Consolidated Financial Statements

Bci Financial Group, Inc. and Subsidiaries
Year Ended December 31, 2021
With Reports of Independent Auditors

Bci Financial Group, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended December 31, 2021

Contents

KPMG LLP
Brickell City Center, 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 sheet as of December 31, 2021, and the related consolidated statements of income, comprehensive income, stockholder's equity, and cash flows for the year 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, 2021, and the results of its operations and its cash flows for the year 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, the Company's internal control over financial reporting as of December 31, 2021, 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 April 18, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 audit. 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 statementsas 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
April 18, 2022

Bci Financial Group, Inc. and Subsidiaries

Consolidated Balance Sheet

(In Thousands, Except Share and Per Share Data)

	Year Ended December 31, 2021
Assets	
Cash and due from banks	$ 137,658
Interest bearing balances with financial institutions	1,179,664
Cash and cash equivalents	1,317,322
Securities available for sale, at fair value	4,482,751
Securities held to maturity (fair value of $1,464,061)	1,490,516
Equity securities, at fair value	30,500
Loans held for sale, at fair value	68,300
Loans and leases	13,341,102
Allowance for loan and lease losses	(129,543)
Loans and leases, net	13,211,559
Premises, equipment, and software, net	92,544
Other real estate owned and repossessed assets	1,183
Operating lease equipment, net	193,245
Federal Home Loan Bank and Federal Reserve Bank stock	95,637
Accrued interest receivable	71,821
Bank-owned life insurance	502,136
Goodwill	108,623
Intangible assets, net	62,358
Mortgage servicing rights, net	2,249
Deferred tax assets, net	57,727
Other assets	138,908
Total assets	$ 21,927,379
Liabilities and Stockholder's Equity	
Liabilities:	
Deposits:	
Non-interest bearing	$ 7,392,601
Interest bearing	11,012,847
Total deposits	18,405,448
Federal funds purchased and securities sold under agreements to repurchase	100,510
Federal Home Loan Bank advances	1,100,000
Other borrowings	10,852
Other liabilities	84,452
Total liabilities	19,701,262
Commitments and contingencies *(Note 15)*	
Stockholder's equity:	
Common stock, par value $1; 927,345,444 shares authorized, issued, and outstanding	927,345
Additional paid-in capital	589,132
Retained earnings	753,560
Accumulated other comprehensive loss, net	(45,645)
Total stockholder's equity attributable to Bci Financial Group, Inc. and subsidiaries	2,224,392
Noncontrolling interest	1,725
Total stockholder's equity	2,226,117
Total liabilities and stockholder's equity	$ 21,927,379

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statement of Income
(In Thousands)

	Year Ended December 31, 2021
Interest and dividend income:	
Interest and fees on loans and leases	$ 499,058
Interest on securities	68,652
Dividend on securities	2,993
Other earning assets	1,813
Total interest income	572,516
Interest expense:	
Deposits	34,870
Short-term borrowings	944
Long-term debt	9,980
Total interest expense	45,794
Net interest income	526,722
Reversal of provision for loan and lease losses	(7,000)
Net interest income after reversal of provision for loan and lease losses	533,722
Non-interest income:	
Service charges on deposit accounts	27,963
Swap fee income	1,456
Credit valuation adjustment	3,102
Other service charges and fees	4,308
Trust and wealth management fees	1,601
Gain on sale of loans, net	5,217
Gain on sale of securities, net	3,966
Bank-owned life insurance income	12,853
Loan servicing	4,596
Lease financing	19,513
Other	820
Total non-interest income	85,395
Non-interest expenses:	
Salaries and employee benefits	168,267
Occupancy, net	18,652
Furniture and equipment	8,084
Depreciation – lease equipment	15,597
Amortization of intangible assets	18,642
Amortization of goodwill	16,168
Technology and data processing	22,641
Professional services	9,463
Advertising and marketing	3,717
Federal Deposit Insurance Corporation insurance assessment	5,410
Loss on early swap termination	4,188
Other	21,720
Total non-interest expenses	312,549
Income before income tax expense	306,568
Income tax expense	63,419
Net income	243,149
Net income attributable to noncontrolling interest	188
Net income attributable to Bci Financial Group, Inc. and subsidiaries	$ 242,961

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income

(In Thousands)

	Year Ended December 31, 2021
Net income	$ 243,149
Other comprehensive loss, net of tax:	
Net unrealized losses on securities available for sale:	
Net unrealized losses arising during the period on securities available for sale, net of taxes of $31,138	(97,325)
Reclassification adjustment for net gains on sales of securities included in net income, net of taxes of $961	(3,005)
Net change in net unrealized losses on securities available for sale, net of tax	(100,330)
Net unrealized gains on derivative instruments designated as cash flow hedges:	
Net unrealized gains arising during the period on derivatives designated as cash flow hedges, net of taxes of $(4,460)	13,951
Reclassification adjustment for net losses on derivative instruments included in net income, net of taxes of $(362)	1,133
Net change in net unrealized gains on derivative instruments, net of tax	15,084
Net unrealized losses on securities available for sale transferred to held to maturity:	
Net unrealized losses arising during the period on securities available for sale transferred to held to maturity, net of taxes of $1,529	(4,783)
Reclassification adjustment for interest income on securities held to maturity, net of taxes of ($181)	569
Net change in net unrealized losses on securities available for sale transferred to held to maturity	(4,214)
Other comprehensive loss, net of tax	(89,460)
Comprehensive income	153,689
Comprehensive income attributable to noncontrolling interest	127
Comprehensive income attributable to Bci Financial Group Inc. and subsidiaries	$ 153,816

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Bci Financial Group, Inc. and Subsidiaries Stockholder's Equity	Noncontrolling Interest	Total Stockholder's Equity
Balance at December 31, 2020	927,345,444	927,345	589,132	510,599	43,815	2,070,891	1,598	2,072,489
Net income	–	–	–	242,961	–	242,961	188	243,149
Other comprehensive loss, net of tax	–	–	–	–	(89,460)	(89,460)	(61)	(89,521)
Balance at December 31, 2021	927,345,444	$ 927,345	$ 589,132	$ 753,560	$ (45,645)	$ 2,224,392	$ 1,725	$ 2,226,117

See accompanying notes to consolidated financial statements.

Bci Financial Group, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

(In Thousands)

	Year Ended December 31, 2021
Operating activities	
Net income	$ 243,149
Adjustment to reconcile net income to cash provided by operating activities:	
Depreciation and amortization	59,399
Reversal of provision for loan and lease losses and off-balance-sheet commitments	(6,147)
Deferred income tax expense	(1,358)
Gain on sale of securities, net	(3,966)
Unrealized loss on equity securities	909
Loss on sales of premises and equipment and operating lease equipment	363
Gain on sale of other real estate owned	(232)
Gain on settlements of bank-owned life insurance	(2,690)
Gain on sale of loans and leases, net	(5,217)
Net amortization of premiums of securities	18,434
Amortization of premium on other borrowings	(121)
Net accretion on loan discount	(6,136)
Net accretion of deferred loan and lease fees	(8,620)
Proceeds from sales of loans held for sale	227,360
Originations of loans held for sale	(245,069)
Increase in cash surrender value of bank-owned life insurance	(10,713)
Changes in operating assets and liabilities:	
Accrued interest receivable	7,220
Other assets	66,643
Other liabilities	(77,829)
Net cash provided by operating activities	255,379
Investing activities	
Proceeds from maturities, calls, and repayments of securities available for sale	901,136
Proceeds from sales of securities available for sale	318,503
Principal repayments and maturities of securities held to maturity	16,394
Purchases of securities available for sale	(2,386,014)
Purchases of securities held to maturity	(1,017,944)
Proceeds from redemption of Federal Home Loan Bank and Federal Reserve Bank stock	15,430
Net increase in loans and leases	(917,078)
Purchases of premises, equipment, and software	(5,146)
Proceeds from sale of premises, equipment, and software	8,501
Proceeds from sale of other real estate owned	7,262
Purchase of operating lease equipment	(38,362)
Proceeds from bank-owned life insurance surrender and settlement	4,642
Purchases of bank-owned life insurance	(115,000)
Net cash used in investing activities	(3,207,676)
Financing activities	
Net change in deposits	3,444,606
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(14,683)
Net decrease in short-term borrowings	(100,000)
Net cash provided by financing activities	3,329,923
Net increase in cash and cash equivalents	377,626
Cash and cash equivalents at beginning of year	939,696
Cash and cash equivalents at end of year	$ 1,317,322
Supplemental disclosures of cash flow information	
Cash paid for:	
Interest	$ 47,077
Income taxes	124,952
Noncash investing and financing activities:	
Transfer of securities from available for sale to held to maturity	453,998
Real estate property collateralizing loans acquired through foreclosure	2,248

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. (the Parent) 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 in Miami-Dade, Sarasota, Collier, Brevard, St. Lucie, Broward, Palm Beach, Hillsborough, and Orange counties in Florida.

