BankUnited, Inc.
Form 10-Q
May 10, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35039

BankUnited, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**27-0162450** (I.R.S. Employer Identification No.)
14817 Oak Lane, Miami Lakes, FL (Address of principal executive offices)	**33016** (Zip Code)

Registrant s telephone number, including area code: **(305) 569-2000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**May 7, 2012**
Common Stock, $0.01 Par Value	93,977,695 Shares

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BankUnited, Inc.

Form 10-Q

For the Quarterly Period Ended March 31, 2012

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except share data)

	March 31, 2012	December 31, 2011
ASSETS		
Cash and due from banks:		
Non-interest bearing	$ 43,804	$ 39,894
Interest bearing	26,678	13,160
Interest bearing deposits at Federal Reserve Bank	238,567	247,488
Federal funds sold	3,012	3,200
Cash and cash equivalents	312,061	303,742
Investment securities available for sale, at fair value (including covered securities of $235,176 and $232,194)	4,661,945	4,181,977
Non-marketable equity securities	176,041	147,055
Loans held for sale	2,173	3,952
Loans (including covered loans of $2,313,893 and $2,422,811)	4,709,283	4,137,058
Allowance for loan and lease losses	(56,474)	(48,402)
Loans, net	4,652,809	4,088,656
FDIC indemnification asset	1,786,512	2,049,151
Bank owned life insurance	205,012	204,077
Other real estate owned, covered by loss sharing agreements	106,950	123,737
Deferred tax asset, net	83,834	19,485
Goodwill and other intangible assets	70,329	68,667
Other assets	141,218	131,539
Total assets	$ 12,198,884	$ 11,322,038
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 1,022,860	$ 770,846
Interest bearing	510,386	453,666
Savings and money market	3,932,111	3,553,018
Time	2,620,124	2,587,184
Total deposits	8,085,481	7,364,714
Securities sold under repurchase agreements and short-term borrowings	11,199	206
Federal Home Loan Bank advances	2,231,412	2,236,131
Income taxes payable	80,215	53,171
Advance payments by borrowers for taxes and insurance	30,803	21,838
Other liabilities	114,841	110,698

Total liabilities		10,553,951		9,786,758
Commitments and contingencies				
Stockholders equity:				
Common stock, par value $0.01 per share 400,000,000 shares authorized; 93,982,328 and 97,700,829 shares issued and outstanding		940		977
Preferred stock, 100,000,000 shares authorized; 5,415,794 shares of Series A preferred, $0.01 par value, issued and outstanding at March 31, 2012		54		
Paid-in capital		1,290,279		1,240,068
Retained earnings		308,946		276,216
Accumulated other comprehensive income		44,714		18,019
Total stockholders equity		1,644,933		1,535,280
Total liabilities and stockholders equity	$	12,198,884	$	11,322,038

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except per share data)

	Three Months Ended March 31, 2012	2011
Interest income:		
Loans	$ 136,297	$ 114,651
Investment securities available for sale	33,039	32,549
Other	954	1,006
Total interest income	170,290	148,206
Interest expense:		
Deposits	16,960	20,306
Borrowings	15,521	15,573
Total interest expense	32,481	35,879
Net interest income before provision for loan losses	137,809	112,327
Provision for loan losses (including provision for covered loans of $1,600 and $10,017)	8,767	11,456
Net interest income after provision for loan losses	129,042	100,871
Non-interest income:		
Accretion of discount on FDIC indemnification asset	6,787	19,570
Income (loss) from resolution of covered assets, net	7,282	(710)
Net gain on indemnification asset	134	26,322
FDIC reimbursement of costs of resolution of covered assets	6,516	10,500
Service charges and fees	3,055	2,684
Mortgage insurance income	3,690	1,301
Investment services income	1,132	2,404
Other non-interest income	7,802	2,191
Total non-interest income	36,398	64,262
Non-interest expense:		
Employee compensation and benefits	46,625	149,306
Occupancy and equipment	11,822	7,605
Impairment of other real estate owned	3,547	9,599
Foreclosure expense	2,719	4,470
Loss on sale of other real estate owned	1,401	12,210
Other real estate owned expense	2,276	4,343
Deposit insurance expense	1,150	4,189
Professional fees	3,649	3,229
Telecommunications and data processing	3,230	3,448
Other non-interest expense	7,699	5,940
Total non-interest expense	84,118	204,339
Income (loss) before income taxes	81,322	(39,206)
Provision for income taxes	31,050	28,454
Net income (loss)	$ 50,272	$ (67,660)
Earnings (loss) per common share, basic and diluted (see Note 2)	$ 0.49	$ (0.72)
Cash dividends declared per common share	$ 0.17	$ 0.14

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

(In thousands)

