Consolidated Financial Statements

Bci Financial Group, Inc. and Subsidiaries
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors

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Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

Contents

KPMG LLP
Brickell City Centre, Suite 1200
78 SW 7 Street
Miami, FL 33130

Independent Auditors' Report

The Board of Directors and Stockholder
Bci Financial Group, Inc.:

Opinion

We have audited the consolidated financial statements of Bci Financial Group, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2025 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Miami, Florida
February 28, 2025

Bci Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Data)

	December 31, 2024	December 31, 2023
Assets		
Cash and due from banks	$ 120,032	$ 154,483
Interest bearing balances with financial institutions	296,624	332,719
Cash and cash equivalents	416,656	487,202
Debt securities available for sale, at fair value	3,781,888	3,861,008
Debt securities held to maturity (fair value of $2,294,213 and $2,519,350, respectively)	2,631,408	2,854,220
Equity securities, at fair value	43,675	37,074
Loans held for sale, at fair value	28,032	57,565
Loans and leases	18,356,327	17,499,152
Allowance for credit losses	(186,256)	(134,077)
Loans and leases, net	18,170,071	17,365,075
Premises, equipment, and software, net	76,134	82,630
Other real estate owned	15,197	–
Operating lease equipment, net	171,159	183,580
Federal Home Loan Bank and Federal Reserve Bank stock	197,459	140,512
Accrued interest receivable	97,634	103,632
Bank-owned life insurance	421,224	528,708
Goodwill	60,573	76,590
Intangible assets, net	25,225	31,213
Deferred tax assets, net	214,573	179,290
Other assets	163,051	155,323
Total assets	$ 26,513,959	$ 26,143,622
Liabilities and Stockholder's Equity		
Liabilities:		
Deposits:		
Non-interest bearing	$ 4,480,549	$ 4,766,244
Interest bearing	16,376,628	16,271,952
Total deposits	20,857,177	21,038,196
Federal funds purchased and securities sold under agreements to repurchase	37,328	26,961
Federal Home Loan Bank and Federal Reserve Bank advances	2,725,000	2,325,000
Other borrowings	10,487	10,609
Other liabilities	350,208	364,965
Total liabilities	23,980,200	23,765,731
Commitments and contingencies *(Note 15)*		
Stockholder's equity:		
Common stock, par value $1; 927,345,444 shares authorized, issued, and outstanding at December 31, 2024 and 2023	927,345	927,345
Additional paid-in capital	739,018	689,056
Retained earnings	1,274,583	1,186,043
Accumulated other comprehensive loss, net	(409,140)	(426,385)
Total stockholder's equity attributable to Bci Financial Group, Inc.	2,531,806	2,376,059
Noncontrolling interest	1,953	1,832
Total stockholder's equity	2,533,759	2,377,891
Total liabilities and stockholder's equity	$ 26,513,959	$ 26,143,622

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statements of Income

(In Thousands)

	Year Ended December 31, 2024	2023
Interest and dividend income:		
Interest and fees on loans and leases	$ 1,055,034	$ 948,664
Interest on securities	192,547	187,555
Dividend on securities	10,832	10,327
Other earning assets	30,062	21,967
Total interest income	1,288,475	1,168,513
Interest expense:		
Deposits	671,077	588,796
Borrowings	98,714	79,068
Total interest expense	769,791	667,864
Net interest income	518,684	500,649
Provision for credit losses	79,915	17,616
Net interest income after provision for credit losses	438,769	483,033
Non-interest income:		
Service charges on deposit accounts	36,438	33,455
Swap fee income	2,902	2,104
Credit valuation adjustment	91	(1,304)
Other service charges and fees	7,150	5,869
Trust and wealth management fees	4,982	4,140
Gain on sale of loans, net	5,322	1,351
Loss on sale of debt securities, net	(64,601)	(4,229)
Bank-owned life insurance income	14,737	13,571
Loan servicing	1,814	3,150
Lease financing	23,237	24,084
Other	12,614	4,018
Total non-interest income	44,686	86,209
Non-interest expenses:		
Salaries and employee benefits	169,678	170,961
Occupancy, net	19,213	18,764
Furniture and equipment	8,518	9,268
Depreciation – lease equipment	16,232	16,386
Amortization of intangible assets	6,223	14,501
Amortization of goodwill	16,017	16,016
Technology and data processing	32,452	29,736
Professional services	22,307	13,138
Advertising and marketing	8,062	6,517
Federal Deposit Insurance Corporation insurance assessment	26,580	37,771
Other	39,434	27,366
Total non-interest expenses	364,716	360,424
Income before income tax expense	118,739	208,818
Income tax expense	30,130	45,133
Net income	88,609	163,685
Net income attributable to noncontrolling interest	69	127
Net income attributable to Bci Financial Group, Inc.	$ 88,540	$ 163,558

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

	Year Ended December 31, 2024	2023
Net income	$ 88,609	$ 163,685
Other comprehensive income, net of tax:		
Net unrealized (losses) gains on debt securities available for sale:		
Net unrealized (losses) gains arising during the year on debt securities available for sale, net of taxes of $11,714 and $(16,397)	(34,494)	64,064
Reclassification adjustment for net losses on sales of debt securities available for sale included in net income, net of taxes of $(16,376) and $(862)	48,225	3,367
Net change in net unrealized (losses) gains on debt securities available for sale, net of tax	13,731	67,431
Net unrealized gains on derivative instruments designated as hedges:		
Net unrealized gains arising during the period on derivatives designated as hedging instruments, net of taxes of $(11,682) and $(6,510)	34,401	25,432
Reclassification adjustment for net gains on derivative instruments included in net income, net of taxes of $10,594 and $6,904	(31,197)	(26,975)
Net change in net unrealized gains on derivative instruments, net of tax	3,204	(1,543)
Reclassification adjustment for interest income on debt securities held to maturity, net of taxes of $(106) and $(144)	310	564
Other comprehensive income, net of tax	17,245	66,452
Comprehensive income attributable to Bci Financial Group, Inc.	105,854	230,137
Comprehensive income attributable to noncontrolling interest	83	178
Comprehensive income	$ 105,937	$ 230,315

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statements of Stockholder's Equity
(In Thousands, Except Share Data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Bci Financial Group, Inc. Stockholder's Equity	Noncontrolling Interest	Total Stockholder's Equity
	Shares	Amount						
Balance at December 31, 2022	927,345,444	$ 927,345	$ 589,132	$ 1,022,485	$ (492,837)	$ 2,046,125	$ 1,578	$ 2,047,703
Net income	–	–	–	163,558		163,558	127	163,685
Other comprehensive income, net of tax	–	–	–	–	66,452	66,452	51	66,503
Capital contribution from Parent			99,924			99,924	76	100,000
Balance at December 31, 2023	927,345,444	927,345	689,056	1,186,043	(426,385)	2,376,059	1,832	2,377,891
Net income	–	–	–	88,540	–	88,540	69	88,609
Other comprehensive income, net of tax	–	–	–	–	17,245	17,245	14	17,259
Capital contribution from Parent	–	–	49,962	–	–	49,962	38	50,000
Balance at December 31, 2024	927,345,444	$ 927,345	$ 739,018	$ 1,274,583	$ (409,140)	$ 2,531,806	$ 1,953	$ 2,533,759

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31, 2024	2023
Operating activities		
Net income	$ 88,609	$ 163,685
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,465	58,061
Provision for credit losses and off-balance sheet commitments	79,915	17,616
Deferred income tax benefit	(41,222)	(4,123)
Loss on sale of debt securities, net	64,601	4,229
Unrealized loss (gain) on equity securities	236	(312)
Gain on sale of premises and equipment and operating lease equipment	(1,569)	(945)
Fair value adjustment of other real estate owned	647	–
Gain on sale of loans, net	(5,322)	(1,351)
Net amortization of premiums on securities	8,059	9,090
Amortization of premium on other borrowings	(122)	(121)
Net accretion on loan discount	(1,682)	(2,503)
Net accretion of deferred loan and lease fees	(8,210)	(5,729)
Proceeds from sales of loans held for sale	171,264	90,949
Originations of loans held for sale	(136,409)	(98,783)
Increase in cash surrender value of bank-owned life insurance	(14,737)	(13,571)
Changes in operating assets and liabilities:		
Accrued interest receivable	5,998	(13,665)
Other assets	(9,231)	(9,817)
Other liabilities	(12,997)	(2,051)
Net cash provided by operating activities	236,293	190,659
Investing activities		
Proceeds from maturities, calls, and repayments of debt securities available for sale	404,987	369,196
Proceeds from sales of debt securities available for sale	628,069	202,963
Principal repayments and maturities of debt securities held to maturity	220,911	173,497
Purchases of debt securities available for sale	(1,003,629)	(506,266)
Purchases of debt securities held to maturity	–	(198,722)
Purchases of equity securities	(6,837)	(212)
Purchases of Federal Home Loan Bank and Federal Reserve Bank stock	(128,258)	(353,447)
Proceeds from redemption of Federal Home Loan Bank and Federal Reserve Bank stock	71,311	376,855
Net increase in loans and leases	(886,426)	(1,095,783)
Proceeds from sales of syndicated loans	–	232,756
Purchases of premises, equipment, and software	(4,618)	(2,701)
Proceeds from sales of premises and equipment and operating lease equipment	18,882	18,156
Purchases of operating lease equipment	(22,800)	(10,869)
Proceeds from surrender of bank-owned life insurance	172,221	–
Purchases of bank-owned life insurance	(50,000)	–
Net cash used in investing activities	(586,187)	(794,577)
Financing activities		
Net (decrease) increase in deposits	(181,019)	786,337
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	10,367	(30,330)
Net increase (decrease) in short-term borrowings	400,000	(200,000)
Capital contribution from Parent	50,000	100,000
Net cash provided by financing activities	279,348	656,007
Net (decrease) increase in cash and cash equivalents	(70,546)	52,089
Cash and cash equivalents at beginning of year	487,202	435,113
Cash and cash equivalents at end of year	$ 416,656	$ 487,202
Supplemental disclosures of cash flow information		
Cash paid for:		
Interest	$ 777,506	$ 636,576
Income taxes	107,399	73,269
Supplemental noncash disclosure:		
Transfers from loans and leases to other real estate owned	15,844	–

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Business Operations

Bci Financial Group, Inc. (the "Company"), a wholly-owned subsidiary of Banco de Crédito e Inversiones, S.A. ("Bci") through its direct subsidiary, City National Bank of Florida (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 located in Miami-Dade, Sarasota, Collier, Brevard, St. Lucie, Broward, Palm Beach, Hillsborough, and Orange counties in Florida.

The Company also maintains lease financing services through the Bank's wholly-owned subsidiary, Bci Capital, Inc.

On January 31, 2024, the Company entered into an agreement with AQCF OriginationsCo, LLC (the "Buyer") to subservice its leasing portfolio along with a portion of its loan portfolio. As of the agreement date, the balance of the servicing portfolio was approximately $1.3 billion. The Buyer retained 27 employees from Bci Capital, Inc. and all processes and intellectual property related to the leasing portfolio. The Company retained all financing receivables and Bci Capital, Inc. continues to operate as a wholly-owned subsidiary of the Company. The Company received approximately $7.3 million in proceeds as part of the agreement which was recorded as a gain and is included in other non-interest income in the accompanying consolidated statements of income.

Basis of Presentation

The accounting and reporting policies of the Company and its subsidiaries conform to U.S. Generally Accepted Accounting Principles ("GAAP") and general practices within the banking industry.

Principles of Consolidation

The consolidated financial statements include the financial position and results of operations of the Company and its consolidated subsidiaries after elimination of all intercompany accounts and transactions.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and reported amounts of revenues and expenses for the periods presented. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Estimates that are particularly susceptible for significant change relate to the determination of the allowance for credit losses (“ACL”), fair value measurements including the fair value of financial instruments, valuation of goodwill and intangible assets, income taxes, and contingent liabilities.

Revenue Recognition

The majority of the Company’s revenues come from interest income on loans, leases, and securities, gains on sales of financial assets, and changes in the cash surrender value of bank-owned life insurance, which are outside of the scope of accounting guidance with respect to revenues from contracts with customers. Other forms of revenue generated from certain services that fall within this guidance are presented within non-interest income and are recognized upon satisfaction of our performance obligation when the transactions occur or as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur.

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.

Debt Securities

Debt securities are classified as held to maturity or available for sale.

Held to Maturity – Debt securities for which the Company has the intent and ability to hold to maturity are reported at amortized cost.

Available for Sale – Debt securities which are not classified as held to maturity are classified as available for sale. Debt Securities available for sale are carried at fair value with unrealized gains and losses, net of related deferred income taxes, recorded in stockholder’s equity in accumulated other comprehensive loss.

Premiums and discounts are amortized or accreted using the effective interest rate method over the life of the debt security, except for callable debt securities purchased with a premium. Premiums on callable debt securities are amortized to the earliest call date (as opposed to the life of the security).

The specific identification method is used to determine gains and losses on the sale of debt securities that are recorded on the trade date.

1. Summary of Significant Accounting Policies (continued)

The Company's policy on the ACL related to debt securities is discussed below in the section titled "Allowance for Credit Losses."

Equity Securities

Investments in equity securities are carried at fair value, with changes 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.