The Company also provides lease financing services through the Bank's wholly owned subsidiary, Bci Capital, Inc., with offices in Connecticut, Florida, Georgia, Maryland, New York, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, and Virginia.

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 significant 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.

Estimates that are particularly susceptible for significant change relate to the determination of the allowance for loan and lease losses (ALLL), the fair value of financial instruments and fair value of assets and liabilities acquired in a business combination, valuation of goodwill and intangible assets, income taxes, and contingent liabilities.

1. Summary of Significant Accounting Policies (continued)

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

1. Summary of Significant Accounting Policies (continued)

Available for Sale Debt Securities – Debt securities which are not classified as held to maturity are classified as available for sale. Available for sale debt securities 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 income.

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 contractual 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.

If the fair value of a security is below the amortized cost, the Company individually assesses a security to determine whether an other-than-temporary impairment (OTTI) has occurred. The Company considers multiple factors in assessing whether a security is other than temporarily impaired including 1) the duration or length of time the security has been in an unrealized loss position, 2) the severity or extent that the fair value is below amortized cost, and 3) the credit rating of the security's issuer. If the Company is required to sell the security or if the Company intends to sell the security before recovery, an OTTI write-down of the security is recoded in the income statement for the difference between amortized cost and fair value. For OTTI securities that the Company is not required to sell and the Company intends to hold until it recovers in value, the impairment is bifurcated between credit related factors and all other factors. OTTI that is credit related is recognized in earnings and OTTI that is non-credit related is recognized in other comprehensive income.

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.

1. Summary of Significant Accounting Policies (continued)

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 loans held for sale under the fair value option. The change in fair value of loans held for sale is recorded as a component of other income in the Company's consolidated statement of income.

Loans

When the Company intends to hold a loan until it is paid in full, the loan is classified as held-for-investment. Originated loans are reported at the principal amount outstanding less amounts charged off and net of deferred fees and costs. Interest income accrued on the unpaid principal balance. Loan origination fees net certain direct loan origination costs are deferred and recognized as an adjustment of the related yield using the interest method using the effective interest method. Loan commitment fees are generally deferred and amortized on a straight-line basis over the commitment period.

A majority of the Company's lending occurs in the state of Florida. As a significant portion of the loan portfolio is secured by real estate in Florida. Accordingly, the collectability of a substantial portion of the loan portfolio is susceptible to changes in market conditions in the state of Florida.

Loans includes capital leases where the Company is the lessor. Refer to the "Lease" section of this note for the accounting policy on leasing.

Impaired Loans

A loan is considered impaired when it is probable all the contractual principal and interest will not be collected. Impaired loans include nonaccrual loans, troubled debt restructuring loans (both accrual and nonaccrual), and purchase credit impaired loans where the cost recovery method is applied. All impaired loans are individually evaluated for impairment except certain small balance loans. Impairment is measured by comparing the present value of expected future cash flows discounted by the loan's initial effective interest rate to the loan's recorded investment. For collateral dependent loans (repayment is expected to be solely from the collateral), impairment is measured by comparing the fair value of the underlying collateral less cost to sell to the recorded investment.

1. Summary of Significant Accounting Policies (continued)

Troubled Debt Restructuring (TDR)

A loan modification is classified as a TDR if the borrower is experiencing financial difficulty and the Company has granted a concession to the borrower. The Company makes concessions to assist borrowers as well as mitigate the amount of loan losses. Concessions primarily provided to borrowers include interest rate reductions to below market rates given the borrower's risk characteristics, principal and/or previously accrued interest extinguishment, and extension of the loan maturity date. Short term modifications (three months or less) or insignificant delays in principal or interest are not considered concessions by the Company and those modifications are not classified at TDRs. All TDR loans are considered impaired loans.

If there has been a sustained period of performance (typically six months or greater) after the modification, the TDR may be classified as an accruing loan. A loan may no longer be classified as a TDR if the customer is no longer experiencing financial difficulty and the interest rate has been changed to a market rate and no principal was forgiven.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) signed into law on March 27, 2020, as amended by the 2021 Consolidated Appropriations Act provides the Company relief from applying troubled debt restructuring accounting to COVID-19 related modifications made from March 1, 2020 to the earlier of 60 days after the end of the COVID-19 national emergency or January 1, 2022. Modifications that are not eligible for the relief from TDR accounting under the CARES Act can consider the interagency statement issued by the federal banking regulators on April 7, 2020 (*Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus*, the 'Interagency Statement'). TDR relief is granted via the Interagency Statement for short-term modifications (six months or less) where the borrower is current at the date of the modification program.

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 unamortized net deferred fees or costs for originated loans as well as any 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. 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. If, however, 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.

For a loan classified as accruing at the time a COVID-19 modification relief was provided (either payment deferrals or forbearances), the loan will continue to be classified as accruing during the COVID-19 deferral period. Additionally, the loan's delinquency status at the time a COVID-19 modification relief was provided will not advance to a later stage delinquency status during the COVID-19 deferral period.

Charge-off Policy

Loans are partially or fully charged-off in the period in which the loan is deemed uncollectible. Loans are charge-off when 1) secured loans are 180 days past due, 2) unsecured loans are 120 days past due, 3) the customer has filed bankruptcy, 4) the loan has been classified as loss in Company's credit risk rating system, or 5) the Company has judged the loan to be uncollectible. Loans are fully charged-off unless they are secured by collateral. For those loans secured by collateral, loans are charged down to the fair value of collateral less estimated selling costs. The ALLL is reduced by the amount of the fully charged-off loan or the partially charged-off loan (if the loan is collateral dependent).

Allowance for Loan and Lease Losses

The ALLL is an estimate for probable incurred credit losses that are inherent in the loan portfolio as of the reporting date. The ALLL is established through a charge to the provision for credit losses in the consolidated statement of income. The ALLL is decreased when a loan is deemed to be uncollectible and charged-off.

1. Summary of Significant Accounting Policies (continued)

The ALLL is increased when there are subsequent recoveries of amount previously charged-off. An adequate allowance is determined based on an evaluation of the borrower's risk characteristics, historical loan loss experience, current economic conditions, the value of the collateral, and other risk characteristics.

The ALLL is an estimate that the Company believes is adequate for both originated as well as acquired loans. For acquired loans, no ALLL is recognized at the acquisition date. Subsequent to the acquisition date, an ALLL is established. For non-PCI loans the ALLL is calculated using the same methodology as originated loans. The methodology for originated loans and non-PCI loans is discussed in the following paragraphs.

Specific Allowance

For all loans classified as impaired, the ALLL is calculated as the shortfall between the loan's value and the loan's recorded investment. The loan's value is determined by either 1) present value of expected future cash flows discounted at the loans effective interest rate, 2) loan's observable market price, or 3) the fair value of the collateral less cost to sell, if collateral dependent. Loans which are assessed for a specific allowance are never assessed for a collective allowance (even if the specific assessment result is that no allowance is required). Loans that are under the dollar threshold have an allowance calculated using the general approach.

Annually, the Company updates appraisals or valuations for impaired loans. The Company obtains appraisals from a pre-approved list of third party appraisers that are licensed in the state in which the property is located. In certain instances, the external valuations are updated if the Company has additional information regarding the collateral resolution.

Collective Allowance

Overall, the collective allowance calculation represents the historical loss experience during a period that adequately reflects losses inherent in the portfolio as of period end. The Company collectively evaluates loans for impairment using a loss rate approach which considers historical loan charge-offs as well as the impact of current conditions. The loss rate analysis first segments the population by loan type and then by risk rating. The Company calculates the allowance using a five year historical look back period. Methodology assumptions such as the historical loss period used in the collective allowance calculation as well as the loss emergence period are periodically reviewed, adjusted as necessary, and approved.

