provision	40,361	23,931
Net gain on sale of loans	(5,761)	(893)
Net gain on the sale of bank premises and operating lease equipment	(5,232)	(453)
Gain on other real estate owned	(150)	(53)
Net gain on sale of securities	(2,316)	-
Net premium amortization on securities available for sale	30,558	15,141
Net discount accretion on loan discount	(9,584)	(15,808)
Amortization/(accretion) of deferred loan lease fees	644	(4,568)
Increase in cash surrender value of bank-owned life insurance	(8,831)	(8,056)
Proceeds from sales of loans held for sale	70,402	14,485
Loans originated for sale—net of repayments	(89,028)	(14,849)
Unrealized gain on equity securities	(900)	
Changes in other assets and liabilities:		
Increase in accrued interest receivable	(2,417)	(15,662)
Increase in other assets	(39,325)	(5,092)
Increase in other liabilities	18,952	32,997
Net cash provided by operating activities	224,084	168,029
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal repayment of securities available for sale	808,975	323,398
Proceeds from sales of securities available for sale	424,654	476,642
Proceeds from calls of securities held to maturity	1,000	300
Purchases of securities available for sale	(1,765,481)	(1,031,799)
Purchases of securities held-to-maturity	(10,158)	
Purchase of Federal Home Loan Bank stock	(121,519)	(32,538)
Purchase of Federal Reserve Bank stock	-	(17,100)
Proceeds from redemption of Federal Home Loan Bank stock	85,000	48,450
Proceeds from sale of syndication loans	54,907	253,678
Net increase in loans and leases—net of loans acquired	(827,039)	(1,171,410)
Purchases of bank premises and operating lease equipment	(29,929)	(4,190)
Proceeds from sale of premises and equipment	9,833	3,452
Purchase of assets of TotalBank—net of cash acquired	-	(388,084)
Proceeds from sale of other real estate owned	1,099	233
Purchase of bank-owned life insurance	(75,000)	-
Purchase of operating lease equipment	(46,436)	(74,014)
Net cash used in investing activities	(1,490,094)	(1,612,982)

(Continued)

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	$ 566,699	$ 1,446,625
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(95,487)	(58,817)
Proceeds from capital contribution	-	570,000
Advances from other long-term borrowings	850,000	-
Net repayments of other short-term borrowings	(15,000)	(415,000)
Net cash provided by financing activities	1,306,212	1,542,808
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,202	97,855
CASH AND CASH EQUIVALENTS—Beginning of year	387,160	289,305
CASH AND CASH EQUIVALENTS—End of year	$ 427,362	$ 387,160
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 174,234	$ 111,213
Cash paid during the year for income taxes	$ -	$ 12,800
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY—Real estate property collateralizing loans acquired through foreclosure	$ 901	$ 432
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY—Bank financing of proceeds for sale of premises	$ 26,100	$ -
TOTALBANK ACQUISITION (Note 2)		

See notes to consolidated financial statements.

(Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BCI Financial Group, Inc. (BCI), a wholly owned subsidiary of Banco de Credito e Inversiones, S.A. (the "Parent") and its subsidiary, City National Bank of Florida, Inc. and its subsidiaries (the "Bank"), is engaged in the general commercial banking business and provides a variety of related financial products and services through its branches and offices in Miami-Dade, Sarasota, Collier, Brevard, St. Lucie, Broward, Palm Beach, Hillsborough, and Orange counties in Florida.

BCI also provides lease financing services through the Banks' wholly owned subsidiary, BciCapital, Inc. (BCIC), with offices in Connecticut, Florida, Georgia, Maryland, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, and Virginia.

BCI and the Bank are subject to the regulations of certain federal agencies and undergo periodic examinations by those regulatory authorities.

During 2018, the Bank purchased TotalBank as result of a transaction that closed on June 15, 2018, with a purchase price of $528,939,000.

During 2019, the Bank entered into an agreement to purchase Executive National Bank, subject to regulatory approval for approximately $75,000,000, subject to certain adjustments. The transaction is expected to close during 2020.

The following summarizes more significant accounting and reporting policies of BCI:

Basis of Presentation—The accompanying consolidated financial statements of BCI have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The accompanying consolidated financial statements include the accounts of BCI and its subsidiary in which BCI has a controlling interest. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include cash and due from banks with maturities of 90 days or less at purchase date and interest-bearing balances with financial institutions with maturities of 90 days or less at purchase date. Cash and cash equivalents at December 31, 2019 and 2018, were composed of the following amounts (in thousands):

	2019	**2018**
Interest-bearing balances with financial institutions	$306,468	$287,462
Cash and due from banks	120,894	99,698
Total	$427,362	$387,160

Loans and Leases—Loans and leases are generally reported at the principal amount outstanding, net of unearned income, deferred loan fees and costs, and any direct principal charge-offs. Direct loan origination fees and costs are deferred, and the net amount is amortized over the estimated life of the related loans as a yield adjustment. Interest income is recognized based on the principal balance outstanding, computed using the effective interest method. Premiums and discounts on loans are amortized using a method that approximates the level-yield method.

Loans acquired by BCI are recorded at fair value as of the acquisition date. Any allowance for loan and lease losses (ALLL) previously associated with these loans does not carry over to BCI and is eliminated.

Purchased loans are evaluated for credit deterioration at acquisition and recorded at their initial fair value. For loans acquired with no evidence of credit deterioration, the fair value discount or premium is amortized over the contractual life of the loan as an adjustment to yield. For loans acquired with evidence of credit deterioration (purchase credit impaired or "PCI"), BCI determines at the acquisition date the excess of the loan's contractually required payments over all cash flows expected to be collected as an amount that should not be accreted into interest income (nonaccretable difference). The remaining amount representing the difference in the expected cash flows of acquired loans and the initial investment in the acquired loans is accreted into interest income over the remaining life of the loan or pool of loans (accretable yield). Subsequent to the acquisition date, increases in expected cash flows over those expected at the acquisition date are recognized prospectively as interest income over the remaining life of the loan. The present value of any decreases in expected cash flows resulting directly from a change in the contractual interest rate are recognized prospectively as a reduction of the accretable yield. The present value of any decreases in expected cash flows after the acquisition date as a result of credit deterioration is recognized by recording an ALLL or a direct charge-off. Subsequent to the purchase date, the methods utilized to estimate the required ALLL are similar to originated loans. If BCI is unable to estimate the cash flows expected to be collected, the loans are accounted for as nonaccrual loans.

BCI's lease portfolio consists of both direct financing and leveraged leases. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Interest income on direct financing leases is recognized over the term of the lease to achieve a constant periodic rate of return on the outstanding investment.

Leveraged leases are carried at the aggregate of lease payments (less nonrecourse debt payments) plus estimated residual value of the leased property, less unearned income. Interest income on leveraged leases is recognized over the term of the lease to achieve a constant rate of return on the outstanding investment in the lease, net of the related deferred income tax liability, in the years in which the net investment is positive.

Nonaccrual Loans and Leases—Loans and leases are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans and leases are placed on nonaccrual status when management believes the borrower may be unable to meet payment obligations as they become due or if the loan or lease becomes 90 days or more past due. Loans and leases may be placed on nonaccrual status regardless of whether or not such loans and leases are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. The accrual of interest is not discontinued on loans that are considered impaired due to modification and are performing under the modified terms. Interest payments received on loans and leases for which the accrual of interest has been discontinued are recorded as a reduction of the respective loan's principal balance. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans and leases are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan or Lease Modifications—A restructuring of a loan or lease constitutes a troubled debt restructuring (TDR) if BCI, for economic or legal reasons related to the borrower's financial difficulties, grants a more than insignificant concession to the borrower that it would not otherwise consider. The loan or lease modifications that are considered a TDR by BCI pertain to restructuring the terms of the loan or lease to alleviate the burden of the borrower's near-term cash requirements, which include modifying the terms to reduce or defer cash payments required of the borrower in the near future, to help the borrower attempt to improve its financial condition and eventually be able to pay the loan or lease. The concession is granted by BCI as an attempt to protect BCI's investment on the loan or lease as much as possible. The primary concessions provided by BCI are a reduction of the stated interest rate for the remaining original life of the loan, extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan or lease with similar risk, reduction of the face amount or maturity amount of the loan or lease as stated in the loan or lease agreement, and reduction of accrued interest.

Impaired Loans and Leases—Loans and leases are considered impaired when, based on current information and events, it is probable BCI will be unable to collect all amounts due in accordance with the original contractual terms of the loan and lease agreement, including scheduled principal and interest payments. If a loan or lease is impaired, a specific valuation allowance is allocated, if necessary, so that the loan and lease are reported net, at the present value of estimated future cash flows using the loan's and lease's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Impaired loans and leases, or portions thereof, are charged off when deemed uncollectible.

ALLL—Provisions for loan and lease losses, which increase the ALLL, are established by charges to income. Such allowance represents the amounts, which, in management's judgment, are adequate to absorb losses on loans and leases that may become uncollectible. The adequacy of the allowance is determined by management's continuing evaluation of the loan and leases portfolio in light of past loss experience, present economic conditions, and other factors considered relevant by management at the consolidated financial statement date. Anticipated changes in economic factors that may influence the level of the allowance are considered in the evaluation by management when the likelihood of the changes can be reasonably determined. In estimating the ALLL, consideration is given to asset performance, the financial condition of borrowers or guarantors, additional collateral provided, current and anticipated economic conditions, appraisals of collateral, and cost of disposal. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary, which may be material, if economic conditions differ substantially from the assumptions used in the evaluation. If additions to the original estimate of the ALLL are deemed necessary, they will be reported in income in the period in which they become reasonably estimable.

Management believes that the ALLL is adequate; however, regulatory agencies, as an integral part of their examination process, periodically review BCI's ALLL. Such agencies may require BCI to recognize additions to the allowance based on their judgment and evaluation of information available to them at the time of their examination.

Management's continuing evaluation of its loan and lease portfolio includes the identification of commercial and business, real estate, and other loans and leases that are considered impaired because it is probable that BCI will be unable to collect all amounts due according to the contractual terms of the loan or lease agreement. Individually identified impaired loans and leases are measured based on the present value of payments expected to be received, using the historical effective loan and lease rate as the discount rate. Alternatively, measurement may also be based on observable market prices or, for loans that are solely dependent on the collateral for repayment, measurement may be based on the fair value of the collateral. Loans that are to be foreclosed are measured based on the fair value of the collateral. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation adjustment is required as a component of the ALLL. Changes to the valuation allowance are recorded as a component of the provision for loan and lease losses.