	Three Months Ended March 31, 2012	2011
Net income (loss)	$ 50,272	$ (67,660)
Other comprehensive income, net of tax:		
Unrealized gains (losses) on investment securities available for sale:		
Net unrealized holding gain (loss) arising during the period	24,615	(490)
Reclassification adjustment for net securities gains realized in income	(10)	(2)
Net change in unrealized gains (losses) on securities available for sale	24,605	(492)
Unrealized gains (losses) on derivative instruments:		
Net unrealized holding gain (loss) arising during the period	(631)	1,732
Reclassification adjustment for net losses realized in income	2,721	2,888
Net change in unrealized losses on derivative instruments	2,090	4,620
Other comprehensive income	26,695	4,128
Comprehensive income (loss)	$ 76,967	$ (63,532)

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)

	Three Months Ended March 31, 2012	2011
Cash flows from operating activities:		
Net income (loss)	$ 50,272	$ (67,660)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Accretion of fair values of assets acquired and liabilities assumed	(117,636)	(109,919)
Amortization of fees, discounts and premiums, net	2,911	(2,578)
Provision for loan losses	8,767	11,456
Accretion of discount on FDIC indemnification asset	(6,787)	(19,570)
(Income) loss from resolution of covered assets, net	(7,282)	710
Net gain on indemnification asset	(134)	(26,322)
Net gain on sale of loans	(256)	(131)
Increase in cash surrender value of bank owned life insurance	(935)	(669)
Gain on sale of investment securities available for sale	(16)	(3)
Loss on sale of other real estate owned	1,401	12,210
Equity based compensation	10,127	116,778
Depreciation and amortization	3,382	1,203
Impairment of other real estate owned	3,547	9,599
Deferred income taxes	(69,364)	13,235
Proceeds from sale of loans held for sale	11,933	8,321
Loans originated for sale, net of repayments	(9,919)	(8,145)
Realized tax benefits from dividend equivalents and equity based compensation	(118)	
Gain on acquisition	(5,288)	
Other:		
(Increase) decrease in other assets	(2,478)	7,578
Increase in other liabilities	30,252	3,129
Net cash used in operating activities	(97,621)	(50,778)
Cash flows from investing activities:		
Net cash paid in business combination	(1,626)	
Purchase of investment securities available for sale	(427,178)	(573,574)
Purchase of non-marketable equity securities	(26,700)	
Proceeds from repayments of investment securities available for sale	135,802	144,033
Proceeds from sale of investment securities available for sale	5,847	2,946
Maturities and calls of investment securities available for sale	4,250	
Purchases of loans	(165,908)	(33,515)
Loan originations, repayments and resolutions, net	(25,670)	209,417
Decrease in FDIC indemnification asset for claims filed	269,560	286,148
Purchase of office properties and equipment, net	(8,462)	(11,036)
Proceeds from sale of other real estate owned	56,021	107,479
Net cash provided by (used in) investing activities	(184,064)	131,898

(Continued)

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)

	Three Months Ended March 31, 2012		2011	
Cash flows from financing activities:				
Net increase (decrease) in deposits		285,490		(259,357)
Additions to Federal Home Loan Bank advances		(230,000)		
Repayments of Federal Home Loan Bank advances		230,000		
Increase (decrease) in short-term borrowings		10,993		(387)
Settlement of FDIC warrant liability				(25,000)
Increase in advances from borrowers for taxes and insurance		8,169		7,417
Issuance of common stock				99,476
Dividends paid		(14,888)		(14,000)
Realized tax benefits from dividend equivalents and equity based compensation		118		
Exercise of stock options		122		6
Net cash provided by (used in) financing activities		290,004		(191,845)
Net increase (decrease) in cash and cash equivalents		8,319		(110,725)
Cash and cash equivalents, beginning of period		303,742		564,774
Cash and cash equivalents, end of period	$	312,061	$	454,049
Supplemental disclosure of cash flow information:				
Interest paid on deposits and borrowings	$	37,895	$	43,095
Income taxes paid	$	73,095	$	150
Supplemental schedule of non-cash investing and financing activities:				
Transfers from loans to other real estate owned	$	47,078	$	111,682
Dividends declared, not paid	$	17,542	$	14,248
Reclassification of PIU liability to equity	$		$	44,964
Rescission of surrender of bank owned life insurance	$		$	20,846
Unsettled securities trades	$		$	71,838
Exchange of common stock for Series A preferred stock	$	54	$	
Equity consideration issued in business combination	$	39,861	$	

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY - UNAUDITED

(In thousands, except share data)