1. Summary of Significant Accounting Policies (continued)

In certain instances, the quantitative collectively assessed loss rate allowance will be adjusted by the Company's management to consider differences in current conditions as compared to those conditions during the historical look back period. The Company considers the guidance issued by the U.S. banking regulators to determine whether there have been changes from the observed historical loss experience in the following factors which include but are not limited to: lending policies, current economic and business conditions, nature and volume of the portfolio, experience of lending staff, quality of loan review function, downgraded loans, value of underlying collateral, concentrations of credit, and other external factors including the borrowers' competition and regulatory requirements.

Reserve for Unfunded Commitments to Lend

The Company recognizes a reserve for unfunded loan commitments, such as letters of credit, for the estimate of probable but estimable losses on such commitments. The reserve is included in other liabilities in the consolidated balance sheets. The estimate considers the probability of funding. Additionally, similar to the ALLL, the methodology for calculating the reserve for unfunded commitments to lend includes both a collective review as well as individual evaluations for borrowers that were classified as impaired.

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. Unless hedge accounting is met, the subsequent changes in the derivative's fair value are recognized in the consolidated statement of income.

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.

1. Summary of Significant Accounting Policies (continued)

Interest Rate Swaps Designated as Hedging Instruments

The Company enters into interest rate swap transactions to manage cash flows changes related to interest rate risk exposure. For interest rate swaps designated as hedging instruments, the relationship between the hedge instrument and the hedged item, the hedge risk management objective, and hedge strategy are all formally documented at inception.

At inception of the hedge, an assessment to determine the effectiveness of the derivative in offsetting changes in expected future cash flows of the hedged item in the current period as well as in future periods is documented. The Company then continues to assess on an ongoing basis whether the derivative is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of the change in fair value of the derivative is reported in accumulated other comprehensive income / (loss). Amounts recognized in accumulated other comprehensive income / (loss) are recognized in earnings when the hedged item impacts earnings. The Company records the amount recognized in earnings from the cash flow hedge derivative in the same consolidated statement of income line item as the amount recognized in earnings for the hedged item.

If the hedge is terminated or is no longer highly effective, hedge accounting is discontinued prospectively. The gain or loss is amortized into earnings over the period that the forecasted hedged item impacts 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 customers 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 other income in the consolidated statement of income during the period in which the change in fair value occurred.

1. Summary of Significant Accounting Policies (continued)

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 movements in fair value are recorded in the consolidated statement of income as other income.

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.

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 2021.

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 a straight-line method.

1. Summary of Significant Accounting Policies (continued)

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 has been identified in 2021.

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.

Mortgage Servicing Rights

The Company recognizes the right to service mortgage loans as separate assets when servicing is contractually separated from the underlying loans by sale with servicing rights retained. The Company evaluates whether the benefits of servicing obtained from the contract are greater or less than adequate compensation for performing the servicing. As the benefits of servicing were greater than adequate compensation, the Company recognized a mortgage servicing asset at fair value. The asset is then amortized over the period of estimated net servicing income. The Company also evaluates the mortgage servicing asset for impairment based on fair value at each reporting date. The amount by which the carrying amount of servicing asset by class exceeds the fair value is recognized as an impairment.

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 sheet 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 sheet 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. 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 income in the consolidated statement of income. The cash value accumulation on bank-owned life insurance is permanently tax deferred if the policy is held to the insured individual's death while meeting other certain conditions.

Premises, Equipment, and Software

Premises, equipment, and software are recognized at cost less accumulated depreciation and amortization. Depreciation and amortization is 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.

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 the consolidated statement of income.

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

1. Summary of Significant Accounting Policies (continued)

Other Real Estate Owned and Repossessed Assets

Other real estate owned and repossessed assets consists of properties acquired through foreclosure and repossessed assets (non-real estate assets acquired in partial or full loan settlement). The assets are classified as held-for-sale and thus are recorded at fair value less cost to sell on the date of foreclosure or repossession. At the time of foreclosure or repossession, any write-down to fair value is recorded to the ALLL. Subsequent to the date of foreclosure or repossession, assets are held at the lower of cost or fair value.

Any subsequent losses resulting from additional valuation allowances due to further declines in fair value are reporting in other noninterest expense.

Leases

The Company is a lessor and has direct financing leases, leveraged leases, and operating leases. Directing financing leases and leveraged leases are recorded as part of the loan balance.

- 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 less 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 it 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)

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. The value of the collateral approximates the value of the payable. Declines in the 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. Legal costs directly attributable to the Company’s initial public offering of securities are deferred and charged against the gross proceeds of the offering.

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 statement 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.

1. Summary of Significant Accounting Policies (continued)

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 for 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 other noninterest expenses.

Recently Issued Accounting Standards Not Yet Adopted

Leases – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Subsequently, the FASB issued the multiple amendment including ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842;* ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* and ASU 2021-05, *Leases (Topic 842): Lessors — Certain Leases with Variable Lease Payments*. Lessees are required to recognize on the balance sheet a lease liability and right of use asset for leases with terms of over twelve months. For operating leases where the Company is a lessee, the income statement presentation and expense recognition pattern are similar to that under the current standard, ASC 840. The ASU eliminates leverage lease accounting. However, existing leveraged leases as of the date of adoption of the new standard can continue the current accounting until maturity, termination, or modification. The standard will also require additional quantitative and qualitative disclosures. The Company has started implementation efforts focusing on reviewing certain existing lease contracts to begin to identify the potential impact on the new standard. ASU 2020-05 deferred the effective date of the new leasing standard. Private companies are now required to adopt the new leases standard for annual reporting periods beginning after December 15, 2021 and interim reporting periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company will adopt ASU 2016-02 and its related amendments on January 1, 2022 for its annual reporting. The Company is currently evaluating the impact of adopting the standard and its amendments on its consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

Current Expected Credit Losses (CECL) – In June 2016, the FASB issued *ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Subsequently, the FASB issued the multiple amendment including ASU *2019-04, Codification Improvements to Topic 326, Financial Instruments — Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments;* ASU 2019-05, *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief;* ASU 2019-10, *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates;* ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses; and* ASU 2020-03, *Codification Improvements to Financial Instruments.* CECL replaces the existing incurred loss impairment methodology with an expected credit loss methodology. CECL will require the Company to recognize an allowance for credit losses that results in the consolidated financial statements reflecting the net amount expected to be collected from loans held for investment as well as debt securities that are held to maturity. The allowance will represent the portion of the amortized cost basis that the Company does not expect to collect due to credit over the financial asset's contractual life, considering past events, current conditions and reasonable and supportable forecasts of future economic conditions. The standard will require the Company to measure credit losses using the CECL guidance for off-balance-sheet credit exposures such as loan commitments and standby letters of credit. Additionally, the standard updates the impairment guidance for available for sale debt securities. which may cause the Company to recognize credit losses earlier because an entity can no longer consider the amount of time an available for sale debt security is impaired when determining whether an allowance is required. ASU 2019-10 deferred the effective date of the CECL standard. Private companies are required to adopt the CECL standard for annual reporting periods beginning after December 15, 2022 (with interim reporting periods within that fiscal year). Early adoption is permitted. The Company did adopt ASU 2016-13 and its related amendments on January 1, 2022 for its annual reporting. The Company evaluated the impact of adopting the standard and determined it is not material to the consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

Income Taxes – In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 including those related to the methodology for calculating income taxes in an interim period and the reflection of enacted changes in tax laws or rates. For public business entities, the update is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company will adopt ASU 2019-12 and its related amendments on January 1, 2022 for its annual reporting.

2. Securities

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

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of available for sale debt securities and held to maturity debt securities:

Investment Debt Securities Outstanding	December 31, 2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
Available for sale debt securities:				
U.S. government agency securities	$ 2,140,174	$ 7,231	$ (46,570)	$ 2,100,835
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,204,637	6,220	(47,323)	2,163,534
Corporate debt securities and other	214,460	3,922	–	218,382
Total available for sale debt securities	4,559,271	17,373	(93,893)	4,482,751
Held to maturity debt securities:				
U.S. government agency securities	25,000	–	(377)	24,623
Mortgage-backed securities issued by U.S. government sponsored enterprises	1,464,516	459	(26,537)	1,438,438
Corporate debt securities and other	1,000	–	–	1,000
Total held to maturity debt securities	1,490,516	459	(26,914)	1,464,061
Total investment debt securities	$ 6,049,787	$ 17,832	$ (120,807)	$ 5,946,812

2. Securities (continued)

Securities having a carrying value of $169.4 million at December 31, 2021 were pledged as collateral to secure certain public deposits, repurchase agreements, or for other purposes.