During 2019 and 2018, BCI did not change its methodology pertaining to the ALLL estimate.

Loans Held for Sale—Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loans sold.

Trading Account Securities—Trading account securities are stated at fair value. Trading account securities are held in anticipation of short-term market movements. Gains or losses on the sale of trading account securities as well as unrealized fair value adjustments are included in other operating income. BCI did not hold any trading account securities as of December 31, 2019 and 2018.

Securities Available for Sale—Securities to be held for unspecified periods of time, including securities that management intends to use as part of its asset/liability strategy, or that may be sold in response to changes in interest rates, changes in prepayment risk, or other similar factors, are classified as available for sale and are carried at fair value. The appreciation or decline in value of these securities is reflected as a separate component of stockholder's equity and comprises the difference between net income and comprehensive income.

Securities Held to Maturity—Investments in debt securities to be held to maturity are carried at amortized cost as BCI has both the intent and ability to hold these securities to maturity.

Equity Securities—In 2019, BCI adopted ASU 2016-01, *Financial Instruments*. As a result of this adoption, investments in equity securities are carried at fair value, with change in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. Prior to adoption of ASU 2016-01, equity securities with readily determinable fair values were classified as available for sale.

Securities and Other Interest-Bearing Assets Income Recognition—Interest income is recognized over the term of the investment securities and other interest-bearing assets. Premiums and discounts on investment securities are amortized using a method that approximates the level-yield method.

Derivative Financial Instruments—BCI uses interest rate derivative contracts, such as swaps, to manage exposure to changes in interest rates. BCI also uses interest rate swaps to facilitate certain commercial banking borrowers' risk management strategies related to the exposure to interest rate fluctuations. BCI does not enter into derivatives for speculative or trading purposes. BCI records all derivatives in the consolidated balance sheets at fair value.

BCI classifies its interest rate swaps derivative financial instruments as either (1) cash flow hedge derivatives that qualify for hedge accounting or (2) not designated as hedging derivatives.

Interest Rate Swaps Designated as Hedging Instruments—BCI utilizes these instruments to add stability to interest expense and to manage its exposure to interest rate changes. These interest rate swaps involve the receipt of variable interest rate amounts from a counterparty in exchange for fixed interest rate payments made by BCI. BCI assesses the effectiveness of these instruments at inception and at least quarterly over the life of the hedge by using regression analysis. Each instrument is expected to be highly effective in offsetting corresponding changes in the fair value or cash flows of the hedged item.

Changes in fair value of highly effective cash flow hedges are recognized in other comprehensive income (OCI) until the related cash flows from the hedged items are recognized in earnings. If the hedge ceases to be highly effective, BCI discontinues hedge accounting and recognizes the interim changes in fair value in operating income. If a derivative that qualifies as a cash flow hedge is terminated or dedesignated, the cumulative changes in value are recognized in income over the period in which the hedged item would have affected earnings. Immediate recognition in earnings is required if it is probable that the hedged cash flows will not occur.

Net interest derived from cash flow hedge instruments is reported in interest expense. Gains and losses resulting from the termination of swaps are recognized over the shorter of the remaining contract lives of the swaps or the lives of the related hedged positions or, if the hedged positions are sold, are recognized in the current period as other income (expense).

Interest Rate Swaps Not Designated as Hedging Instruments—Derivatives not designated as hedges are not speculative and result from a service BCI provides to certain clients. BCI executes interest rate derivatives with commercial banking customers to facilitate their respective risk management strategies. Those interest rate derivatives are simultaneously hedged by offsetting derivatives that BCI executes with a third party, such that BCI minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Changes in the fair value of derivatives not designated as hedging instruments are recognized in operating income. Net interest received or paid on the interest rate swaps utilized to accommodate the financial needs of the customers is reflected as loan interest income.

Mortgage Banking Derivatives—Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of the mortgage loans are accounted as free standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund the loans, BCI enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Federal Home Loan Bank (FHLB) and Federal Reserve Bank Stock—FHLB and Federal Reserve Bank stock are carried at cost, as BCI's ownership is restricted and these stocks lack a market. Shares in these stocks can only be sold back at stated par and to the agency that issued them. BCI is required to maintain a specific level of holdings based on a formula provided by the respective agency.

Operating Lease Equipment—Operating lease equipment is carried at cost less accumulated depreciation. Operating lease equipment is depreciated to its estimated residual value using the straight-line method over the lease term. Where management's intention is to sell the equipment received at the end of a lease, these are marked to the lower of cost or fair value and classified as assets held for sale. Depreciation is stopped on these assets and any further marks to lower of cost or fair value are recorded in other income. Equipment received at the end of the lease is marked to the lower of cost or fair value with the adjustment recorded in other operating income. Maintenance costs incurred are expensed if they do not provide a future economic benefit and do not extend the life of the asset.

Bank Premises and Equipment—BCI premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated life of the assets, which is five years for computer equipment, seven years for furniture and office equipment and 39 years for buildings. Leasehold improvements are amortized over the lesser of their useful life or the term of the lease. Management reviews BCI premises and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Assets, if any, for which management has committed to a plan to dispose of the assets, whether by sale or abandonment, are reported at the lower of carrying amount or fair value, less cost to sell. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning future conditions. No impairment loss was recognized during the years ended December 31, 2019 and 2018, related to BCI premises and equipment.

Goodwill—Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable assets of businesses acquired.

BCI has elected the accounting alternative for the subsequent measurement of goodwill. Under the election, goodwill is amortized on a straight-line basis over 10 years. BCI evaluates the remaining useful lives of goodwill each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Goodwill is also tested for potential impairment if an event occurs or circumstances change that indicate the fair value may be below its carrying amount (a triggering event). BCI did not record an impairment of goodwill during the years ended December 31, 2019 and 2018.

Goodwill at December 31, 2019 and 2018, is summarized as follows (in thousands):

	2019	**2018**
Goodwill	$143,775	$142,864
Less accumulated amortization	(22,849)	(8,472)
Goodwill—net	$120,926	$134,392

Amortization expense for goodwill was approximately $14,377,000 and $7,788,000 for the years ended December 31, 2019 and 2018, respectively, and is included within other operating expenses in the accompanying consolidated statements of income and comprehensive income. Amortization expense for each of the fiscal years ending December 31, 2020 through December 31, 2024, and thereafter is estimated as follows (in thousands):

Years Ending December 31	
2020	$ 14,378
2021	14,378
2022	14,378
2023	14,378
2024	14,378
Thereafter	49,036
Total	$120,926

Intangible Assets—Intangible assets include the following: (1) core deposit premiums, (2) leasehold interest, (3) trade name, and (4) mortgage servicing rights. The core deposit premiums, leasehold interest, and mortgage servicing rights are amortized over their estimated useful lives. BCI evaluates the remaining useful lives of definite-life intangible assets in each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Core deposit premiums and leasehold interest are also tested for potential impairment whenever events or changes in circumstances suggest that an asset's or asset group's carrying value may not be recoverable. Mortgage servicing rights are evaluated for impairment on a quarterly basis. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data. The trade name is not amortized but tested annually for impairment. BCI has elected June 30 as the date of its annual impairment test.

BCI did not record an impairment of intangible assets for the years ended December 31, 2019 and 2018.

Trust Department Assets—Securities and other property held by the trust department, in agency or other fiduciary capacities for customers, are not included in the accompanying consolidated financial statements.

Other Real Estate Owned—Foreclosed assets are carried at the lower of fair value, less estimated costs to sell, or cost. If the fair value of the asset, less the estimated costs to sell, is less than the cost of the asset, the deficiency is charged to income. BCI had approximately $209,000 and $432,000 of other real estate owned as of December 31, 2019 and 2018, respectively, all of which are classified as held for sale and included in other assets-net in the accompanying consolidated balance sheet. BCI did not record impairment losses during the years ended December 31, 2019 and 2018.

Income Taxes—Deferred taxes are determined based on the estimated future tax effects of differences between the consolidated financial statements and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on the changes in the deferred asset or liability from period to period. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

For positions taken or expected to be taken in a tax return, BCI recognizes the tax benefit in its consolidated financial statements when it is more likely than not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than a 50% likelihood of being realized upon ultimate settlement.

Bank-Owned Life Insurance—BCI purchases life insurance policies on the lives of certain officers and employees and is the owner and beneficiary of the policies. BCI invests in these policies, known as BOLI, to provide an efficient form of funding for long-term retirement and other employee benefit costs. BCI records these BOLI policies at each policy's respective cash surrender value, with changes recorded in other operating income in the consolidated statements of income and comprehensive income. Certain BOLI policies have a stable value agreement through a large, well-rated bank insurance carrier that provides minimum annual guaranteed increases in value, but passes on the full income and increase in value of the underlying pool of investments, less certain mortality and administrative expenses.

Off-Consolidated-Balance-Sheet Reserve for Credit Losses—Off-consolidated-balance-sheet reserve for credit losses represents the amount that, in management's judgment, is adequate to absorb losses on commercial letters of credit, standby letters of credit, and commitments to extend credit, which may become uncollectible. The adequacy of the reserve is determined by management's continuing evaluation of BCI's commitments in light of past loss experience, present economic conditions, and other factors considered relevant by management at the consolidated financial statement date. Anticipated changes in economic factors that may influence the level of the reserve are considered in the evaluation by management when the likelihood of the changes can be reasonably determined. In estimating the reserve, consideration is given to asset performance, the financial condition of borrowers or guarantors, and current and anticipated economic conditions. While management uses the best information available to make such evaluations, future adjustments to the reserve may be necessary, which may be material, if economic conditions differ substantially from the assumptions used in the evaluation. If additions to the original estimate of the reserve are deemed necessary, they will be reported in income in the period in which they become reasonably estimable. As of December 31, 2019 and 2018, BCI's off-consolidated-balance-sheet reserve for credit losses is $2,958,000 and $2,558,000, respectively, and is recorded within other liabilities within the accompanying consolidated balance sheets. During the years ended December 31, 2019 and 2018, BCI recorded $400,000 and $877,000, respectively, as a charge to the provision for off-consolidated-balance-sheet credit losses, recorded within other expense within the accompanying consolidated statements of income and comprehensive income.

