BCI Financial Group, Inc. and Subsidiary

Consolidated Financial Statements as of and for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of BCI Financial Group, Inc. and subsidiary (BCI), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BCI as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

January 25, 2021

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands, except par value and share information)

	2020	2019
ASSETS		
INTEREST-EARNING ASSETS:		
Loans and leases—less:	$ 12,465,561	$ 10,963,073
Net loan discount	(21,613)	(17,150)
Net deferred loan (fees) costs	(32,130)	2,392
Allowance for loan and lease losses	(137,189)	(49,046)
Loans and leases—net	12,274,629	10,899,269
Loans held for sale	45,374	24,387
Securities available for sale	3,923,472	3,330,030
Securities held to maturity (fair value: $35,160 in 2020 and $10,076 in 2019)	35,158	10,158
Equity securities	31,409	30,653
Interest-bearing balances with financial institutions	829,379	306,468
Total interest-earning assets	17,139,421	14,600,965
CASH AND DUE FROM BANKS	197,530	120,894
ACCRUED INTEREST RECEIVABLE	79,041	42,424
BANK PREMISES AND EQUIPMENT—Net	97,177	86,259
OPERATING LEASE EQUIPMENT—Net	179,417	195,546
INTANGIBLE ASSETS—Net	82,363	94,590
GOODWILL—Net	124,791	120,926
FEDERAL HOME LOAN BANK AND FEDERAL RESERVE BANK STOCK	111,067	136,597
DEFERRED TAX ASSETS—Net	32,890	17,500
BANK-OWNED LIFE INSURANCE	378,375	347,272
OTHER ASSETS—Net	200,516	85,095
TOTAL	$ 18,622,588	$ 15,848,068
LIABILITIES AND EQUITY		
DEPOSITS AND BORROWINGS:		
Deposits	$ 14,960,842	$ 11,853,400
Other borrowings	1,210,973	1,850,000
Federal funds purchased and securities sold under agreements to repurchase	115,193	82,039
Total deposits and borrowings	16,287,008	13,785,439
OTHER LIABILITIES	278,946	161,497
Total liabilities	16,565,954	13,946,936
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDER'S EQUITY:		
Capital (common stock, $1 par value—927,345,444 shares authorized, issued, and outstanding)	1,516,477	1,516,477
Retained earnings	494,757	384,605
Accumulated other comprehensive income (loss)—net of tax	43,815	(1,415)
Total stockholder's equity	2,055,049	1,899,667
NONCONTROLLING INTEREST	1,585	1,465
Total equity	2,056,634	1,901,132
TOTAL	$ 18,622,588	$ 15,848,068

See notes to consolidated financial statements.

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
INTEREST INCOME:		
Interest and fees on loans and leases	$ 491,491	$ 494,777
Interest and dividends on securities	63,526	74,310
Interest on interest-bearing balances with financial institutions and securities purchased under agreements to resell	1,615	8,067
Total interest income	556,632	577,154
INTEREST EXPENSE:		
Interest on deposits	72,170	145,786
Interest on borrowings	23,309	26,070
Total interest expense	95,479	171,856
NET INTEREST INCOME	461,153	405,298
PROVISION FOR LOAN AND LEASE LOSSES	101,600	16,328
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	359,553	388,970
OTHER OPERATING INCOME:		
Service charges, commissions, and fees	43,268	37,333
Gain on sale of loans	11,071	5,761
Net (loss) gain on sale and disposal of premises and equipment	(1,300)	5,232
Gain on sale of investment securities—net	10,052	2,316
Unrealized gains recognized on equity securities	756	900
Other	20,156	16,360
Total other operating income	84,003	67,902
OTHER OPERATING EXPENSES:		
Salaries and employee benefits	139,024	126,492
Occupancy expense	19,481	17,115
Equipment expense	6,847	5,699
Amortization of intangible assets	18,769	18,177
Amortization of goodwill	14,828	14,377
Federal Depository Insurance Corporation insurance	3,712	4,964
Loss on early swap termination	11,955	-
Other	80,862	58,896
Total other operating expenses	295,478	245,720

(Continued)

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
INCOME BEFORE INCOME TAX PROVISION	$ 148,078	$ 211,155
INCOME TAX PROVISION	(37,841)	(48,787)
NET INCOME BEFORE NONCONTROLLING INTEREST	110,237	162,368
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	85	134
NET INCOME ATTRIBUTABLE TO BCI FINANCIAL GROUP, INC.	110,152	162,234
OTHER COMPREHENSIVE GAIN (LOSS)—Net of tax:		
Net unrealized gains on securities available for sale	48,252	41,028
Net unrealized loss on derivatives designated as hedging instruments	(578)	(9,311)
Reclassification adjustment for gain on sales of securities available for sale—net included in net income	(7,640)	(1,729)
Reclassification adjustment for loss (gain) on derivatives—net included in net income	5,419	(2,703)
Cumulative effect adjustment for adoption of accounting standard		794
Other	(223)	146
Total other comprehensive income attributable to BCI Financial Group, Inc.	45,230	28,225
Total other comprehensive income attributable to noncontrolling interest	35	20
COMPREHENSIVE INCOME ATTRIBUTABLE TO BCI FINANCIAL GROUP, INC.	$ 155,382	$ 190,459
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	$ 120	$ 154

See notes to consolidated financial statements. (Concluded)

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Total Stockholder's Equity	Noncontrolling Interest	Total
BALANCE—January 1, 2019	$1,516,477	$223,435	$(29,640)	$1,710,272	$1,311	$1,711,583
Net income	-	162,234	-	162,234	134	162,368
Cumulative effect adjustment for adoption of accounting standard	-	(1,064)	1,064	-	-	-
Change in valuation of derivatives designated as hedging instruments—net of tax	-	-	(12,014)	(12,014)	(10)	(12,024)
Other	-	-	146	146	-	146
Change in valuation—securities available for sale—net of tax	-	-	39,029	39,029	30	39,059
BALANCE—December 31, 2019	1,516,477	384,605	(1,415)	1,899,667	1,465	1,901,132
Net income	-	110,152	-	110,152	85	110,237
Change in valuation of derivatives designated as hedging instruments—net of tax	-	-	4,841	4,841	4	4,845
Other	-	-	(223)	(223)	-	(223)
Change in valuation—securities available for sale—net of tax	-	-	40,612	40,612	31	40,643
BALANCE—December 31, 2020	$1,516,477	$494,757	$ 43,815	$2,055,049	$1,585	$2,056,634

See notes to consolidated financial statements.

BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before noncontrolling interest	$ 110,237	$ 162,368
Adjustments to reconcile net income before noncontrolling interest to net cash provided by operating activities—net of acquisition:		
Depreciation and amortization	57,292	47,615
Provision for loan, lease, and off-consolidated-balance-sheet commitments	103,336	16,728
Deferred tax (benefit) provision	(29,224)	40,361
Net gain on sale of loans	(11,071)	(5,761)
Net loss (gain) on the sale/disposal of bank premises and operating lease equipment	1,300	(5,232)
Gain on BOLI surrender and settlement	(5,117)	-
Gain on other real estate owned	(24)	(150)
Net gain on sale of securities	(10,052)	(2,316)
Net premium amortization on securities available for sale	24,431	30,558
Net accretion on loan discount	(4,851)	(9,584)
Net amortization of deferred loan lease fees	42,414	644
Increase in cash surrender value of bank-owned life insurance	(9,736)	(8,831)
Proceeds from sales of loans held for sale	266,081	70,402
Loans originated for sale—net of repayments	(275,997)	(89,028)
Unrealized gain on equity securities	(756)	(900)
Changes in other assets and liabilities:		
Increase in accrued interest receivable	(36,617)	(2,417)
Increase in other assets	(98,568)	(39,325)
Increase in other liabilities	105,163	18,952
Net cash provided by operating activities	228,241	224,084
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal repayment of securities available for sale	1,048,671	808,975
Proceeds from sales and maturities of securities available for sale	1,202,259	424,654
Proceeds from calls of securities held-to-maturity	-	1,000
Purchases of securities available for sale	(2,778,201)	(1,765,481)
Purchases of securities held-to-maturity	(25,000)	(10,158)
Purchase of Federal Home Loan Bank stock	(91,676)	(121,519)
Proceeds from redemption of Federal Home Loan Bank stock	118,150	85,000
Proceeds from sale of syndication loans	-	54,907
Net increase in loans and leases	(1,180,624)	(827,039)
Purchases of bank premises and operating lease equipment	(17,395)	(29,929)
Proceeds from sale of premises and equipment	369	9,833
Proceeds from sale of other real estate owned	1,731	1,099
Purchase of bank-owned life insurance	(38,000)	(75,000)
Purchase of operating lease equipment	(995)	(46,436)
Proceeds from BOLI surrender and benefit settlement	21,750	-
Net cash acquired in purchase of Executive National Bank	72,563	-
Net cash used in investing activities	(1,666,398)	(1,490,094)