Loans Held for Sale

Loans held for sale consist of residential real estate loans originated for sale in the secondary market. The Company has elected to account for newly originated loans classified as held for sale under the fair value option. The change in fair value of loans held for sale is recorded as a component of gain on sale of loans in the Company's consolidated statements of income.

Loans and Leases

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the ACL. Amortized cost includes unpaid principal balance, unamortized premiums or discounts, deferred fees and costs, and fair value hedge accounting adjustments, net of amounts previously charged off. Non-refundable loan origination fees, net of direct costs of originating or acquiring loans, are deferred and recognized as adjustments to yield over the contractual lives of the related loans using the interest method which results in a constant effective yield. Interest income is accrued based on the principal amount outstanding.

Nonaccrual and Past Due

Loans are considered nonaccrual if the principal or interest payments are 90 days past due (unless the credit is sufficiently collateralized and in the process of renewal or collection) or if the Company's analysis of the borrower's credit risk necessitates a nonaccrual classification.

1. Summary of Significant Accounting Policies (continued)

When a loan is placed on nonaccrual status, the accrual of interest, as well as the amortization or accretion of net deferred fees or costs for originated loans and discounts or premiums for purchased loans is suspended. Additionally, all accrued but uncollected interest is reversed through interest income. The Company generally applies the cost recovery method while a loan is in nonaccrual status. That is, any cash received while a loan is in nonaccrual status is first applied against the principal until the loan has been collected in full. Any additional cash received is recognized as interest income. However, if the remaining recorded investment is deemed fully collectible, the interest is accounted for using the cash-basis method. Loans are disclosed as past due when contractually required principal or interest payments have not been made on the due date.

Modifications for Borrowers Experiencing Financial Difficulty

Certain loan restructurings and refinancings for borrowers experiencing financial difficulty are evaluated to determine whether the modifications represent a new loan or a continuation of an existing loan. These modifications are subject to the Company’s ACL model, which is discussed below.

The Company may renegotiate the terms of existing loans for a variety of reasons. When refinancing or restructuring a loan, the Company evaluates whether the borrower is experiencing financial difficulty. In making this determination, the Company considers whether the borrower is currently in default on any of its debt. In addition, the Company evaluates whether it is probable that the borrower would be in payment default on any of its debt in the foreseeable future without the modification and if the borrower (without the current modification) could obtain equivalent financing from another creditor at a market rate for similar debt. Modifications of loans to borrowers in these situations may indicate that the borrower is facing financial difficulty.

Modifications of loans to borrowers experiencing financial difficulty that are in the form of principal forgiveness, interest rate reductions, other-than-insignificant payment delays, or a term extension (or a combination thereof) require additional financial statement disclosure. The Company's disclosures are included in Note 3, *Loans and Leases and Allowance for Credit Losses*.

1. Summary of Significant Accounting Policies (continued)

Leases

The Company is a lessor and has direct financing leases, leveraged leases, and operating leases. Direct financing leases and leveraged leases are recorded as part of the lease balance. These leases are recorded as follows:

- Direct financing leases are recorded at the sum of all minimum lease payments receivable plus the estimated residual value of the leased property, less unearned income. Unearned lease income is recognized in interest income over the life of the lease using a level-yield method. The Company reviews the lease residual for potential impairment.

- Leveraged leases are a form of direct financing leases. Leveraged leases are recorded net of related non-recourse debt. Thus, leveraged leases are recorded at the sum of all minimum lease payments receivable plus the estimated residual value of the leased property, less nonrecourse debt payments and unearned income. Interest income is recorded by applying the leveraged lease's estimated rate of return to the net investment in the lease. The return earned is due in part to the income tax treatment. The Company reviews the lease residual value for potential impairment.

- Operating lease equipment is recorded at cost, less accumulated depreciation. Operating lease rental income is recognized on a straight-line basis over the lease term. Depreciation expense considers the residual value and is recorded on a straight-line basis over the estimated useful life of the leased asset. Impairment loss is recognized if the carrying amount of the lease asset is greater than fair value and is not recoverable (i.e., exceeds the sum of the undiscounted cash flows expected from the lease payments receivable and the residual value).

1. Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses

The following is a summary of the Company's significant accounting policies with respect to the ACL:

Debt Securities

The Company reviews its debt securities for credit loss impairment at the individual security level on at least a quarterly basis. A debt security is impaired if its fair value is less than its amortized cost basis. A decline in fair value below amortized cost basis represents a credit loss impairment to the extent the Company does not expect to recover the amortized cost basis of the debt security. Impairment related to credit losses are recorded through the ACL to the extent fair value is less than the amortized cost basis. Subsequent changes in the ACL are recorded as provision for credit losses in the Company's consolidated statements of income. Declines in fair value that have not been recorded through the ACL are recorded to other comprehensive income, net of tax, in the Company's consolidated statements of comprehensive income.

In assessing whether an impairment is credit loss related, the Company compares the present value of cash flows expected to be collected to the debt security's amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis of the debt security, a credit loss exists, and an ACL is recorded. The Company discounts expected cash flows at the effective interest rate implicit in the debt security at the purchase date, adjusted for expected prepayments. In developing estimates about cash flows expected to be collected and determining whether a credit loss exists, the Company considers information about past events, current conditions, and reasonable and supportable forecasts. Factors and information that the Company uses in making assessments include, but are not necessarily limited to, the following:

- The extent to which fair value is less than amortized cost;
- Adverse conditions specifically related to the debt security, an industry or geographic area;
- Changes in the financial condition of the issuer or underlying loan obligors;
- The payment structure and remaining payment terms of the debt security, including levels of subordination or over-collateralization;
- Failure of the issuer to make scheduled payments;
- Changes in credit ratings;
- Relevant market data; and,
- Estimated prepayments, defaults, and the value and performance of underlying collateral at the individual security level.

1. Summary of Significant Accounting Policies (continued)

Timely payment of principal and interest on debt securities issued by the U.S. government, U.S. government agencies and U.S. government sponsored entities is explicitly or implicitly guaranteed by the U.S. government. Therefore, the Company expects to recover the amortized cost basis of these debt securities. Corporate debt securities are evaluated on a quarterly basis, and based on the high credit quality of the issuers' bonds as well as the timely payments, the Company expects to recover the amortized cost basis of these debt securities.

When the Company believes the uncollectability of a debt security is confirmed, or if the Company intends to sell a debt security in an unrealized loss position, or it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis, any ACL will be written off and the amortized cost basis will be written down to the debt security's fair value at the reporting date with any incremental impairment reported in earnings.

A debt security will be charged off to the extent that there is no reasonable expectation of recovery of amortized cost basis. A debt security will be placed on nonaccrual status if the Company does not reasonably expect to receive interest payments in the future and interest accrued will be reversed against interest income. A debt security will be returned to accrual status only when collection of interest is reasonably assured.

Loans

The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The ACL is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently uncertain. Re-evaluation of the ACL estimate in future periods, considering changes in composition and characteristics of the loan portfolio, changes in the reasonable and supportable forecast and other factors then prevailing may result in material changes in the amount of the ACL and provision for credit losses in those future periods.

Loans are charged-off against the ACL in the period in which they are deemed uncollectible, and recoveries are credited to the ACL when received. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. For loans secured by residential real estate, an assessment of collateral value is made. Any outstanding loan balance in excess of fair value less cost to sell is charged-off at no later than 180 days delinquency.

1. Summary of Significant Accounting Policies (continued)

Additionally, any outstanding balance in excess of fair value of collateral less cost to sell is charged off (i) within 60 days of receipt of notification of filing from the bankruptcy court, (ii) within 60 days of determination of loss if all borrowers are deceased or (iii) within 90 days of discovery of fraudulent activity. Other consumer loans are typically charged off at 120 days or 180 days delinquency, if secured or unsecured, respectively. Commercial loans are charged off when, in management's judgment, they are considered to be uncollectible.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type, industry, geography, internal risk rating, credit characteristics such as credit scores or collateral values, and historical or expected credit loss patterns. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans and modified loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. Expected prepayments are generally estimated based on the Company's historical experience. The contractual term excludes expected extensions, renewals, and modifications unless management has a reasonable expectation at the reporting date that a loan modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

For most portfolio segments and subsegments, including residential loans, and most commercial and commercial real estate loans, expected losses are estimated using econometric models. The models employ a factor-based methodology, leveraging data sets containing extensive historical loss and recovery information by industry, geography, product type, collateral type and obligor characteristics, to estimate probability of default ("PD") and loss given default ("LGD"). Measures of PD for commercial loans incorporate current conditions through market cycle or credit cycle adjustments. For residential loans, the models consider original FICO, original loan-to-value ("LTV") rates, and delinquency rates. PDs and LGDs are then conditioned on the reasonable and supportable economic forecast. Projected PDs and LGDs, determined based on pool level characteristics, are applied to estimated exposure at default, considering the contractual term and payment structure of loans, adjusted for expected prepayments, to generate estimates of expected loss. The ACL estimate incorporates a reasonable and supportable economic forecast using externally developed macroeconomic scenarios applied in the models. The forecasts of future economic conditions are over a period that has been deemed reasonable and supportable, and in periods where it can no longer develop reasonable and supportable forecasts, the Company reverts to historical PDs to estimate losses over the remaining life of the loans, calculated on a straight-line basis over one year.

1. Summary of Significant Accounting Policies (continued)

A single economic scenario or a probability weighted blend of economic scenarios may be used. The models ingest numerous national, regional and MSA level variables and data points.

During the year ended December 31, 2023, the Company refined its ACL methodology used in estimating expected lifetime losses for most of its residential mortgage portfolio. Specifically, the Company changed from a loss rate model to a model that calculates the PD and LGD for each loan included in the portfolio, as well as utilizing more granular macroeconomic factors for the geographies in which the Company operates. This refinement represents a "change in accounting estimate" under Accounting Standards Codification ("ASC") Topic 250, *Accounting Changes and Error Corrections*, with prospective application beginning in the period of change. This change in accounting estimate resulted in a decrease of approximately $39 million in the ACL.

Qualitative Factors

Quantitative models have certain inherent limitations with respect to estimating expected losses. These limitations may be more prevalent in times of rapidly changing economic conditions and forecasts. Qualitative adjustments are made to the ACL when, based on management's judgment, there are factors impacting expected credit losses not taken into account by the quantitative calculations. Potential qualitative adjustments are categorized as follows:

- Changes in national, regional, and local economic conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
- Changes in the nature and volume of the portfolio and in the terms of loans.
- Changes in the experience, ability, and depth of lending management and other relevant staff.
- Changes in the volume and severity of past due loans, nonaccrual loans, and adversely classified or graded loans.
- Changes in the quality of the Company's loan review system.
- Changes in the value of underlying collateral for non-collateral dependent loans.
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations.
- The effect of other external factors, such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.
- Other qualitative factors that are likely to cause estimated credit losses associated with the Company's existing portfolio to differ from historical loss experience.

1. Summary of Significant Accounting Policies (continued)

Collateral Dependent Loans

Collateral dependent loans are defined as those for which the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. These loans do not typically share similar risk characteristics with other loans and expected credit losses are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. The Company selected certain practical expedients such that estimates of expected credit losses for collateral dependent loans, whether or not foreclosure is probable, are based on the fair value of the collateral, adjusted for selling costs when repayment depends on sale of the collateral.

Off-balance Sheet Credit Exposures

Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Expected credit losses are estimated using essentially the same methodologies employed to estimate expected credit losses on the amortized cost basis of loans, taking into consideration the likelihood and amount of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-balance sheet credit exposures is presented within other liabilities in the consolidated balance sheets, distinct from the ACL. Adjustments to the liability are included in the provision for credit losses. As of December 31, 2024 and 2023, the liability for credit losses on off-balance sheet credit exposures was $16,212,000 and $16,513,000, respectively.

Derivative Financial Instruments

Derivatives are recorded at fair value, net of variation margin payments, in the consolidated balance sheets as either other assets or other liabilities.

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and assessment as to likely effectiveness as a hedge. The three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation.

1. Summary of Significant Accounting Policies (continued)

The Company enters into master netting agreements with counterparties and in certain situations requires collateral from the counterparty. Most of the Company's derivative transactions are subject to mandatory clearing through a central clearinghouse. For derivatives cleared through a central clearinghouse, the variation margin payments are legally characterized as settlement of the derivative transaction and thus there is no fair value recognized in the consolidated balance sheets.

Interest Rate Swaps Designated as Hedging Instruments

Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period of time in accordance with the derivative contract. The notional amount on which the interest payments are based is not exchanged. The Company enters into interest rate swap transactions to manage cash flow changes related to interest rate risk exposure.

For interest rate swaps designated as hedging instruments, the Company formally documents the relationship between the hedge instrument and the hedged items, as well as the risk management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities in the consolidated balance sheets or to specific firm commitments or forecasted transactions. Unless hedge accounting is met, the subsequent changes in the derivative's fair value are recognized in the consolidated statements of income.

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

For a fair value hedge, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item, are recognized in earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in accumulated other comprehensive income (loss) and are recognized into earnings when the related cash flows from the hedged items impact earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in earnings. Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. The Company classifies cash flows on hedges in the same consolidated statements of cash flows line item as the cash flows of the items being hedged.