Reclassification—Within Note 9, Deposits, interest on deposits for the year ended December 31, 2018 were reclassified to conform with the presentation to align with FDIC insured limits for time deposits.

Correction of Errors in Previously Issued Financial Statements—Subsequent to the issuance of BCI's consolidated financial statements for the year ended December 31, 2018, BCI identified and corrected an error regarding the presentation of a capital contribution received from the Parent that was subsequently invested in the Bank in Note 19 - BCI Only Financial Statements - Statement of Cash Flows. Accordingly, BCI has revised the 2018 footnote information presented in the accompanying consolidated financial statements. The effects of this correction are as follows:

	As Reported	**Identified Misstatement**	**As Corrected**
Note 19—			
BCI only financial statements—statements of cash flows			
Cash flows from investing activities—additional investment in CNB	$ -	$ (570,000)	$ (570,000)
Cash flows From financing activities—proceeds from capital contribution	$ -	$ 570,000	$ 570,000

New Accounting Pronouncements—On August 12, 2015, the Financial Accounting Standards Board (FASB) issued guidance, which defers the effective date of the FASB's revenue standard, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, by one year for all entities and permits early adoption on a limited basis. ASU 2014-09 prescribes the process related to the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance was adopted by BCI for the year ended December 31, 2019 and the adoption did not have a material impact on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During January 2016, and clarified in April of 2019, the FASB issued guidance that amends the guidance on the classification and measurement of financial instruments. Although the guidance retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The guidance also amends certain disclosure requirements associated with the fair value of financial instruments, including removing the disclosure requirement for fair value of assets and liabilities held at amortized cost. The guidance was adopted by BCI for the year ended December 31, 2019 and the adoption resulted in a reclassification of approximately $1,064,000 of unrealized loss in accumulated other comprehensive income to retained earnings,

During February 2016, and clarified in July 2018 and December 2018, the FASB issued guidance on lease accounting. The guidance introduces a lessee model that brings most leases on to the balance sheet. The new guidance also aligns many of the underlying principles of the new lessor model with those of the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the guidance addresses other concerns for an entity to use bright-line tests in determining lease classification. The standard also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2019-01, *Leases: Codification Improvements*, issued in March 2019, reinstated the option for lessors that are not manufacturers or dealers to use asset cost as the fair value for leased assets. Additionally, ASU 2019-01 clarified the cash flow presentation of sales-type and direct financing leases and exempted certain transition disclosures. ASU 2019-10, *Financial Instruments—Credit Losses, Derivatives and Hedging, and leases: Codification Improvements*, issued in November 2019, deferred the effective date for the adoption of the standard. The adoption of this guidance is effective for BCI for the year ending December 31, 2021. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results from operations, cash flows, and financial statement disclosure.

During June 2016, the FASB issued guidance that amends the guidance on the impairment of financial instruments. The guidance adds an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The ASU is also intended to reduce the complexity of the guidance on impairment of financial instrument by decreasing the number of credit impairment models that entities use to account for debt instruments. The CECL model applies to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables that result from insurance transactions, financial guarantee contracts, and loan commitments. However, securities available for sale are outside the model's scope. Further, multiple clarification ASU's have been issued since the original pronouncement. ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, issued in November 2018, and ASU 2019-04, *Codification improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, issued in April 2019, clarify the scope of the ASU and refine the treatment of specific activities under the new standard. ASU 2019-05, issued in May 2019, allows the option to irrevocably elect the fair value option for debt instruments measured at amortized cost, aside from held to maturity investments. ASU 2019-10, issued in November 2019, deferred the effective date for the adoption of the standard. The adoption of this guidance is effective for BCI for the year ending December 31, 2023. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During August 2016, the FASB issued guidance that amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the amendment is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The guidance added or clarified the following cash flow items: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including Branch-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The guidance was adopted by BCI for the year ended December 31, 2019 and the adoption did not have a material impact on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During March 2017, the FASB issued guidance on receivables-nonrefundable fees and other costs on purchased callable debt securities. This guidance shortens the amortization period for certain callable debt securities held at a premium. Specifically, the amendments to the guidance require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be accreted to maturity. This amended guidance is effective for BCI for the year ending December 31, 2020, with early adoption permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During August 2017, the FASB issued guidance on the targeted improvements to the accounting for hedging activities, which is intended to better align risk management activities and financial reporting for hedging relationships. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. Further, multiple clarification ASU's have been issued since the original pronouncement. ASU 2018-16, *Derivatives and Hedging*, was issued in October 2018, which clarified the original ASU and added the Overnight Index Swap (OIS) rate as an acceptable benchmark rate for assessing hedge accounting of derivatives. ASU 2019-04, issued in April 2019, clarified certain aspects of the ASU, while ASU 2019-10, issued in November 2019, deferred the effective date for the adoption of the standard. The guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During February 2018, the FASB issued guidance that helps organizations address certain stranded income tax effects in Accumulated Other Comprehensive Income (AOCI) resulting from the tax legislation enacted by the U.S. government on December 22, 2017 commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") by allowing the reclassification of these amounts from AOCI to retained earnings. BCI early adopted the guidance. The adoption of this guidance did not have a significant impact on BCI's financial position, results of operations, and consolidated financial statements.

During August 2018, the FASB issued guidance that modifies disclosure requirements on fair value measurements. This ASU removes requirements to disclose, (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and (2) the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. ASU 2018-13, *Fair Value Measurement*, clarifies that, disclosure regarding measurement uncertainty, is intended to communicate information about the uncertainty in measurement, as of the reporting date. ASU 2018-13 adds certain disclosure requirements, including (1) disclosure of changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements, and (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The adoption of this guidance is effective for BCI for the year ending December 31, 2020. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on its financial position, results of operations, cash flows, and financial statement disclosure.

Subsequent Events—Events occurring subsequent to the date of the consolidated balance sheets have been evaluated for potential recognition or disclosure in the consolidated financial statements through January 27, 2020, the date the consolidated financial statements are available to be issued.

2. BUSINESS COMBINATION

On June 15, 2018, BCI acquired 100% of the outstanding shares of TotalBank, a Florida commercial bank, from Banco Santander, S.A. for approximately $528,939,000. The acquisition was structured as a forward merger, and the acquired corporation was dissolved simultaneously with the acquisition. The resulting accounting treatment is a purchase of the assets and liabilities of the acquiree recorded at fair value. The primary objective of the purchase was to increase the Bank's market share in its core market, and achieve synergies through the operating expenses of the combined operations.

The fair market value of the assets and liabilities acquired were as follows:

Cash and cash equivalents	$ 140,855
Loans—net	2,129,500
Securities available for sale	512,058
Bank premises and equipment	13,791
Other assets acquired	31,134
Deposits	(2,019,141)
Borrowings-FHLB Advances	(430,000)
Repurchase agreements	(16,458)
Accrued expenses and other liabilities acquired	(33,504)
Intangibles	60,998
Goodwill	139,706
Total	$ 528,939

Goodwill in the amount of $139,706,000 was assigned for the excess of the purchase price over the fair value of the net assets and other intangibles recorded at acquisition. Intangibles acquired included core deposit premiums, leasehold interests, and mortgage servicing rights for $57,790,000, $2,880,000, and $328,000 respectively. During the year ended December 31, 2019 the purchase price allocation was finalized and resulted in an adjustment to goodwill of approximately $911,000, which resulted in a final goodwill balance of $140,617,000.

3. SECURITIES AVAILABLE FOR SALE, SECURITIES HELD TO MATURITY, AND EQUITY SECURITIES

Debt securities have been classified in the consolidated balance sheets according to management's intent. The carrying amount of securities and their fair values at December 31, 2019 and 2018, were as follows:

Securities available for sale at December 31, 2019, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
US government agencies	$1,600,090	$2,794	$(5,140)	$1,597,744
Collateralized mortgage/ debt obligations	1,464,824	3,896	(1,766)	1,466,954
US corporate obligations	242,749	2,692	-	245,441
US treasury securities	19,892	-	(1)	19,891
Total	$3,327,555	$9,382	$(6,907)	$3,330,030

Securities available for sale at December 31, 2018, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
US government agencies	$1,064,177	$ 57	$(39,824)	$1,024,410
Collateralized mortgage/ debt obligations	1,520,464	6,216	(10,904)	1,515,776
US corporate obligations	239,338	-	(5,752)	233,586
Other securities	30,785	25	(1,089)	29,721
Total	$2,854,764	$6,298	$(57,569)	$2,803,493

Securities held to maturity at December 31, 2019, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Collateralized mortgage/ debt obligations	$ 9,158	$ -	$(82)	$ 9,076
Other securities	1,000	-	-	1,000
Total	$10,158	$ -	$(82)	$10,076

Securities held to maturity at December 31, 2018, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Other securities	$1,000	$ -	$ -	$1,000
Total	$1,000	$ -	$ -	$1,000

Collateralized mortgage/debt obligations primarily consist of US government agencies collateralized mortgage/debt obligations.

Securities available for sale with unrealized losses at December 31, 2019 and 2018, were as follows (in thousands):

	Less than 12 Months		12 Months or Longer		Total	
2019	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**
Available for sale:						
US government agencies	$294,861	$(1,129)	$ 494,261	$(4,011)	$ 789,122	$(5,140)
Collateralized mortgage/debt obligation	427,159	(1,656)	52,721	(110)	479,880	(1,766)
US treasury securities	19,891	(1)	-	-	19,891	(1)
Total	$741,911	$(2,786)	$ 546,982	$(4,121)	$1,288,893	$(6,907)

	Less than 12 Months		12 Months or Longer		Total	
2018	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**
Available for sale:						
US government agencies	$ -	$ -	$1,019,234	$(39,824)	$1,019,234	$(39,824)
Collateralized mortgage/debt obligation	160,655	(1,394)	510,701	(9,510)	671,356	(10,904)
US corporate obligations	233,587	(5,752)			233,587	(5,752)
Other securities	-	-	21,434	(1,089)	21,434	(1,089)
Total	$394,242	$(7,146)	$1,551,369	$(50,423)	$1,945,611	$(57,569)

Securities held to maturity with unrealized losses at December 31, 2019 were as follows (in thousands):

	Less than 12 Months		12 Months or Longer		Total	
2019	**Fair Values**	**Jnrealized Losses**	**Fair Values**	**Jnrealized Losses**	**Fair Values**	**Unrealized Losses**
Held to maturity:						
Collateralized mortgage/ debt obligations	$9,158	$(82)	$ -	$ -	$9,158	$(82)
Total	$9,158	$(82)	$ -	$ -	$9,158	$(82)

As of December 31, 2018, there were no securities held to maturity with unrealized losses.