	Common shares outstanding	Common stock	Preferred shares outstanding	Preferred stock	Paid-in capital	Retained earnings	Accumulated other comprehensive income	Total stockholders equity
Balance at December 31, 2011	97,700,829	$ 977		$	$ 1,240,068	$ 276,216	$ 18,019	$ 1,535,280
Comprehensive income						50,272	26,695	76,967
Exchange of common shares for preferred shares	(5,415,794)	(54)	5,415,794	54				
Equity consideration issued in acquisition	1,676,060	17			39,844			39,861
Dividends						(17,542)		(17,542)
Equity based compensation	10,817				10,127			10,127
Exercise of stock options	10,416				122			122
Tax benefits from dividend equivalents and equity based compensation					118			118
Balance at March 31, 2012	93,982,328	$ 940	5,415,794	$ 54	$ 1,290,279	$ 308,946	$ 44,714	$ 1,644,933
Balance at December 31, 2010	92,971,850	$ 930		$	$ 950,831	$ 269,781	$ 31,966	$ 1,253,508
Comprehensive loss						(67,660)	4,128	(63,532)
Proceeds from issuance of common stock, net of direct costs of $3,126	4,000,000	42			99,434			99,476
Dividends						(14,248)		(14,248)
Reclassification of PIU liability to equity					44,964			44,964
Equity based compensation	265,840				116,778			116,778
Exercise of stock options	617				6			6
Balance at March 31, 2011	97,238,307	$ 972		$	$ 1,212,013	$ 187,873	$ 36,094	$ 1,436,952

The accompanying notes are an integral part of these consolidated financial statements.

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BANKUNITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

March 31, 2012

Note 1 Basis of Presentation

BankUnited, Inc. (BankUnited, Inc. or BKU) is a bank holding company with three wholly-owned subsidiaries: BankUnited, National Association (BankUnited), Herald National Bank (Herald), and BankUnited Investment Services, Inc. (collectively, the Company). BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of banking and related services to individual and corporate customers through 94 branches located in 15 Florida counties. Herald is a national banking association with 3 branch locations in the New York metropolitan area.

On May 21, 2009, BankUnited acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all of the other liabilities of BankUnited, FSB from the Federal Deposit Insurance Corporation (FDIC) in a transaction referred to as the FSB Acquisition. In connection with the FSB Acquisition, BankUnited entered into Loss Sharing Agreements with the FDIC (Loss Sharing Agreements) that cover single family residential mortgage loans, commercial real estate, commercial and industrial and consumer loans, certain investment securities and other real estate owned (OREO), collectively referred to as the covered assets. Pursuant to the terms of the Loss Sharing Agreements, the covered assets are subject to a stated loss threshold whereby the FDIC will reimburse BankUnited for 80% of losses up to $4.0 billion and 95% of losses in excess of this amount, beginning with the first dollar of loss incurred.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (the SEC). Accordingly, they do not include all of the information and footnotes required for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles (GAAP) and should be read in conjunction with the Company s consolidated financial statements and the notes thereto appearing in the BKU s Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected in future periods.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent assets and liabilities. Management has made significant estimates in certain areas, such as the allowance for loan and lease losses, the amount and timing of expected cash flows from covered assets and the FDIC indemnification asset, the valuation of OREO, the valuation of deferred tax assets, the value of equity based compensation, the evaluation of investment securities for other than-temporary impairment and the fair values of financial instruments. Actual results could differ from these estimates.

The Company s presentation of other comprehensive income has been revised retrospectively to comply with newly applicable guidance requiring that the components of net income and other comprehensive income be presented either in a single statement of comprehensive income or in two separate but consecutive statements. Previously, the components of other comprehensive income were presented in the consolidated statements of stockholders equity.

Certain amounts for the prior period have been reclassified to conform to the current period presentation.

Note 2 Earnings Per Share

Basic earnings per common share is calculated by dividing income attributable to common stockholders by the weighted average number of common shares outstanding for the period, reduced by average unvested stock awards. Unvested stock awards and stock option awards with non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, and participating preferred stock are considered participating securities and are included in the computation of basic earnings per common share using the two class method. Diluted earnings per common share is computed by dividing income attributable to common stockholders adjusted for earnings reallocated from participating securities by the weighted average number of common shares outstanding for the period increased for the dilutive effect of unexercised stock options, warrants and unvested stock awards using the treasury stock method and by the dilutive effect of convertible preferred stock using the if converted method.

The computation of basic and diluted earnings per common share is presented below (in thousands except share and per share data):

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BANKUNITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

March 31, 2012

	Three Months Ended March 31, 2012		2011	
Basic earnings (loss) per common share:				
Numerator:				
Net income (loss)	$	50,272	$	(67,660)
Distributed and undistributed earnings allocated to participating securities		(4,182)		
Income (loss) attributable to common stockholders	$	46,090	$	(67,660)
Denominator:				
Weighted average common shares outstanding		96,386,890		94,304,787
Less average unvested stock awards		(1,641,200)		
Weighted average shares for basic earnings (loss) per common share		94,745,690		94,304,787
Basic earnings (loss) per common share	$	0.49	$	(0.72)
Diluted earnings (loss) per common share:				
Numerator:				
Income (loss) attributable to common stockholders	$	46,090	$	(67,660)
Adjustment for earnings reallocated from participating securities		4		
Income (loss) used in calculating diluted earnings per common share	$	46,094	$	(67,660)
Denominator:				
Average shares for basic earnings per common share		94,745,690		94,304,787
Dilutive effect of stock options		166,030		
Weighted average shares for diluted earnings per common share		94,911,720		94,304,787
Diluted earnings (loss) per common share	$	0.49	$	(0.72)