At December 31, 2021, the Company held equity securities at an aggregate fair value of $30.5 million. Equity securities are composed of mutual funds. Equity securities are carried at fair value with changes in fair value reported in net income.

The amortized cost and fair value of debt securities at December 31, 2021 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.

	Available for Sale Debt Securities		**Held to Maturity Debt Securities**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
	(Dollars in Thousands)			
Due in one year or less	$ 5,895	$ 5,935	$ –	$ –
Due after one year through five years	221,239	225,335	1,000	1,000
Due after five years through ten years	267,191	267,395	690,078	674,178
Due after ten years	4,064,946	3,984,086	799,438	788,883
Total debt securities	$ 4,559,271	$ 4,482,751	$ 1,490,516	$ 1,464,061

Proceeds from sales, gross gains, and gross losses on sales of investment available for sale debt securities for the year ended December 31, 2021 is presented below. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

	2021
	(In Thousands)
Proceeds from sale of available for sale debt securities	$ 318,503
Gross realized gains from available for sale debt securities	5,538
Gross realized losses from available for sale debt securities	(1,572)
Gain on sale of investment debt securities, net	3,966
Unrealized losses on equity securities recognized in earnings	(909)
Gain on investment debt securities and investment equity securities, net	$ 3,057

2. Securities (continued)

The following tables present the fair value and amount by which amortized cost exceed fair value for investment securities in unrealized loss positions and the length of time the securities have been in a continuous unrealized loss position at December 31, 2021.

	2021					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Available for sale debt securities:						
U.S. government agency securities	$1,455,566	$ (37,966)	$ 189,311	$ (8,604)	$1,644,877	$ (46,570)
Mortgage-backed securities issued by U.S. government sponsored enterprises	1,463,656	(33,311)	357,150	(14,012)	1,820,806	(47,323)
Total available for sale debt securities	$2,919,222	$ (71,277)	$ 546,461	$ (22,616)	$3,465,683	$ (93,893)

	2021					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Held to maturity debt securities:						
U.S. government agency securities	$ 24,623	$ (377)	$ –	$ –	$ 24,623	$ (377)
Mortgage-backed securities issued by U.S. government sponsored enterprises	1,327,821	(26,537)	–	–	1,327,821	(26,537)
Total held to maturity debt securities	$1,352,444	$ (26,914)	$ –	$ –	$1,352,444	$ (26,914)

2. Securities (continued)

At December 31, 2021, 136 available for sale debt securities were in an unrealized loss position for less than twelve months and 27 were in an unrealized loss position for twelve months or greater. Of the available for sale debt securities in an unrealized loss position for less than twelve months, 70 were U.S. government agency securities and 66 were mortgage-backed securities issued by U.S. government sponsored enterprises. Of the available for sale debt securities in an unrealized loss position for twelve months or greater, 9 were U.S. government agency securities and 18 were mortgage-backed securities issued by U.S. government sponsored enterprises.

At December 31, 2021, 70 held to maturity debt securities were in an unrealized loss position for less than twelve months. Of the available for sale debt securities in an unrealized loss position for less than twelve months, 1 was a U.S. government agency security and 69 were mortgage-backed securities issued by U.S. government sponsored enterprises.

Management periodically evaluates each available for sale security in an unrealized loss position to determine if the impairment is temporary or other-than-temporary. Management has determined that no investment security is other-than-temporarily impaired at December 31, 2021. The unrealized losses are due primarily to interest rate changes and the Company does not intend to sell the securities and it is more likely than not that the Company will not be required to sell the securities. Furthermore, all the securities in an unrealized loss position have an explicit or implicit guarantee by the U.S. government. Thus, the Company has recognized no other-than-temporary impairment as the Company expects to recover the entire amortized cost basis these securities.

During the year ended December 31, 2021, approximately $454.0 million in available for sale securities were transferred to the held to maturity category. The unrealized holding losses at the date of transfer were approximately $6.3 million and are being amortized over the remaining life of the securities as an adjustment of yield.

3. Loans and Leases and Allowance for Loan and Lease Losses (ALLL)

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

	2021
	(In Thousands)
Real estate:	
Commercial	$ 6,171,517
Residential	2,341,444
Construction and land	815,619
Total real estate	9,328,580
Commercial and other business loans	3,541,059
Commercial leases	399,541
Consumer	71,922
Total	$ 13,341,102

The above table includes premiums, discounts and deferred fees and costs totaling ($38.6) million as of December 31, 2021. Additionally, the above table excludes accrued interest receivable on loans totaling $58.7 million as of December 31, 2021.

As of December 31, 2021, the balance of outstanding Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans was $703.6 million and are classified as commercial and other business loans in the table above. PPP loans bear interest rate of 1% and are guaranteed as to principal and interest by the SBA. They have terms of two or five years and are eligible for earlier forgiveness under the terms of the PPP in prescribed circumstances.

As of December 31, 2021 the balance of outstanding Main Street Lending Program (MSLP) loans was $93.5 million and are classified as commercial and other business loans in the table above. MSLP loans bear an adjustable rate of LIBOR, plus 300 basis points and have five-year maturities. The Company retains 5% of the loan and the remaining 95% is participated to the Federal Reserve Bank of Boston's Special Purpose Vehicle.

The carrying value of loans pledged as collateral for borrowings was $5.7 billion as of December 31, 2021.

3. Loans and Leases and Allowance for Loan and Lease Losses (ALLL) (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. Below are the definitions of the Company's internal risk ratings:

Unclassified (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 weakness (either in borrower specific conditions or in the borrower's underlying collateral, if applicable) and the Company will sustain loss 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. These loans are considered impaired.

The following tables present credit quality indicators by class of financing receivable:

	December 31, 2021				
	Unclassified	**Special Mention**	**Substandard**	**Doubtful**	**Total**
			(In Thousands)		
Real estate:					
Commercial	$ 5,944,411	$ 108,698	$ 118,408	$ –	$ 6,171,517
Residential	2,322,272	8,768	10,404	–	2,341,444
Construction and land	815,450	–	169	–	815,619
Total real estate	9,082,133	117,466	128,981	–	9,328,580
Commercial and other business Loans	3,466,958	43,856	30,242	3	3,541,059
Commercial leases	398,132	1,077	332	–	399,541
Consumer	71,071	–	851	–	71,922
Total	$13,018,294	$ 162,399	$ 160,406	$ 3	$13,341,102

3. Loans and Leases and Allowance for Loan Losses (ALLL) (continued)

Past Due and Nonaccrual Loans and Leases

Past due loans and leases are those with an interest or principal payment that are 30 days or more past due. In accordance with Interagency Guidance issued in 2020, the Company is not required to designate loans with deferrals granted in response to COVID-19 as past due. If a borrower defers a payment, this may result in no contractual payments being past due and thus the loan would not be considered past due during the period of deferral.

Nonaccrual loans and leases are those for which the full collection of principal and interest payments is at risk, a borrower has been discharged of personal obligation through bankruptcy (even if the Company is receiving payments), or if a loan has been partially charged-off. The Company also periodically classifies a loan as nonaccrual if there are borrower-specific concerns.

The table below presents accruing and nonaccrual loans and leases by class of financing receivable.

	December 31, 2021										
	Accruing					Non-Accruing					
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
						(In Thousands)					
Real estate:											
Commercial	$ 6,142,815	1,408	1,255	–	$ 6,145,478	$ 11,345	–	4,149	1,198	$ 16,692	$ 6,162,170
Residential	2,298,710	20,226	8,668	–	2,327,604	4,339	178	133	18,537	23,187	2,350,791
Construction and land	815,619	–	–	–	815,619	–	–	–	–	–	815,619
Total real estate	9,257,144	21,634	9,923	–	9,288,701	15,684	178	4,282	19,735	39,879	9,328,580
Commercial and other business loans	3,486,458	10,102	27,009	–	3,523,569	15,047	95	2	2,346	17,490	3,541,059
Commercial leases	398,991	–	–	–	398,991	–	–	–	550	550	399,541
Consumer	71,690	–	122	–	71,812	110	–	–	–	110	71,922
Total	$13,214,283	31,736	37,054	–	$13,283,073	$ 30,841	273	4,284	22,631	$ 58,029	$13,341,102

Impaired Loans

Loans and leases are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan and lease agreement, including scheduled principal and interest payments. If a loan or lease is impaired, a specific valuation allowance is allocated, if necessary, using either present value of expected future cash flows or the fair value of collateral method. Impaired loans and leases, or portions thereof, are charged off when deemed uncollectible by the Company.