BCI did not realize losses on available-for-sale and held-to-maturity securities during the years ended December 31, 2019 and 2018, that were deemed to be other-than-temporarily impaired. The investments with indicated unrealized losses above primarily include debt securities whose fair values have declined due to interest rate fluctuations and current market conditions, and are not related to any company or industry-specific events or credit quality. In determining that the investment is not other-than-temporarily impaired, BCI considered reports of financial specialists and the volatility of the investment's fair value.

The contractual terms of the investments that were not other-than-temporarily impaired do not permit the issuer to settle the securities at a price less than the face value of the investment. Because BCI has the ability and intent to hold those investments until recovery of fair value, which may be maturity and the creditworthiness of the issuers, the quality and amount of the underlying collateral, the lack of concentration in any geographical area, contractual obligations of the issuers, and rating histories, as well as the continued performance and amortization of certain of the securities, BCI does not consider the carrying value of those investments to be other-than-temporarily impaired at December 31, 2019 and 2018.

Expected maturities of some securities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The scheduled maturities of securities available for sale and held to maturity at December 31, 2019, were as follows (in thousands):

	Securities Available for Sale		**Securities Held to Maturity**	
	Amortized Cost	**Fair Values**	**Amortized Cost**	**Fair Values**
Due in 1 year or less	$ 19,892	$ 19,891	$ -	$ -
Due after 1 year through 5 years	216,481	218,757	1,000	1,000
Due after 5 years through 10 years	106,744	106,972	-	-
Due after 10 years	1,519,614	1,517,456	-	-
	1,862,731	1,863,076	1,000	1,000
Collateralized mortgage/debt obligations	1,464,824	1,466,954	9,158	9,076
Total	$3,327,555	$3,330,030	$10,158	$10,076

During the year ended December 31, 2019, the Bank recognized gross realized gains and losses on the sale of available-for-sale securities during the year ended December 31, 2019, of approximately $2,790,000 and $474,000, respectively. BCI did not recognize any gross realized gains on the sale of available-for-sale securities during the year ended December 31, 2018. Securities valued at approximately $130,289,000 and $524,592,000 at December 31, 2019 and 2018, respectively, were pledged as collateral to secure certain public deposits, repurchase agreements, or for other purposes.

As of December 31, 2019, BCI held approximately $30,653,000 in equity securities. Equity securities are composed of mutual funds. Equity securities are carried at fair value with changes in fair value reported in net income. A net gain on approximately $900,000 was recognized during the year ended December 31, 2019.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As of December 31, 2019, BCI had 314 interest rate swaps not designated as hedging instruments and six London inter-bank offered rate (LIBOR)-based interest rate swaps designated as hedging instruments.

Derivative instruments at December 31, 2019, were as follows (in thousands):

	Asset Derivatives			Liability Derivatives		
Interest Rate Derivatives	**Consolidated Balance Sheet Location**	**Current Notional**	**Fair Value**	**Consolidated Balance Sheet Location**	**Current Notional**	**Fair Value**
Cash flow hedges designated as hedging instruments	Other liabilities	$ 325,000	$ 2,022	Other assets	$ 325,000	$ 111
Interest rate swaps not designated as hedging instruments	Other assets	$ 1,207,535	$ 50,323	Other liabilities	$ 1,228,651	$ 54,033

Derivative instruments at December 31, 2018, were as follows (in thousands):

	Asset Derivatives			Liability Derivatives		
Interest Rate Derivatives	**Consolidated Balance Sheet Location**	**Current Notional**	**Fair Value**	**Consolidated Balance Sheet Location**	**Current Notional**	**Fair Value**
Cash flow hedges designated as hedging instruments	Other assets/ Other liabilities	$ -	$ -	Other assets	$ 650,000	$ 11,538
Interest rate swaps not designated as hedging instruments	Other assets	$ 813,911	$ 21,600	Other liabilities	$ 822,382	$ 22,684

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on BCI 's variable-rate liabilities. During the next 12 months, BCI estimates that $2,835,000 will be reclassified as an increase in interest expense.

The table below presents the pre-tax net gains of BCI’s effective portion of cash flow hedges designated as hedging instruments for the year ended December 31, 2019, and where they were recorded in the consolidated statement of income and comprehensive income (in thousands). BCI did not recognize any hedge ineffectiveness in earnings during the years ended December 31, 2019 and 2018.

	Effective Portion		
	Pre-Tax Gain (Loss) Recognized in OCI	**Location of Gain or (Loss) Reclassified from AOCI into Income**	**Pre-tax Gain (Loss) Reclassified from AOCI into Income**
Interest rate products	$(13,449)	Interest expense	$3,621

Pre-tax net gains of BCI’s effective portion of cash flow hedges designated as hedging instruments for the year ended December 31, 2018, were as follows (in thousands):

	Effective Portion		
	Pre-Tax Gain Recognized in OCI	**Location of Gain or (Loss) Reclassified from AOCI into Income**	**Pre-tax Gain (Loss) Reclassified from AOCI into Income**
Interest rate products	$3,655	Interest expense	$1,948

The effect of BCI’s derivative instruments not designated as hedging instruments recorded within BCI’s consolidated statement of income and comprehensive income for the year ended December 31, 2019, is summarized as follows (in thousands):

	Location of Gain Recognized in Income on Derivative	**Amount of Gain Recognized in Income on Derivative**
Interest rate products	Other operating income	$2,626

The effect of BCI’s derivative instruments not designated as hedging instruments recorded within BCI’s consolidated statement of income and comprehensive income for the year ended December 31, 2018, is summarized as follows (in thousands):

	Location of Gain Recognized in Income on Derivative	**Amount of Gain Recognized in Income on Derivative**
Interest rate products	Other operating income	$808

Credit Risk-Related Contingent Features—BCI has agreements with its derivative counterparties that contain a provision where if BCI defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then BCI could also be declared in default on its derivative obligations. As of December 31, 2019 and 2018, BCI did not have any derivatives that were in a liability position related to those agreements.

Mortgage Banking Derivatives—The net gains/(losses) relating to free-standing derivative instruments used for risk management are summarized below as of December 31, 2019 (in thousands):

Mortgage Banking Derivatives	Consolidated Statements of Income and Comprehensive Income Location	2019	2018
Forward contracts related to mortgage loans held for sale	Other	$ (18)	$ -
Interest rate lock commitments	Other	$110	$ -

The following table reflects the amount and fair value of mortgage banking derivatives included in the Consolidated Balance Sheet as of December 31, 2019 (in thousands):

	Notional Amount	Fair Value
Included in other assets:		
Interest rate lock commitments	$ 5,944	$110
Included in other liabilities:		
Forward contracts related to mortgage loans held for sale	$14,000	$ 18

5. LOANS AND LEASES

Loans and leases classified by type at December 31, 2019 and 2018, are as follows (in thousands):

	2019	2018
Real estate:		
Adjustable	$ 5,178,065	$ 4,828,867
Fixed	2,811,237	2,605,173
Commercial and other business loans:		
Adjustable	1,374,574	1,408,427
Fixed	1,026,159	846,271
Commercial leases:		
Financing leases	417,565	346,893
Leveraged leases	88,482	73,858
Consumer:		
Adjustable	46,257	40,128
Fixed	20,734	26,899
Total	$ 10,963,073	$ 10,176,516

The loans and leases subgroup at December 31, 2019 and 2018, consisted of the following (in thousands):

	2019	2018
Real estate:		
Commercial	$ 5,069,512	$ 4,512,619
Residential	2,195,438	2,124,567
Construction and land	724,352	796,854
Total real estate	7,989,302	7,434,040
Commercial and other business loans	2,400,733	2,254,698
Commercial leases	506,047	420,751
Consumer	66,991	67,027
Total	$ 10,963,073	$ 10,176,516

At December 31, 2019 and 2018, BCI had approximately $242,109,000 and $214,348,000, respectively, of interest-only, adjustable-rate residential mortgages where the borrower may be subject to payment increases.

Loans carried at approximately $5,362,648,000 and $4,816,524,000 at December 31, 2019 and 2018, respectively, were pledged as collateral to secure available borrowings based on lendable collateral of approximately $2,925,720,000 and $2,446,274,000, respectively, from the FHLB of Atlanta.

Loans carried at approximately $500,966,000 and $500,401,000 at December 31, 2019 and 2018, respectively, were pledged as collateral to secure available borrowings based on lendable collateral of approximately $333,680,000 and $370,137,000, respectively, from the Federal Reserve Bank of Atlanta.

Leases—Pretax income from leveraged leases was $2,562,000 and $2,127,000 for the years ended December 31, 2019 and 2018, respectively. The tax effect of this income was an expense of $646,000 and $539,000 for the years ended December 31, 2019 and 2018, respectively.

The following table provides the components of commercial financing leases portfolio:

	2019	2018
Rentals receivable—net of principal and interest on nonrecourse debt	$462,558	$406,058
Estimated residual value of lease assets	93,982	60,755
Initial direct costs—net of amortization	8,266	6,745
Gross investment in financing leases	564,806	473,558
Unearned income	(58,759)	(52,807)
Net investment in commercial financing leases	$506,047	$420,751

At December 31, 2019 and 2018, BCI had approximately $5,285,000 and $1,984,000, respectively, of accumulated allowance for uncollected minimum lease payments.

BCI periodically reviews residual values associated with its leasing portfolio. Declines in residual values that are deemed to be other than temporary are recognized as a loss. During 2019 and 2018, the Bank did not recognize any residual value write-downs related to commercial leases. At December 31, 2019, the minimum future lease payments receivable for each of the years 2020 through 2024 were $123,051,000, $100,976,000, $83,721,000, $56,236,000, and $38,088,000, respectively, and $78,634,000 thereafter. During the years ended December 31, 2019 and 2018, the Bank did not recognize any contingent rental income on direct financing commercial leases.