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BCI FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	$ 2,660,026	$ 566,699
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	33,154	(95,487)
Repayments of other long-term borrowings	(250,000)	-
Advances from other long-term borrowings	250,000	850,000
Net repayments of other short-term borrowings	(655,476)	(15,000)
Net cash provided by financing activities	2,037,704	1,306,212
NET INCREASE IN CASH AND CASH EQUIVALENTS	599,547	40,202
CASH AND CASH EQUIVALENTS—Beginning of year	427,362	387,160
CASH AND CASH EQUIVALENTS—End of year	$ 1,026,909	$ 427,362
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 98,432	$ 174,234
Cash paid during the year for income taxes	$ 48,276	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY—Real estate property collateralizing loans acquired through foreclosure	$ 788	$ 901
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY—Bank financing of proceeds for sale of premises	$ -	$ 26,100
EXECUTIVE NATIONAL BANK ACQUISITION (Note 2)		

See notes to consolidated financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Cash and Cash Equivalents—Cash and cash equivalents include cash and due from banks with maturities of 90 days or less at purchase date and interest-bearing balances with financial institutions with maturities of 90 days or less at purchase date. Cash and cash equivalents as of December 31, 2020 and 2019, were composed of the following amounts (in thousands):

	2020	2019
Interest-bearing balances with financial institutions	$ 829,379	$ 306,468
Cash and due from banks	197,530	120,894
Total	$ 1,026,909	$ 427,362

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

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

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

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

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

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

Loan or Lease Modifications—A restructuring of a loan or lease constitutes a troubled debt restructuring (TDR) if BCI, for economic or legal reasons related to the borrower's financial difficulties, grants a more-than-insignificant concession to the borrower that it would not otherwise consider. The loan or lease modifications that are considered a TDR by BCI pertain to restructuring the terms of the loan or lease to alleviate the burden of the borrower's near-term cash requirements, which include modifying the terms to reduce or defer cash payments required of the borrower in the near future, to help the borrower attempt to improve its financial condition and eventually be able to pay the loan or lease. The concession is granted by BCI as an attempt to protect BCI's investment on the loan or lease as much as possible. The primary concessions provided by BCI are a reduction of the stated interest rate for the remaining original life of the loan, extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan or lease with similar risk, reduction of the face amount or maturity amount of the loan or lease as stated in the loan or lease agreement, and reduction of accrued interest. See Note 5 of the consolidated financial statements for additional consideration for deferments and modifications related to COVID-19 pandemic.

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

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

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

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

At December 31, 2020, there remains a great deal of uncertainty from COVID-19 surrounding the length of the pandemic, continued elevated unemployment rates, and the timeline of economic recovery, which has shown signs of slowing. This can negatively impact the economic and housing markets and borrower performance within BCI's loan portfolios. Since this event is unique to historical recessions, with affected borrowers reported as current under their forbearance plans, inherent losses are not fully captured within BCI's historical loan and lease loss experience from which the quantitative portion of our allowance for loan and lease losses is derived. Therefore, it was necessary to qualitatively assess management's our best estimate of probable losses related to the current economic environment heavily influenced by COVID-19. A thorough analysis was conducted to support an economic qualitative factor, during which management considered, among other things, current and forecast unemployment rates, deterioration in housing indices, risk characteristics of accounts in COVID-19 forbearance plans, specific potential exposures within BCI's loan portfolios, and loss experience from previous recessions. At December 31, 2020, BCI's allowance for loan and lease losses totaled approximately $137,189,000 and included a qualitative component, the majority of which is the result of the COVID-19 economic qualitative analysis. Management believes the allowance is adequate.

During 2020, BCI reduced its historical loss period from seven years to five years. The reduction in the historical loss period was made given the deterioration of economic conditions during 2020 resulting from the global pandemic. In BCI's professional judgment, the evolution of economic conditions in 2020 warranted a reduction in the historical loss period in order to apply a more significant weighting to more recent loss experience. Although BCI did not change its overall qualitative factor framework, the application of the factors by management was adjusted in response to the evolving economic conditions.

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

Transfers of Financial Assets—Transfers of financial assets are accounted for as sales or purchases when control over the assets has been surrendered by the transferor. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the transferor, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the transferor does not maintain effective control over the transferred assets through an agreement to repurchase them. If the above criteria are not met, BCI accounts for the transfer as a secured borrowing.

Trading Account Securities—Trading account securities are stated at fair value. Trading account securities are held in anticipation of short-term market movements. Gains or losses on the sale of trading account securities as well as unrealized fair value adjustments are included in other operating income. BCI did not hold any trading account securities as of December 31, 2020 and 2019.

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

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

Equity Securities—Investments in equity securities are carried at fair value, with change in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

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

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

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

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

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

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

During the year ended December 31, 2020, BCI terminated five cash flow hedges of forecasted transactions due to changes in the environment associated with COVID-19, resulting in a loss of approximately $11,955,000, which are reflected within the accompanying consolidated statements of income and comprehensive income. Financial Accounting Standards Board (FASB) Staff Q&A Topic 815: *Cash flow Hedge Accounting Affected by the COVID-19 Pandemic* discussed the treatment of forecasted transactions that did not occur and their impact on assessing future hedges of forecasted transactions based on an entity's ability to appropriately determine the probability of a forecasted transaction. Based on the Q&A, the FASB concluded that forecasted transactions that were missed or did not occur need not be considered when determining whether an entity has exhibited a pattern of missing forecasts that would call into question its ability to accurately predict forecasted transactions and the propriety of using cash flow hedge accounting in the future for similar transactions. As a result, BCI believes that its remaining instruments designated as hedges are not impacted by these events.

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

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

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

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

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

Bank Premises and Equipment—BCI premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated life of the assets, which is five years for computer equipment, seven years for furniture and office equipment, and 39 years for buildings. Leasehold improvements are amortized over the lesser of their useful life or the term of the lease. Management reviews BCI premises and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Assets, if any, for which management has committed to a plan to dispose of the assets, whether by sale or abandonment, are reported at the lower of carrying amount or fair value, less cost to sell. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning future conditions. No impairment loss was recognized during the years ended December 31, 2020 and 2019, related to BCI premises and equipment.

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

BCI has elected the accounting alternative for the subsequent measurement of goodwill. Under the election, goodwill is amortized on a straight-line basis over 10 years. BCI evaluates the remaining useful lives of goodwill each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Goodwill is also tested for potential impairment if an event occurs or circumstances change that indicate the fair value may be below its carrying amount (a triggering event). BCI did not record an impairment of goodwill during the years ended December 31, 2020 and 2019.

Goodwill as of December 31, 2020 and 2019, is summarized as follows (in thousands):

	2020	**2019**
Goodwill	$ 162,467	$ 143,775
Less accumulated amortization	(37,676)	(22,849)
Goodwill—net	$ 124,791	$ 120,926

During 2020, BCI acquired Executive National Bank and recorded approximately $18,692,000 of goodwill (see Note 2).

Amortization expense for goodwill was approximately $14,827,000 and $14,377,000 for the years ended December 31, 2020 and 2019, respectively, and is included within other operating expenses in the accompanying consolidated statements of income and comprehensive income. Amortization expense for each of the fiscal years ending December 31, 2021, through December 31, 2025, and thereafter is estimated as follows (in thousands):

Years Ending December 31	
2021	$ 16,247
2022	16,247
2023	16,247
2024	16,247
2025	16,194
Thereafter	43,609
Total	$ 124,791

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

BCI did not record an impairment of intangible assets for the years ended December 31, 2020 and 2019.

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

Other Real Estate Owned—Foreclosed assets are carried at the lower of fair value, less estimated costs to sell, or cost. If the fair value of the asset, less the estimated costs to sell, is less than the cost of the asset, the deficiency is charged to income. BCI had approximately $796,000 and $209,000 of other real estate owned as of December 31, 2020 and 2019, respectively, all of which are classified as held for sale and included in other assets, net in the accompanying consolidated balance sheet. BCI did not record impairment losses during the years ended December 31, 2020 and 2019.