At March 31, 2012 and 2011, the following potentially dilutive securities were outstanding but excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	March 31, 2012	2011
Options and warrants	6,986,454	5,496,597
Unvested shares	1,588,576	2,197,585
Convertible preferred shares	5,415,794	

Note 3 Acquisition Activity

On February 29, 2012, BKU completed the acquisition of Herald for a purchase price of $65.0 million consisting of cash of $25.2 million, 1,676,060 shares of common stock valued at $38.6 million and stock options and warrants valued at $1.2 million. Common stock issued was valued at the closing price of BKU common stock on the acquisition date. The options and warrants were valued using a Black-Scholes option pricing model. The acquisition of Herald was determined to be a business combination and was accounted for using the acquisition method of accounting; accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date. The acquisition of Herald allowed the Company to expand its banking operations to the New York metropolitan area.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed (in thousands):

BANKUNITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

March 31, 2012

Assets:		
Cash and cash equivalents	$	23,538
Investment securities available for sale		160,971
Loans		305,954
Deferred tax asset, net		12,023
Intangible assets		1,780
Other assets		4,141
Total assets		508,407
Liabilities:		
Deposits		435,500
Other liabilities		2,594
Total liabilities		438,094
Estimated fair value of net assets acquired		70,313
Consideration issued		65,025
Excess of fair value of net assets acquired over consideration issued	$	5,288

The Company recognized a gain of $5.3 million on the acquisition of Herald, representing the excess of the fair value of net assets acquired over the value of consideration issued. Pursuant to the terms of the merger agreement between BKU and Herald, the determination of the final purchase price was dependent on the price of BKU s common stock at the time of the merger. A decline in the stock price between the execution of the agreement and consummation of the acquisition led to this gain, which is included in the consolidated statement of operations line item other non-interest income . Transaction costs of $1.2 million related to the acquisition of Herald are included in the consolidated statement of operations line item other non-interest expense for the three months ended March 31, 2012. The results of operations of Herald have been included in the Company s financial statements from the date of acquisition and are not material. Financial statements of Herald and pro-forma financial information are not required to be presented due to the immateriality of this acquisition to the Company s consolidated financial position and results of operations.

Valuation methodologies used to estimate the fair values of significant assets acquired and liabilities assumed are summarized as follows:

- Loans were valued using a discounted cash flow technique incorporating market based probability of default, loss severity given default, recovery lag and appropriately risk weighted discount rate assumptions.

- Investment securities were valued using the same methodologies employed to estimate the fair value of the Company s investment securities available for sale summarized in Note 11.

- Demand, savings and money market deposits were valued at the amount due on demand at the valuation date. Time deposits were valued using a discounted cash flow technique incorporating discount rates based on current market rates for deposits with similar maturities.

- Intangible assets consist of a core deposit intangible asset, valued using an after tax cost savings methodology.

The gross contractual amount receivable related to acquired loans is approximately $395.2 million. The estimated amount not expected to be collected based on probability of default and loss severity given default assumptions applied in estimating fair value is $12.1 million. No loans were specifically identified as impaired at the acquisition date.

Deferred tax assets and liabilities have been recorded for the tax effects of differences between the tax bases of assets acquired and liabilities assumed and the fair values assigned to those assets and liabilities. The most significant component of the net deferred tax asset is an acquired net operating loss carryforward.

Certain of the assets acquired and liabilities assumed, including deferred tax assets, the estimated fair value of acquired loans and certain liabilities have been recorded based on provisional amounts and are subject to revision within the measurement period.

Note 4 Investment Securities Available for Sale

Investment securities available for sale at March 31, 2012 and December 31, 2011 consisted of the following (in thousands):

	March 31, 2012							
	Covered Securities				Non-Covered Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and Government agency securities	$	$	$	$	$ 64,526	$ 28	$ (131)	$ 64,423
U.S. Government agency and sponsored enterprise mortgage-backed securities					2,007,075	50,776	(817)	2,057,034
Resecuritized real estate mortgage investment conduits (Re-Remics)					686,865	6,535	(3,172)	690,228
Private label residential mortgage-backed securities and CMOs	161,794	51,207	(269)	212,732	229,863	2,050	(228)	231,685
Private label commercial mortgage-backed securities					281,157	9,810	(357)	290,610
Non-mortgage asset-backed securities					446,098	2,825	(1,998)	446,925
Mutual funds and preferred stocks	16,382	479	(554)	16,307	247,722	8,362	(9)	256,075
State and municipal obligations					23,501	280	(5)	23,776
Small Business Administration securities					354,074	3,299	(390)	356,983
Other debt securities	3,880	2,257		6,137	9,066	17	(53)	9,030
	$ 182,056	$ 53,943	$ (823)	$ 235,176	$ 4,349,947	$ 83,982	$ (7,160)	$ 4,426,769