3. Loans and Leases and Allowance for Loan and Lease Losses (ALLL) (continued)

The following table presents information on the Company's impaired loans by class of financing receivable:

	December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In Thousands)	
With no related allowance recorded			
Real estate:			
Commercial	$ 10,976	$ 10,993	$ –
Residential	26,884	26,873	–
Construction and land	–	–	–
Total real estate	37,860	37,866	–
Commercial and other business loans	2,267	2,277	–
Commercial leases			
Consumer	293	304	–
Total impaired loans with no allowance recorded	40,420	40,447	–
With related allowance recorded			
Real estate:			
Commercial	1,655	1,703	809
Residential	329	330	96
Construction and land	–	–	–
Total real estate	1,984	2,033	905
Commercial and other business loans	15,822	15,830	11,492
Commercial leases			
Consumer	558	556	35
Total impaired loans with allowance recorded	18,364	18,419	12,432
Total			
Real estate:			
Commercial	12,631	12,696	809
Residential	27,213	27,203	96
Construction and land	–	–	–
Total real estate	39,844	39,899	905
Commercial and other business loans	18,089	18,107	11,492
Commercial leases	–	–	–
Consumer	851	860	35
Total impaired loans	$ 58,784	$ 58,866	$ 12,432

3. Loans and Leases Allowance for Loan and Lease Losses (ALLL) (continued)

The following table presents the average recorded investment and interest income recognized for the Company's impaired loans by class of financing receivable:

	December 31, 2021	
	Average Recorded Investment	Interest Income Recognized
	(In Thousands)	
Real estate:		
Commercial	$ 14,944	$ 568
Residential	37,671	547
Construction and land	7,752	454
Total real estate	60,367	1,569
Commercial and other business loans	21,334	1,716
Commercial leases	308	–
Consumer	3,985	25
Total impaired loans	$ 85,993	$ 3,310

Troubled Debt Restructuring

As a result of COVID-19, both the CARES Act, as extended by the Consolidated Appropriations Act, and the Interagency Guidance permit financial institutions to suspend assessment of TDR designation and related requirements under GAAP for certain modifications that would otherwise be considered a TDR. COVID-19 related modifications on loans that were not more than 30 days past due at December 31, 2019 made between March 1, 2020 and December 31, 2021 are eligible. The Company has elected to apply the temporary suspension of TDR requirements. The primary modifications granted to customers were short-term forbearance plans.

3. Loans and Leases and Allowance for Loan and Lease Losses (ALLL) (continued)

The Company considers all loans and leases modified as a TDR to be impaired. A restructuring of a loan or lease constitutes a TDR if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a more-than-insignificant concession to the borrower that it would not otherwise consider.

Management judgement is required when assessing whether a borrower is experiencing financial difficulty and whether a concession has been granted due to the subjective nature of the assessment. The ALLL for TDRs is determined in accordance with the impaired loan ALLL methodology. The Company did not have any commitment to lend on TDR loans as of December 31, 2021. There were no loans considered TDRs that defaulted during the year ended December 31, 2021.

At December 31, 2021, there were 42 loans of approximately $12.9 million that are considered TDRs. Typical modifications include interest-only payments for a specified period and maturity extensions of 6-18 months, on average.

The following tables present loans, by class of financing receivable, that were classified as TDRs during the year ended December 31, 2021.

	December 31, 2021	
	Number of Contracts	**Recorded Investment**
	(In Thousands Except Number of Contracts)	
Real estate:		
Commercial	1	$ 1,033
Residential	26	6,592
Construction and land	–	–
Total real estate	27	7,625
Commercial and other business loans	22	6,043
Commercial leases	–	–
Consumer	4	304
Total impaired loans	53	$ 13,972

3. Loans and Leases and Allowance for Loan and Lease Losses (ALLL) (continued)

Allowance for Loan Losses

Refer to Note 1, *Summary of Significant Accounting Policies*, for further detail on the Company's ALLL methodology.

The following tables present disaggregated activity in the ALLL by portfolio segment:

	December 31, 2021						
	Real Estate						
	Commercial	Residential	Construction and Land	Commercial and Other Business	Commercial Leases	Consumer	Total
				(In Thousands)			
Beginning balance – December 31, 2020	$ 66,536	$ 19,775	$ 5,286	$ 36,614	$ 3,140	$ 5,838	$ 137,189
Charge-offs	–	(127)	–	(433)	–	(444)	(1,004)
Recoveries	69	49	3	171	50	16	358
(Reversal of) provision for loan losses[1]	(98)	2,701	2,880	(7,931)	(686)	(3,866)	(7,000)
Ending balance – December 31, 2021	66,507	22,398	8,169	28,421	2,504	1,544	129,543
Portion of ending allowance for loan and lease losses:							
Individually evaluated for impairment	809	96	–	11,492	–	35	12,432
Collectively evaluated for impairment	65,698	22,302	8,169	16,929	2,504	1,509	117,111
Total allowance for loan and lease losses	66,507	22,398	8,169	28,421	2,504	1,544	129,543
Portion of loan and lease portfolio ending recorded investment:							
Individually evaluated for impairment	12,631	27,213	–	18,089	851	–	58,784
Collectively evaluated for impairment	6,158,886	2,314,231	815,619	3,522,970	398,690	71,922	13,282,318
Total loans and leases evaluated for impairment	$ 6,171,517	$ 2,341,444	$ 815,619	$ 3,541,059	$ 399,541	$ 71,922	$ 13,341,102

[1]The reserve for off-balance-sheet credit losses was recorded to other noninterest expense rather than provision expense. Please refer to Note 15, *Commitments and Contingencies*, for further detail on the off-balance sheet credit risk.

There is no ALLL related to Small Business Administration Paycheck Protection Program loans given the government guarantee.

4. Leases

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

Lessor

The Company held a net investment in direct financing leases, leveraged leases, and operating leases of $592.8 million as of December 31, 2021.

Direct Financing and Leveraged Leases

The Company's lease portfolio includes commercial financing lease receivables that consist of direct financing and leveraged leases of commercial equipment. Direct financing lease 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 finance 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.

The components of the net investment in direct finance and leveraged leases are as follows:

	December 31, 2021
	(In Thousands)
Commercial leases:	
Direct financing	
Lease payments receivable	$ 284,802
Estimated residual value of leased assets	76,622
Initial direct costs, net	6,221
Unearned income	(39,542)
Investment in direct financings	328,103
Leveraged leases:	
Lease payments receivable	75,029
Estimated residual value of leased assets	2,759
Unearned income	(6,349)
Investment in leveraged leases	71,439
Total investment in leases	$ 399,542

4. Leases (continued)

Pretax income from leveraged leases amounted to $3.3 million, and the related income tax expense was $0.8 million for the year ended December 31, 2021. At December 31, 2021, the Company had approximately $2.5 million of accumulated allowance for uncollected minimum lease payments.

The Company periodically reviews residual values associated with its leasing portfolio. During 2021, the Company did not recognize any residual value write-downs related to commercial leases.

At December 31, 2021, the minimum future lease payments to be received from lease financings were as follows:

	Minimum Lease Payments *(In Thousands)*
Year ending December 31:	
2022	$ 97,823
2023	77,575
2024	56,009
2025	44,932
2026	32,353
Thereafter	67,497
Total	$ 376,189

4. Leases (continued)

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 at December 31:

	2021
	(In Thousands)
Railcars	$ 103,103
Other equipment	132,444
Accumulated depreciation	(42,302)
Investments in operating leases, net	$ 193,245

Depreciation expense for operating lease equipment was approximately $15.6 million for the year ended December 31, 2021, and is included in depreciation – lease equipment in the consolidated statement of income.

The following table presents the minimum future rental payments due from customers for operating leases as of December 31, 2021:

	Future Rental Payments[1]
	(In Thousands)
Year ending December 31:	
2022	$ 20,765
2023	20,787
2024	17,272
2025	13,488
2026	11,365
Thereafter	8,952
Total	$ 92,629

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

4. Leases (continued)

The Company did not receive any contingent rental income during the year ended December 31, 2021.