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

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

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

Off-Consolidated-Balance-Sheet Reserve for Credit Losses—Off-consolidated-balance-sheet reserve for credit losses represents the amount that, in management's judgment, is adequate to absorb losses on commercial letters of credit, standby letters of credit, and commitments to extend credit, which may become uncollectible. The adequacy of the reserve is determined by management's continuing evaluation of BCI's commitments in light of past loss experience, present economic conditions, and other factors considered relevant by management at the consolidated financial statement date. Anticipated changes in economic factors that may influence the level of the reserve are considered in the evaluation by management when the likelihood of the changes can be reasonably determined. In estimating the reserve, consideration is given to asset performance, the financial condition of borrowers or guarantors, and current and anticipated economic conditions. While management uses the best information available to make such evaluations, future adjustments to the reserve may be necessary, which may be material, if economic conditions differ substantially from the assumptions used in the evaluation. If additions to the original estimate of the reserve are deemed necessary, they will be reported in income in the period in which they become reasonably estimable. As of December 31, 2020 and 2019, BCI's off-consolidated-balance-sheet reserve for credit losses is $4,594,000 and $2,958,000, respectively, and is recorded within other liabilities within the accompanying consolidated balance sheets. During the years ended December 31, 2020 and 2019, BCI recorded $1,636,000 and $400,000, respectively, as a charge to the provision for off-consolidated-balance-sheet credit losses, recorded within other expense within the accompanying consolidated statements of income and comprehensive income.

New Accounting Pronouncements—During June 2016, the FASB issued guidance that amends the guidance on the impairment of financial instruments. The guidance adds an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The ASU is also intended to reduce the complexity of the guidance on impairment of financial instrument by decreasing the number of credit impairment models that entities use to account for debt instruments. The CECL model applies to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables that result from insurance transactions, financial guarantee contracts, and loan commitments. However, securities available for sale are outside the model's scope. Further, multiple clarification ASUs have been issued since the original pronouncement. ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, issued in November 2018, and ASU No. 2019-04, *Codification improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, issued in April 2019, clarify the scope of the ASU and refine the treatment of specific activities under the new standard. ASU No. 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief* issued in May 2019, allows the option to irrevocably elect the fair value option for debt instruments measured at amortized cost, aside from held-to-maturity investments. ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* issued in November 2019, deferred the effective date for the adoption of the standard. The adoption of this guidance is effective for BCI for the year ending December 31, 2023. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During February 2016, and clarified in July 2018 and December 2018, the FASB issued guidance on lease accounting. The guidance introduces a lessee model that brings most leases on to the balance sheet. The new guidance also aligns many of the underlying principles of the new lessor model with those of the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the guidance addresses other concerns for an entity to use bright-line tests in determining lease classification. The standard also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU No. 2019-01, *Leases: Codification Improvements*, issued in March 2019, reinstated the option for lessors that are not manufacturers or dealers to use asset cost as the fair value for leased assets. Additionally, ASU No. 2019-01 clarified the cash flow presentation of sales-type and direct financing leases and exempted certain transition disclosures. ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, issued in June 2020, deferred the effective date for the adoption of the standard. The adoption of this guidance is effective for BCI for the year ending December 31, 2022. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results from operations, cash flows, and financial statement disclosure.

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

During August 2017, the FASB issued guidance on the targeted improvements to the accounting for hedging activities, which is intended to better align risk management activities and financial reporting for hedging relationships. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. Further, multiple clarification ASUs have been issued since the original pronouncement. ASU No. 2018-16, *Derivatives and Hedging*, was issued in October 2018, which clarified the original ASU and added the Overnight Index Swap rate as an acceptable benchmark rate for assessing hedge accounting of derivatives. ASU No. 2019-04, issued in April 2019, clarified certain aspects of the ASU, while ASU No. 2019-10, issued in November 2019, deferred the effective date for the adoption of the standard. The guidance is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. BCI is evaluating the effects that this guidance will have on BCI's financial position, results of operations, cash flows, and financial statement disclosure.

During August 2018, the FASB issued guidance that modifies disclosure requirements on fair value measurements. This ASU removes requirements to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and (2) the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. ASU No. 2018-13, *Fair Value Measurement*, clarifies that disclosure regarding measurement uncertainty is intended to communicate information about the uncertainty in measurement as of the reporting date. ASU No. 2018-13 adds certain disclosure requirements, including (1) disclosure of changes in unrealized gains and losses for the period included in OCI for recurring Level 3 fair value measurements and (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The adoption of this guidance is effective for BCI for the year ending December 31, 2020. The adoption of this guidance did not have a significant impact on BCI's financial position, results of operations, or consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance only applies to contracts, hedging relationships, and other transactions that reference London InterBank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. The amendments in this update are effective for all entities as of March 12, 2020, through December 31, 2022. BCI adopted the amendments as of the March 12, 2020, issuance date. There have not been any such contracts modified as of December 31, 2020. As contracts are modified through December 2022, BCI will assess the impact based on this guidance. Management does not expect there will be a significant impact on BCI's financial position, results of operations, or consolidated financial statements.

Subsequent Events—Events occurring subsequent to the date of the consolidated balance sheets have been evaluated for potential recognition or disclosure in the consolidated financial statements through January 25, 2021, the date the consolidated financial statements are available to be issued.

2. BUSINESS COMBINATION

On October 9, 2020, BCI acquired 100% of the outstanding shares of Executive National Bank, a Florida commercial bank, for approximately $62,000,000. The acquisition was structured as a direct merger with the Bank, and the acquired corporation was dissolved simultaneously with the acquisition. The resulting accounting treatment is a purchase of the assets and liabilities of the acquiree recorded at fair value. The primary objective of the purchase was to increase the Bank's market share in its core market and achieve synergies through the operating expenses of the combined operations.

The fair market values of the assets and liabilities acquired were as follows (in thousands):

Cash and cash equivalents	$ 134,563
Loans—net	335,452
Securities available for sale	27,005
Bank premises and equipment	3,341
Other assets acquired	13,162
Deposits	(447,416)
Borrowings	(16,449)
Accrued expenses and other liabilities acquired	(10,950)
Core deposit premium	4,600
Goodwill	18,692
Total	$ 62,000

Goodwill in the amount of approximately $18,692,000 was assigned for the excess of the purchase price over the fair value of the net assets and other intangibles recorded at acquisition.

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

Debt securities have been classified in the consolidated balance sheets according to management's intent. The carrying amounts of securities and their fair values as of December 31, 2020 and 2019, were as follows:

Securities available for sale as of December 31, 2020, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
US government agencies	$ 2,165,204	$ 37,124	$ (1,911)	$ 2,200,417
Collateralized mortgage/ debt obligations	1,476,828	14,537	(2,915)	1,488,450
US corporate obligations	225,452	9,153	-	234,605
Total	$ 3,867,484	$ 60,814	$ (4,826)	$ 3,923,472

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

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

Securities held to maturity as of December 31, 2020, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Collateralized mortgage/debt obligations	$ 9,158	$ 2	$ -	$ 9,160
Other securities	1,000	-	-	1,000
US government agencies	25,000	-	-	25,000
Total	$ 35,158	$ 2	$ -	$ 35,160

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

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

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

Securities available for sale with unrealized losses as of December 31, 2020 and 2019, were as follows (in thousands):

	Less than 12 Months		12 Months or Longer		Total	
2020	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**	**Fair Values**	**Unrealized Losses**
Available for sale:						
US government agencies	$ 390,741	$ (1,911)	$ -	$ -	$ 390,741	$ (1,911)
Collateralized mortgage/debt obligation	542,571	(2,915)	-	-	542,571	(2,915)
Total	$ 933,312	$ (4,826)	$ -	$ -	$ 933,312	$ (4,826)

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

As of December 31, 2020, there were no securities held to maturity with unrealized losses.

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

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

BCI did not realize losses on available-for-sale and held-to-maturity securities during the years ended December 31, 2020 and 2019, that were deemed to be other-than-temporarily impaired. The investments with indicated unrealized losses above primarily include debt securities whose fair values have declined due to interest rate fluctuations and current market conditions and are not related to any company- or industry-specific events or credit quality. In determining that the investment is not other-than-temporarily impaired, BCI considered reports of financial specialists and the volatility of the investment's fair value.

The contractual terms of the investments that were not other-than-temporarily impaired do not permit the issuer to settle the securities at a price less than the face value of the investment. Because BCI has the ability and intent to hold those investments until recovery of fair value, which may be maturity and the creditworthiness of the issuers, the quality and amount of the underlying collateral, the lack of concentration in any geographical area, contractual obligations of the issuers, and rating histories, as well as the continued performance and amortization of certain of the securities, BCI does not consider the carrying value of those investments to be other-than-temporarily impaired at December 31, 2020 and 2019.