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BANKUNITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

March 31, 2012

	December 31, 2011							
	Covered Securities				Non-Covered Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency and sponsored enterprise mortgage-backed securities	$	$	$	$	$ 1,952,095	$ 34,823	$ (1,205)	$ 1,985,713
Resecuritized real estate mortgage investment conduits (Re-Remics)					544,924	4,972	(3,586)	546,310
Private label residential mortgage-backed securities and CMOs	165,385	44,746	(310)	209,821	177,614	1,235	(983)	177,866
Private label commercial mortgage-backed securities					255,868	6,694		262,562
Non-mortgage asset-backed securities					414,274	2,246	(5,635)	410,885
Mutual funds and preferred stocks	16,382	491	(556)	16,317	235,705	3,071	(1,276)	237,500
State and municipal obligations					24,994	278	(2)	25,270
Small Business Administration securities					301,109	2,664	(96)	303,677
Other debt securities	3,868	2,188		6,056				
	$ 185,635	$ 47,425	$ (866)	$ 232,194	$ 3,906,583	$ 55,983	$ (12,783)	$ 3,949,783

At March 31, 2012, investment securities available for sale by contractual maturity, adjusted for anticipated prepayments of mortgage-backed and other pass-through securities are shown below (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 691,641	$ 712,452
Due after one year through five years	1,841,333	1,894,836
Due after five years through ten years	1,221,401	1,253,049
Due after ten years	513,524	529,226
Mutual funds and preferred stocks with no stated maturity	264,104	272,382
	$ 4,532,003	$ 4,661,945

Based on the Company s proprietary model and prepayment assumptions, the estimated weighted average life of the investment portfolio as of March 31, 2012 was 4.7 years. The effective duration of the investment portfolio as of March 31, 2012 was 1.7 years. The model results are based on assumptions that may differ from the eventual outcome.

The carrying value of securities pledged as collateral for Federal Home Loan Bank (FHLB) advances, public deposits, interest rate swaps, securities sold under agreements to repurchase and to secure borrowing capacity at the Federal Reserve Bank totaled $1.3 billion and $1.2 billion at March 31, 2012 and December 31, 2011, respectively.

The following table provides information about gains and losses on the sale of investment securities available for sale for the periods indicated (in thousands):

	Three Months Ended March 31, 2012	2011
Proceeds from sale of investment securities available for sale	$ 5,847	$ 2,946
Gross realized gains	$ 19	$ 4
Gross realized losses	(3)	(1)
Net realized gain	$ 16	$ 3

The following tables present the aggregate fair value and the aggregate amount by which amortized cost exceeds fair value for investment securities that are in unrealized loss positions at March 31, 2012 and December 31, 2011, aggregated by investment category and length of time that individual securities had been in continuous unrealized loss positions (in thousands):

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	March 31, 2012					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and Government agency securities	$ 51,882	$ (131)	$	$	$ 51,882	$ (131)
U.S. Government agency and sponsored enterprise mortgage-backed securities	116,070	(817)			116,070	(817)
Re-Remics	350,179	(3,006)	18,918	(166)	369,097	(3,172)
Private label residential mortgage-backed securities and CMOs	55,757	(369)	6,457	(128)	62,214	(497)
Private label commercial mortgage backed securities	24,893	(357)			24,893	(357)
Non-mortgage asset-backed securities	238,469	(1,998)			238,469	(1,998)
Mutual funds and preferred stocks	1,998	(102)	14,982	(461)	16,980	(563)
State and municipal obligations	2,125	(5)			2,125	(5)
Small Business Administration securities	60,749	(390)			60,749	(390)
Other debt securities	7,350	(53)			7,350	(53)
	$ 909,472	$ (7,228)	$ 40,357	$ (755)	$ 949,829	$ (7,983)

	December 31, 2011					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency and sponsored enterprise mortgage-backed securities	$ 211,168	$ (830)	$ 70,049	$ (375)	$ 281,217	$ (1,205)
Re-Remics	254,826	(3,344)	19,491	(242)	274,317	(3,586)
Private label residential mortgage-backed securities and CMOs	114,915	(1,120)	6,469	(173)	121,384	(1,293)
Non-mortgage asset-backed securities	221,904	(5,590)	8,772	(45)	230,676	(5,635)
Mutual funds and preferred stocks	77,811	(1,371)	14,982	(461)	92,793	(1,832)
State and municipal obligations	1,002	(2)			1,002	(2)
Small Business Administration securities	29,774	(96)			29,774	(96)
	$ 911,400	$ (12,353)	$ 119,763	$ (1,296)	$ 1,031,163	$ (13,649)