1. Summary of Significant Accounting Policies (continued)

If the hedge is terminated or is no longer highly effective, hedge accounting is discontinued prospectively. When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as other non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were in accumulated other comprehensive income (loss) are amortized into earnings over the same periods which the hedged transactions will affect earnings. If the forecasted transaction is no longer probable, the gain or loss is immediately included in earnings.

Interest Rate Swaps Not Designated as Hedging Instruments

The Company does not use derivative instruments to speculate. The Company enters into interest rate swaps to facilitate the risk management strategies of certain commercial banking clients related to exposure of interest rate fluctuations. Interest rate swaps that are not designated as hedging instruments are recorded as other assets and other liabilities in the consolidated balance sheets with gains and losses related to the change in fair value recognized in credit valuation adjustment in the consolidated statements of income during the period in which the change in fair value occurred.

Mortgage Banking

The Company enters into interest rate lock agreements related to expected funding of fixed-rate mortgage loans as well as forward commitments to sell fixed-rate mortgage loans. The interest rate lock commitments and the forward commitments are reported at fair value in other assets and other liabilities in the consolidated balance sheets and changes in fair value are recorded in the consolidated statements of income as a component of gain on sale of loans.

Goodwill

Goodwill is measured as any excess of the acquisition-date amounts of the consideration transferred over the acquisition-date amounts of the net identifiable assets acquired in a business acquisition. Goodwill is tested for impairment at the reporting unit level. The Company has assigned all goodwill to one reporting unit that represents the total banking operations.

The Company 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. The Company 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.

1. Summary of Significant Accounting Policies (continued)

The Company tests goodwill for impairment annually and more frequently if indicators of impairment exist. Impairment exists when the carrying amount of a reporting unit, including goodwill, exceeds its fair value. The fair value of the Company's single reporting unit is based on valuation techniques that a market participant may use such as estimated discounted cash flows and observable average price-to-tangible book value and price-to-earnings multiples of similar banks. An optional qualitative assessment permits the Company to assess whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company is required to perform the quantitative impairment test. If it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company does not need to perform the quantitative impairment test. No impairment was identified in 2024 or 2023.

Intangible Assets

The Company's intangible assets primarily consist of core deposit premiums arising from business acquisitions. The core deposit premiums are finite-lived intangible assets that are amortized over their useful lives using the straight-line method.

Finite-lived intangible assets are reviewed for impairment when indicators of impairment are present. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value. No impairment to the intangible assets was identified in 2024 or 2023.

As part of the acquisition of the Bank, a trade name intangible asset was recognized. The trade name intangible asset was determined to have an indefinite life thus is not amortized until its useful life is determined to be finite. The Company reviews the useful life of an indefinite-lived intangible asset each reporting period to determine whether events and circumstances continue to support the indefinite useful life classification.

When the Company determines that the life of an intangible asset is no longer indefinite, the intangible asset will then be tested for impairment in the same manner as other indefinite-lived intangible assets.

Transfers of Financial Assets

Transfers of financial assets in which the Company has surrendered control are accounted for as sales. Control is considered to be surrendered when 1) the assets have been isolated from the Company, 2) the transferee obtains the rights to pledge or exchange the transferred assets, and 3) the Company does not maintain effective control over the transferred assets. If the sale criteria are not met, the transferred assets are retained in the Company's consolidated balance sheets and the proceeds from the transaction are recognized as a liability. If the sale criteria are met, the transferred assets are derecognized from the consolidated balance sheets and a gain or loss is recognized.

1. Summary of Significant Accounting Policies (continued)

Federal Home Loan Bank and Federal Reserve Bank Stock

The Company has ownership in Federal Home Loan Bank ("FHLB") of Atlanta and Federal Reserve Bank ("FRB") stock. In order to be a member in the FHLB or FRB system, investment in stock is required. As the ownership is restricted to member institutions, FHLB and FRB stock do not have readily determinable fair values and have no quoted market values. All transactions take place at par value with the FHLB and FRB as the only purchaser. Thus, the Company carries FHLB and FRB stock at cost (par value). The Company determines whether these investments are impaired based on the Company's assessment of the recoverability of the cost (par value).

Bank-Owned Life Insurance

The Company purchases life insurance on selected officers and employees. The Company is the owner of the policies and thus, the cash surrender value of the policies is included in total assets. Increases in the cash surrender value are reported as bank-owned life insurance ("BOLI") income in the consolidated statements of income. The cash surrender value accumulation on BOLI is permanently tax deferred if the policy is held to the insured individual's death while meeting other certain conditions.

During the year ended December 31, 2024, as part of a strategic repositioning to improve yields, the Company repositioned the BOLI portfolio by surrendering approximately $168.7 million, executing an Internal Revenue Code 1035 exchange of approximately $165.9 million, and purchasing approximately $50 million in BOLI policies. In connection with the repositioning, the Company incurred $4.7 million in 1035 exchange fees which are included in other non-interest expense in the consolidated statements of income during the year ended December 31, 2024. As a result of the policies surrendered, the Company recognized income tax expense of approximately $5.9 million during the year ended December 31, 2024.

Premises, Equipment, and Software

Premises, equipment, and software are recognized at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method. The estimated useful lives used to depreciate or amortize the cost of the assets are:

Buildings	39 years
Leasehold improvements[1]	3-30 years
Furniture and equipment	5-10 years
Software	3-5 years

[1]Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the asset.

1. Summary of Significant Accounting Policies (continued)

The asset's cost and applicable accumulated depreciation or amortization is derecognized from the consolidated balance sheets when the asset is sold, retired or disposed. Any applicable gain or loss is recognized in other non-interest income in the consolidated statements of income.

Maintenance and repairs of premises and equipment are expensed as incurred.

Other Real Estate Owned

Other real estate owned is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Physical possession of real estate property collateralizing a mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at lower of cost or fair value, less estimated costs to sell. If fair value declines subsequent to foreclosure, the asset is written down either directly or through a valuation allowance, with each method recorded through expense. Operating costs after acquisition are expensed.

Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Federal funds purchased represent unsecured funding arrangements between participants in the Federal Reserve system to assist banks with meeting their regulatory cash reserve requirements. For securities sold under agreements to repurchase, the Company maintains effective control over the transferred securities, resulting in a secured borrowing with a pledge of collateral. The Company recognizes cash received, together with a liability for the obligation to return it to the transferee. Declines in the fair value of the collateral would require the Company to increase the amounts of securities pledged.

Contingent Liabilities

Contingent liabilities arise in the ordinary course of business including those related to pending litigation. When information indicates that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated, a loss is accrued.

Due to the preliminary nature of legal matters, the Company may in certain instances be unable to estimate a reasonably possible loss. Quarterly, the Company re-assesses all legal matters and updates, when needed, any estimate of contingent liabilities.

Legal Costs

Legal costs related to litigation such as attorney fees are expensed as incurred.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company files U.S. federal tax returns and various state tax returns. The provision for income taxes reflects the income in the consolidated financial statements, rather than the income reported on the Company's income tax return.

Deferred tax assets and liabilities are recognized for the future tax effect attributable to differences between the financial statements amount of assets and liabilities and the tax basis amount of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. If a recovery or settlement is considered more-likely-than-not, a valuation allowance is recognized for the deferred tax asset. In the period that a tax rate change is enacted, the effect of the tax rate change on a deferred tax asset or liability is recognized as income or expense.

The Company accrues tax liabilities for uncertain income tax positions based on current assumptions regarding the ultimate anticipated outcome. If the related tax benefits are not more likely than not of being sustained upon examination, the Company will accrue a tax liability or reduce a deferred tax asset.

The Company recognizes interest and penalties related to income tax matters in income tax expense.

Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 require greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid. In addition, the amendments require disclosure of income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and disclosure of income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign.

The amendments in the ASU also eliminate the requirement for all entities to (1) disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or (2) make a statement that an estimate of the range cannot be made, and the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. Those existing disclosure requirements are no longer considered cost beneficial or relevant.

1. Summary of Significant Accounting Policies (continued)

For public business entities, the amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in ASU 2023-09 should be applied on a prospective basis, though retrospective application is permitted. The Company is still in the process of evaluating the impact of ASU 2023-09 and has not made a determination as to the expected impact on its consolidated financial statements.

Reclassifications

Certain items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholder's equity.

Subsequent Events

Subsequent events have been evaluated through the date the consolidated financial statements were available to be issued on February 28, 2025, determining that no events require additional disclosure in these consolidated financial statements, except as follows:

In January 2025, the Company executed a 15-year office lease with an expected commencement date of May 1, 2026. The estimated impact is an increase of approximately $75.8 million to other assets and $91.7 million to other liabilities on the consolidated financial statements.

2. Securities

Investment securities include debt securities available for sale, debt securities held to maturity, and equity securities.

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of debt securities:

	December 31, 2024			
Investment Debt Securities Outstanding	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
	(In Thousands)			
Debt securities available for sale:				
U.S. government agency securities	$ 2,314,831	$ 799	$ (291,686)	$ 2,023,944
Mortgage-backed securities issued by U.S. government sponsored enterprises	1,911,387	536	(309,764)	1,602,159
U.S. Treasury securities	106,213	–	(7,525)	98,688
Corporate debt securities and other	56,465	632	–	57,097
Total debt securities available for sale	4,388,896	1,967	(608,975)	3,781,888
Debt securities held to maturity:				
U.S. government agency securities	25,000	–	(5,788)	19,212
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,606,408	97	(331,504)	2,275,001
Corporate debt securities and other	–	–	–	–
Total debt securities held to maturity	2,631,408	97	(337,292)	2,294,213
Total investment debt securities	$ 7,020,304	$ 2,064	$ (946,267)	$ 6,076,101

2. Securities (continued)

Investment Debt Securities Outstanding	December 31, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities available for sale:				
U.S. government agency securities	$ 2,026,203	$ 1,766	$ (296,986)	$ 1,730,983
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,375,282	96	(329,564)	2,045,814
U.S. Treasury securities	28,526	–	(696)	27,830
Corporate debt securities and other	56,412	175	(206)	56,381
Total debt securities available for sale	4,486,423	2,037	(627,452)	3,861,008
Debt securities held to maturity:				
U.S. government agency securities	25,000	–	(5,607)	19,393
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,828,220	840	(330,103)	2,498,957
Corporate debt securities and other	1,000	–	–	1,000
Total debt securities held to maturity	2,854,220	840	(335,710)	2,519,350
Total investment debt securities	$ 7,340,643	$ 2,877	$ (963,162)	$ 6,380,358

Debt securities having a fair value of $670 million and $1.8 billion at December 31, 2024 and 2023, respectively, were pledged as collateral to secure certain public deposits, repurchase agreements, or for other purposes.

At December 31, 2024 and 2023, the Company held equity securities at an aggregate fair value of $43.7 million and $37.1 million, respectively. Equity securities are composed of mutual funds. Equity securities are carried at fair value with changes in fair value reported in other non-interest income in the consolidated statements of income.

2. Securities (continued)

The amortized cost and fair value of debt securities at December 31, 2024 by contractual maturity are detailed below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Debt Securities Available for Sale		Debt Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in Thousands)			
Due in one year or less	$ –	$ –	$ –	$ –
Due after one year through five years	136,061	135,986	134,137	126,942
Due after five years through ten years	477,940	453,243	687,101	567,211
Due after ten years	3,774,895	3,192,659	1,810,170	1,600,060
Total debt securities	$ 4,388,896	$ 3,781,888	$ 2,631,408	$ 2,294,213

During the year ended December 31, 2024, the Company initiated a strategic repositioning of the securities portfolio. The Company initiated the strategic repositioning with the primary purpose of improving yields. As part of this strategy, in the third quarter of 2024, the Company sold debt securities available for sale with a fair value of $628.1 million and recognized a pre-tax loss on sale of approximately $64.6 million (approximately $48.2 million, net of taxes). In order to mitigate the impact on regulatory capital ratios, Bci made a capital contribution of $50 million to the Company during the same period.

Proceeds from sales, gross gains, and gross losses on sales of debt securities available for sale for the years ended December 31, 2024 and 2023 are presented below. The specific identification method is used to reclassify gains and losses out of other comprehensive income (loss) at the time of sale.

	Year Ended December 31,	
	2024	2023
	(In Thousands)	
Proceeds from sales of debt securities available for sale	$ 628,069	$ 202,963
Gross realized gains from sales of debt securities available for sale	–	543
Gross realized losses from sales of debt securities available for sale	(64,601)	(4,772)
Losses on sales of debt securities available for sale, net	(64,601)	(4,229)
Unrealized (losses) gains on equity securities recognized in earnings	(236)	312
Losses on debt securities available for sale and equity securities, net	$ (64,837)	$ (3,917)

2. Securities (continued)

The following tables present the fair value and amount by which amortized cost exceeds fair value for debt securities available for sale in unrealized loss positions and the length of time the securities have been in a continuous unrealized loss position at December 31, 2024 and 2023.