Lessee

The Company leases bank premises and equipment under cancelable and non-cancelable leases with various terms, including renewal options up to 30 years and rent adjustments based on market indices and changes in various economic indicators. The Company considers all leases to be operating leases.

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 year ended December 31, 2021 was $10.8 million, recognized in occupancy in the consolidated statement of income. The Company did not have any contingent rental payments during the year ended December 31, 2021.

The following table presents the future minimum rental payments as of December 31, 2021, for all non-cancelable leases with initial or remaining terms of one year or more. Included in these amounts are all renewal options reasonably assured of being exercised.

Year ending December 31:	*(In Thousands)*
2022	$ 10,859
2023	10,538
2024	10,230
2025	10,059
2026	9,762
Thereafter	103,554
Total minimum lease payments	155,002
Less: sublease rentals	(879)
Net minimum lease payments	$ 154,123

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 as of December 31, 2021 were designated as cash flow hedges of certain fixed rate prepayable loans. Interest rate swaps with notional amounts totaling $675 million as of December 31, 2021 were designated as cash flow hedges of certain FHLB advances. 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 loan customers. The notional amounts of interest rate swaps with its loan customers as of December 31, 2021 were $1.3 billion. 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, 2021		
		Fair Value	
	Notional Amount	Derivative Asset [1]	Derivative Liabilities[2]
		(In Thousands)	
Derivatives designated as hedging instruments (cash flow hedges):			
Interest rate contracts	$ 975,000	$ 26,691	$ 4,962
Total derivatives designated as hedging instruments		$ 26,691	$ 4,962
Derivatives not designated as hedging instruments:			
Interest rate contracts	$ 1,252,437	$ 35,767	$ 9,652
Mortgage derivatives – interest rate lock commitments	11,516	177	–
Mortgage derivatives – forward commitments to sell mortgage loans	14,825	–	9
Total derivatives not designated as hedging instruments		$ 35,944	$ 9,661

(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.

As of December 31, 2021, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows is through 2029.

5. Derivative Instruments (continued)

The following table presents the effect of hedging derivative instruments on the consolidated statement of income and the total amounts for the respective line item affected for the year ended December 31, 2021:

	2021
	(In Thousands)
Total amounts presented in the consolidated statement of income in interest income	$ 499,058
Gain on cash flow hedging relationships:	
Interest rate contracts	19,640
Realized gains reclassified from AOCI into interest income	1,129
Realized losses reclassified from AOCI into interest expense	(2,624)
Pre-tax income recognized on cash flow hedges	$ 18,145

The pre-tax effect of changes in fair value from derivative instruments not designated as hedging instruments on the consolidated statement of income for the year ended December 31, 2021 is presented below.

Derivatives not Designated as Hedging Instruments	**Location in Consolidated Statement of Income**	**Gain (Loss) Recognized in Consolidated Statement of Income For the Year Ended December 31, 2021**
		(In Thousands)
Interest rate contracts	Credit valuation adjustment	$ 3,102
Mortgage derivatives – interest rate lock commitments	Gain (loss) on sale of loans	91
Mortgage derivatives – forward commitments to sell mortgage loans	Gain (loss) on sale of loans	(1,020)
Total derivatives not designated as hedging instruments		$ 2,173

5. Derivative Instruments (continued)

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. As of December 31, 2021, the Company did not have any derivatives that were in a liability position related to those agreements.

6. Premises, Equipment, and Software

Premises, equipment, and capitalized software at December 31, 2021, consist of the following:

	Useful Life	2021
		(In Thousands)
Land		$ 26,368
Buildings	39 years	31,120
Leasehold improvements	3–30 years	15,662
Furniture and equipment	5–10 years	18,543
Software	3–5 years	27,878
Construction in progress		5,307
Total premises, equipment, and software		124,878
Less: accumulated depreciation and amortization		(32,334)
Total premises, equipment, and software, net		$ 92,544

Depreciation and amortization expense was $9.5 million for the year ended December 31, 2021, of which amortization expense for computer software was $4.5 million for the year ended December 31, 2021.

7. Goodwill and 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 issuance cost 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. The income-based discounted cash flow approach was more heavily weighted than the market-based approach due to significant volatility in the market in 2020 due in part to the COVID-19 pandemic. 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 2021.

Goodwill as of December 31, 2021 is summarized as follows:

	2021 *(In Thousands)*
Goodwill	$ 162,467
Accumulated amortization	(53,844)
Goodwill, net	$ 108,623

Goodwill amortization was $16.2 million for the year ended December 31, 2021.

7. Goodwill and Intangible Assets (continued)

As of December 31, 2021, the estimated aggregated goodwill amortization expense is expected to be:

Year ending December 31:	Amortization *(In Thousands)*
2022	$ 16,016
2023	16,016
2024	16,016
2025	15,964
2026	15,701
Thereafter	28,910
	$ 108,623

Core deposit intangible assets are subject to an amortization period of a 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 table presents intangible assets included in the consolidated balance sheets:

	2021		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
		(In Thousands)	
Core deposit intangibles	$ 124,890	$ (82,845)	$ 42,045
Trade name	18,000	–	18,000
Other (leasehold interest)	4,310	(1,997)	2,313
Total	$ 147,200	$ (84,842)	$ 62,358

Core deposit intangible amortization expense was $18.1 million for the year ended December 31, 2021.

7. Goodwill and Intangible Assets (continued)

As of December 31, 2021, the estimated aggregated amortization expense is expected to be:

Year ending December 31:	Amortization *(In Thousands)*
2022	$ 16,651
2023	14,501
2024	5,988
2025	2,327
2026	1,981
Thereafter	2,910
	$ 44,358

8. Deposits

The Company's deposits are comprised of the following as of December 31, 2021:

	2021 *(In Thousands)*
Non-interest bearing deposits	$ 7,392,601
Interest bearing:	
Savings	318,675
Checking	2,713,717
Money market	7,291,210
Certificates of deposit	689,245
Total interest bearing	11,012,847
Total deposits	$ 18,405,448

The aggregate amount of time deposits (including certificates of deposit) with balances $250,000 or more as of December 31, 2021 are $509.7 million.

8. Deposits (continued)

Interest expense on deposits for the periods indicated is as follows (in thousands):

	Year Ended December 31, 2021
Savings	$ 370
Checking	6,320
Money market	21,746
Certificates of deposit	6,434
	$ 34,870

The scheduled maturities of time deposits (including certificates of deposit) as of December 31, 2021 are:

	(In Thousands)
Year ending December 31:	
2022	$ 636,587
2023	38,320
2024	8,066
2025	3,784
2026	2,351
Thereafter	137
Total time deposits (including certificates of deposit)	$ 689,245

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 as of December 31, 2021:

	Interest Rate	Maturity	2021
			(In Thousands)
Short-term FHLB advances:			
FHLB advances	Fixed, 0.18% Fixed, 0.23%	January 2022 January 2021	$ 350,000
Long-term FHLB advances:			
FHLB advances, convertible	Fixed/variable, 0.84% to 1.17%; weighted average 0.97%	July 2029	500,000
FHLB advances, convertible	Fixed/variable, 0.63%	August 2029	250,000
Total long-term FHLB advances			750,000
Total FHLB advances			$ 1,100,000

FHLB advance conversion options are Bermudan (at regular stated intervals until maturity). They are subject to conversion at quarterly intervals by the FHLB at predetermined dates which are January 2022 for the FHLB advances due in July 2029 and February 2022 for the FHLB advances due in August 2029. The FHLB advances are subject to a prepayment fee.

FHLB advances are secured by specifically identified designated eligible assets. Eligibility is defined by the guidelines of the FHLB. As of December 31, 2021, FHLB advances outstanding were secured by commercial real estate, residential and multifamily mortgages totaling approximately $2.8 billion.

As of December 31, 2021, the Company had available borrowing capacity at the FHLB of approximately $1.1 billion and unused borrowing capacity at the FRB of $1.6 billion.

9. Borrowings (continued)

Other Borrowings

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

As of December 31, 2021, all contractual annual principal payments on long-term debt 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, 2021
	(In Thousands)
Federal funds purchased	
At year-end:	
Amount	$ –
Rate	–
Average for the year:	
Amount	97
Rate	0.41%
Maximum month end balance:	
Amount	427
Securities sold under agreements to repurchase	
At year-end:	
Amount	100,510
Weighted average rate	0.14%
Average for the year:	
Amount	91,198
Rate	0.17%
Maximum month end balance:	
Amount	135,828

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. If the Company has the right to sell or repledge the collateral, the Company presents those securities in its consolidated balance sheet 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 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 is represented within the available for sale debt securities portfolio in the consolidated balance sheet.