The Company monitors its investment securities available for sale for other than temporary impairment (OTTI) on an individual security basis. No securities were determined to be other-than-temporarily impaired during the three months ended March 31, 2012 and 2011. The Company does not intend to sell securities that are in unrealized loss positions and it is not more likely than not that the Company will be required to sell these securities before recovery of the amortized cost basis, which may be at maturity. At March 31, 2012, ninety securities were in unrealized loss positions. The amount of impairment related to twenty-seven of these securities was considered insignificant, totaling approximately $88 thousand and no further analysis with respect to these securities was considered necessary. The basis for concluding that impairment of the remaining securities is not other-than-temporary is further described below:

U.S. Treasury, government agency and Small Business Administration securities:

At March 31, 2012, three U.S. Treasury and government agency securities and two Small Business Administration securities were in unrealized loss positions. All of these securities have been in unrealized loss positions for less than twelve months. The amount of impairment of each of the individual securities is less than 1% of amortized cost. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. Given the limited severity and duration of impairment and the expectation of timely payment of principal and interest, the impairments are considered to be temporary.

U.S. Government agency and sponsored enterprise mortgage-backed securities:

At March 31, 2012, seven U.S. Government agency and sponsored enterprise mortgage-backed securities were in unrealized loss positions. All of these securities have been in unrealized loss positions for less than twelve months. The amount of impairment of each of the individual securities is less than 2% of amortized cost. The timely payment of principal and interest on these securities is

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explicitly or implicitly guaranteed by the U.S. Government. Given the limited severity and duration of impairment and the expectation of timely payment of principal and interest, the impairments are considered to be temporary.

Private label mortgage-backed securities and CMOs and Re-Remics:

At March 31, 2012, thirty private label residential and commercial mortgage-backed securities and Re-Remics were in unrealized loss positions. These securities were assessed for OTTI using third-party developed credit and prepayment behavioral models and CUSIP level constant default rates, voluntary prepayment rates and loss severity and delinquency assumptions. The results of this evaluation were not indicative of credit losses related to any of these securities as of March 31, 2012. The majority of these securities have been in unrealized loss positions for less than twelve months and evidence unrealized losses less than 2% of amortized cost. Unrealized losses in this portfolio segment result primarily from widening spreads on senior tranches and increased discount rates on subordinate tranches. Given the generally limited duration and severity of impairment and the expectation of timely recovery of outstanding principal, the impairments are considered to be temporary.

Non-mortgage asset-backed securities:

At March 31, 2012, seventeen non-mortgage asset-backed securities were in unrealized loss positions. All of these securities had been in continuous unrealized loss positions for twelve months or less at March 31, 2012. The amount of impairment of each of the individual securities is less than 3% of amortized cost. These securities were assessed for OTTI using a third-party developed credit and prepayment behavioral model and CUSIP level constant default rates, voluntary prepayment rates and loss severity and delinquency assumptions. The results of this evaluation were not indicative of credit losses related to these securities as of March 31, 2012. Most of the unrealized losses in this portfolio sector were largely driven by the impact of recent events on spreads for student loan-backed securities, which management believes to be temporary. Given the limited severity and duration of impairment and the expectation of timely recovery of outstanding principal, the impairments are considered to be temporary.

Other debt securities:

At March 31, 2012, two corporate debt securities were in unrealized loss positions. These securities had been in unrealized loss positions for less than one month and aggregate unrealized losses were not material. Given the limited duration and severity of impairment, the impairment is considered to be temporary.

Mutual funds:

At March 31, 2012, one mutual fund investment was in an unrealized loss position and had been in a continuous unrealized loss position for nineteen months. The majority of the underlying holdings of the mutual fund are either explicitly or implicitly guaranteed by the U.S. Government. Impairment has been driven primarily by intermediate term interest rates and lack of liquidity in the market for the security. The unrealized loss related to this security is approximately 3% of its cost basis. Given the limited severity, the impairment is considered to be temporary.

Preferred stocks:

At March 31, 2012, one position in agency preferred stock was in an unrealized loss position. This security traded above the Company s cost basis as recently as December 2011. Given the limited duration and immaterial amount of impairment, this impairment is considered to be temporary.

Note 5 Loans and Allowance for Loan and Lease Losses

A significant portion of the Company s loan portfolio consists of loans acquired in the FSB Acquisition. Substantially all of these loans are covered under BankUnited s Loss Sharing Agreements (the covered loans). Loans originated or purchased since the FSB Acquisition (new loans) are not covered by the Loss Sharing Agreements. Covered loans may be further segregated between those acquired with evidence of deterioration in credit quality since origination (Acquired Credit Impaired or ACI loans) and those acquired without evidence of deterioration in credit quality since origination (non-ACI loans).