	2024					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
Debt securities available for sale:						
U.S. government agency securities	$ 919,510	$ (34,839)	$ 971,526	$ (256,847)	$ 1,891,036	$ (291,686)
Mortgage-backed securities issued by U.S. government sponsored enterprises	107,030	(1,106)	1,378,849	(308,658)	1,485,879	(309,764)
U.S. Treasury securities	98,688	(7,525)	–	–	98,688	(7,525)
Corporate debt securities and other	–	–	–	–	–	–
Total debt securities available for sale	$1,125,228	$ (43,470)	$ 2,350,375	$ (565,505)	$ 3,475,603	$ (608,975)

	2024					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
Debt securities held to maturity:						
U.S. government agency securities	$ –	$ –	$ 19,212	$ (5,788)	$ 19,212	$ (5,788)
Mortgage-backed securities issued by U.S. government sponsored enterprises	204,838	(3,240)	2,037,847	(328,264)	2,242,685	(331,504)
Total debt securities held to maturity	$ 204,838	$ (3,240)	$ 2,057,059	$ (334,052)	$ 2,261,897	$ (337,292)

2. Securities (continued)

	2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities available for sale:						
U.S. government agency securities	$ 236,757	$ (15,100)	$ 1,351,358	$ (281,886)	$ 1,588,115	$ (296,986)
Mortgage-backed securities issued by U.S. government sponsored enterprises	448,536	(14,065)	1,562,972	(315,499)	2,011,508	(329,564)
U.S. Treasury securities	–	–	27,830	(696)	27,830	(696)
Corporate debt securities and other	–	–	10,794	(206)	10,794	(206)
Total debt securities available for sale	$ 685,293	$ (29,165)	$ 2,952,954	$ (598,287)	$ 3,638,247	$ (627,452)

	2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities held to maturity:						
U.S. government agency securities	$ –	$ –	$ 19,393	$ (5,607)	$ 19,393	$ (5,607)
Mortgage-backed securities issued by U.S. government sponsored enterprises	417,078	(26,888)	1,955,374	(303,215)	2,372,452	(330,103)
Total debt securities held to maturity	$ 417,078	$ (26,888)	$ 1,974,767	$ (308,822)	$ 2,391,845	$ (335,710)

2. Securities (continued)

The following tables present the number of debt securities in unrealized loss positions and the length of time the securities have been in a continuous unrealized loss position:

	December 31, 2024			December 31, 2023		
	Less Than 12 Months	12 Months or Greater		Less Than 12 Months	12 Months or Greater	
	# of Securities	# of Securities	Total	# of Securities	# of Securities	Total
Debt securities available for sale:						
U.S. government agency securities	48	87	135	25	137	162
Mortgage-backed securities issued by U.S. government sponsored enterprises	7	111	118	24	126	150
U.S. Treasury securities	3	–	3	–	1	1
Corporate debt securities and other	–	–	–	–	1	1
Total debt securities available for sale	58	198	256	49	265	314

	December 31, 2024			December 31, 2023		
	Less Than 12 Months	12 Months or Greater		Less Than 12 Months	12 Months or Greater	
	# of Securities	# of Securities	Total	# of Securities	# of Securities	Total
Debt securities held to maturity:						
U.S. government agency securities	–	1	1	–	1	1
Mortgage-backed securities issued by U.S. government sponsored enterprises	12	138	150	20	126	146
Total debt securities held to maturity	12	139	151	20	127	147

2. Securities (continued)

The Company monitors its debt securities for credit loss impairment on an individual security basis. No securities were determined to be credit loss impaired during the years ended December 31, 2024 and 2023. At December 31, 2024, the Company did not intend to sell any debt securities that were in an unrealized loss position and it was not more likely than not that the Company would be required to sell these debt securities before recovery of the amortized cost basis, which may be at maturity. In making this determination, the Company considered its current and projected liquidity position, its investment policy as to permissible holdings and concentrations limits, regulatory requirements, and other relevant factors. The Company concluded that there was no credit loss impairment as the unrealized losses were generally attributable to rising interest rates.

3. Loans and Leases and Allowance for Credit Losses

Loans and leases by class of financing receivable are as follows:

	December 31, 2024	December 31, 2023
	(*In Thousands*)	
Commercial real estate:		
Commercial real estate owner occupied	$ 1,815,375	$ 1,595,864
Commercial real estate non-owner occupied	6,983,245	7,008,241
Construction and land	1,657,685	1,328,007
Total commercial real estate	10,456,305	9,932,112
Commercial and other business loans	3,736,009	3,420,003
Commercial leases	205,798	321,428
Residential real estate	3,847,581	3,729,090
Consumer other	110,634	96,519
Total	$ 18,356,327	$ 17,499,152

The above tables include net deferred fees, which includes unearned and unamortized costs and fees of $8.7 million and $2.0 million at December 31, 2024 and 2023, respectively. The above tables also include unamortized discounts related to purchased loans of $6.7 million and $8.3 million at December 31, 2024 and 2023, respectively. Additionally, the above tables exclude accrued interest receivable on loans totaling $77 million and $82 million as of December 31, 2024 and 2023, respectively. Accrued interest receivable on loans was excluded from the estimate of ACL at December 31, 2024 and 2023.

The carrying value of loans pledged as collateral for borrowings was $4.6 billion and $9.9 billion as of December 31, 2024 and 2023, respectively.

3. Loans and Leases and Allowance for Credit Losses (continued)

Credit Quality Indicators

Loans and leases are assessed for credit risk and assigned internal risk ratings based on various characteristics, such as the borrower's cash flow, collateral, and leverage. Internal risk ratings are considered the most meaningful indicator of credit quality. Loans and leases are monitored for changes in credit quality on an ongoing basis. Commercial real estate loans of $5 million and greater are reevaluated at least annually for proper classification in conjunction with our review of property and borrower financial information, while all loans are re-evaluated for proper risk grading as new information such as payment patterns, collateral condition and other relevant information comes to our attention. Additionally, commercial real estate loans $2 million and greater are tested annually for compliance with covenants. Below are the definitions of the Company's internal risk ratings:

Pass – loans and leases that are performing with minimal to average credit risk.

Special Mention – loans and leases that are performing but exhibit potential weaknesses and thus the Company has identified them for monitoring as repayment may deteriorate in the future.

Substandard – loans and leases that have defined weaknesses (either in borrower specific conditions or in the borrower's underlying collateral, if applicable) and the Company will sustain losses if the weaknesses are not addressed.

Doubtful – loans and leases with similar weaknesses as substandard loans but the probability of loss is high and the Company believes that the underlying collateral value or the source of repayment is not sufficient to recover the outstanding balance of the loan.

3. Loans and Leases and Allowance for Credit Losses (continued)

Management considers original FICO scores to be the most meaningful indicator of the credit quality of residential and other consumer loans. During the year ended December 31, 2023, due to the refinement of the ACL estimate for most residential loans, management also considers original LTV rates to be a meaningful indicator of credit quality of residential loans.

The following tables present credit quality indicators by class of financing receivable with balances presented on an amortized cost basis as of December 31, 2024 and 2023:

	December 31,	
	2024	**2023**
	(In Thousands)	
Commercial real estate		
Commercial real estate owner occupied:		
Pass	$ 1,768,767	$ 1,573,622
Special mention	2,904	14,102
Substandard	43,704	8,140
Total commercial real estate owner occupied	$ 1,815,375	$ 1,595,864
Commercial real estate non-owner occupied:		
Pass	$ 6,317,042	$ 6,770,780
Special mention	307,227	123,755
Substandard	358,976	113,706
Total commercial real estate non-owner occupied	$ 6,983,245	$ 7,008,241
Construction and land:		
Pass	$ 1,614,425	$ 1,323,828
Special mention	19,751	4,179
Substandard	23,509	–
Total construction and land	$ 1,657,685	$ 1,328,007
Total commercial real estate:		
Pass	$ 9,700,234	$ 9,668,230
Special mention	329,882	142,036
Substandard	426,189	121,846
Total commercial real estate	$ 10,456,305	$ 9,932,112
Commercial and other business loans:		
Pass	$ 3,573,533	$ 3,323,035
Special mention	30,232	40,599
Substandard	132,244	56,369
Total commercial and other business loans	$ 3,736,009	$ 3,420,003
Commercial leases:		
Pass	$ 177,165	$ 321,428
Special mention	17,165	–
Substandard	11,468	–
Total commercial leases	$ 205,798	$ 321,428

3. Loans and Leases and Allowance for Credit Losses (Continued)

The following table presents residential real estate loans, by original FICO scores and by original LTV rates with balances presented on an amortized cost basis as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	(In Thousands)	
FICO score:		
780 or greater	$ 1,129,084	$ 1,140,370
700-779	2,229,814	2,088,476
620-699	467,074	471,580
619 or less	21,609	28,664
	$ 3,847,581	$ 3,729,090
LTV rate:		
Less than 60%	$ 1,190,482	$ 1,509,522
60% to 70%	1,294,128	1,149,240
71% to 80%	1,053,905	845,090
More than 80%	309,066	225,238
	$ 3,847,581	$ 3,729,090

The following table presents consumer and other loans, by original FICO scores with balances presented on an amortized cost basis as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
	(In Thousands)	
FICO score:		
780 or greater	$ 8,228	$ 8,502
700-779	53,536	50,436
620-699	10,700	6,230
619 or less	38,170	31,351
	$ 110,634	$ 96,519

3. Loans and Leases and Allowance for Credit Losses (continued)

Past Due and Nonaccrual Loans and Leases

The below tables present the past due status of loans and leases by class of financing receivable with balances presented on an amortized cost basis as of December 31, 2024 and 2023:

	December 31, 2024						
	30-59 Days Past Due	**60-89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current**	**Total Amortized Cost**	**Amortized Cost of Loans 90 Days Past Due and Accruing**
				(In Thousands)			
Commercial real estate:							
Commercial real estate owner occupied	$ 8,901	$ 1,601	$ 563	$ 11,065	$ 1,804,310	$ 1,815,375	$ –
Commercial real estate non-owner occupied	8,294	13,028	7,352	28,674	6,954,571	6,983,245	–
Construction and land	1,837	893	7,971	10,701	1,646,984	1,657,685	–
Total commercial real estate	19,032	15,522	15,886	50,440	10,405,865	10,456,305	–
Commercial and other business loans	44,376	2,423	33,539	80,338	3,655,671	3,736,009	–
Commercial leases	–	–	–	–	205,798	205,798	–
Residential real estate	39,546	31,313	51,091	121,950	3,725,631	3,847,581	–
Consumer other	–	–	661	661	109,973	110,634	–
Total	$ 102,954	$ 49,258	$ 101,177	$ 253,389	$ 18,102,938	$ 18,356,327	$ –

	December 31, 2023						
	30-59 Days Past Due	**60-89 Days Past Due**	**90+ Days Past Due**	**Total Past Due**	**Current**	**Total Amortized Cost**	**Amortized Cost of Loans 90 Days Past Due and Accruing**
				(In Thousands)			
Commercial real estate:							
Commercial real estate owner occupied	$ 6,260	$ 2,945	$ 2,572	$ 11,777	$ 1,584,087	$ 1,595,864	$ –
Commercial real estate non-owner occupied	1,416	–	26,826	28,242	6,979,999	7,008,241	–
Construction and land	11,834	–	–	11,834	1,316,173	1,328,007	–
Total commercial real estate	19,510	2,945	29,398	51,853	9,880,259	9,932,112	–
Commercial and other business loans	31,418	2,095	40,186	73,699	3,346,304	3,420,003	–
Commercial leases	–	–	–	–	321,428	321,428	–
Residential real estate	11,474	647	7,979	20,100	3,708,990	3,729,090	–
Consumer other	298	–	–	298	96,221	96,519	–
Total	$ 62,700	$ 5,687	$ 77,563	$ 145,950	$ 17,353,202	$ 17,499,152	$ –

3. Loans and Leases and Allowance for Credit Losses (continued)

The following table presents information on the Company's nonaccrual loans by class of financing receivable as of December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
(In Thousands)	Amortized Cost of Nonaccrual Loans	Amortized Cost of Nonaccrual Loans With No Related Allowance for Credit Losses	Amortized Cost of Nonaccrual Loans	Amortized Cost of Nonaccrual Loans With No Related Allowance for Credit Losses
Commercial real estate:				
Commercial real estate owner occupied	$ 6,333	$ 5,770	$ 2,572	$ 447
Commercial real estate non-owner occupied	11,844	1,864	26,826	26,826
Construction and land	12,067	12,067	–	–
Total commercial real estate	30,244	19,701	29,398	27,273
Commercial and other business loans	53,819	1,465	40,186	23,630
Residential real estate	54,691	25,548	7,979	7,979
Consumer other	661	661	–	–
Total	$ 139,415	$ 47,375	$ 77,563	$ 58,882

The Company did not recognize any interest income on nonaccrual loans during the years ended December 31, 2024 or 2023.

Allowance for Credit Losses

The following table presents disaggregated activity in the ACL by portfolio segment:

(In Thousands)	Commercial Real Estate Owner Occupied	Commercial Real Estate Non-Owner Occupied	Construction and Land	Commercial and Other Business Loans	Commercial Leases	Residential Real Estate	Consumer Other	Total
Beginning balance – December 31, 2022	$ 10,313	$ 38,575	$ 1,593	$ 30,952	$ 5,974	$ 47,304	$ 4,104	$ 138,815
Charge-offs	–	–	–	(21,787)	–	–	(80)	(21,867)
Recoveries	100	–	–	454	–	–	22	576
Provision for credit losses	2,397	14,550	2,523	27,184	(1,112)	(34,997)	6,008	16,553
Ending balance – December 31, 2023	$ 12,810	$ 53,125	$ 4,116	$ 36,803	$ 4,862	$ 12,307	$ 10,054	$ 134,077
Charge-offs	–	(5,134)	–	(26,379)	–	–	(16)	(31,529)
Recoveries	–	(91)	–	3,583	–	–	–	3,492
Provision for credit losses	657	36,630	4,518	35,466	(4,130)	13,200	(6,125)	80,216
Ending balance – December 31, 2024	$ 13,467	$ 84,530	$ 8,634	$ 49,473	$ 732	$ 25,507	$ 3,913	$ 186,256

(Release of) provision for credit losses on off-balance sheet credit exposures was $(301,000) and $1.1 million for the years ended December 31, 2024 and 2023, respectively.