PCI Loans—The PCI loans are considered nonaccrual due to the fact that BCI cannot reasonably determine the timing and amount of cash flows expected to be collected. As of December 31, 2019 and 2018, the balance of nonaccrual PCI loans is $2,093,000 and $10,561,000, respectively. BCI does not have PCI loans acquired where BCI could reasonably estimate the timing and amount of future cash flows.

Risk Management—BCI has certain lending policies and procedures in place that are designed to maximize loan and lease income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan and lease production, loan and lease quality, concentrations of credit, loan and lease delinquencies, and nonperforming and potential problem loans and leases. Diversification in the loan and lease portfolio is a means of managing risk associated with fluctuations in economic conditions.

Real estate loans are subject to underwriting standards that are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower's management possesses sound ethics and solid business acumen, BCI's management examines the relevant information for a specific loan and presents it to the loan committee for approval. These loans are viewed primarily as loans secured by real estate. Real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan, the business conducted on the property securing the loan, or the borrower's personal ability to pay the loan. Real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing BCI's real estate portfolio are of similar type and are concentrated in Florida; however, there are loans outside Florida. Management monitors and evaluates real estate loans based on collateral, geography, and the borrower's financial stability. Within real estate loans, BCI monitors the loan portfolio in the following subgroups: commercial, residential, and construction and land.

Commercial and other business loans are subject to underwriting standards and processes similar to real estate loans. Commercial and other business loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and other business loans are secured by the assets being financed or other business assets, such as accounts receivable, inventory, or real estate, and may incorporate a personal guarantee. In the case of loans secured by an operating asset, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

BCI originates consumer loans utilizing credit-scoring analysis to supplement the underwriting process. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by line and staff personnel. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk.

Leasing transactions often involve one-time lending decisions of a more transactional nature than relationship nature and thus require strong credit quality. Lease repayments primarily rely on cash flow. Equipment or other collateral value is considered for secondary repayment and residual gain realization purposes. Leases are underwritten in accordance with BCI's goals of consistent high credit quality. Lessees' credit risk is managed by assessing delinquency, special asset and substandard asset levels, and investment losses over time.

BCI engages independent loan reviewers that review and validate the credit risk profile on a periodic basis. Results of these reviews are presented to senior management and the audit committee. The loan review process complements and reinforces the risk identification and assessment decisions made by lending and credit personnel, as well as BCI's policies and procedures.

Concentrations of Credit—Most of BCI's lending activity occurs within the state of Florida. At December 31, 2019 and 2018, approximately 73% of BCI's loans relate to real estate.

Nonaccrual and Past Due Loans—Nonaccrual loans and leases, segregated by class of loans and leases, at December 31, 2019 and 2018, are as follows (in thousands):

	2019	**2018**
Real estate:		
Commercial	$ 8,020	$ 5,905
Residential	20,038	22,749
Construction and land	-	-
Total real estate	28,058	28,654
Commercial and other business loans	10,121	5,373
Commercial leases	9,162	-
Consumer	-	3,032
Total	$47,341	$37,059

Interest income that would have been recorded on nonaccrual loans and leases, if such loans and leases were performing in accordance with their original terms, for the years ended December 31, 2019 and 2018, amounted to approximately $2,332,000 and $1,506,000, respectively.

An age analysis of past due loans, segregated by class of loans, at December 31, 2019 and 2018, is as follows (in thousands):

2019	**Loans 30–89 Days Past Due**	**Loans 90 or More Days Past Due**	**Total Past Due Loans**	**Current Loans**	**Total Loans**	**Accruing Loans 90 or More Days Past Due**
Real estate:						
Commercial	$ 4,281	$ 5,484	$ 9,765	$ 5,059,747	$ 5,069,512	$ -
Residential	25,663	11,239	36,902	2,158,536	2,195,438	-
Construction and land	-	-	-	724,352	724,352	-
Total real estate	29,944	16,723	46,667	7,942,635	7,989,302	-
Commercial and other business loans	2,795	7,533	10,328	2,390,405	2,400,733	-
Commercial leases	4,144	-	4,144	501,903	506,047	-
Consumer	-	-	-	66,991	66,991	-
Total	$ 36,883	$ 24,256	$ 61,139	$ 10,901,934	$ 10,963,073	$ -
2018						
Real estate:						
Commercial	$ 3,889	$ 4,950	$ 8,839	$ 4,503,780	$ 4,512,619	$ -
Residential	26,192	10,427	36,619	2,087,948	2,124,567	119
Construction and land	-	-	-	796,854	796,854	-
Total real estate	30,081	15,377	45,458	7,388,582	7,434,040	119
Commercial and other business loans	3,253	2,856	6,109	2,248,589	2,254,698	60
Commercial leases	-	-	-	420,751	420,751	
Consumer	1,416	13	1,429	65,598	67,027	-
Total	$ 34,750	$ 18,246	$ 52,996	$ 10,123,520	$ 10,176,516	$179

Impaired Loans—Impaired loans at December 31, 2019 and 2018, are set forth as follows (in thousands):

2019	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real estate:						
Commercial	$ 18,576	$ 18,576	$ -	$ 18,576	$ -	$ 18,713
Residential	23,499	22,078	1,421	23,499	288	18,084
Total real estate	42,075	40,654	1,421	42,075	288	36,797
Commercial and other business loans	16,306	9,737	6,569	16,306	5,569	14,024
Commercial leases	9,162	898	8,264	9,162	3,646	10,096
Consumer	2,162	2,162	-	2,162	-	2,230
Total	$ 69,705	$ 53,451	$ 16,254	$ 69,705	$ 9,503	$ 63,147
2018						
Real estate:						
Commercial	$ 11,655	$ 2,994	$ 2,911	$ 5,905	$ 92	$ 10,515
Residential	26,928	22,982	381	23,363	123	26,397
Construction and land	-	-	-	-	-	-
Total real estate	38,583	25,976	3,292	29,268	215	36,912
Commercial and other business loans	13,674	10,047	1,654	11,701	1,561	17,214
Commercial leases	-	-	-	-	-	-
Consumer	3,184	3,023	8	3,031	8	3,062
Total	$ 55,441	$ 39,046	$ 4,954	$ 44,000	$ 1,784	$ 57,188

The recorded interest income on impaired loans by class of loans for the years ended December 31, 2019 and 2018, as follows (in thousands):

	2019	2018
Real estate:		
Commercial	$ 728	$ 135
Residential	706	1,022
Construction and land	-	-
Total real estate	1,434	1,157
Commercial and other business loans	925	805
Commercial leases	-	-
Consumer	89	141
Total	$2,448	$2,103

Loans and Leases Modification—BCI considers all of the loans and leases that were modified as a TDR as impaired loans and leases.

BCI did not have any commitment to lend on TDR loans at December 31, 2019 and 2018.

Loans whose terms were modified and considered TDR during the year ended December 31, 2019, are summarized in the following table (in thousands, except for number of contracts):

	Number of Contracts	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment	Increase in Allowance for Loan Losses Upon Modification	Charge-Off Upon Modification
TDRs:					
Real estate:					
Commercial	5	$ 10,998	$ 11,000	$ -	$ -
Residential	12	5,603	5,528	(32)	-
Total real estate	17	16,601	16,528	(32)	-
Commercial and other business loans	6	1,422	1,397	381	-
Commercial leases	-	-	-	-	-
Consumer	1	2,162	2,162	-	-
Total	24	$ 20,185	$ 20,087	$349	$ -

There were no loans considered TDR that defaulted during the year ended December 31, 2019.

Loans whose terms were modified and considered TDR during the year ended December 31, 2018, are summarized in the following table (in thousands, except for number of contracts):

	Number of Contracts	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment	Increase in Allowance for Loan Losses Upon Modification	Charge-Off Upon Modification
TDRs:					
Real estate:					
Residential	3	$ 279	$ 278	$(275)	$ -
Commercial and other business loans	4	1,963	2,155	339	-
Total	7	$ 2,242	$ 2,433	$ 64	$ -

There were no loans considered TDR that defaulted during the year ended December 31, 2018.

At December 31, 2019 and 2018, there were 35 and 30 loans, respectively, approximately $26,641,000 and $9,357,000, respectively, that are considered TDR.

Credit Quality Indicators—As part of the ongoing monitoring of credit quality, BCI separates its loan portfolio into the following classifications:

- ***Unclassified Loans***—Unclassified loans are loans that are performing and do not fall under any of the below categories.

- ***Special Mention***—These are loans that are not individually analyzed; however, BCI has identified them for monitoring as they are considered marginally acceptable loans.

- ***Substandard***—Loans aggregated into this subgroup include performing and nonperforming loans. For performing loans, which that are individually analyzed, BCI has determined several characteristics requiring increased scrutiny to establish that the loans are not impaired or require an additional reserve. The characteristics identified by BCI to be relevant to this subgroup are: (1) indication that the borrower(s) financial condition is deteriorating due to other debt maturing, the borrower's liquidity, weakness in the borrower's business, and other financial or borrower-specific indicators; (2) weakness in underlying collateral, such as land, condominiums, and commercial real estate; (3) if the borrower has other outstanding loans with BCI that are not performing or if BCI has a significant concentration of the borrower's debt; (4) if the loan is beginning to show signs of nonperformance (loans past due 30–60 days); (5) the loan to value has increased to a level that requires additional scrutiny; (6) the appraised value of the collateral is less than the loan balance; or (7) the loan is considered nonperforming.

- ***Doubtful***—These are loans that are not performing, and BCI believes that the underlying collateral value or the source of repayment is not sufficient to recover the outstanding balance of the loan. These loans are considered impaired.