At March 31, 2012 and December 31, 2011, loans consisted of the following (dollars in thousands):

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	March 31, 2012					
	Covered Loans		Non-Covered Loans			Percent of
	ACI	Non-ACI	ACI	New Loans	Total	Total
Residential:						
1-4 single family residential	$ 1,611,942	$ 110,925	$	$ 588,251	$ 2,311,118	48.9%
Home equity loans and lines of credit	66,972	177,167		1,722	245,861	5.2%
	1,678,914	288,092		589,973	2,556,979	54.1%
Commercial:						
Multi-family	62,353	773		167,457	230,583	4.9%
Commercial real estate	208,023	32,602	4,196	508,118	752,939	15.9%
Construction	4,546			25,259	29,805	0.6%
Land	25,894	161		23,335	49,390	1.0%
Commercial loans and leases	21,111	17,757		1,061,124	1,099,992	23.2%
	321,927	51,293	4,196	1,785,293	2,162,709	45.6%
Consumer	2,726			10,942	13,668	0.3%
Total loans	2,003,567	339,385	4,196	2,386,208	4,733,356	100.0%
Premiums, discounts and deferred costs and fees, net		(29,059)		4,986	(24,073)	
Loans net of discounts, premiums, deferred costs and fees	2,003,567	310,326	4,196	2,391,194	4,709,283	
Allowance for loan and lease losses	(14,591)	(10,915)		(30,968)	(56,474)	
Loans, net	$ 1,988,976	$ 299,411	$ 4,196	$ 2,360,226	$ 4,652,809	

	December 31, 2011					
	Covered Loans		Non-Covered Loans			Percent of
	ACI	Non-ACI	ACI	New Loans	Total	Total
Residential:						
1-4 single family residential	$ 1,681,866	$ 117,992	$	$ 461,431	$ 2,261,289	54.1%
Home equity loans and lines of credit	71,565	182,745		2,037	256,347	6.1%
	1,753,431	300,737		463,468	2,517,636	60.2%
Commercial:						
Multi-family	61,710	791		108,178	170,679	4.1%
Commercial real estate	219,136	32,678	4,220	311,434	567,468	13.6%
Construction	4,102			23,252	27,354	0.7%
Land	33,018	163		7,469	40,650	1.0%
Commercial loans and leases	24,007	20,382		799,978	844,367	20.2%
	341,973	54,014	4,220	1,250,311	1,650,518	39.6%
Consumer	2,937			3,372	6,309	0.2%
Total loans	2,098,341	354,751	4,220	1,717,151	4,174,463	100.0%
Premiums, discounts and deferred costs and fees, net		(30,281)		(7,124)	(37,405)	

Loans net of discounts, premiums, deferred costs and fees		2,098,341		324,470		4,220		1,710,027		4,137,058
Allowance for loan and lease losses		(16,332)		(7,742)				(24,328)		(48,402)
Loans, net	$	2,082,009	$	316,728	$	4,220	$	1,685,699	$	4,088,656

At March 31, 2012 and December 31, 2011, the unpaid principal balance (UPB) of ACI loans was $5.1 billion and $5.3 billion, respectively.

During the three months ended March 31, 2012 and 2011, the Company purchased 1-4 single family residential loans totaling $165.9 million and $33.5 million, respectively.

At March 31, 2012, the Company had pledged real estate loans with UPB of approximately $4.9 billion and carrying amounts of approximately $2.5 billion as security for FHLB advances.

The following table presents information about the ending balance of the allowance for loan and lease losses (ALLL) and related loans as of March 31, 2012 and summarizes the activity in the ALLL for the three months ended March 31, 2012 (in thousands):

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	As of and for the Three Months Ended March 31, 2012			
	Residential	**Commercial**	**Consumer**	**Total**
Allowance for loan and lease losses:				
Beginning balance	$ 10,175	$ 38,176	$ 51	$ 48,402
Provision for loan losses:				
ACI loans		(1,011)		(1,011)
Non-ACI loans	3,790	(1,179)		2,611
New loans	1,242	5,934	(9)	7,167
Total provision	5,032	3,744	(9)	8,767
Charge-offs:				
ACI loans		(730)		(730)
Non-ACI loans	(503)	(103)		(606)
New loans		(583)		(583)
Total charge-offs	(503)	(1,416)		(1,919)
Recoveries:				
Non-ACI loans	2	1,166		1,168
New loans		55	1	56
Total recoveries	2	1,221	1	1,224
Ending balance	$ 14,706	$ 41,725	$ 43	$ 56,474
Ending balance: non-ACI and new loans individually evaluated for impairment	$ 593	$ 500	$	$ 1,093
Ending balance: non-ACI and new loans collectively evaluated for impairment	$ 14,113	$ 26,634	$ 43	$ 40,790
Ending balance: ACI	$	$ 14,591	$	$ 14,591
Ending balance: Non-ACI	$ 9,431	$ 1,484	$	$ 10,915
Ending balance: New loans	$ 5,275	$ 25,650	$ 43	$ 30,968
Loans:				
Ending balance (1)	$ 2,556,979	$ 2,162,709	$ 13,668	$ 4,733,356
Ending balance: non-ACI and new loans individually evaluated for impairment (1)	$ 1,917	$ 16,542	$	$ 18,459
Ending balance: non-ACI and new loans collectively evaluated for impairment (1)	$ 876,148	$ 1,820,044	$ 10,942	$ 2,707,134
Ending balance: ACI loans	$ 1,678,914	$ 326,123	$ 2,726	$ 2,007,763