Expected maturities of some securities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The scheduled maturities of securities available for sale and held to maturity as of December 31, 2020, were as follows (in thousands):

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	**Fair Values**	**Amortized Cost**	**Fair Values**
Due after 1 year through 5 years	$ 179,914	$ 187,180	$ 1,000	$ 1,000
Due after 5 years through 10 years	536,828	547,572	-	
Due after 10 years	1,673,914	1,700,270	25,000	25,000
	2,390,656	2,435,022	26,000	26,000
Collateralized mortgage/debt obligations	1,476,828	1,488,450	9,158	9,160
Total	$ 3,867,484	$ 3,923,472	$ 35,158	$ 35,160

During the year ended December 31, 2020, the Bank recognized gross realized gains and losses on the sale of available-for-sale securities during the year ended December 31, 2020, of approximately $13,001,000 and $2,949,000, respectively. During the year ended December 31, 2019, the Bank recognized gross realized gains and losses on the sale of available-for-sale securities during the year ended December 31, 2019, of approximately $2,790,000 and $474,000, respectively. Securities valued at approximately $701,099,000 and $130,289,000 at December 31, 2020 and 2019, respectively, were pledged as collateral to secure certain public deposits, repurchase agreements, or for other purposes.

BCI held approximately $31,409,000 and $30,653,000 in equity securities as of December 31, 2020 and 2019, respectively. Equity securities are composed of mutual funds. Equity securities are carried at fair value with changes in fair value reported in net income. An unrealized gain on approximately $756,000 and $900,000 was recognized during the years ended December 31, 2020 and 2019, respectively.

4. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As of December 31, 2020, BCI had 416 interest rate swaps not designated as hedging instruments and 12 LIBOR-based interest rate swaps designated as hedging instruments.

Derivative instruments as of December 31, 2020, were as follows (in thousands):

Interest Rate Derivatives	Consolidated Balance Sheet Location	Current Notional	Fair Value	Consolidated Balance Sheet Location	Current Notional	Fair Value
Cash flow hedges designated as hedging instruments	Other assets	$ 425,000	$ 9,327	Other liabilities	$ 250,000	$ 7,238
Interest rate swaps not designated as hedging instruments	Other assets	$1,376,575	$122,950	Other liabilities	$1,376,575	$126,894

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

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

Amounts reported in accumulated OCI related to derivatives will be reclassified to interest expense as interest payments are made on BCI's variable-rate liabilities. During the next 12 months, BCI estimates that $2,810,000 will be reclassified as an increase in interest expense.

The table below presents the pretax net gains of BCI's effective portion of cash flow hedges designated as hedging instruments for the year ended December 31, 2020, and where they were recorded in the consolidated statement of income and comprehensive income (in thousands). BCI did not recognize any hedge ineffectiveness in earnings during the years ended December 31, 2020 and 2019.

	Effective Portion		
	Pretax Gain (Loss) Recognized in OCI	Location of Gain or (Loss) Reclassified from AOCI into Income	Pretax Gain (Loss) Reclassified from AOCI into Income
Interest rate products	$ 4,000	Interest expense	$ (7,130)

Pretax net gains of BCI's effective portion of cash flow hedges designated as hedging instruments for the year ended December 31, 2019, were as follows (in thousands):

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

The effect of BCI's derivative instruments not designated as hedging instruments recorded within BCI's consolidated statement of income and comprehensive income for the year ended December 31, 2020, is summarized as follows (in thousands):

	Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative
Interest rate products	Other operating income	$ 234

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

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

Credit Risk-Related Contingent Features—BCI has agreements with its derivative counterparties that contain a provision where if BCI defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then BCI could also be declared in default on its derivative obligations. As of December 31, 2020, and 2019, BCI did not have any derivatives that were in a liability position related to those agreements.

Mortgage Banking Derivatives—The net gains (losses) relating to free-standing derivative instruments used for risk management are summarized below as of December 31, 2020 and 2019 (in thousands):

Mortgage Banking Derivatives	Consolidated Statements of Income and Comprehensive Income Location	2020	2019
Forward contracts related to mortgage loans held for sale	Other	$ (81)	$ (18)
Interest rate lock commitments	Other	$ 1,087	$ 110

The following table reflects the amount and fair value of mortgage banking derivatives included in the consolidated balance sheet as of December 31, 2020 (in thousands):

	Notional Amount	Fair Value
Included in other assets—interest rate lock commitments	$ 32,313	$ 1,197
Included in other liabilities—forward contracts related to mortgage loans held for sale	$ 22,343	$ 100

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

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

5. LOANS AND LEASES

Loans and leases classified by type as of December 31, 2020 and 2019, are as follows (in thousands):

	2020	2019
Real estate:		
Adjustable	$ 4,988,770	$ 5,178,065
Fixed	2,912,910	2,811,237
Commercial and other business loans:		
Adjustable	1,390,376	1,374,574
Fixed	2,691,844	1,026,159
Commercial leases:		
Financing leases	330,789	417,565
Leveraged leases	93,926	88,482
Consumer:		
Adjustable	37,041	46,257
Fixed	19,905	20,734
Total	$ 12,465,561	$ 10,963,073

During the year ended December 31, 2020, BCI actively participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) established by the CARES Act as well as the Federal Reserve Bank of Boston's Main Street Lending Program (MSLP).

BCI originated approximately 9,300 PPP loans totaling approximately $1,857,000,000 during the year ended December 31, 2020. PPP loans bear interest rate of 1% and are guaranteed as to principal and interest by the SBA. They have terms of two years and are eligible for earlier forgiveness under the terms of the PPP in prescribed circumstances. As of December 31, 2020, the balance of outstanding PPP loans was approximately $1,652,608,000 and are classified as fixed commercial and other business loans in the table above.

BCI originated approximately 370 MSLP loans totaling approximately $2,008,000,000 during the year ended December 31, 2020. MSLP loans bear an adjustable rate of LIBOR, plus 300 basis points and have five-year maturities. BCI retains 5% of the loan and the remaining 95% is participated to the Federal Reserve Bank of Boston's Special Purpose Vehicle. BCI originated and sold the loans simultaneously; therefore, the cash flow activity is presented in net increase in loans and leases—net of loans acquired in the consolidated statements of cash flows. As of December 31, 2020, the balance of outstanding MSLP loans was approximately $100,372,000 and are classified as adjustable commercial and other business loans in the table above.

The loans and leases subgroup as of December 31, 2020 and 2019, consisted of the following (in thousands):

	2020	2019
Real estate:		
Commercial	$ 5,279,584	$ 5,069,512
Residential	2,062,432	2,195,438
Construction and land	559,664	724,352
Total real estate	7,901,680	7,989,302
Commercial and other business loans	4,082,220	2,400,733
Commercial leases	424,715	506,047
Consumer	56,946	66,991
Total	$ 12,465,561	$ 10,963,073

As of December 31, 2020 and 2019, BCI had approximately $257,721,000 and $242,109,000, respectively, of interest-only, adjustable-rate residential mortgages where the borrower may be subject to payment increases.

Loans carried at approximately $5,529,692,000 and $5,362,648,000 at December 31, 2020 and 2019, respectively, were pledged as collateral to secure available borrowings based on lendable collateral of approximately $2,921,923,000 and $2,925,720,000, respectively, from the FHLB of Atlanta.

Loans carried at approximately $2,120,976,000 and $500,966,000 at December 31, 2020 and 2019, respectively, were pledged as collateral to secure available borrowings based on lendable collateral of approximately $1,162,404,000 and $333,680,000, respectively, from the Federal Reserve Bank of Atlanta.

Leases—Pretax income from leveraged leases was $3,144,000 and $2,562,000 for the years ended December 31, 2020 and 2019, respectively. The tax effect of this income was an expense of $755,000 and $646,000 for the years ended December 31, 2020 and 2019, respectively.

The following table provides the components of commercial financing leases portfolio (in thousands):

	2020	2019
Rentals receivable—net of principal and interest on nonrecourse debt	$ 369,752	$ 462,558
Estimated residual value of lease assets	98,384	93,982
Initial direct costs—net of amortization	6,498	8,266
Gross investment in financing leases	474,634	564,806
Unearned income	(49,919)	(58,759)
Net investment in commercial financing leases	$ 424,715	$ 506,047

At December 31, 2020 and 2019, BCI had approximately $14,286,000 and $5,285,000, respectively, of accumulated allowance for uncollected minimum lease payments.

BCI periodically reviews residual values associated with its leasing portfolio. Declines in residual values that are deemed to be other than temporary are recognized as a loss. During 2020 and 2019, the Bank did not recognize any residual value write-downs related to commercial leases. At December 31, 2020, the minimum future lease payments receivable for each of the years 2021 through 2025 were approximately $104,520,000, $85,547,000, $60,794,000, $40,975,000, and $28,856,000, respectively, and $66,759,000 thereafter. During the years ended December 31, 2020 and 2019, the Bank did not recognize any contingent rental income on direct financing commercial leases.