BCI's loans and leases grouped by their internal classification segmented by the class of loans and leases at December 31, 2019 and 2018, are represented as follows (in thousands):

2019	**Unclassified**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
Real estate:					
Commercial	$ 5,024,398	$ 25,062	$ 20,052	$ -	$ 5,069,512
Residential	2,171,519	9	23,910	-	2,195,438
Construction and land	719,203	4,955	194	-	724,352
Total real estate	7,915,120	30,026	44,156	-	7,989,302
Commercial and other business	2,363,693	18,223	18,817	-	2,400,733
Commercial leases	496,885	-	9,162	-	506,047
Consumer	64,807	-	2,184	-	66,991
Total	$ 10,840,505	$ 48,249	$ 74,319	$ -	$ 10,963,073
2018					
Real estate:					
Commercial	$ 4,461,394	$ 5,093	$ 46,132	$ -	$ 4,512,619
Residential	2,086,136	450	37,981	-	2,124,567
Construction and land	779,488	15,520	1,846	-	796,854
Total real estate	7,327,018	21,063	85,959	-	7,434,040
Commercial and other business	2,230,554	9,749	14,395	-	2,254,698
Commercial leases	414,734	-	6,017	-	420,751
Consumer	63,963	-	3,064	-	67,027
Total	$ 10,036,269	$ 30,812	$ 109,435	$ -	$ 10,176,516

BCI's loans grouped by performing and nonperforming classes of loans at December 31, 2019 and 2018, are summarized as follows (in thousands):

	Real Estate			**Commercial and Other Business Loans**	**Commercial Leases**	**Consumer**	**Total**
2019	**Commercial**	**Residential**	**Construction and Land**				
Performing	$ 5,061,492	$ 2,175,400	$ 724,352	$ 2,390,612	$ 496,885	$ 66,991	$ 10,915,732
Nonperforming	8,020	20,038	-	10,121	9,162	-	47,341
Total	$ 5,069,512	$ 2,195,438	$ 724,352	$ 2,400,733	$ 506,047	$ 66,991	$ 10,963,073
2018							
Performing	$ 4,506,714	$ 2,101,818	$ 796,854	$ 2,249,325	$ 420,751	$ 63,995	$ 10,139,457
Nonperforming	5,905	22,749	-	5,373	-	3,032	37,059
Total	$ 4,512,619	$ 2,124,567	$ 796,854	$ 2,254,698	$ 420,751	$ 67,027	$ 10,176,516

Nonperforming loans are loans that are considered nonaccrual.

ALLL—Transactions affecting the ALLL for the year ended December 31, 2019, by class of loans; BCI's ALLL for individually allocated, unallocated, and PCI, by class of loans; and BCI's loans, by class of loans, related to individually allocated, unallocated, and PCI loans at December 31, 2019, are summarized as follows (in thousands):

	Real Estate			Commercial				
	Commercial	Residential	Construction and Land	and Other Business	Commercial Leases	Consumer	Unallocated	Total
ALLL								
Beginning balance—December 31, 2018	$ 12,711	$ 5,580	$ 3,032	$ 9,623	$ 2,157	$ 212	$ 615	$ 33,930
Loan charged off	(1,220)	(392)	-	(974)	-	(206)	-	(2,792)
Recoveries	245	372	20	768	160	15	-	1,580
Provision for loan losses	4,786	3,010	(166)	5,242	3,180	187	89	16,328
Ending balance—December 31, 2019	$ 16,522	$ 8,570	$ 2,886	$ 14,659	$ 5,497	$ 208	$ 704	$ 49,046
December 31, 2019—individually evaluated for impairment (individually allocated)	$ -	$ 288	$ -	$ 5,517	$ 3,646	$ -	$ -	$ 9,451
December 31, 2019—collectively evaluated for impairment (unallocated)	$ 16,522	$ 8,282	$ 2,886	$ 9,090	$ 1,851	$ 208	$ 704	$ 39,543
December 31, 2019—loans acquired with deteriorated credit quality (PCI)	$ -	$ -	$ -	$ 52	$ -	$ -	$ -	$ 52

	Real Estate			Commercial			
	Commercial	Residential	Construction and Land	and Other Business	Commercial Leases	Consumer	Total
Loans:							
Individually evaluated for impairment	$ 17,962	$ 22,120	$ -	$ 16,206	$ 9,162	$ 2,162	$ 67,612
Collectively evaluated for impairment	5,050,936	2,171,939	724,352	2,384,427	496,885	64,829	10,893,368
Acquired with deteriorated credit quality (PCI)	614	1,379	-	100	-	-	2,093
Total	$ 5,069,512	$ 2,195,438	$ 724,352	$ 2,400,733	$ 506,047	$ 66,991	$ 10,963,073

Transactions affecting the ALLL for the year ended December 31, 2018, by class of loans; BCI's ALLL for individually allocated, unallocated, and PCI, by class of loans; and BCI's loans, by class of loans, related to individually allocated, unallocated, and PCI loans at December 31, 2018, are summarized as follows (in thousands):

	Real Estate			Commercial				
	Commercial	Residential	Construction and Land	and Other Business	Commercial Leases	Consumer	Unallocated	Total
ALLL								
Beginning balance—December 31, 2017	$ 7,210	$ 3,028	$ 1,724	$ 4,094	$ 1,259	$ 166	$ 888	$ 18,369
Loan charged off	(297)	(51)	-	(3,547)	(188)	(122)	-	(4,205)
Recoveries	37	20	80	419	28	49	-	633
Provision for (reversal of) loan losses	5,761	2,583	1,228	8,657	1,058	119	(273)	19,133
Ending balance—December 31, 2018	$ 12,711	$ 5,580	$ 3,032	$ 9,623	$ 2,157	$ 212	$ 615	$ 33,930
December 31, 2018—individually evaluated for impairment (individually allocated)	$ 92	$ 123	$ -	$ 1,561	$ -	$ 8	$ -	$ 1,784
December 31, 2018—collectively evaluated for impairment (unallocated)	$ 12,619	$ 5,457	$ 3,032	$ 8,062	$ 2,157	$ 204	$ 615	$ 32,146
December 31, 2018—loans acquired with deteriorated credit quality (PCI)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Real Estate			Commercial			
	Commercial	Residential	Construction and Land	and Other Business	Commercial Leases	Consumer	Total
Loans:							
Individually evaluated for impairment	$ 4,900	$ 14,147	$ -	$ 11,361	$ -	$ 3,032	$ 33,439
Collectively evaluated for impairment	4,506,714	2,101,204	796,854	2,242,998	420,751	63,995	10,132,516
Acquired with deteriorated credit quality (PCI)	1,005	9,215	-	340	-	-	10,561
Total	$ 4,512,619	$ 2,124,566	$ 796,854	$ 2,254,699	$ 420,751	$ 67,027	$ 10,176,516

Purchase and Sale of Loans—During the years ended December 31, 2019 and 2018, BCI sold approximately $70,402,000 and $14,485,000, respectively, of loans that were originated with the intention to sell to an unrelated party.

During the years ended December 31, 2019 and 2018, there were no loan purchases. During the year ended December 31, 2019, BCI sold loans held for investment totaling approximately $54,907,000. During the year ended December 31, 2018, BCI sold loans held for investment totaling approximately $253,678,000 of which approximately $176,000,000 was to a related party, see Note 18.

6. BANK PREMISES AND EQUIPMENT

BCI premises and equipment at December 31, 2019 and 2018, are summarized as follows (in thousands):

	2019	2018
Land	$ 24,505	$ 35,758
Buildings and leasehold improvements	45,495	42,906
Furniture and equipment	27,459	19,214
	97,459	97,878
Less accumulated depreciation	(15,469)	(12,088)
	81,990	85,790
Construction in progress	4,269	1,363
Bank premises and equipment—net	$ 86,259	$ 87,153

Depreciation and amortization expense for premises and equipment was approximately $6,395,000 and $5,421,000 for the years ended December 31, 2019 and 2018, respectively, and is included as occupancy expense and equipment expense within other operating expenses in the accompanying consolidated statements of income and comprehensive income.

Construction in progress primarily consists of building improvements and relocations in 2019 and 2018.

7. OPERATING LEASE EQUIPMENT

Operating lease equipment at December 31, 2019 and 2018, is summarized as follows (in thousands):

	2019	2018
Railcars	$121,250	$105,625
Other equipment	92,839	66,187
	214,089	171,812
Less accumulated depreciation	(18,543)	(10,300)
Operating lease equipment—net	$195,546	$161,512

Depreciation expense for operating lease equipment was approximately $9,559,000 and $5,421,000 for the years ended December 31, 2019 and 2018, respectively.

The following table presents future minimum lease rentals due on noncancelable operating leases at December 31, 2019. Excluded from this table is variable rentals calculated on asset usage levels, re-leasing rentals, and expected sales proceeds from remarketing equipment at lease expiration, all of which are components of operating lease profitability. Minimum lease rentals due are as follows (in thousands):

Years Ending December 31	
2020	$ 18,298
2021	17,740
2022	17,148
2023	16,624
2024	14,525
Thereafter	30,871
Total	$115,206

During the years ended December 31, 2019 and 2018, BCI did not receive any contingent rental income.

8. INTANGIBLE ASSETS

Intangible assets at December 31, 2019 and 2018, are summarized as follows (in thousands):

	2019	**2018**	**Estimated Useful Life (In Years)**
Core deposit premiums	$120,290	$120,290	6–12
Leasehold interest	4,310	6,890	6–55
	124,600	127,180	
Less accumulated amortization	(48,269)	(30,124)	
	76,331	97,056	
Trade name	18,000	18,000	Indefinite
Mortgage servicing rights	259	309	5
Intangibles—net	$ 94,590	$115,365	

During the years ended December 31, 2019 and 2018, BCI did not record impairments on its intangible assets.

Total amortization expense of intangible assets was approximately $18,227,000 and $12,432,000 for the years ended December 31, 2019 and 2018, respectively. Amortization expense for each of the fiscal years ending December 31, 2020, through December 31, 2024, and thereafter are estimated as follows (in thousands):

Years Ending December 31	
2020	$18,171
2021	17,577
2022	15,991
2023	13,841
2024	5,328
Thereafter	5,423
Total	$76,331

9. DEPOSITS

Deposit accounts at December 31, 2019 and 2018, consist of the following (in thousands):

	2019	**2018**
Demand	$ 3,543,709	$ 3,260,317
Interest checking	1,694,044	1,468,555
Savings	158,509	154,484
Money market savings	4,619,836	4,501,692
Time deposits	1,837,302	1,901,653
Total	$ 11,853,400	$ 11,286,701

Time deposits at December 31, 2019, mature as follows (in thousands):

Maturing in 6 months or less	$ 1,222,080
Maturing between 6 months and 1 year	404,264
Maturing between 1 year and 3 years	158,918
Maturing beyond 3 years	52,040
Total	$ 1,837,302

Time certificates of deposit, issued in denominations of $250,000 or more, amounted to approximately $905,088,000 and $934,338,000 at December 31, 2019 and 2018, respectively.