The collateral type and remaining maturity for securities sold under agreements to repurchase as of December 31, 2021 are presented below:

	December 31, 2021			
	Overnight and Continuous	**Up to 30 Days**	**More than 30 Days**	**Total**
Securities sold under agreements to repurchase:				
U.S. government agency securities	$ 32,882	$ –	$ –	$ 32,882
Mortgage-backed securities issued by U.S. Government sponsored enterprises	67,628	–	–	67,628
Total securities sold under agreements to repurchase	$ 100,510	$ –	$ –	$ 100,510

11. Accumulated Other Comprehensive Income (AOCI)

Accumulated other comprehensive income (loss) is reported as a component of stockholder’s equity and can include, among other things, unrealized gains and losses on 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 gain on sale of securities, net and interest expense on long-term debt in the consolidated statement of income.

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

The following table provides the changes in accumulated other comprehensive income (loss) by component, net of tax, for the year ended December 31, 2021.

	Net Unrealized Gains (Losses) on Investment Securities Available for Sale	Net Unrealized Gains on Derivative Instruments	Net Unrealized Losses on Securities from Available for Sale Transferred to Held to Maturity	Change in Other	Total
Balance at December 31, 2020	42,458	1,434	–	(77)	43,815
Other comprehensive income (loss) before reclassifications	(97,325)	13,951	(4,783)	–	(88,157)
Amounts reclassified from accumulated other comprehensive income (loss)	(3,005)	1,133	569	–	(1,303)
Net comprehensive loss	(100,330)	15,084	(4,214)	–	(89,460)
Balance at December 31, 2021	$ (57,872)	$ 16,518	$ (4,214)	$ (77)	$ (45,645)

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

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

AOCI Component	Year Ended December 31 2021	Income Statement Line Item Affected
Securities held to maturity:		
Net realized losses on securities held to maturity	$ 750	Interest on securities
Tax benefit	(181)	Income tax expense
Total	569	Net income
Securities available for sale:		
Net realized gains on securities available for sale	(3,966)	Gain on sale of securities, net
Tax expense	961	Income tax expense
Total	(3,005)	Net income
Cash flow hedges:		
Net realized losses on cash flow hedges for borrowings	2,624	Interest expense on long-term debt
Net realized gains on cash flow hedges for loans	(1,129)	Interest on loans and leases
Tax benefit	(362)	Income tax expense
Total	1,133	Net income
Total reclassification from AOCI	$ (1,303)	

12. Income Taxes

The Company's income tax expense for the year ended December 31, 2021 is as follows:

		2021
		(In Thousands)
Current:		
Federal	$	55,345
State		9,432
Total current		64,777
Deferred:		
Federal		16,593
State		(17,951)
Total deferred		(1,358)
Income tax expense	$	63,419

The effective tax rate for 2021 differs 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) at December 31, 2021 are as follows:

		2021
		(In Thousands)
Deferred tax assets:		
Net operating losses	$	41,749
Provision for loan and lease losses		32,164
Goodwill and intangible assets		22,205
Employee Benefits		9,168
Other		10,594
Total deferred tax assets		115,880
Deferred tax liabilities:		
Depreciation of lease assets		(72,943)
Total deferred tax liabilities		(72,943)
Net deferred tax assets before unrealized depreciation (appreciation) of securities and acquisition		42,937
Unrealized depreciation (appreciation) of securities		33,424
Unrealized gains on derivatives designated as cash flow hedges		(18,634)
Net deferred tax assets	$	57,727

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 evidences 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 this evidence, which included earnings/loss history and anticipated future pretax income, as well as the reversal period for the items giving rise to the deferred tax assets and liabilities, management concluded that it was more likely than not that its net deferred tax assets would be realized at December 31, 2021.

The Company's gross net operating losses of approximately $91.1 million of federal net operating losses and approximately $94.4 million of State of Florida net operating losses at December 31, 2021, will begin to expire during 2028.

Due to the 2015 acquisition of the Company by the Parent, the Company's utilization of its net operating losses and other tax attributes has been limited under Internal Revenue Code section 382 to approximately $26.7 million per year. In addition, the Company has approximately $80.4 million excess recognized built-in losses related to goodwill amortization that are disallowed because of Internal Revenue Code section 382 limitation. These excess recognized built-in losses are carried forward, subject to the above mentioned Internal Revenue Code section 382 limitation, and will begin to expire during 2036.

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, 2021, the Company has recorded $1.3 million in unrecognized tax benefits.

12. Income Taxes (continued)

The Company includes interest and penalties related to income taxes in the income tax provision. The Company has recorded penalty expense of $450 thousand in the consolidated statement of income and accompanying consolidated balance sheet.

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 Company is currently under examination by the Internal Revenue Service for tax years 2016 to 2018.

As of December 31, 2021, the Company has a current tax receivable of approximately $52.8 million, which is included in other assets in the accompanying consolidated balance sheet.

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 of the Company. 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. All of the currently outstanding PEVARs were issued as share based compensation for participants as of December 31, 2018. PEVARs vest after four years, and participants can exercise PEVARS in Q1 2023, Q1 2024, or Q1 2025. Upon exercise, they will be settled in cash.

In 2019, the Company granted stock appreciation rights to selected executives. Each stock appreciation right allows the holder to receive an amount in cash equal to the excess of the common stock price over the exercise price. The Company recognizes expense on a straight-line basis over the service period. In 2021, compensation expense increased as the fair value of the award increased due the Company's common stock valuation improving, as well as a settlement of a portion of the granted stock appreciation rights granted. The service period for the unexercised stock appreciation rights continues throughout 2022 as the rights are initially able to be exercised in January 2023.

13. Stock Appreciation Rights and Employee Benefits (continued)

The fair value of the PEVARs are re-measured each reporting period until settlement and changes in fair value are charged to compensation expense as the PEVARs vest over the service period, which is generally a 4-year period beginning on the vesting commencement date. The total unrecognized compensation expense expected to be recognized in associated with the PEVARs is approximately $26.3 million and will be recognized in 2022.

The Company estimates the fair value of each PEVAR granted using the Black-Scholes-Merton option approach. Expected volatility is based on historical periods generally commensurate with the estimated terms of the options. The Company uses historical data to estimate option exercise and termination patterns. The expected term of PEVARs granted is derived from the weighted-average period of time that options granted are expected to be outstanding. The Company bases the risk-free interest rate on the Treasury note rate with a term comparable to that of the estimated term of the options.

For the year ended December 31, 2021, compensation expense of $32.4 million has been included in salaries and employee benefits in the consolidated statement of income for the Phantom Equity Value Appreciation Plan. During the year ended December 31, 2021, approximately $34.4 million (30,908 units) in PEVARs were early exercised and settled. During the same period, 30,908 additional units were granted.

The following table presents the assumptions used in valuing options granted during the year ended December 31, 2021.

	Number of PEVARs	Weighted Average Exercise Price per PEVAR
PEVARs outstanding January 1, 2021	46,538	$ 684.66
PEVARs granted	30,908	685.29
PEVARs forfeited	(1,424)	684.66
PEVARs exercised	(30,908)	1,111.74
PEVARs outstanding December 31, 2021	45,114	1,260.07
PEVARs vested at December 31, 2021	–	–

13. Stock Appreciation Rights and Employee Benefits (continued)

The fair value of PEVARs granted was estimated using the following weighted-average assumptions:

	Year ended December 31, 2021
Expected term (in years)	2.67
Expected volatility	38.7%
Risk-free interest rate	0.98%

The Company has a Medium Term Cash Compensation Plan (Cash Compensation Plan) payable to certain employees of the Company which vests based on service and performance conditions. Under the Cash Compensation Plan, each participant is provided a target amount with the payout based upon the achievement of net income and return on equity (ROE) goals set in 2019 for a three-year period, which ends on December 31, 2021. The first half of the compensation was paid out in Q1 2021 with the remaining to be received in Q1 2023. For the year ended December 31, 2021, compensation expense of $3.4 million, has been included in salaries and employee benefits in the consolidated statement of income for the cash bonus plan.

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 $4.0 million for the year ended December 31, 2021.