3. Loans and Leases and Allowance for Credit Losses (continued)

Collateral Dependent Loans

Loans and leases are deemed collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. The following tables illustrate the amortized cost basis of collateral dependent loans and leases as of December 31, 2024 and 2023:

	December 31, 2024		
	Amortized Cost	Extent to Which Collateral Secures the Loan and Lease	Type of collateral
	(In Thousands)		
Commercial real estate:			
Commercial real estate owner occupied	$ 6,333	$ 6,333	Commercial real estate
Commercial real estate non-owner occupied	11,844	10,458	Commercial real estate
Construction and land	12,067	12,067	Commercial real estate
Total commercial real estate	30,244	28,858	
Commercial and other business loans	7,996	7,996	Residential real estate
Residential real estate	38,639	38,639	Residential real estate
Consumer other	661	661	Residential real estate
Total collateral dependent loans	$ 77,540	$ 76,154	

	December 31, 2023		
	Amortized Cost	Extent to Which Collateral Secures the Loan and Lease	Type of collateral
	(In Thousands)		
Commercial real estate:			
Commercial real estate owner occupied	$ 2,572	$ 2,569	Commercial real estate
Commercial real estate non-owner occupied	26,826	26,826	Commercial real estate
Total commercial real estate	29,398	29,395	
Commercial and other business loans	22,583	22,547	Commercial vehicles and equipment
Residential real estate	8,567	8,568	Residential real estate
Total collateral dependent loans	$ 60,548	$ 60,510	

3. Loans and Leases and Allowance for Credit Losses (continued)

During the years ended December 31, 2024 and 2023, there have been no significant changes to the extent to which collateral secured loans are deemed as collateral dependent.

Modifications for Borrowers Experiencing Financial Difficulty

From time to time, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extensions, or an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

The following tables present the amortized cost basis of loans that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and type of modification:

	December 31, 2024		
	Payment Delay	**Term Extension**	**Total Amortized Cost**
		(In Thousands)	
Commercial real estate:			
Commercial real estate owner occupied	$ 2,819	$ –	$ 2,819
Commercial real estate non-owner occupied	41,514	–	41,514
Total commercial real estate	44,333	–	44,333
Commercial and other business loans	18,435	–	18,435
Residential real estate	–	42	42
Total	$ 62,768	$ 42	$ 62,810

	December 31, 2023		
	Payment Delay	**Term Extension**	**Total Amortized Cost**
		(In Thousands)	
Commercial real estate:			
Commercial real estate owner occupied	$ 7,436	$ –	$ 7,436
Commercial real estate non-owner occupied	75,371	–	75,371
Total commercial real estate	82,807	–	82,807
Commercial and other business loans	11,986	472	12,458
Residential real estate	9,566	670	10,236
Total	$ 104,359	$ 1,142	$ 105,501

At December 31, 2024 and 2023, the Company has committed to lend additional amounts totaling $2,000 and $500,000, respectively, to borrowers included in the previous tables.

3. Loans and Leases and Allowance for Credit Losses (continued)

The Company closely monitors the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months:

	December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Amortized Cost
	(In Thousands)					
Commercial real estate:						
Commercial real estate owner occupied	$ –	$ –	$ –	$ –	$ 2,819	$ 2,819
Commercial real estate non-owner occupied	–	–	–	–	41,514	41,514
Total commercial real estate	–	–	–	–	44,333	44,333
Commercial and other business loans	11,945	–	–	11,945	6,490	18,435
Residential real estate	–	–	–	–	42	42
Total	$ 11,945	$ –	$ –	$ 11,945	$ 50,865	$ 62,810

There were no payment defaults for any of the loans modified during the year ended December 31, 2024.

Loan Sales

During the year ended December 31, 2023, the Company sold approximately $233.6 million in syndicated loans, which are included in the commercial and other business loan class, for a loss of approximately $0.9 million.

Concentrations of Credit

The Company has a geographic credit concentration in Florida. Additionally, approximately 60% of the Company's loans are secured by commercial real estate as of December 31, 2024.

4. Leases

The information below provides a summary of the Company's leasing activities as a lessor and a lessee.

Lessor

The Company's lease portfolio includes commercial financing lease receivables that consist of direct financing and leveraged leases of commercial equipment. Direct financing leases transfer substantially all of the benefits and risks related to equipment ownership, and are carried at the sum of all the minimum lease payments receivable plus the estimated residual values of the leased assets less unearned income. If direct financing leases have non-recourse debt associated with them, they are further classified as leveraged leases. Leveraged leases are carried at the sum of all minimum lease payments receivable, net of non-recourse debt, plus estimated residual values, less unearned income. Unearned income is recognized over the lease term using the level-yield method. Leveraged leasing is not a significant part of the Company's business activities.

The components of the net investment in commercial leases are as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Lease payments receivable	$ 198,867	$ 298,147
Estimated residual value of leased assets	31,638	59,933
Initial direct costs, net	2,239	3,686
Unearned income	(26,946)	(40,338)
Total	$ 205,798	$ 321,428

The Company periodically reviews residual values associated with its leasing portfolio. During 2024 and 2023, the Company did not recognize any residual value write-downs related to commercial leases.

4. Leases (continued)

At December 31, 2024, the minimum future lease payments to be received from lease financings were as follows:

	Minimum Lease Payments
	(In Thousands)
Year ending December 31:	
2025	$ 59,419
2026	44,415
2027	34,372
2028	29,240
2029	16,562
Thereafter	31,612
Total	$ 215,620

Operating Lease Equipment

The Company's investments in operating leases represent assets such as railcars and other equipment. The following table presents investments in operating leases as of December 31, 2024 and 2023:

	2024	2023
	(In Thousands)	
Railcars	$ 87,911	$ 91,183
Other equipment	142,117	148,392
Investments in operating leases, gross	230,028	239,575
Accumulated depreciation	(58,869)	(55,995)
Investments in operating leases, net	$ 171,159	$ 183,580

Depreciation expense for operating lease equipment was approximately $16.2 million and $16.4 million for the years ended December 31, 2024 and 2023, respectively.

4. Leases (continued)

The following table presents the minimum future rental payments due from customers for operating leases at December 31, 2024:

	Future Rental Payments[1]
	(In Thousands)
Year ending December 31:	
2025	$ 21,183
2026	19,894
2027	14,712
2028	8,943
2029	5,817
Thereafter	5,068
Total	$ 75,617

[1] Excludes variable rentals calculated on asset usage levels, releasing rentals, and expected sales proceeds from remarketing equipment at lease expiration.

The Company did not receive any contingent rental income during the years ended December 31, 2024 and 2023.

Lessee

Operating lease right of use assets ("ROUAs") represent a right to use an underlying asset for the contractual lease term. Operating lease liabilities represent an obligation to make lease payments arising from the lease. The Company determines if an arrangement is or contains a lease at the inception of the contract. ROUAs and lease liabilities are recognized at the inception date based on the present value of lease payments over the lease term. At lease inception, when the rate implicit in each lease is not readily available, the Company is required to apply an incremental borrowing rate to calculate the ROUA and lease liability. The incremental borrowing rate is based on factors including the lease term and various market rates. Additionally, the Company considers lease renewal options reasonably certain of exercise for purposes of determining the lease term.

Lease expense is recognized on a straight-line basis over the lease term.

The Company elected to exclude short-term leases up to 12 months from the recognition of ROUAs and lease liabilities. Additionally, the Company elected to separate lease and non-lease costs and accounts for them separately.

4. Leases (continued)

The Company leases branches, office space and a small amount of equipment under operating leases with remaining terms ranging from one to 30 years, some of which include extension options.

ROUAs and lease liabilities are included in other assets and other liabilities, respectively, in the consolidated balance sheets and are summarized as follows:

	December 31,	
	2024	**2023**
(In Thousands)		
Right of use assets	$ 60,175	$ 64,575
Lease liabilities	67,842	72,862

Lease costs are summarized as follows:

	December 31,	
	2024	**2023**
(In Thousands)		
Lease costs:		
Operating lease costs	$ 11,218	$ 11,411
Variable lease costs	500	540
Sublease income	(2,711)	(2,327)
Total lease costs	$ 9,007	$ 9,624

Short-term lease costs were immaterial for the years ended December 31, 2024 and 2023.

Additional information related to leases as of and for the years ended December 31, 2024 and 2023 is as follows:

	December 31,	
	2024	**2023**
(In Thousands, except weighted average data)		
Operating cash flows from operating leases	$ 10,423	$ 10,309
ROUAs obtained in exchange for new operating lease liabilities	$ 5,147	$ 1,427
Weighted average remaining lease term for operating leases	12.4 years	12.6 years
Weighted average discount rate for operating leases	2.42%	2.22%

4. Leases (continued)

The following table presents a maturity analysis and reconciliation of the undiscounted cash flows to the total operating lease liabilities as of December 31, 2024:

(In Thousands)	
Year ending December 31:	
2025	$ 11,735
2026	10,986
2027	10,440
2028	9,749
2029	8,860
Thereafter	31,426
Total minimum payments required	83,196
Less: implied interest	(15,354)
Total lease obligations	$ 67,842

Under the terms of certain leases, the Company is required to pay its share of real estate taxes and the cost of maintenance. Total rent expense on operating leases for the years ended December 31, 2024 and 2023 was approximately $12.0 million and $11.8 million, respectively, recognized in occupancy in the consolidated statements of income.

5. Derivative Instruments

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Cash Flow Hedges: Interest rate swaps with notional amounts totaling $300 million at December 31, 2024 and 2023 were designated as cash flow hedges of certain variable rate loans. Interest rate swaps with notional amounts totaling $1.1 billion at December 31, 2024 and 2023, were designated as cash flow hedges of certain FHLB advances. Interest rate swaps with notional amounts totaling $750 million at December 31, 2024 and 2023 were designated as cash flow hedges of certain brokered certificates of deposit. The hedges were determined to be effective during all years presented. The Company expects the hedges to remain effective during the remaining term of the swaps.

Fair Value Hedges: Interest rate swaps with notional amounts totaling $1.5 billion at December 31, 2024 and 2023 were designated as fair value hedges of certain fixed rate residential mortgage loans. Interest rate swaps with notional amounts totaling $1.2 billion and $1.1 billion at December 31, 2024 and 2023, respectively, were designated as fair value hedges of certain debt securities available for sale. The hedges were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining term of the swaps.

Derivatives Not Designated As Hedges: The Company also enters into interest rate swaps with its commercial loan clients. The notional amounts of interest rate swaps with its commercial loan clients totaled $1.7 billion and $1.5 billion at December 31, 2024 and 2023, respectively. The Company enters into corresponding offsetting derivatives with third parties. While these derivatives represent economic hedges, they do not qualify as hedges for accounting purposes.

Mortgage Banking Derivatives: Commitments to fund certain mortgage loans (interest rate lock commitments) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Company’s practice to enter forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. These mortgage banking derivatives are not designated in hedge relationships.

5. Derivative Instruments (continued)

	December 31, 2024			December 31, 2023		
		Fair Value			Fair Value	
	Notional Amount	Derivative Assets [1]	Derivative Liabilities[2]	Notional Amount	Derivative Assets [1]	Derivative Liabilities[2]
			(In Thousands)			
Derivatives designated as hedging instruments:						
Interest rate contracts (cash flow hedges)	$ 2,125,000	$ –	$ –	$ 2,125,000	$ –	$ –
Interest rate contracts (fair value hedges)	2,689,648	–	–	2,564,910	–	–
Total derivatives designated as hedging instruments		$ –	$ –		$ –	$ –
Derivatives not designated as hedging instruments:						
Interest rate contracts	$ 1,689,655	$ 69,026	$ 70,036	$ 1,543,892	$ 61,056	$ 65,819
Mortgage derivatives – interest rate lock commitments	20,550	187	–	28,408	642	–
Mortgage derivatives – forward commitments to sell mortgage loans	17,500	145	–	19,000	–	200
Total derivatives not designated as hedging instruments		$ 69,358	$ 70,036		$ 61,698	$ 66,019

(1) Derivative assets are recorded in other assets in the consolidated balance sheets.
(2) Derivative liabilities are recorded in other liabilities in the consolidated balance sheets.

At December 31, 2024, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows is through 2030.

The following table presents the amounts recorded in the consolidated balance sheets related to cumulative basis adjustments for fair value hedges as of December 31, 2024 and 2023:

Line Item in the Balance Sheet in Which the Hedged Item is Included	Carrying Amount of Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	2024	**2023**	**2024**	**2023**
		(In Thousands)		
Debt securities available for sale [1]	$ 4,388,896	$ 4,486,423	$ (4,493)	$ 2,243
Loans and leases	$ 18,356,327	$ 17,499,152	$ 2,176	$ (2,168)

(1) The fair value basis adjustment related to debt securities available for sale is included in accumulated other comprehensive loss in the consolidated balance sheets.