PCI Loans—The PCI loans are considered nonaccrual due to the fact that BCI cannot reasonably determine the timing and amount of cash flows expected to be collected. As of December 31, 2020 and 2019, the balance of nonaccrual PCI loans is $2,654,000 and $2,093,000, respectively. BCI does not have PCI loans acquired where BCI could reasonably estimate the timing and amount of future cash flows.

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

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

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

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

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

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

Concentrations of Credit—Most of BCI's lending activity occurs within the state of Florida. At December 31, 2020 and 2019, approximately 63% and 73% of BCI's loans relate to real estate, respectively.

Nonaccrual and Past-Due Loans—Nonaccrual loans and leases, segregated by class of loans and leases, as of December 31, 2020 and 2019, are as follows (in thousands):

	2020	**2019**
Real estate:		
Commercial	$ 5,977	$ 8,020
Residential	27,695	20,038
Construction and land	16,072	-
Total real estate	49,744	28,058
Commercial and other business loans	17,080	10,121
Commercial leases	615	9,162
Consumer	4,946	-
Total	$ 72,385	$ 47,341

Interest income that would have been recorded on nonaccrual loans and leases, if such loans and leases were performing in accordance with their original terms, for the years ended December 31, 2020 and 2019, amounted to approximately $1,761,000 and $2,332,000, respectively.

Regulatory agencies have encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of COVID-19, as set forth in the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (initially issued on March 22, 2020, and revised on April 7, 2020). FASB confirmed the foregoing regulatory agencies' view that such short-term modifications (e.g., six months) made on a good-faith basis to borrowers who were current as of the implementation date of a relief program in response to COVID-19 are not TDRs. The regulatory agencies stated that performing loans granted payment deferrals due to COVID-19 in accordance with this interagency statement are not generally considered past due or nonaccrual. The revised statement provides that eligible loan modifications related to COVID-19 may also be accounted for under Section 4013 of the CARES Act or in accordance with Accounting Standards Codification (ASC) 310-40, *Receivables—Troubled Debt Restructurings by Creditors*. The CARES Act offers temporary relief from TDRs on modifications made as a result of COVID-19 that were not more than 30 days past due as of December 31, 2019. BCI has elected to apply the temporary suspension of TDR requirements provided by the revised interagency statement for eligible loan modifications. For loan modifications that are not eligible for the suspension offered by the revised interagency statement, BCI considers the CARES Act to evaluate loan modifications within its scope or existing TDR evaluation policies if the modification does not fall within the scope of the CARES Act.

As of December 31, 2020, some of our borrowers have experienced unemployment or reduced income as a result of the COVID-19 global pandemic and have requested some type of loan payment forbearance. The outstanding balance of loans on short-term forbearance plans offered to borrowers affected by COVID-19 approximated $289,676,000 as of December 31, 2020, of which approximately $293,000 are classified as troubled debt restructurings due to either their classification as a TDR prior to the COVID-19 forbearance or not meeting the criteria to be exempt from TDR classification. Forbearance plans allow borrowers experiencing temporary financial hardship to defer a limited number of payments to a later point in time and are initially offered for a three-month period, which may be extended for borrowers that continue to be affected by COVID-19. The majority of active COVID-19 forbearance plans have been extended to at least six months. Forbearance plans that are extended beyond six months are evaluated for TDR classification in accordance with US GAAP. The following table summarizes, as of December 31, 2020, for each portfolio, active forbearance plans by recorded investment and as a percent of total loans:

	Total	**Forbearance plan as % of Portfolio**
Real estate:		
Commercial	$ 135,624	1.09 %
Residential	139,554	1.12
Construction and land	3,156	0.02
Total real estate	278,334	2.23
Commercial and other business loans	11,008	0.09
Consumer	334	-
Total	$ 289,676	2.32 %

COVID-19 forbearance plan is generally resolved through payment in full at termination of the forbearance; through a non-TDR repayment plan, where a portion of the forbearance is paid in addition to the original contractual payment over 12 months or less; or through a non-TDR capitalization, where the total of forborne payments are added to the principal balance of the account, either with or without an extension of the maturity date. If additional concessions are required beyond resolving the short-term forbearance, the account will be considered for further modification in a troubled debt restructuring

Loans in COVID-19 forbearance plans and those that are subsequently placed in non-TDR short-term repayment plans are reported as current and accruing when they are current in accordance with their revised contractual terms and were less than 30 days past due as of the implementation date of the relief program, March 13, 2020, per the revised interagency statement, or not more than 30 days past due as of December 31, 2019, per the CARES Act. Otherwise, the delinquency and resulting accrual status of these loans are determined by the lowest number of days the loan was past due on either the two aforementioned measurement dates (March 13, 2020, or December 31, 2019) or, considering the loan's revised contractual terms, the current reporting date. As of December 31, 2020, the balance of accrued interest receivable includes approximately $34,785,000 of unpaid interest on active COVID-19 forbearance plans. The uncertain and potentially tumultuous impact of COVID-19 on the economic and housing markets, as well as the risk profiles of accounts in COVID-19 forbearance plans granted by BCI, were thoroughly considered in the determination of the allowance for loan losses as of December 31, 2020, as described in Note 1.

An age analysis of past-due loans and leases, segregated by class of loans, as of December 31, 2020 and 2019, is as follows (in thousands):

	Loans 30–89 Days Past Due	**Loans 90 or More Days Past Due**	**Total Past-Due Loans**	**Current Loans**	**Total Loans**	**Accruing Loans 90 or More Days Past Due**
2020						
Real estate:						
Commercial	$ 48,181	$ 1,815	$ 49,996	$ 5,229,588	$ 5,279,584	$ -
Residential	40,284	24,588	64,872	1,997,560	2,062,432	-
Construction and land	12,181	15,500	27,681	531,983	559,664	-
Total real estate	100,646	41,903	142,549	7,759,131	7,901,680	-
Commercial and other business loans	34,255	29,287	63,542	4,018,678	4,082,220	-
Commercial leases	-	-	-	424,715	424,715	-
Consumer	2,497	-	2,497	54,449	56,946	-
Total	$ 137,398	$ 71,190	$ 208,588	$ 12,256,973	$ 12,465,561	$ -
2019						
Real estate:						
Commercial	$ 4,281	$ 5,484	$ 9,765	$ 5,059,747	$ 5,069,512	$ -
Residential	25,663	11,239	36,902	2,158,536	2,195,438	-
Construction and land	-	-	-	724,352	724,352	-
Total real estate	29,944	16,723	46,667	7,942,635	7,989,302	-
Commercial and other business loans	2,795	7,533	10,328	2,390,405	2,400,733	-
Commercial leases	4,144	-	4,144	501,903	506,047	-
Consumer	-	-	-	66,991	66,991	-
Total	$ 36,883	$ 24,256	$ 61,139	$ 10,901,934	$ 10,963,073	$ -

Loans in active COVID-19 forbearance and subsequent short-term repayment plans are reported as current.

Impaired Loans—Impaired loans and leases as of December 31, 2020 and 2019, are set forth as follows (in thousands):

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
2020						
Real estate:						
Commercial	$ 17,336	$ 17,336	$ -	$ 17,336	$ -	$ 19,798
Residential	48,006	45,392	2,614	48,006	117	49,500
Construction and land	15,506	15,506	-	15,506	-	5,005
Total real estate	80,848	78,234	2,614	80,848	117	74,303
Commercial and other business loans	24,208	11,966	12,242	24,208	9,923	17,993
Commercial leases	615	615	-	615	-	756
Consumer	7,108	2,162	4,946	7,108	4,956	9,229
Total	$ 112,779	$ 92,977	$ 19,802	$ 112,779	$ 14,996	$ 102,281
2019						
Real estate:						
Commercial	$ 18,576	$ 18,576	$ -	$ 18,576	$ -	$ 18,713
Residential	23,499	22,078	1,421	23,499	288	18,084
Total real estate	42,075	40,654	1,421	42,075	288	36,797
Commercial and other business loans	16,306	9,737	6,569	16,306	5,569	14,024
Commercial leases	9,162	898	8,264	9,162	3,646	10,096
Consumer	2,162	2,162	-	2,162	-	2,230
Total	$ 69,705	$ 53,451	$ 16,254	$ 69,705	$ 9,503	$ 63,147

The recorded interest income on impaired loans and leases by class of loans for the years ended December 31, 2020 and 2019, is as follows (in thousands):

	2020	2019
Real estate:		
Commercial	$ 806	$ 728
Residential	988	706
Construction and land	442	-
Total real estate	2,236	1,434
Commercial and other business loans	1,452	925
Commercial leases	-	-
Consumer	374	89
Total	$ 4,062	$ 2,448

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

BCI did not have any commitment to lend on TDR loans as of December 31, 2020 and 2019.