(1) Ending balance of loans is before premium, discount and deferred fees and costs.

The following table presents information about the balance of the ALLL and related loans as of December 31, 2011 (in thousands):

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	As of December 31, 2011			
	Residential	Commercial	Consumer	Total
Allowance for loan and lease losses:				
Ending balance	$ 10,175	$ 38,176	$ 51	$ 48,402
Ending balance: non-ACI and new loans individually evaluated for impairment	$ 593	$	$	$ 593
Ending balance: non-ACI and new loans collectively evaluated for impairment	$ 9,582	$ 21,844	$ 51	$ 31,477
Ending balance: ACI	$	$ 16,332	$	$ 16,332
Ending balance: Non-ACI	$ 6,142	$ 1,600	$	$ 7,742
Ending balance: New loans	$ 4,033	$ 20,244	$ 51	$ 24,328
Loans:				
Ending balance (1)	$ 2,517,636	$ 1,650,518	$ 6,309	$ 4,174,463
Ending balance: non-ACI and new loans individually evaluated for impairment (1)	$ 1,937	$ 6,728	$	$ 8,665
Ending balance: non-ACI and new loans collectively evaluated for impairment (1)	$ 762,268	$ 1,297,597	$ 3,372	$ 2,063,237
Ending balance: ACI loans	$ 1,753,431	$ 346,193	$ 2,937	$ 2,102,561

(1) Ending balance of loans is before premium, discount and deferred fees and costs.

The following table summarizes the activity in the ALLL for the three months ended March 31, 2011 (in thousands):

	For the Three Months Ended March 31, 2011			
	Residential	Commercial	Consumer	Total
Allowance for loan and lease losses:				
Beginning balance	$ 28,649	$ 29,656	$ 55	$ 58,360
Provision for loan losses:				
ACI loans	(7,838)	11,682		3,844
Non-ACI loans	812	5,361		6,173
New loans	35	1,330	74	1,439
Total Provision	(6,991)	18,373	74	11,456
Charge-offs:				
ACI loans		(7,060)		(7,060)
Non-ACI loans	(1,155)			(1,155)
New loans		(50)		(50)
Total charge-offs	(1,155)	(7,110)		(8,265)
Recoveries		6		6
Ending Balance	$ 20,503	$ 40,925	$ 129	$ 61,557

Increases in the FDIC indemnification asset of $1.6 million and $6.6 million were reflected in non-interest income for the three months ended March 31, 2012 and 2011, respectively, related to the provision for loan losses on covered loans, including both ACI and non-ACI loans.

Credit quality information

New and non-ACI loans

The tables below present information about new and non-ACI loans identified as impaired as of March 31, 2012 and December 31, 2011. Commercial relationships on non-accrual status with internal risk ratings of substandard or doubtful and with committed balances greater than or equal to $500,000 as well as loans that have been modified in troubled debt restructurings are

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individually evaluated for impairment. If determined to be impaired, they are reflected as impaired loans in the tables below. Also included in total impaired loans are loans that have been placed on non-accrual status and loans that are 90 days or more delinquent and still accruing for which impairment is measured collectively. These include 1-4 single family residential, home equity, smaller balance commercial and commercial real estate, and consumer loans (in thousands):

	March 31, 2012			
	Recorded Investment in Impaired Loans	**Unpaid Principal Balance**	**Related Specific Allowance**	**Non-Accrual Loans Included in Impaired Loans**
New Loans				
With no specific allowance recorded:				
1-4 single family residential	$ 142	$ 142	$	$
Multi-family	3,688	3,688		
Construction	3	3		3
Land	340	332		340
Commercial loans and leases	2,843	2,846		2,843
With a specific allowance recorded:				
Commercial loans and leases	3,110	3,108	500	3,110
Total:				
Residential	$ 142	$ 142	$	$
Commercial	9,984	9,977	500	6,296
	$ 10,126	$ 10,119	$ 500	$ 6,296

December 31, 2011