5. Derivative Instruments (continued)

The following table presents the effect of hedging derivative instruments in the consolidated statements of income and the total amounts for the respective line item:

	Year Ended December 31,	
	2024	**2023**
	(In Thousands)	
Gain on cash flow hedging relationships:		
Interest rate contracts	$ (2,441)	$ 304
Realized losses reclassified from AOCI into interest income on loans	(13,289)	(13,000)
Realized gains reclassified from AOCI into interest expense on borrowings	33,124	30,460
Realized gains reclassified from AOCI into interest expense on deposits	12,297	10,299
Pre-tax income recognized on cash flow hedges	$ 29,691	$ 28,063
Gain on fair value hedging relationships:		
Interest rate contracts	$ 6,736	$ 2,241
Hedged items fair value adjustment to interest income on securities	(6,736)	2,243
Derivative asset fair value adjustment to interest income on securities	6,668	(2,108)
Hedged items fair value adjustment to interest income on loans	2,176	2,168
Derivative liability fair value adjustment to interest income on loans	(2,368)	(1,755)
Pre-tax income recognized on fair value hedges	$ 6,476	$ 2,789

5. Derivative Instruments (continued)

The pre-tax effect of changes in fair value from derivative instruments not designated as hedging instruments in the consolidated statements of income is as follows:

Derivatives not Designated as Hedging Instruments	Location in Consolidated Statements of Income	(Loss) Gain Recognized in Consolidated Statements of Income During the Year Ended December 31, 2024	2023
		(In Thousands)	
Interest rate contracts	Credit valuation adjustment	$ 91	$ (1,304)
Mortgage derivatives – interest rate lock commitments	Gain on sale of loans, net	(455)	586
Mortgage derivatives – forward commitments to sell mortgage loans	Gain on sale of loans, net	345	(289)
Total derivatives not designated as hedging instruments		$ (19)	$ (1,007)

Credit Risk-Related Contingent Features

The Company has agreements with its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. At December 31, 2024, the Company is not in default on any of its indebtedness. At December 31, 2024 and 2023, seven and three of the Company's derivatives were in a liability position related to those agreements, respectively.

6. Premises, Equipment, and Software

Premises, equipment, and software consist of the following:

	Useful Life	December 31, 2024	December 31, 2023
		(In Thousands)	
Land		$ 26,368	$ 26,368
Buildings	39 years	31,558	31,573
Leasehold improvements	3–30 years	21,385	21,329
Furniture and equipment	5–10 years	22,440	21,885
Software	3–5 years	35,776	34,572
Construction in progress		2,736	2,150
Total premises, equipment, and software		140,263	137,877
Less: accumulated depreciation and amortization		(64,129)	(55,247)
Total premises, equipment, and software, net		$ 76,134	$ 82,630

Depreciation and amortization expense was $10.2 million and $11.2 million for the years ended December 31, 2024 and 2023, respectively, of which amortization expense for computer software was $5.1 million and $5.7 million for the years ended December 31, 2024 and 2023, respectively.

7. Goodwill and Other Intangible Assets

In accordance with GAAP, the Company performs an annual goodwill impairment test. The test is required to be performed annually or more frequently if events or circumstances indicate a potential impairment may exist. The Company compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company has a single reporting unit. A quantitative assessment of goodwill was performed where the estimated fair value of the reporting unit, utilizing a combination of an income-based discounted cash flow approach and market-based approach, was compared to the reporting unit's carrying amount. The income-based discounted cash flow approach includes internal forecasts, growth rates, and discount rates. The market approach was based on a comparison of certain financial metrics of the Company to public company peers. Based on the results of the quantitative assessment, the fair value of the reporting unit exceeded the carrying value. Thus, no goodwill impairment was recorded in 2024 or 2023.

7. Goodwill and Other Intangible Assets (continued)

Goodwill is summarized as follows:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Goodwill	$ 162,467	$ 162,467
Accumulated amortization	(101,894)	(85,877)
Goodwill, net	$ 60,573	$ 76,590

As of December 31, 2024, the estimated aggregate goodwill amortization expense is expected to be:

Year ending December 31:	Amortization
	(In Thousands)
2025	$ 15,964
2026	15,701
2027	15,701
2028	9,937
2029	1,869
Thereafter	1,401
	$ 60,573

Core deposit intangible assets are subject to an amortization period of six to twelve years using a straight-line method. The core deposit intangible is being amortized over a weighted average life of 7 years. The City National Bank of Florida trade name intangible asset is an indefinite lived asset not subject to amortization. The following tables present intangible assets included in the consolidated balance sheets:

	December 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In Thousands)					
Core deposit intangibles	$ 124,890	$ (119,727)	$ 5,163	$ 124,890	$ (113,807)	$ 11,083
Trade name	18,000	–	18,000	18,000	–	18,000
Other (leasehold interest)	4,310	(2,248)	2,062	4,310	(2,180)	2,130
Total	$ 147,200	$ (121,975)	$ 25,225	$ 147,200	$ (115,987)	$ 31,213

7. Goodwill and Other Intangible Assets (continued)

At December 31, 2024, the estimated aggregated amortization expense is expected to be:

Year ending December 31:	Amortization
	(In Thousands)
2025	$ 2,327
2026	1,981
2027	710
2028	120
2029	81
Thereafter	2,006
	$ 7,225

Core deposit intangible amortization expense was $6.2 million and $14.4 million for the years ended December 31, 2024 and 2023, respectively.

8. Deposits

The Company's deposits are comprised of the following:

	December 31,	
	2024	2023
	(In Thousands)	
Non-interest bearing	$ 4,480,549	$ 4,766,244
Interest bearing:		
Savings	174,679	206,727
Checking	3,400,600	2,999,017
Money market	8,682,700	8,457,757
Certificates of deposit	4,118,649	4,608,451
Total interest bearing	16,376,628	16,271,952
Total deposits	$ 20,857,177	$ 21,038,196

The aggregate amount of time deposits (including certificates of deposit) with balances $250,000 or more at December 31, 2024 and 2023 were $1.0 billion.

Brokered deposits of $2.7 billion and $3.4 billion are included in total deposits at December 31, 2024 and 2023, respectively.

8. Deposits (continued)

Interest expense on deposits is comprised of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
	(In Thousands)	
Savings	$ 1,976	$ 2,517
Checking	107,633	75,782
Money market	379,289	301,181
Certificates of deposit	182,179	209,316
	$ 671,077	$ 588,796

The scheduled maturities of time deposits (including certificates of deposit) at December 31, 2024 are as follows:

	(In Thousands)
Year ending December 31:	
2025	$ 4,096,613
2026	14,350
2027	2,616
2028	4,104
2029	948
Thereafter	18
Total time deposits (including certificates of deposit)	$ 4,118,649

At December 31, 2024 and 2023, the Company had $2.4 million and $3.5 million, respectively, of deposit accounts in overdraft status classified as loans.

9. Borrowings

Federal Home Loan Bank ("FHLB") Advances

The Bank is a member of the FHLB of Atlanta and has access to term financing from the FHLB. The following table presents information about outstanding borrowings:

Maturity	Fixed or Variable Rate	Range of Interest Rates	Weighted Average Interest Rate	December 31, 2024	December 31, 2023
				(In Thousands)	
January 2024	Fixed	5.45% to 5.47%	5.46%	$ –	$ 1,075,000
October 2024	Fixed	5.50%	5.50%	–	150,000
November 2024	Fixed	5.51%	5.51%	–	200,000
December 2024	Fixed	5.28%	5.28%	–	150,000
June 2024*	Variable	5.32% to 5.57%	5.46%	–	50,000
January 2025	Fixed	4.43% to 4.64%	4.53%	1,075,000	–
February 2025	Fixed	4.43% to 4.44%	4.44%	250,000	–
March 2025	Variable	4.57%	4.57%	250,000	–
June 2025	Variable	4.59%	4.59%	350,000	–
September 2025	Fixed	4.05%	4.05%	250,000	–
October 2025	Fixed	3.82%	3.82%	150,000	–
November 2025	Fixed	3.75%	3.75%	200,000	–
November 2025*	Variable	4.57% to 5.59%	5.11%	50,000	–
December 2025	Fixed	3.62%	3.62%	150,000	–
Total FHLB advances				$ 2,725,000	$ 1,625,000

*Daily Rate Credit ("DRC") advance.

The FHLB advances are subject to a prepayment fee, except for DRC advances.

All FHLB advances outstanding as of December 31, 2024 and 2023 are short-term advances.

FHLB advances are secured by specifically identified designated eligible assets. Eligibility is defined by the guidelines of the FHLB. At December 31, 2024 and 2023, FHLB advances outstanding were secured by commercial real estate and residential and multifamily mortgages totaling approximately $4.6 billion.

At December 31, 2024, the Company had available borrowing capacity at the FHLB of approximately $495.7 million.

9. Borrowings (continued)

Federal Reserve Bank ("FRB") Advances

At December 31, 2023, there were $700 million in outstanding advances under the FRB's Bank Term Funding Program. The FRB advances had a weighted average interest rate of 4.90%, with rates ranging from 4.85% to 4.93%, and were secured by debt securities with an aggregate par value of approximately $1.9 billion. The advances had a maturity date of December 2024 and were repaid in November 2024.

At December 31, 2024, the Company had available borrowing capacity at the FRB of $2.5 billion.

Other Borrowings

On October 9, 2020, the Company acquired $10.0 million of 6.5% fixed rate senior debt as part of the Company's acquisition of Executive National Bank. The senior debt was issued on January 7, 2019 by Executive National Bank and matures on January 7, 2029. On the acquisition date, the Company recognized the senior debt at fair value, which was approximately $11.0 million. The fair value premium mark is amortized over the remaining term of the senior debt.

At December 31, 2024, all contractual annual principal payments on long-term borrowings are due in 2029.

10. Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Federal funds purchased and securities sold under agreements to repurchase generally mature within three days from the transaction date but may have maturities as long as 90 days.

Information concerning federal funds purchased and securities sold under agreements to repurchase is presented below:

	December 31, 2024	December 31, 2023
	(In Thousands)	
Federal funds purchased		
At year-end:		
Amount	$ –	$ –
Rate	–	–
Average for the year:		
Amount	4	17
Rate	6.65%	5.10%
Maximum month end balance:		
Amount	–	–
Securities sold under agreements to repurchase		
At year-end:		
Amount	37,328	26,961
Weighted average rate	2.41%	2.65%
Average for the year:		
Amount	36,566	80,656
Rate	2.91%	2.75%
Maximum month end balance:		
Amount	47,935	111,282

For securities sold under agreements to repurchase, the Company maintains effective control over the transferred securities, resulting in a secured borrowing with a pledge of collateral. The Company recognizes cash received, together with a liability (federal funds purchased and securities sold under agreements to repurchase) for the obligation to return it to the transferee. Repurchase agreements are subject to terms and conditions of master repurchase agreements between the Company and the client or counterparty. If the Company has the right to sell or repledge the collateral, the Company presents those securities in its consolidated balance sheets separately as securities pledged to creditors as collateral from other assets not encumbered.

10. Federal Funds Purchased and Securities Sold Under Agreements to Repurchase (continued)

Due to the short maturity dates of securities sold under agreements to repurchase and the nature of collateral involved, the risks associated with these transactions are considered minimal. The value of the collateral approximates the value of the payable. Declines in the fair value of the collateral would require the Company to increase the amounts of securities pledged. The Company monitors the fair value of the underlying securities on a daily basis. The securities pledged by the Company are represented within the debt securities available for sale portfolio in the consolidated balance sheets.

The collateral type and remaining maturity for securities sold under agreements to repurchase at December 31, 2024 and 2023 are presented below.

	December 31, 2024			
	Overnight and Continuous	Up to 30 Days	More than 30 Days	Total
Securities sold under agreements to repurchase:				
U.S. government agency securities	$ –	$ –	$ –	$ –
Mortgage-backed securities issued by U.S. government sponsored enterprises	37,328	–	–	37,328
Total securities sold under agreements to repurchase	$ 37,328	$ –	$ –	$ 37,328

	December 31, 2023			
	Overnight and Continuous	Up to 30 Days	More than 30 Days	Total
Securities sold under agreements to repurchase:				
U.S. government agency securities	$ 3,383	$ –	$ –	$ 3,383
Mortgage-backed securities issued by U.S. government sponsored enterprises	23,578	–	–	23,578
Total securities sold under agreements to repurchase	$ 26,961	$ –	$ –	$ 26,961

11. Accumulated Other Comprehensive Income ("AOCI")

Accumulated other comprehensive loss is reported as a component of stockholder's equity and can include, among other things, unrealized gains and losses on debt securities available for sale and derivative instruments that are designated as, and qualify as, cash flow hedges. The reclassification for gains (losses) included in net income is recorded in loss on sale of debt securities, net, interest expense on borrowings, and interest and fees on loans and leases in the consolidated statements of income.

The following table provides the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2024 and 2023.