Loans whose terms were modified and considered TDR during the year ended December 31, 2020, are summarized in the following table (in thousands, except for number of contracts):

	Number of Contracts	Premodification Outstanding Recorded Investment	Postmodification Outstanding Recorded Investment	Increase in Allowance for Loan Losses upon Modification	Charge-Off upon Modification
TDRs:					
Real estate:					
Commercial	3	$ 3,155	$ 3,119	$ 98	$ -
Residential	14	8,946	6,343	134	-
Total real estate	17	12,101	9,462	232	-
Commercial and other business loans	7	9,000	8,292	346	-
Commercial leases					
Consumer	-	-	-	-	-
Total	24	$ 21,101	$ 17,754	$ 578	$ -

There were no loans considered TDR that defaulted during the year ended December 31, 2020.

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

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

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

At December 31, 2020 and 2019, there were 47 and 35 loans, respectively, of approximately $34,733,000 and $26,641,000, respectively, that are considered TDR.

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

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

BCI's loans and leases grouped by their internal classification segmented by the class of loans and leases as of December 31, 2020 and 2019, are represented as follows (in thousands):

	Unclassified	Special Mention	Substandard	Doubtful	Total
2020					
Real estate:					
Commercial	$ 4,801,984	$ 432,976	$ 44,624	$ -	$ 5,279,584
Residential	1,994,975	14,232	53,225	-	2,062,432
Construction and land	528,741	15,235	15,688	-	559,664
Total real estate	7,325,700	462,443	113,537	-	7,901,680
Commercial and other business	3,989,874	62,099	29,747	500	4,082,220
Commercial leases	424,100		615	-	424,715
Consumer	49,018	805	7,123	-	56,946
Total	$ 11,788,692	$ 525,347	$ 151,022	$ 500	$ 12,465,561
2019					
Real estate:					
Commercial	$ 5,024,398	$ 25,062	$ 20,052	$ -	$ 5,069,512
Residential	2,171,519	9	23,910	-	2,195,438
Construction and land	719,203	4,955	194	-	724,352
Total real estate	7,915,120	30,026	44,156	-	7,989,302
Commercial and other business	2,363,693	18,223	18,817	-	2,400,733
Commercial leases	496,885	-	9,162	-	506,047
Consumer	64,807	-	2,184	-	66,991
Total	$ 10,840,505	$ 48,249	$ 74,319	$ -	$ 10,963,073

BCI's loans grouped by performing and nonperforming classes of loans and leases as of December 31, 2020 and 2019, are summarized as follows (in thousands):

	Real Estate			Commercial and Other Business Loans	Commercial Leases	Consumer	Total
	Commercial	Residential	Construction and Land				
2020							
Performing	$ 5,273,605	$ 2,034,737	$ 543,593	$ 4,065,141	$ 424,100	$ 52,000	$ 12,393,176
Nonperforming	5,977	27,695	16,072	17,080	615	4,946	72,385
Total	$ 5,279,582	$ 2,062,432	$ 559,665	$ 4,082,221	$ 424,715	$ 56,946	$ 12,465,561
2019							
Performing	$ 5,061,492	$ 2,175,400	$ 724,352	$ 2,390,612	$ 496,885	$ 66,991	$ 10,915,732
Nonperforming	8,020	20,038	-	10,121	9,162	-	47,341
Total	$ 5,069,512	$ 2,195,438	$ 724,352	$ 2,400,733	$ 506,047	$ 66,991	$ 10,963,073

Nonperforming loans are loans that are considered nonaccrual.

ALLL—Transactions affecting the ALLL for the year ended December 31, 2020, by class of loans and leases; BCI's ALLL for individually allocated, unallocated, and PCI, by class of loans; and BCI's loans, by class of loans, related to individually allocated, unallocated, and PCI loans as of December 31, 2020, are summarized as follows (in thousands):

	Real Estate							
	Commercial	**Residential**	**Construction and Land**	**Commercial and Other Business**	**Commercial Leases**	**Consumer**	**Unallocated**	**Total**
ALLL								
Beginning balance—December 31, 2019	$ 16,522	$ 8,570	$ 2,886	$ 14,659	$ 5,497	$ 208	$ 704	$ 49,046
Loan charged off	-	(129)	-	(11,313)	(2,580)	(355)	-	(14,377)
Recoveries	63	152	5	608	74	18	-	920
Provision for loan losses	49,951	11,182	2,395	31,956	149	5,967	-	101,600
Ending balance—December 31, 2020	$ 66,536	$ 19,775	$ 5,286	$ 35,910	$ 3,140	$ 5,838	$ 704	$ 137,189
December 31, 2020—individually evaluated for impairment (individually allocated)	$ 14,996	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,996
December 31, 2020—collectively evaluated for impairment (unallocated)	$ 51,540	$ 19,775	$ 5,286	$ 35,875	$ 3,140	$ 5,838	$ 704	$ 122,158
December 31, 2020—loans acquired with deteriorated credit quality (PCI)	$ -	$ -	$ -	$ 35	$ -	$ -	$ -	$ 35

	Real Estate						
	Commercial	**Residential**	**Construction and Land**	**Commercial and Other Business**	**Commercial Leases**	**Consumer**	**Total**
Loans:							
Individually evaluated for impairment	$ 16,722	$ 46,627	$ 15,506	$ 24,108	$ 615	$ 7,108	$ 110,686
Collectively evaluated for impairment	5,262,248	2,014,426	544,158	4,058,012	424,100	49,838	12,352,782
Acquired with deteriorated credit quality (PCI)	614	1,379	-	100	-	-	2,093
Total	$ 5,279,584	$ 2,062,432	$ 559,664	$ 4,082,220	$ 424,715	$ 56,946	$ 12,465,561

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

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

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

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

During the year ended December 31, 2019, BCI sold loans held for investment totaling approximately $54,907,000.

6. BANK PREMISES AND EQUIPMENT

BCI premises and equipment as of December 31, 2020 and 2019, are summarized as follows (in thousands):

	2020	2019
Land	$ 26,368	$ 24,505
Buildings and leasehold improvements	45,745	45,495
Furniture and equipment	36,101	27,459
	108,214	97,459
Less accumulated depreciation	(22,925)	(15,469)
	85,289	81,990
Construction in progress	11,888	4,269
Bank premises and equipment—net	$ 97,177	$ 86,259

Depreciation and amortization expense for premises and equipment was approximately $8,401,000 and $6,395,000 for the years ended December 31, 2020 and 2019, respectively, and is included as occupancy expense and equipment expense within other operating expenses in the accompanying consolidated statements of income and comprehensive income.

Construction in progress primarily consists of building improvements and relocations in 2020 and 2019.

7. OPERATING LEASE EQUIPMENT

Operating lease equipment as of December 31, 2020 and 2019, is summarized as follows (in thousands):

	2020	2019
Railcars	$ 120,560	$ 121,250
Other equipment	94,588	92,839
	215,148	214,089
Less accumulated depreciation	(35,731)	(18,543)
Operating lease equipment—net	$ 179,417	$ 195,546

Depreciation expense for operating lease equipment was approximately $17,237,000 and $9,559,000 for the years ended December 31, 2020 and 2019, respectively, and is included as other operating expense in the accompanying consolidated statements of income and comprehensive income.

The following table presents future minimum lease rentals due on noncancelable operating leases as of December 31, 2020. Excluded from this table is variable rentals calculated on asset usage levels, releasing rentals, and expected sales proceeds from remarketing equipment at lease expiration, all of which are components of operating lease profitability. Minimum lease rentals due are as follows (in thousands):

Years Ending December 31	
2021	$ 17,832
2022	17,367
2023	16,857
2024	14,562
2025	12,924
Thereafter	17,950
Total	$ 97,492

During the years ended December 31, 2020 and 2019, BCI did not receive any contingent rental income.

8. INTANGIBLE ASSETS

Intangible assets as of December 31, 2020 and 2019, are summarized as follows (in thousands):

	2020	**2019**	**Estimated Useful Life (In Years)**
Core deposit premiums	$ 124,890	$ 120,290	6–12
Leasehold interest	4,310	4,310	6–55
	129,200	124,600	
Less accumulated amortization	(66,715)	(48,269)	
	62,485	76,331	
Trade name	18,000	18,000	Indefinite
Mortgage servicing rights	2,270	328	5
Less accumulated amortization	(392)	(69)	
	1,878	259	
Intangibles—net	$ 82,363	$ 94,590	

During the years ended December 31, 2020 and 2019, BCI did not record impairments on its intangible assets.