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.

14. Fair Value Measurements (continued)

- 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 twelve months ended December 31, 2021.

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

The following table provides 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, 2021			
	Fair Value	Level 1	Level 2	Level 3
		(In Thousands)		
Assets				
Loans held for sale, at fair value	$ 68,300	$ –	$ 68,300	$ –
Available for sale debt securities:				
U.S. government agency securities	2,100,835	–	2,100,835	–
Mortgage-backed securities issued by U.S. government sponsored enterprises	2,163,534	–	2,163,534	–
Corporate debt securities and other	218,382	–	218,382	–
Total available for sale debt securities	$ 4,482,751	$ –	$ 4,482,751	$ –
Equity securities	30,500	30,500	–	–
Derivative assets:				
Interest rate swap	$ 62,458	$ –	$ 62,458	$ –
Mortgage banking derivatives	177	–	177	–
Total derivative assets	$ 62,635	$ –	$ 62,635	$ –
Liabilities				
Derivative liabilities:				
Interest rate swap	$ 14,614	$ –	$ 14,614	$ –
Mortgage banking derivatives	9	–	9	–
Total derivative liabilities	$ 14,623	$ –	$ 14,623	$ –

14. Fair Value Measurements (continued)

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 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.

Available for Sale Debt Securities

The Company's available for sale debt security portfolio is 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 available for sale debt securities where there is little market activity, and the Company does not use any unobservable market inputs to measure the fair value.

The Company uses a third-party vendor for its debt security portfolio. The Company validates third party valuations using Bloomberg Valuation Services. As of December 31, 2021 there were no material differences identified as part of the validation process.

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.

14. Fair Value Measurements (continued)

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 obtain from counterparties. The market quotes use market observable inputs like LIBOR and SOFR. Thus, derivatives are categorized as Level 2. The fair value of derivatives consider non-performance risk as valuation of derivate assets considers counterparty credit risk and the valuation of derivative liabilities considers own 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 has contracted a third-party vendor to provide valuations for interest rate swap derivatives. The Company validates the third-party valuations using Bloomberg Valuation Service derivative pricing. No material differences were identified during the validation as of December 31, 2021.

Assets and Liabilities Required to be 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, 2021			Fair Value Adjustment for the Year Ended December 31, 2021	Location in the Consolidated Statement of Income
	Level 1	Level 2	Level 3		
	(In Thousands)				
Loans[1]			5,932	12,432	Reversal of provision for loan and lease losses
Other real estate owned and repossessed assets			1,183	178	Other non-interest expenses

14. Fair Value Measurements (continued)

Loans

Impaired loans are generally measured for impairment using the practical expedient. If the loan is collateral dependent, the fair value of the loan's collateral is used to calculate the allowance. If an observable market price of the loan is available, the allowance is calculated using the fair value of the loan. Thus, certain impaired loans are subject to non-recurring fair value adjustments to reflect the difference between the carrying value and the fair value of the underlying collateral or the market price of the loan. Current appraised values of the underlying collateral are used unless sales data is limited and then an internal valuation is used instead.

Impaired loans where the fair value is greater than the recorded investment are not measured at fair value and thus are not included in this table.

Other Real Estate Owned and Repossessed Assets

When the loan is foreclosed and the asset is classified as other real estate owned or repossessed asset, a fair value is calculated primarily based on third party appraisals. The Company plans to ultimately sell all real estate owned and repossessed assets, and thus the fair value incorporates an estimated cost to sell. Quarterly, the Company assesses real estate owned and repossessed assets and records a lower of cost or market. The fair value is measured using the current appraised value of the property or asset. If a current appraisal is not available or if there is outdated market information, the fair value is measured using the lower value of the most recent appraised value, a broker price opinion, or a current listing price.

15. Commitments and Contingencies

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 commitment 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.

At December 31, 2021, the contractual amounts for the following financial instruments with off-balance sheet risk are:

		2021
		(In Thousands)
Commitments to extend credit	$	1,908,559
Standby letters of credit		94,562

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 $0.3 million at December 31, 2021. The Company had no overdraft protection commitments at December 31, 2021.

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.

15. Commitments and Contingencies (continued)

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 letter of credit related to construction customers. In those instances, the Company will guarantee the performance that a borrower completes construction to terms of the contract to a municipality where the construction is taking place. Standby letters of credit have expiration dates ranging from one to three years.

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, 2021, standby letters of credit of approximately $54.6 million, 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.

Liability for Off-Balance Sheet Credit Risk

As of December 31, 2021, the Company had recorded a liability for credit losses that are both probable and can reasonably be estimated for off-balance sheet financial instruments, namely the Company's commitments to extend credit and standby letters of credit. Although a similar methodology is used by the Company for evaluating the ALLL, the provision is recorded in the consolidated income statement in non-interest expenses.

15. Commitments and Contingencies (continued)

When calculating the liability for off-balance sheet credit risk, the Company considers numerous factors including past loss experience, financial condition of the customer, and current economic conditions.

		2021
		(In Thousands)
Liability for off-balance sheet credit risk, January 1	$	4,294
Other (benefit) expense for off-balance sheet credit risk		(853)
Losses		–
Liability for off-balance sheet credit risk, December 31	$	3,441

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 whether 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, regulatory GAAP requires a liability be established at the low end of the range. The Company reassess 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 whether there is an opportunity to resolve the legal matter on terms that the management considers are favorable. The Company maintains insurance legal coverage, which may be available to cover legal fees, or potential losses that may be incurred with certain legal matters.

15. Commitments and Contingencies (continued)

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 assets, liabilities, and certain off-consolidated-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of December 31, 2021, 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, 2021 that would change this designation.

The following table presents actual and required regulatory capital information as of December 31, 2021 for the Company and the Bank under the current capital rules.

16. Regulatory Matters (continued)

	2021					
	Actual		Minimum Requirement for Capital Adequacy		To Be Well Capitalized Under Prompt Corrective Action Provisions(1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
The Company:						
Tier I capital to average assets	$ 2,053,940	9.7%	$ 846,188	4.0%	N/A	N/A
Common equity tier 1 capital to risk-weighted assets	2,053,940	14.1%	654,326	4.5%	N/A	N/A
Tier I capital to risk-weighted assets	2,053,940	14.1%	872,435	6.0%	N/A	N/A
Total capital to risk-weighted assets	2,186,923	15.0%	1,163,247	8.0%	N/A	N/A
City National Bank of Florida:						
Tier I capital to average assets	2,053,000	9.7%	846,394	4.0%	$ 1,057,993	5.0%
Common equity tier 1 capital to risk-weighted assets	2,053,000	14.1%	654,267	4.5%	945,053	6.5%
Tier I capital to risk-weighted assets	2,053,000	14.1%	872,356	6.0%	1,163,142	8.0%
Total capital to risk-weighted assets	$ 2,186,000	15.0%	$ 1,163,157	8.0%	$ 1,453,946	10.0%

[1]The prompt corrective action provisions are applicable at 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 City National 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 (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 banking holdings 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 the Parent. 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, a subsidiary of Parent. The sublease fees the Company receives from Bci Miami Branch are included as a reduction to occupancy expense. The Company recorded approximately $1.7 million for the year ended December 31, 2021, related to sublease transactions with Bci Miami Branch.

17. Related-Party Transactions (continued)

The Company has a referral agreement with Bci Securities, Inc., a subsidiary of the Parent. The referral fees the Company receives are recorded in trust and wealth management fees in the consolidated statement of income. The Company recorded approximately $364 thousand for the year ended December 31, 2021.

At December 31, 2021, the Company has a deposit from Bci Miami Branch totaling $250 million. The terms of the deposit are substantially the same terms as those received in the normal course of business with an unrelated person.

At December 31, 2021, the Company had $927 million of common stock issued and outstanding to the Parent.

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 and executive officers.

The Company makes loans and has deposits with certain of its directors and executive officers. All of these loans and deposit transactions were made on substantially the same terms including interest rates and collateral requirements, for comparable transactions with unrelated persons. As of December 31, 2021, the aggregate amount of direct loans outstanding to directors and executive officers was $3.6 million. There were no indirect loans made to related parties. There were no related party loans that were in nonaccrual status, past due, or restructured.

The aggregate amount of deposits from directors and executive officers were $42.8 million as of December 31, 2021. The terms of the deposits were substantially the same terms as those received in the normal course of business with an unrelated person.