	Net Unrealized (Losses) Gains on Debt Securities Available for Sale	Net Unrealized Gains (Losses) on Derivative Instruments	Net Unrealized (Losses) Gains on Debt Securities Transferred from Available for Sale to Held to Maturity	Change in Other	Total
Balance at December 31, 2022	$ (534,821)	$ 45,442	$ (3,381)	$ (77)	$ (492,837)
Other comprehensive income before reclassifications	64,064	25,432	–	–	89,496
Amounts reclassified from accumulated other comprehensive income (loss)	3,367	(26,975)	564	–	(23,044)
Net comprehensive income (loss)	67,431	(1,543)	564	–	66,452
Balance at December 31, 2023	(467,390)	43,899	(2,817)	(77)	(426,385)
Other comprehensive (loss) income before reclassifications	(34,494)	34,401	–	–	(93)
Amounts reclassified from accumulated other comprehensive income (loss)	48,225	(31,197)	310	–	17,338
Net comprehensive income	13,731	3,204	310	–	17,245
Balance at December 31, 2024	$ (453,659)	$ 47,103	$ (2,507)	$ (77)	$ (409,140)

11. Accumulated Other Comprehensive Income ("AOCI") (continued)

The table below presents the reclassifications out of accumulated other comprehensive loss, net of tax:

AOCI Component	Year Ended December 31, 2024	Year Ended December 31, 2023	Income Statements Line Item Affected
Debt securities held to maturity:			
Realized losses on debt securities transferred to held to maturity	$ 416	$ 708	Interest on securities
Tax benefit	(106)	(144)	Income tax expense
Total	310	564	Net income
Debt securities available for sale:			
Realized losses on debt securities available for sale	64,601	4,229	Loss on sale of debt securities, net
Tax benefit	(16,376)	(862)	Income tax expense
Total	48,225	3,367	Net income
Cash flow hedges:			
Realized gains on cash flow hedges for borrowings	(33,124)	(30,460)	Interest expense on borrowings
Realized losses on cash flow hedges for loans	13,289	13,000	Interest and fees on loans and leases
Realized gains on cash flow hedges for deposits	(12,297)	(10,299)	Interest expense on deposits
Total cash flow hedges	(32,132)	(27,759)	
Fair value hedges:			
Realized gains on fair value hedges for debt securities available for sale	(9,659)	(6,120)	Interest on securities
Total fair value hedges	(9,659)	(6,120)	
Total reclassifications on hedges	(41,791)	(33,879)	
Tax expense	10,594	6,904	Income tax expense
Total	(31,197)	(26,975)	Net income
Total reclassification from AOCI	$ 17,338	$ (23,044)	

12. Income Taxes

The Company's income tax expense is as follows:

	Year Ended December 31,	
	2024	2023
	(In Thousands)	
Current:		
Federal	$ 55,623	$ 32,846
State	15,729	16,410
Total current tax expense	71,352	49,256
Deferred:		
Federal	(30,511)	(600)
State	(10,711)	(3,523)
Total deferred tax benefit	(41,222)	(4,123)
Income tax expense	$ 30,130	$ 45,133

The effective tax rates for 2024 and 2023 differ from the statutory federal rate of 21% primarily as a result of state income taxes, non-taxable income, and nondeductible expenses.

12. Income Taxes (continued)

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) are as follows:

	December 31,	
	2024	**2023**
	(In Thousands)	
Deferred tax assets:		
Net operating losses	$ 23,345	$ 30,270
Allowance for credit losses	51,566	38,296
Operating lease liabilities	17,198	18,417
Goodwill and intangible assets	8,283	6,316
Employee benefits	12,061	13,639
FDIC special assessment	4,401	5,005
Other	18,456	7,703
Total deferred tax assets	135,310	119,646
Deferred tax liabilities:		
Right-of-use operating lease assets	(15,357)	(16,526)
Depreciation of lease assets	(43,924)	(67,060)
Other	(332)	(1,087)
Total deferred tax liabilities	(59,613)	(84,673)
Net deferred tax assets before unrealized depreciation of debt securities available for sale and derivatives designated as hedges	75,697	34,973
Unrealized depreciation of debt securities available for sale	154,721	159,031
Unrealized gains on derivatives designated as hedges	(15,845)	(14,714)
Net deferred tax assets	$ 214,573	$ 179,290

12. Income Taxes (continued)

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 evidence as defined in FASB Accounting Standards Codification ASC 740, *Income Taxes*, (ASC 740) 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 ASC 740, management must consider the scheduled reversal of deferred tax assets, projected future taxable income, tax planning strategies, and whether the Company 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 the 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, 2024 and 2023.

The Company's gross net operating losses of approximately $91.3 million of federal net operating losses and approximately $81.4 million of state of Florida net operating losses at December 31, 2024, will begin to expire at the end of 2030. Due to the 2015 acquisition of the Company by Bci, the Company's utilization of its acquisition-related net operating loss carryforward has been limited under Internal Revenue Code section 382 to approximately $26.7 million per year.

The Company 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, 2024, the Company has recorded a reserve related to $3.9 million in previously unrecognized tax benefits, primarily related to amended federal and state returns. The Company intends to file and pay the related income taxes due during 2025 for tax years 2019, 2020 and 2021.

The Company includes interest and penalties related to income taxes in the income tax provision. Total interest and penalties related to income taxes was insignificant for the years ended December 31, 2024 and 2023.

12. Income Taxes (continued)

The Company and its subsidiaries file a consolidated federal income tax return as well as combined and standalone state and local income tax returns. The federal tax returns for years 2021 through 2023 remain subject to examination in the U.S. Federal jurisdiction. State tax returns for years 2018 through 2023 remain subject to examination by certain states.

At December 31, 2024, the Company has a tax prepayment of approximately $6.0 million, which is included in other assets in the consolidated balance sheets. At December 31, 2023, the Company has a tax payable of approximately $30.1 million, which is included in other liabilities in the consolidated balance sheets.

13. Stock Appreciation Rights and Employee Benefits

Under the Company's Phantom Equity Value Appreciation Plan, Phantom Equity Value Appreciation Rights ("PEVARs") are granted to employees. Each PEVAR represents a right of the holder to receive an amount in cash equal to the excess of the fair market value of a share of the Company's common stock on the exercise date over the exercise price. The fair value of common stock is estimated annually through an independent valuation by a third-party service provider. The fair value of the PEVARs are remeasured each reporting period until settlement and changes in the fair value are charged to compensation expense as the PEVARs vest over the service period, which is generally a four year period beginning on the vesting commencement date. The Company recognizes compensation expense on a straight-line basis over the service period. Upon exercise, PEVARs are settled in cash and, therefore, are recorded in other liabilities in the consolidated balance sheets.

In 2019 and 2021, the Company granted PEVARs to selected executives. The PEVARs vested after four years, and the holders were able to exercise the PEVARs in Q1 2023, Q1 2024, or Q1 2025. In 2023, the Company agreed to pay out all PEVARs issued in 2019 based upon their intrinsic value as of December 31, 2022. During 2023, the Company reissued new PEVARs to the plan participants in the same quantity that was exercised and at the same strike price at which they were settled in cash. 50% of the PEVARs issued in 2023 were vested as of December 31, 2023 and the remaining 50% vested as of December 31, 2024. Participants may exercise PEVARs by Q1 2025, upon becoming fully vested.

For the years ended December 31, 2024 and 2023, compensation expense (benefit) of $0.1 million and $(13.2) million, respectively, has been included in salaries and employee benefits in the consolidated statements of income for the PEVARs.

13. Stock Appreciation Rights and Employee Benefits (continued)

The Company maintains a Medium Term Compensation Plan (the “2022 Cash Compensation Plan”) consisting of Restricted Share Units (“RSUs”) and Performance Share Units (“PSUs”) based upon the Bank’s fair market value as of December 31, 2021. All RSUs and PSUs are settled in cash and, therefore, are recorded in other liabilities in the consolidated balance sheets.

Except for one participant, RSUs vested 50% as of December 31, 2023 and the remaining 50% vested as of December 31, 2024. For one participant, RSUs vested 33.3% as of December 31, 2022, 33.3% as of December 31, 2023, and the remaining 33.3% as of December 31, 2024.

PSUs vest over a three-year period as of December 31, 2024. The amount of PSUs earned over the three-year period was initially based on the achievement of certain net income, ROE, and relative ROE goals. Some plan participants were solely issued RSUs while other participants were issued both RSUs and PSUs.

During 2023, the Company modified the 2022 Cash Compensation Plan, which impacted the plan participants in a favorable manner. For participants that were solely issued RSUs, the Company agreed to exercise the RSUs in cash at no less than the initial grant award amount of $2,474.84 per share, based upon the Bank’s independent valuation as of December 31, 2021. 50% of the RSUs were paid in 2024 and the remaining 50% will be paid in 2025.

For participants who were issued both RSUs and PSUs, the vesting of all RSUs was accelerated to December 31, 2023 and all RSUs were paid in the first quarter of 2024 based upon the Bank’s independent valuation as of December 31, 2021. Additionally, the Company agreed to grant all participants 100% of the PSUs issued and terminated the PSU performance goals. All PSUs that vest as of December 31, 2024 will be paid in Q1 2025 with participants earning 100% of the PSUs granted based on the initial grant award amount of $2,474.84 per share.

As of December 31, 2024, the Company has 60 active participants in the 2022 Cash Compensation Plan with 3,477 shares of PSUs and RSUs outstanding and vested.

For the years ended December 31, 2024 and 2023, compensation expense of $13.6 million and $15.6 million, respectively, has been included in salaries and employee benefits in the consolidated statements of income for the 2022 Cash Compensation Plan. The Company has accrued compensation expense of $15.0 million and $21.5 million as of December 31, 2024 and 2023, respectively, which is included in other liabilities in the consolidated balance sheets.

13. Stock Appreciation Rights and Employee Benefits (continued)

401(k) Plan

The Company offers a defined contribution benefit plan, the Retirement Savings and Retirement Savings Plan (401(k) Plan). The 401(k) Plan gives eligible employees the option to contribute up to 100% of their pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the 401(k) Plan when they meet the minimum age requirement of 21 years old and have completed three months of service. All contributions to the 401(k) Plan are invested in accordance with participant elections among a variety of investment options.

The Company matches 100% of the first 5% of the employee's contribution, not to exceed the applicable limitations prescribed by the Internal Revenue Code. In addition, the Company may make discretionary contributions from current or accumulated profits. The Company's contributions to the 401(k) Plan amounted to approximately $4.9 million and $5.2 million for the years ended December 31, 2024 and 2023, respectively.

14. Fair Value Measurements

The objective of a fair value measurement is to determine the price at which an orderly transaction would take place between market participants under the market conditions that exist at the measurement date. Fair value is the price to sell an asset or transfer a liability and therefore represents an exit price, not an entry price. The Company measures certain assets and liabilities at fair value either at a recurring or non-recurring basis in the consolidated balance sheets.

GAAP establishes a fair value hierarchy to prioritize the inputs used to measure fair value, based on the relative reliability of those inputs. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy is as follows:

- Level 1 – The valuation is based on quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date.

- Level 2 – The valuation is based on inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly.

- Level 3 – The valuation is based on model based techniques that use one or more unobservable inputs. These unobservable inputs reflect the Company's estimates of assumptions that market participants would use in pricing the asset or liability.

Assets and liabilities may change levels within the fair value hierarchy. There were no transfers between levels of the fair value hierarchy of assets and liabilities required to be measured at fair value on a recurring basis during the years ended December 31, 2024 and 2023.

14. Fair Value Measurements (continued)

Assets and Liabilities Required to be Measured at Fair Value on a Recurring Basis

The following tables provide the fair value for assets and liabilities required to be measured at fair value on a recurring basis in the consolidated balance sheets by fair value hierarchy level.

	December 31, 2024			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
	(In Thousands)			
Assets				
Loans held for sale	$ 28,032	$ –	$ 28,032	$ –
Debt securities available for sale:				
U.S. government agency securities	2,023,944	–	2,023,944	–
Mortgage-backed securities issued by U.S. government sponsored enterprises	1,602,159	–	1,602,159	–
U.S. Treasury securities	98,688	98,688	–	–
Corporate debt securities and other	57,097	–	57,097	–
Total debt securities available for sale	$ 3,781,888	$ 98,688	$ 3,683,200	$ –
Equity securities	43,675	43,675	–	–
Derivative assets:				
Interest rate swaps	$ 69,026	$ –	$ 69,026	$ –
Mortgage banking derivatives	332	–	332	–
Total derivative assets	$ 69,358	$ –	$ 69,358	$ –
Liabilities				
Derivative liabilities:				
Interest rate swaps	$ 70,036	$ –	$ 70,036	$ –
Mortgage banking derivatives	–	–	–	–
Total derivative liabilities	$ 70,036	$ –	$ 70,036	$ –

14. Fair Value Measurements (continued)

	December 31, 2023			
	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)			
Assets				
Loans held for sale	$ 57,565	$ –	$ 57,565	$ –
Debt securities available for sale:				
U.S. government agency securities	1,730,983	–	1,730,983	–
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,045,814	–	2,045,814	–
U.S. Treasury securities	27,830	27,830	–	–
Corporate debt securities and other	56,381	–	56,381	–
Total debt securities available for sale	$ 3,861,008	$ 27,830	$ 3,833,178	$ –
Equity securities	37,074	37,074	–	–
Derivative assets:				
Interest rate swaps	$ 61,056	$ –	$ 61,056	$ –
Mortgage banking derivatives	642	–	642	–
Total derivative assets	$ 61,698	$ –	$ 61,698	$ –
Liabilities				
Derivative liabilities:				
Interest rate swaps	$ 65,819	$ –	$ 65,819	$ –
Mortgage banking derivatives	200	–	200	–
Total derivative liabilities	$ 66,019	$ –	$ 66,019	$ –

The following describes the valuation techniques the Company uses to measure certain financial assets and liabilities at fair value on a recurring basis in the consolidated balance sheets.