Interest on deposits for the years ended December 31, 2019 and 2018, includes the following (in thousands):

	2019	2018
Interest checking	$ 24,157	$14,211
Savings	339	236
Money market savings	80,470	49,091
Time deposits in denominations of $250,000 or more	18,230	11,905
Time deposits in denominations of less than $250,000	22,590	19,723
Total	$145,786	$95,166

10. OTHER BORROWINGS

BCI had outstanding FHLB advances at December 31, 2019 and 2018, as follows (in thousands):

Description	Interest Rate	Maturity	Callable	2019	2018
Fixed-rate credit	2.51 %	January 2019	N/A	$ -	$ 650,000
Fixed-rate hybrid	1.43	June 2019	N/A	-	125,000
Fixed-rate hybrid	2.20	April 2019	N/A	-	100,000
Fixed-rate hybrid	2.11	February 2019	N/A	-	140,000
Fixed-rate credit	1.71	January 2020	N/A	800,000	-
Fixed-rate credit	1.70	January 2020	N/A	200,000	-
Convertible	0.84	July 2029	January 2020	300,000	-
Convertible	1.16	July 2029	January 2020	100,000	-
Convertible	1.17	July 2029	January 2020	200,000	-
Convertible	1.36	August 2029	February 2020	250,000	-
Total				$ 1,850,000	$ 1,015,000

Borrowings with original maturities of one year or less are considered short term borrowings.

11. FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Certain information pertaining to short-term borrowings at December 31, 2019 and 2018, is set forth as follows (in thousands):

	2019	2018
Federal funds purchased:		
Balance outstanding	$ -	$ -
Largest average outstanding at any month-end	$ 469	$ 452
Average balance outstanding during the year	$ 154	$ 77
Weighted-average interest rate for the year	2.37 %	2.11 %
Securities sold under agreements to repurchase:		
Balance outstanding	$ 82,039	$177,526
Largest amount outstanding at any month-end	$167,065	$254,789
Average balance outstanding during the year	$139,056	$198,731
Weighted-average interest rate for the year	0.49 %	0.32 %

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The table below presents the activity of the component of other comprehensive loss and accumulated other comprehensive loss for the year ended December 31, 2019 (in thousands):

	Total Other Comprehensive Loss			Total Accumulated Other Comprehensive Loss		
	Pretax Activity	**Tax Effect**	**Net Activity Effect**	**Beginning Balance**	**Net Activity**	**Ending Balance**
Unrealized gains on securities available for sale	$ 54,957	$(13,929)	$41,028			
Unrealized losses on derivatives designated as hedging instruments	(12,473)	3,162	(9,311)			
Reclassification adjustment for gain on sales of securities available for sale-net included in net income	(2,316)	587	(1,729)			
Cumulative effect adjustment for adoption of accounting standard	1,064	(270)	794			
Reclassification adjustment for gain on derivatives—net included in net income	(3,621)	918	(2,703)			
Other	196	(50)	146			
	$ 37,807	$ (9,582)	$28,225	$(29,640)	$28,225	$(1,415)

The table below presents a reclassification out of accumulated other comprehensive loss for the year ended December 31, 2019 (in thousands):

Affected Line Items in the Consolidated Statements of Income and Comprehensive (Loss) Income	
Gain on sale of investment securities—net	$2,316
Gain before income tax provision	$2,316
Applicable income tax expense	(587)
Net income	$1,729
Interest on borrowings	$(3,621)
Loss before income tax benefit	$(3,621)
Applicable income tax benefit	918
Net loss	$(2,703)

The table below presents the activity of the component of other comprehensive (loss) income and accumulated other comprehensive income for the year ended December 31, 2018 (in thousands):

	Total Other Comprehensive Loss			**Total Accumulated Other Comprehensive Loss**		
	Pretax Activity	**Tax Effect**	**Net Activity Effect**	**Beginning Balance**	**Net Activity**	**Ending Balance**
Unrealized losses on securities available for sale	$(24,339)	$ 6,176	$(18,163)			
Unrealized gains on derivatives designated as hedging instruments	5,603	(1,420)	4,183			
Reclassification adjustment for loss on derivatives—net included in net income	(1,951)	494	(1,457)			
	$(20,687)	$ 5,250	$(15,437)	$(14,203)	$(15,437)	$(29,640)

The table below presents a reclassification out of accumulated other comprehensive loss for the year ended December 31, 2018 (in thousands):

Affected Line Items in the Consolidated Statements of Income and Comprehensive Income	
Gain on sale of investment securities—net	$ -
Gain before income tax provision	$ -
Applicable income tax expense	-
Net income	$ -
Interest on borrowings	$(1,951)
Loss before income tax benefit	$(1,951)
Applicable income tax benefit	494
Net loss	$(1,457)

13. FAIR VALUE MEASUREMENTS

BCI values its financial assets and liabilities that are measured at fair value in accordance with a three-tier fair value hierarchy that prioritizes the observable and unobservable inputs used to measure fair value as follows:

Level 1—Quoted prices (unadjusted) for identical assets or liabilities in active markets as well as US Treasury securities that are highly liquid and are actively traded.

Level 2—Valuations for assets and liabilities traded in less active dealer or broker markets. For example, quoted prices for similar mortgage-backed securities in active markets and other observable inputs.

Level 3—Valuations for assets and liabilities not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

As required by FASB guidance, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest-level input that is significant to the fair value measurement in its entirety; for example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such assets and liabilities categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

A review of fair value hierarchy classifications is conducted at least on an annual basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications affecting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which the reclassifications occur.

BCI's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018, is as follows (in thousands):

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets—				
Securities available for sale	$19,891	$ 3,310,139	$ -	$ 3,330,030
Equity securities	$30,653	$ -	$ -	$ 30,653
Derivative assets	$ -	$ 50,544	$ -	$ 50,544
Liabilities—				
Derivative liabilities	$ -	$ 56,073	$ -	$ 56,073

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets—				
Securities available for sale	$ -	$ 2,803,493	$ -	$ 2,803,493
Derivative assets	$ -	$ 33,138	$ -	$ 33,138
Liabilities—				
Derivative liabilities	$ -	$ 22,684	$ -	$ 22,684

During 2019 and 2018, BCI did not have any assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Nonrecurring Fair Value—Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. Assets measured at fair value on a nonrecurring basis during 2019 and 2018 include the following:

Impaired Loans—Certain impaired loans were reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs-based appraisals of the collateral value, resulting in a discount, where applicable, and would result in a decrease in the fair value estimate.

The assets that were remeasured and reported at fair value on a nonrecurring basis as of December 31, 2019 and 2018, are as follows (in thousands):

2019	Level 1	Level 2	Level 3	Total	Impairment
Financial assets—loans	$ -	$ -	$57,061	$57,061	$(8,539)

2018	Level 1	Level 2	Level 3	Total	Impairment
Financial assets—loans	$ -	$ -	$ 5,153	$ 5,153	$(1,734)

The types of loans that were remeasured at and reported at fair value on a nonrecurring basis at December 31, 2019 and 2018, are listed within Note 5 within impaired loans.

The information at December 31, 2019 and 2018, about significant unobservable inputs related to BCI's Level 3 financial assets measured on a nonrecurring basis is as follows (in thousands):

2019	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Financial assets—loans	$ 57,061	Appraised value	Appraised value	Not meaningful	Not meaningful

2018	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Financial assets—loans	$ 5,153	Appraised value	Appraised value	Not meaningful	Not meaningful

14. INCOME TAXES

BCI’s income tax provision (benefit) for the years ended December 31, 2019 and 2018, is as follows (in thousands):

	2019	2018
Current provision:		
Federal	$ 4,648	$ -
State	3,786	4,783
Total current provision	8,434	4,783
Deferred provision:		
Federal	33,102	23,692
State	7,251	248
Total deferred provision	40,353	23,940
Income tax provision	$48,787	$28,723

The effective tax rate for 2019 and 2018 differs from the statutory federal rate of 21% primarily as a result of state income taxes, non-taxable income, and nondeductible expenses.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The components of deferred tax assets (liabilities) at December 31, 2019 and 2018, are as follows (in thousands):

	2019	2018
Deferred tax assets:		
Net operating losses	$ 31,826	$ 36,064
Provision for loan losses	7,813	5,558
Interest recorded on nonaccrual loans	929	1,017
Impairment of goodwill and intangible assets	60,757	73,622
Other	17,219	13,173
Total deferred tax assets	118,544	129,434
Deferred tax liabilities:		
Intangible assets	(1,588)	(681)
Depreciation	(98,008)	(70,507)
Other	(1,929)	(874)
Total deferred tax liabilities	(101,525)	(72,062)
Net deferred tax assets before unrealized depreciation of investments in securities available for sale	17,019	57,372
Unrealized (appreciation)/depreciation of securities available for sale	(677)	12,996
Unrealized losses/(gains), on derivatives designated as cash flow hedges	1,158	(2,923)
Net deferred tax assets	$ 17,500	$ 67,445

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, based on an evaluation of both positive and negative evidences as defined in FASB Accounting Standards Codification ASC 740, *Income Taxes*, that some portion or all of the deferred tax assets will not be realized. Although management believes that these deferred tax assets will ultimately be realized, it must recognize that such realization is dependent on the generation of future taxable income during the periods in which temporary differences are deductible. Under FASB ASC 740, management must consider the scheduled reversal of deferred tax assets, projected future taxable income, tax planning strategies, and whether BCI is in a three-year cumulative loss position in making this assessment. Management evaluated all available evidence, both positive and negative, and based on consideration of this evidence, which included earnings/loss history and anticipated future pretax income, as well as the reversal period for the items giving rise to the deferred tax assets and liabilities, management concluded that it was more likely than not that its net deferred tax assets would be realized at December 31, 2019 and 2018.

BCI's gross net operating losses of approximately $122,816,000 of federal net operating losses and approximately $123,768,000 of State of Florida net operating losses at December 31, 2019, will begin to expire during 2028.