Total amortization expense of intangible assets was approximately $18,769,000 and $18,227,000 for the years ended December 31, 2020 and 2019, respectively. Amortization expense for each of the fiscal years ending December 31, 2021, through December 31, 2025, and thereafter are estimated as follows (in thousands):

Years Ending December 31	
2021	$ 18,194
2022	16,608
2023	14,457
2024	5,907
2025	1,804
Thereafter	7,393
Total	$ 64,363

9. DEPOSITS

Deposit accounts as of December 31, 2020 and 2019, consist of the following (in thousands):

	2020	2019
Demand	$ 5,616,459	$ 3,543,709
Interest checking	2,125,378	1,694,044
Savings	215,750	158,509
Money market savings	5,992,754	4,619,836
Time deposits	1,010,501	1,837,302
Total	$ 14,960,842	$ 11,853,400

Time deposits as of December 31, 2020, mature as follows (in thousands):

Maturing in six months or less	$ 491,069
Maturing between six months and one year	256,317
Maturing between one year and three years	255,401
Maturing beyond three years	7,714
Total	$ 1,010,501

Time certificates of deposit, issued in denominations of $250,000 or more, amounted to approximately $626,603,000 and $905,088,000 at December 31, 2020 and 2019, respectively.

Interest on deposits for the years ended December 31, 2020 and 2019, includes the following (in thousands):

	2020	2019
Interest checking	$ 10,060	$ 24,157
Savings	298	339
Money market savings	38,399	80,470
Time deposits in denominations of $250,000 or more	14,492	18,230
Time deposits in denominations of less than $250,000	8,921	22,590
Total	$ 72,170	$ 145,786

10. OTHER BORROWINGS

BCI had outstanding FHLB advances as of December 31, 2020 and 2019, as follows (in thousands):

Description	Interest Rate	Maturity	Callable	2020	2019
Fixed-rate credit	1.71	January 2020	N/A	$ -	$ 800,000
Fixed-rate credit	1.70	January 2020	N/A	-	200,000
Fixed-rate credit	0.23	January 2021	N/A	150,000	-
Fixed-rate credit	0.23	January 2021	N/A	100,000	-
Fixed-rate credit	0.23	January 2021	N/A	100,000	-
Convertible	1.36	August 2029	February 2020	-	250,000
Convertible	0.84	July 2029	January 2021	300,000	300,000
Convertible	1.16	July 2029	January 2021	100,000	100,000
Convertible	1.17	July 2029	January 2021	200,000	200,000
Convertible	0.63	August 2029	February 2021	250,000	-
Total				$ 1,200,000	$ 1,850,000

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

As of December 31, 2020, BCI has $10,973,000 in senior debt with an interest rate of 6.5%, maturing January 7, 2029.

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

Certain information pertaining to short-term borrowings as of December 31, 2020 and 2019, is set forth as follows (in thousands):

	2020	2019
Federal funds purchased:		
Balance outstanding	$ -	$ -
Largest average outstanding at any month-end	$ 22,581	$ 469
Average balance outstanding during the year	$ 2,062	$ 154
Weighted-average interest rate for the year	0.25 %	2.37 %
Securities sold under agreements to repurchase:		
Balance outstanding	$ 115,193	$ 82,039
Largest amount outstanding at any month-end	$ 138,247	$ 167,065
Average balance outstanding during the year	$ 113,094	$ 139,056
Weighted-average interest rate for the year	0.26 %	0.49 %

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents the activity of the components of other comprehensive income (loss) and accumulated other comprehensive income/loss for the year ended December 31, 2020 (in thousands):

	Total Other Comprehensive Income (Loss)			Total Accumulated Other Comprehensive Income (Loss)		
	Pretax Activity	Tax Effect	Net Activity Effect	Beginning Balance	Net Activity	Ending Balance
Unrealized gains on securities available for sale	$ 63,523	$ (15,271)	$ 48,252			
Unrealized losses on derivatives designated as hedging instruments	(761)	183	(578)			
Reclassification adjustment for gain on sales of securities available for sale—net included in net income	(10,052)	2,412	(7,640)			
Cumulative effect adjustment for adoption of accounting standard	-	-	-			
Reclassification adjustment for gain on derivatives—net included in net income	7,130	(1,711)	5,419			
Other	(294)	71	(223)			
	$ 59,546	$ (14,316)	$ 45,230	$ (1,415)	$ 45,230	$ 43,815

The table below presents a reclassification out of accumulated other comprehensive income/loss for the year ended December 31, 2020 (in thousands):

Affected Line Items in the Consolidated Statements of Income and Comprehensive Income	
Gain on sale of investment securities—net	$ 10,052
Gain before income tax provision	$ 10,052
Applicable income tax expense	(2,412)
Net income	$ 7,640
Interest on borrowings	$ (7,130)
Loss before income tax benefit	$ (7,130)
Applicable income tax benefit	1,711
Net loss	$ (5,419)

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

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

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

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

13. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

BCI's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019, is as follows (in thousands):

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Securities available for sale	$ -	$ 3,923,472	$ -	$ 3,923,472
Equity securities	$ 31,409	$ -	$ -	$ 31,409
Derivative assets	$ -	$ 133,474	$ -	$ 133,474
Liabilities—				
Derivative liabilities	$ -	$ 134,232	$ -	$ 134,232

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

During 2020 and 2019, BCI did not have any assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Nonrecurring Fair Value—Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. Assets measured at fair value on a nonrecurring basis during 2020 and 2019 include the following:

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

The assets that were remeasured and reported at fair value on a nonrecurring basis as of December 31, 2020 and 2019, are as follows (in thousands):

2020	**Level 1**	**Level 2**	**Level 3**	**Total**	**Impairment**
Financial assets—loans	$ -	$ -	$ 43,588	$ 43,588	$ (5,914)

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

The types of loans that were remeasured at and reported at fair value on a nonrecurring basis at December 31, 2020 and 2019, are listed within Note 5 within impaired loans.

The information as of December 31, 2020 and 2019, about significant unobservable inputs related to BCI's Level 3 financial assets measured on a nonrecurring basis is as follows (in thousands):

2020	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Financial assets—loans	$43,588	Appraised value	Appraised value	Not meaningful	Not meaningful

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

14. INCOME TAXES

BCI's income tax provision (benefit) for the years ended December 31, 2020 and 2019, is as follows (in thousands):

	2020	2019
Current provision:		
Federal	$ 62,018	$ 4,648
State	5,047	3,786
Total current provision	67,065	8,434
Deferred provision:		
Federal	(35,295)	33,102
State	6,071	7,251
Total deferred (benefit) provision	(29,224)	40,353
Income tax provision	$ 37,841	$ 48,787

The effective tax rate for 2020 and 2019 differs from the statutory federal rate of 21% primarily as a result of state income taxes, nontaxable income, and nondeductible expenses.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The components of deferred tax assets (liabilities) as of December 31, 2020 and 2019, are as follows (in thousands):

	2020	2019
Deferred tax assets:		
Net operating losses	$ 27,738	$ 31,826
Provision for loan and lease losses	29,079	7,813
Interest recorded on nonaccrual loans	1,269	929
Amortization of goodwill and intangibles	56,046	60,757
Other	19,479	17,219
Total deferred tax assets	133,611	118,544
Deferred tax liabilities:		
Intangible assets	-	(1,588)
Depreciation	(86,144)	(98,008)
Other	(1,224)	(1,929)
Total deferred tax liabilities	(87,368)	(101,525)
Net deferred tax assets before unrealized depreciation of investments in securities available for sale and acquisition	46,243	17,019
Unrealized appreciation of securities available for sale	(13,359)	(677)
Unrealized (gains) losses on derivatives designated as cash flow hedges	(476)	1,158
Net tax basis difference of net assets acquired	482	-
Net deferred tax assets	$ 32,890	$ 17,500

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 ASC 740, *Income Taxes*, that some portion or all of the deferred tax assets will not be realized. Although management believes that these deferred tax assets will ultimately be realized, it must recognize that such realization is dependent on the generation of future taxable income during the periods in which temporary differences are deductible. Under FASB ASC 740, management must consider the scheduled reversal of deferred tax assets, projected future taxable income, tax planning strategies, and whether BCI is in a three-year cumulative loss position in making this assessment. Management evaluated all available evidence, both positive and negative, and based on consideration of this evidence, which included earnings/loss history and anticipated future pretax income, as well as the reversal period for the items giving rise to the deferred tax assets and liabilities, management concluded that it was more likely than not that its net deferred tax assets would be realized at December 31, 2020 and 2019.