Loans Held for Sale

Loans held for sale are recognized at fair value. These loans consist of residential loans that the Company has originated with the intent to sell in the secondary market. The fair value is based on the price that the secondary market is offering for similar loans using observable market data.

14. Fair Value Measurements (continued)

Debt Securities Available for Sale

The Company's debt securities available for sale are primarily comprised of instruments that are not quoted on an exchange, but may be traded in active markets. The fair value is based on quoted prices in active markets or market prices for similar debt securities obtained from dealer market participants or external pricing services. The Company does not hold any debt securities available for sale where there is little market activity, and the Company does not use any unobservable market inputs to measure the fair value.

The Company uses the third-party vendor, Bloomberg Valuation Services, to value its debt securities portfolio, and the Company performs procedures to validate these third-party valuations. No material differences were identified as a result of these validation procedures at December 31, 2024 and 2023.

Equity Securities

The Company's equity securities consist primarily of mutual funds. The fair value is based on unadjusted quoted market prices in active exchange markets and are classified in Level 1 of the fair value hierarchy.

Derivatives

The Company primarily enters into interest rate swaps (see Note 5, *Derivatives*, for further information on the derivatives held). The derivative transactions are executed in the dealer market and fair value is based on market quotes obtained from counterparties. The market quotes use market observable inputs, including the London Interbank Offered Rate ("LIBOR") and the secured overnight financing rate ("SOFR"). Thus, derivatives are categorized as Level 2. The fair value of derivatives considers non-performance risk, as the valuation of derivatives assets considers counterparty credit risk, and the valuation of derivative liabilities considers the Company's credit risk.

The Company also has mortgage banking derivatives consisting of interest rate lock commitments and forward contracts related to mortgage loans held for sale. The mortgage banking derivatives are classified as Level 2 of the fair value hierarchy, as the fair value is based on prices from third party investors which are observable inputs.

The Company uses the third-party vendor, Bloomberg Valuation Services, to value its interest rate swap derivatives, and the Company performs procedures to validate these third-party valuations. No material differences were identified as a result of these validation procedures at December 31, 2024 and 2023.

14. Fair Value Measurements (continued)

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The following table provides the fair value for assets and liabilities required to be measured at fair value on a non-recurring basis in the consolidated balance sheets by fair value hierarchy level.

	December 31, 2024			Fair Value Adjustment for the Year Ended December 31, 2024	Location in the Consolidated Statements of Income
	Level 1	Level 2	Level 3		
	(In Thousands)				
Collateral dependent loans	$ –	$ –	$ 31,715	$ 3,179	Provision for credit losses
Other real estate owned	$ –	$ –	$ 15,197	$ 5,759	Provision for credit losses and other income

	December 31, 2023			Fair Value Adjustment for the Year Ended December 31, 2023	Location in the Consolidated Statements of Income
	Level 1	Level 2	Level 3		
	(In Thousands)				
Collateral dependent loans	$ –	$ –	$ 1,809	$ 317	Provision for credit losses

Collateral Dependent Loans

The carrying amount of collateral dependent loans is typically based on the fair value of the underlying collateral. The Company uses third-party appraisals to assist in measuring expected credit losses on collateral dependent loans. These appraisals generally use the market or income approach valuation technique and use market observable data to formulate an opinion of the fair value of the loan's collateral.

Other Real Estate Owned

The Company values other real estate owned at the lower of cost or fair value of the property, less cost to sell. The fair value of the property is generally based upon recent appraisal values of the property, less cost to sell. The Company uses third party appraisals to assist in measuring the valuation of other real estate owned.

15. Commitments and Contingencies (continued)

Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company enters into financial instruments to meet the financing needs of its customers including commitments to extend credit and standby letters of credit. These financial instruments have credit risk in excess of the amount recognized in the consolidated balance sheets.

The contractual amounts for the following financial instruments with off-balance sheet risk are:

	2024	2023
	(In Thousands)	
Commitments to extend credit	$ 3,647,680	$ 2,787,131
Standby letters of credit	244,692	152,327

The commitments to extend credit are disclosed net of participation sold to other institutions. All fees received are deferred and amortized on a straight-line basis over the term of the commitment. Unearned fees were approximately $1.5 million and $0.4 million at December 31, 2024 and 2023, respectively. The Company had no overdraft protection commitments at December 31, 2024 and 2023.

Commitments to Extend Credit

Commitments to extend credit are legally binding agreements to lend funds to a customer. Certain commitments are subject to conditions including covenants regarding financial performance. The Company is obligated to lend to a customer as long as there is no violation of any condition established in the contract. The Company has similar policies to assess a customer's credit for a commitment to extend credit as for a loan. That is, the Company evaluates each customer's credit worthiness and the amount of collateral to be obtained on a case-by-case basis.

As many commitments are expected to expire without being drawn, the total contractual commitment amount does not necessarily represent future cash flows the Company will distribute to customers.

Standby Letters of Credit

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third-party. The standby letters of credit are typically contingent on the failure of the customer to perform according to the terms of the contract with the third-party. If a customer fails to make their contractual obligation to the third-party, the Company is obligated to make payment. The Company primarily issues letters of credit related to construction customers. In those instances, the Company will guarantee the performance of the borrower under the terms of the construction contract to the municipality where the construction is taking place. Standby letters of credit have expiration dates ranging from one to three years.

15. Commitments and Contingencies (continued)

The Company is exposed to credit risk, as the Company is obligated to make payment if the customer defaults. If the customer fails to perform, the Company may seek recourse through liquidation of any underlying collateral. At December 31, 2024 and 2023, standby letters of credit of approximately $54.3 million and $55.7 million, respectively, were secured by collateral (primarily cash and marketable securities).

The maximum future payments guaranteed by the Company through standby letters of credit is equal to the contractual amount of the obligation.

Legal Proceedings

The Company is subject to various legal proceedings, claims and disputes where the Company is involved as a plaintiff or defendant that arise in the normal course of business. The Company is also exposed to litigation risk related to the prior business activities of banks acquired through business acquisitions. The Company examines and considers each legal matter and in situations where the Company determines that a legal matter presents a loss contingency that is both probable and reasonably estimable, the Company establishes a liability. If the loss is probable and the range of possible loss outcomes is the best estimate available, GAAP requires a liability be established at the low end of the range. The Company reassesses the liability for litigation matters each quarter.

In the opinion of management, based upon the advice of legal counsel, the ultimate disposition of all pending and threatened legal action (either individually or in the aggregate) will not have a material effect on the Company's consolidated financial statements.

The Company intends to pursue all available defenses to legal matters, but will consider other alternatives, including settlement, in situations where there is an opportunity to resolve the legal matter on terms that management considers are favorable. The Company maintains legal insurance coverage, which may be available to cover legal fees, or potential losses that may be incurred with certain legal matters.

Self-Insured Health Benefits Plan

The Company maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Company maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Company will adjust its self-insured medical benefits reserve as the Company's loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base.

16. Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of Currency, and state 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 the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classifications under the capital adequacy guidelines and the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

At December 31, 2024 and 2023, the most recent regulatory notification categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Bank must maintain ratios as set forth in the following table. Management believes that no events or changes have occurred subsequent to December 31, 2024 that would change this designation.

The following tables present actual and required regulatory capital information at December 31, 2024 and 2023 for the Company and the Bank under the current capital rules.

	2024					
	Actual		Minimum Requirement for Capital Adequacy		To Be Well Capitalized Under Prompt Corrective Action Provisions[1]	
	Amount *(In Thousands)*	Ratio	Amount *(In Thousands)*	Ratio	Amount *(In Thousands)*	Ratio
The Company:						
Tier I capital to average assets	$ 2,831,804	10.6%	$ 1,068,605	4.0%	N/A	N/A
Common equity tier 1 capital to risk-weighted assets	2,831,804	14.1%	903,767	4.5%	N/A	N/A
Tier I capital to risk-weighted assets	2,831,804	14.1%	1,205,022	6.0%	N/A	N/A
Total capital to risk-weighted assets	3,034,272	15.1%	1,607,561	8.0%	N/A	N/A
The Bank:						
Tier I capital to average assets	$ 2,828,090	10.6%	$ 1,067,204	4.0%	$ 1,334,005	5.0%
Common equity tier 1 capital to risk-weighted assets	2,828,090	14.1%	902,582	4.5%	1,303,730	6.5%
Tier I capital to risk-weighted assets	2,828,090	14.1%	1,203,443	6.0%	1,604,590	8.0%
Total capital to risk-weighted assets	3,030,559	15.1%	1,605,594	8.0%	2,006,993	10.0%

[1]The prompt corrective action provisions are applicable to the Bank only.

16. Regulatory Matters (continued)

	2023					
	Actual		Minimum Requirement for Capital Adequacy		To Be Well Capitalized Under Prompt Corrective Action Provisions(1)	
	Amount *(In Thousands)*	Ratio	Amount *(In Thousands)*	Ratio	Amount *(In Thousands)*	Ratio
The Company:						
Tier I capital to average assets	$ 2,664,701	9.9%	$ 1,073,097	4.0%	N/A	N/A
Common equity tier 1 capital to risk-weighted assets	2,664,701	14.0%	857,716	4.5%	N/A	N/A
Tier I capital to risk-weighted assets	2,664,701	14.0%	1,143,622	6.0%	N/A	N/A
Total capital to risk-weighted assets	2,815,291	14.8%	1,524,829	8.0%	N/A	N/A
The Bank:						
Tier I capital to average assets	$ 2,654,749	9.9%	$ 1,073,085	4.0%	$ 1,341,357	5.0%
Common equity tier 1 capital to risk-weighted assets	2,654,749	13.9%	857,716	4.5%	1,238,924	6.5%
Tier I capital to risk-weighted assets	2,654,749	13.9%	1,143,622	6.0%	1,524,829	8.0%
Total capital to risk-weighted assets	2,805,338	14.7%	1,524,829	8.0%	1,906,036	10.0%

[1]The prompt corrective action provisions are applicable to the Bank only.

Federal and state banking laws and regulations restrict the amount of dividends the Bank may distribute to the Company without prior regulatory approval. Dividends paid by the Bank are subject to approval by Board of Directors. Additionally, a capital conservation buffer of 2.5% above each of the minimum capital ratio requirements (Tier 1 capital to average assets, Common equity tier 1 capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, and Total capital to risk-weighted assets) must be met to avoid limitations on the ability of the Company (as a bank holding company) and the Bank to pay dividends, repurchase shares, or pay discretionary bonuses.

17. Related-Party Transactions

Banco de Crédito e Inversiones, S.A.

In the normal course of business, the Company conducts transactions with Bci. The Company's policy requires that these transactions occur at prevailing market rates and the transactions are compliant with United States banking regulation.

The Company subleases a portion of its Brickell office to Bci Miami Branch, an office of Bci. The sublease fees the Company receives from Bci Miami Branch are included as a reduction to occupancy expense. The Company recorded approximately $1.1 million in sublease fees for the years ended December 31, 2024 and 2023 to occupancy, net in the consolidated statements of income related to sublease transactions with Bci Miami Branch.

The Company has a referral agreement with Bci Securities, Inc., a subsidiary of Bci. The referral fees the Company receives are recorded in trust and wealth management fees in the consolidated statements of income. The Company recorded approximately $888,000 and $541,000 for the years ended December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, the Company has a deposit from Bci Miami Branch totaling $401.6 million and $401.7 million, respectively. The terms of the deposit are substantially the same terms as those received in the normal course of business with an unrelated entity.

At December 31, 2024 and 2023, the Company had $927 million of common stock issued and outstanding to Bci.

During the years ended December 31, 2024 and 2023, the Company received a capital contribution from Bci of $50 million and $100 million, respectively.

Other Related-Party Transactions

In the ordinary course of business, the Company has and expects to continue to conduct routine banking business with related parties, including its directors, executive officers or any member of the immediate family of these persons.

The Company makes loans and has deposits with its related parties. All of these loans and deposit transactions were made on substantially the same terms, including interest rates and collateral requirements, as comparable transactions with unrelated persons. At December 31, 2024 and 2023, the aggregate amount of direct loans outstanding to related parties was $14.5 million and $16.3 million, respectively. There were no indirect loans made to related parties. There were no related party loans that were in nonaccrual status, past due, or restructured.

17. Related-Party Transactions (continued)

The aggregate amount of deposits from related parties were $23.0 million and $24.8 million at December 31, 2024 and 2023, respectively. The terms of the deposits were substantially the same as those received in the normal course of business with an unrelated person.

During the years ended December 31, 2024 and 2023, loans with an aggregate principal balance of $61.0 million and $96.0 million, respectively, were participated to Bci Miami Branch at par value. The aggregate outstanding balance of loans participated to Bci Miami Branch was $138.5 million and $95.7 million at December 31, 2024 and 2023, respectively.