BCI has approximately $49,741,000 gross excess recognized built-in losses related to goodwill amortization that are disallowed because of Internal Revenue Code section 382 limitation. These recognized built-in losses are carried forward and will begin to expire during 2036.

BCI accounts for uncertainty in income taxes by recognizing in its consolidated financial statements the tax effects of a position only if it is more likely than not to be sustained based solely on its technical merits; otherwise, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2019 and 2018, BCI has not recorded any unrecognized tax benefits in the accompanying consolidated balance sheets. Management does not expect that unrecognized tax benefits will increase within the next 12 months. In the event BCI was to recognize interest and penalties related to uncertain tax positions, they would be recognized in the consolidated financial statements as income tax expense.

Due to the 2015 acquisition of the BCI by the Parent, BCI has been limited under the Internal Revenue Code Section 382 limitation to utilize approximately $26,703,000 per year of its net operating losses and other tax attributes.

As of December 31, 2019 and 2018, BCI had a tax prepayment of approximately $17,901,000 and $16,537,000, respectively, which is included in other assets in the accompanying consolidated balance sheets.

15. COMMITMENTS AND CONTINGENCIES

Off-Balance-Sheet—In the normal course of business, various commitments and contingent liabilities are outstanding that are not reflected in the consolidated financial statements. A summary of these commitments and contingent liabilities at December 31, 2019 and 2018, is as follows (in thousands):

	2019	**2018**
Commercial letters of credit	$ 53	$ 342
Standby letters of credit	92,890	76,945
Commitments to extend credit	1,645,098	1,609,443

Commercial letters of credit are instruments, whereby BCI substitutes its credit for that of its customers in connection with financing contracts for the shipment of goods from seller to buyer. BCI's acceptance of these instruments is contingent upon the presentation of the necessary documents to execute such contracts.

Standby letters of credit are conditional commitments issued by BCI to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At December 31, 2019 and 2018, standby letters of credit amounting to approximately $43,289,000 and $39,323,000, respectively, were secured by cash collateral or marketable securities. The liability recorded by BCI related to unearned fees from letters of credit outstanding at December 31, 2019 and 2018, was $483,000 and $302,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. BCI evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation.

Leases—BCI has entered into a number of noncancelable operating lease agreements for premises and equipment. The minimum annual rental commitments under these leases at December 31, 2019, are summarized as follows (in thousands):

Years Ending December 31	
2020	$ 10,664
2021	9,604
2022	9,049
2023	9,071
2024	8,961
Thereafter	75,169
Total	$122,518

Rent expense under all leases having initial noncancelable terms of more than one year was approximately $10,348,000 and $11,486,000 for the years ended December 31, 2019 and 2018, respectively.

Litigation—BCI, from time to time, is a defendant in lawsuits that are incidental to its operations; the outcomes of these lawsuits have not had, and are not expected to have, a material effect on the consolidated results of operations or financial position of BCI.

16. EMPLOYEE BENEFIT PLAN

BCI has a Retirement Savings Trust and Retirement Savings Plan (the "Plan"), a defined contribution 401(k) plan. The Plan covers all employees who are 21 years of age with more than 90 days of service immediately. Employees qualify for benefits upon reaching the age of 65 years or upon permanent disability. Participants receive a 100% employer matching contribution up to 5% of their pretax compensation. In addition, BCI may make a discretionary contribution from current or accumulated profits. During the years ended December 31, 2019 and 2018, BCI contributed approximately $3,213,000 and $2,868,000, respectively, to the Plan in matching contributions.

17. REGULATORY MATTERS

BCI is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on BCI's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, BCI must meet specific capital guidelines that involve quantitative measures of BCI's assets, liabilities, and certain off-consolidated-balance-sheet items as calculated under regulatory accounting practices. BCI's capital amounts and classifications under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require BCI to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2019, that BCI meets all capital adequacy requirements to which it is subject.

As of December 31, 2019, BCI is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, BCI must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I (CET I), and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

BCI's and the Bank's as of December 31, 2019, capital amounts and ratios are also presented as follows:

	Actual Amount	Ratio	Required for Capital Adequacy Purposes		Required to be Categorized as Well Capitalized under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
BCI:						
Total capital (to risk-weighted assets)	$ 1,706,818,000	14.3 %	954,867,000	8.0 %		
Tier I capital (to risk-weighted assets)	1,654,814,000	13.9	716,150,000	6.0		
CET I capital (to risk-weighted assets)	1,654,814,000	13.9	537,113,000	4.5		
Tier I capital (to average assets)	1,654,814,000	10.9	608,558,000	4.0		
Bank:						
Total capital (to risk-weighted assets)	$ 1,705,656,000	14.3 %	954,867,000	8.0 %	$ 1,193,584,000	10.0 %
Tier I capital (to risk-weighted assets)	1,653,652,000	13.9	716,150,000	6.0	954,867,000	8.0
CET I capital (to risk-weighted assets)	1,653,652,000	13.9	537,113,000	4.5	775,829,000	6.5
Tier I capital (to average assets)	1,653,652,000	10.9	608,558,000	4.0	760,697,000	5.0

BCI's and the Bank's as of December 31, 2018, capital amounts and ratios are also presented as follows:

	Actual Amount	Ratio	Required for Capital Adequacy Purposes		Required to be Categorized as Well Capitalized under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
BCI:						
Total capital (to risk-weighted assets)	$1,491,420,000	13.6 %	$878,860,000	8.0 %		
Tier I capital (to risk-weighted assets)	1,454,932,000	13.2	659,145,000	6.0		
CET I capital (to risk-weighted assets)	1,454,932,000	13.2	494,358,000	4.5		
Tier I capital (to average assets)	1,454,932,000	10.4	558,603,000	4.0		
Bank:						
Total capital (to risk-weighted assets)	$1,488,646,000	13.5 %	$879,368,000	8.0 %	$1,099,210,000	10.0 %
Tier I capital (to risk-weighted assets)	1,452,158,000	13.2	659,526,000	6.0	879,368,000	8.0
CET I capital (to risk-weighted assets)	1,452,158,000	13.2	494,645,000	4.5	714,487,000	6.5
Tier I capital (to average assets)	1,452,158,000	10.4	558,552,000	4.0	698,190,000	5.0

18. RELATED-PARTY TRANSACTIONS

Loans—BCI makes loans to its directors, officers, employees, and other affiliated parties on substantially the same terms, including interest rate and collateral requirements, as those prevailing at the time of the loan origination for comparable transactions with nonaffiliated persons. The aggregate amount of direct loans to directors, executive officers, and principal stockholders at December 31, 2019 and 2018, amounted to $1,473,000 and $2,227,000, respectively. BCI did not have indirect loans to directors, executive officers, and principal stockholders at December 31, 2019 and 2018.

Loan Sales—During the year ended December 31, 2019, no loans from BCI were sold to a related party. During the year ended December 31, 2018, BCI sold loans totaling approximately $176,000,000 to a related party.

Deposits—At December 31, 2019 and 2018, BCI has deposits from a related party in the amount of approximately $252,058,000 and $203,537,000, respectively.

Lease—Effective May 2019, BCI began subleasing a portion of a leased property to the Parent. The payments are recorded as reductions in rent expense and approximated $1,008,000 for the year ended December 31, 2019.

19. BCI ONLY FINANCIAL STATEMENTS

BCI FINANCIAL GROUP, INC.

BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands, except par value and share information)

	2019	2018
ASSETS		
CASH	$ 863	$ 926
INVESTMENT IN SUBSIDIARY	1,891,437	1,701,743
OTHER ASSETS	8,858	8,914
TOTAL	$ 1,901,158	$ 1,711,583
LIABILITIES AND EQUITY		
OTHER LIABILITIES	$ 26	$ -
Total liabilities	26	-
STOCKHOLDER'S EQUITY:		
Capital (common stock—927,345,444 shares authorized, issued, and outstanding)	1,516,477	1,516,477
Retained earnings	384,605	223,435
Accumulated other comprehensive loss—net of tax	(1,415)	(29,640)
Total stockholder's equity	1,899,667	1,710,272
NONCONTROLLING INTEREST	1,465	1,311
Total equity	1,901,132	1,711,583
TOTAL	$ 1,901,158	$ 1,711,583

BCI FINANCIAL GROUP, INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In thousands)

	2019	2018
INTEREST INCOME	$ 3	$ 2
EXPENSE:		
Other	62	39
Total expense	62	39
LOSS BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	(59)	(37)
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	162,513	95,839
NET INCOME BEFORE INCOME TAX PROVISION	162,454	95,802
INCOME TAX PROVISION	86	65
NET INCOME BEFORE NONCONTROLLING INTEREST	162,368	95,737
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	134	74
NET INCOME ATTRIBUTABLE TO BCI	162,234	95,663
OTHER COMPREHENSIVE GAIN/(LOSS)—Net of tax:		
Net unrealized gains/(losses) on securities available for sale	41,028	(18,163)
Net unrealized (loss)/gain on derivatives designated as hedging instruments	(9,311)	4,183
Reclassification adjustment for gain on sale of securities available for sale—net included in net income	(1,729)	-
Reclassification adjustment for gain on derivatives—net included in net income	(2,703)	(1,457)
Cumulative effect adjustment for adoption of accounting standard	794	-
Other	146	-
Total other comprehensive loss	28,225	(15,437)
Total other comprehensive loss attributable to noncontrolling interest	20	(23)
COMPREHENSIVE INCOME ATTRIBUTABLE TO BCI	$ 190,459	$ 80,226
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	$ 154	$ 51

BCI FINANCIAL GROUP, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before noncontrolling interest	$ 162,368	$ 95,737
Adjustments to reconcile net income before noncontrolling interest to net cash (used in) provided by operating activities:		
Equity in undistributed income of subsidiary	(162,513)	(95,839)
Decrease in other assets	56	2
Deferred tax provision	-	(52)
(Decrease) increase in other liabilities	26	(11)
Net cash used in operating activities	(63)	(163)
CASH FLOWS FOR INVESTING ACTIVITIES—		
Additional investment in CNB	-	(570,000)
CASH FLOWS FROM FINANCING ACTIVITIES—		
Proceeds from parent company contribution	-	570,000
NET DECREASE IN CASH	(63)	(163)
CASH—Beginning of year	926	1,089
CASH—End of year	$ 863	$ 926

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