BCI's gross net operating losses of approximately $120,471,000 of federal net operating losses and approximately $121,423,000 of State of Florida net operating losses at December 31, 2020, will begin to expire during 2028.

BCI has approximately $85,918,000 gross excess recognized built-in losses related to goodwill amortization that are disallowed because of Internal Revenue Code Section 382 limitation. These recognized built-in losses are carried forward and will begin to expire during 2036.

BCI accounts for uncertainty in income taxes by recognizing in its consolidated financial statements the tax effects of a position only if it is more likely than not to be sustained based solely on its technical merits; otherwise, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2020 and 2019, BCI has not recorded any unrecognized tax benefits in the accompanying consolidated balance sheets. Management does not expect that unrecognized tax benefits will increase within the next 12 months. In the event BCI was to recognize interest and penalties related to uncertain tax positions, they would be recognized in the consolidated financial statements as income tax expense.

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

As of December 31, 2020 and 2019, BCI made tax payments of approximately $39,720,000 and $17,901,000, respectively, which is included in other assets in the accompanying consolidated balance sheets.

15. COMMITMENTS AND CONTINGENCIES

Off-Balance-Sheet—In the normal course of business, various commitments and contingent liabilities are outstanding that are not reflected in the consolidated financial statements. A summary of these commitments and contingent liabilities as of December 31, 2020 and 2019, is as follows (in thousands):

	2020	**2019**
Commercial letters of credit	$ 14	$ 53
Standby letters of credit	87,070	92,890
Commitments to extend credit	1,396,887	1,645,098

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

Standby letters of credit are conditional commitments issued by BCI to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At December 31, 2020 and 2019, standby letters of credit amounting to approximately $44,150,000 and $43,289,000, respectively, were secured by cash collateral or marketable securities. The liability recorded by BCI related to unearned fees from letters of credit outstanding at December 31, 2020 and 2019, was $303,000 and $483,000, respectively, and is included in other liabilities in the accompanying consolidated balance sheets.

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

Leases—BCI has entered into a number of noncancelable operating lease agreements for premises and equipment. The minimum annual rental commitments under these leases as of December 31, 2020, are summarized as follows (in thousands):

Years Ending December 31	
2021	$ 10,501
2022	9,836
2023	9,846
2024	9,737
2025	9,760
Thereafter	69,231
Total	$ 118,911

Rent expense under all leases having initial noncancelable terms of more than one year was approximately $11,739,000 and $10,348,000 for the years ended December 31, 2020 and 2019, respectively.

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

16. EMPLOYEE BENEFIT PLAN

BCI has a Retirement Savings Trust and Retirement Savings Plan (the "Plan"), a defined contribution 401(k) plan. The Plan covers all employees who are 21 years of age with more than 90 days of service immediately. Employees qualify for benefits upon reaching the age of 65 years or upon permanent disability. Participants receive a 100% employer matching contribution up to 5% of their pretax compensation. In addition, BCI may make a discretionary contribution from current or accumulated profits. During the years ended December 31, 2020 and 2019, BCI contributed approximately $3,536,000 and $3,213,000, respectively, to the Plan in matching contributions.

17. REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require BCI to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020, that BCI meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, BCI is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, BCI must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I (CET I), and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

BCI's and the Bank's capital amounts and ratios as of December 31, 2020, are also presented as follows:

	Actual Amount	Ratio	Required for Capital Adequacy Purposes Amount	Ratio	Required to be Categorized as Well Capitalized under Prompt Corrective Action Provisions Amount	Ratio
BCI:						
Total capital (to risk-weighted assets)	$ 1,920,534,000	15.6 %	$ 983,435,000	8.0 %		
Tier I capital (to risk-weighted assets)	1,779,052,000	14.5	737,576,000	6.0		
CET I capital (to risk-weighted assets)	1,779,052,000	14.5	553,182,000	4.5		
Tier I capital (to average assets)	1,779,052,000	9.8	728,572,000	4.0		
Bank:						
Total capital (to risk-weighted assets)	$ 1,919,527,000	15.6 %	$ 983,434,000	8.0 %	$ 1,229,293,000	10.0 %
Tier I capital (to risk-weighted assets)	1,778,045,000	14.5 %	737,576,000	6.0 %	983,435,000	8.0
CET I capital (to risk-weighted assets)	1,778,045,000	14.5 %	553,182,000	4.5 %	799,041,000	6.5
Tier I capital (to average assets)	1,778,045,000	9.8 %	727,264,000	4.0 %	909,079,000	5.0

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

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

18. RELATED-PARTY TRANSACTIONS

Loans—BCI makes loans to its directors, officers, employees, and other affiliated parties on substantially the same terms, including interest rate and collateral requirements, as those prevailing at the time of the loan origination for comparable transactions with nonaffiliated persons. The aggregate amount of direct loans to directors, executive officers, and principal stockholders at December 31, 2020 and 2019, amounted to $1,181,000 and $1,473,000, respectively. BCI did not have indirect loans to directors, executive officers, and principal stockholders at December 31, 2020 and 2019.

Loan Sales—During the year ended December 31, 2020, and 2019, no loans from BCI were sold to a related party.

Deposits—At December 31, 2020 and 2019, BCI has deposits from a related party in the amount of approximately $257,736,000 and $252,058,000, respectively.

Lease—Effective May 2019, BCI began subleasing a portion of a leased property to the Parent. The payments are recorded as reductions in rent expense and approximated $1,388,000 and $1,008,000 for the years ended December 31, 2020 and 2019, respectively.

19. BCI-ONLY FINANCIAL STATEMENTS

BCI FINANCIAL GROUP, INC.

BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands, except par value and share information)

	2020	2019
ASSETS		
CASH	$ 687	$ 863
INVESTMENT IN SUBSIDIARY	2,047,062	1,891,437
OTHER ASSETS	8,885	8,858
TOTAL	$ 2,056,634	$ 1,901,158
LIABILITIES AND EQUITY		
OTHER LIABILITIES	$ -	$ 26
Total liabilities	-	26
STOCKHOLDER'S EQUITY:		
Capital (common stock—927,345,444 shares authorized, issued, and outstanding)	1,516,477	1,516,477
Retained earnings	494,757	384,605
Accumulated other comprehensive loss—net of tax	43,815	(1,415)
Total stockholder's equity	2,055,049	1,899,667
NONCONTROLLING INTEREST	1,585	1,465
Total equity	2,056,634	1,901,132
TOTAL	$ 2,056,634	$ 1,901,158

BCI FINANCIAL GROUP, INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
INTEREST INCOME	$ 1	$ 3
EXPENSE—Other	74	62
Total expense	74	62
LOSS BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	(73)	(59)
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	110,360	162,513
NET INCOME BEFORE INCOME TAX PROVISION	110,287	162,454
INCOME TAX PROVISION	50	86
NET INCOME BEFORE NONCONTROLLING INTEREST	110,237	162,368
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	85	134
NET INCOME ATTRIBUTABLE TO BCI	110,152	162,234
OTHER COMPREHENSIVE GAIN (LOSS)—Net of tax:		
Net unrealized gains on securities available for sale	48,252	41,028
Net unrealized loss on derivatives designated as hedging instruments	(578)	(9,311)
Reclassification adjustment for gain on sale of securities available for sale—net included in net income	(7,640)	(1,729)
Reclassification adjustment for gain on derivatives—net included in net income	5,419	(2,703)
Cumulative effect adjustment for adoption of accounting standard	-	794
Other	(223)	146
Total other comprehensive loss	45,230	28,225
TOTAL OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERES	35	20
COMPREHENSIVE INCOME ATTRIBUTABLE TO BCI	$155,382	$190,459
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	$ 120	$ 154

BCI FINANCIAL GROUP, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before noncontrolling interest	$ 110,237	$ 162,368
Adjustments to reconcile net income before noncontrolling interest to net cash used in operating activities:		
Equity in undistributed income of subsidiary	(110,360)	(162,513)
Decrease in other assets	(27)	56
Deferred tax provision	-	-
(Decrease) increase in other liabilities	(26)	26
Net cash used in operating activities	(176)	(63)
CASH FLOWS FOR INVESTING ACTIVITIES—		
Purchase of Executive National Bank	(62,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES—		
Dividend received from subsidiary	62,000	-
NET DECREASE IN CASH	(176)	(63)
CASH—Beginning of year	863	926
CASH—End of year	$ 687	$ 863

During the year ended December 31, 2020, BCI acquired Executive National Bank and simultaneously merged Executive National Bank into the Bank. As a result, assets and liabilities acquired were recorded at the Bank level (see Note 2), including net cash acquired presented in the consolidation statements of cash flows.

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