

BankUnited, Inc.  
Form 10-Q  
May 08, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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  No

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  No

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

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

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

Class

Common Stock, \$0.01 Par Value

May 6, 2015

103,412,144



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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## BANKUNITED, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except share and per share data)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks:		
Non-interest bearing	\$42,966	\$46,268
Interest bearing	45,899	33,979
Interest bearing deposits at Federal Reserve Bank	212,429	100,596
Federal funds sold	3,194	6,674
Cash and cash equivalents	304,488	187,517
Investment securities available for sale, at fair value	4,454,744	4,585,694
Investment securities held to maturity	10,000	10,000
Non-marketable equity securities	183,949	191,674
Loans held for sale	1,865	1,399
Loans (including covered loans of \$988,097 and \$1,043,864)	13,239,255	12,414,769
Allowance for loan and lease losses	(99,836 )	(95,542 )
Loans, net	13,139,419	12,319,227
FDIC indemnification asset	912,923	974,704
Bank owned life insurance	223,630	215,065
Equipment under operating lease, net	366,033	314,558
Other real estate owned (including covered OREO of \$11,068 and \$13,645)	11,203	13,780
Deferred tax asset, net	92,577	117,215
Goodwill and other intangible assets	68,256	68,414
Other assets	214,308	211,282
<b>Total assets</b>	<b>\$19,983,395</b>	<b>\$19,210,529</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
<b>Demand deposits:</b>		
Non-interest bearing	\$2,718,596	\$2,714,127
Interest bearing	976,438	899,696
Savings and money market	6,449,141	5,896,007
Time	4,117,064	4,001,925
<b>Total deposits</b>	<b>14,261,239</b>	<b>13,511,755</b>
Federal Home Loan Bank advances and other borrowings	3,293,678	3,318,559
Other liabilities	312,861	327,681
<b>Total liabilities</b>	<b>17,867,778</b>	<b>17,157,995</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 103,414,014 and 101,656,702 shares issued and outstanding	1,034	1,017
Paid-in capital	1,389,392	1,353,538
Retained earnings	675,763	651,627

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Accumulated other comprehensive income	49,428	46,352
Total stockholders' equity	2,115,617	2,052,534
Total liabilities and stockholders' equity	\$19,983,395	\$19,210,529

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

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BANKUNITED, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED  
(In thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Interest income:		
Loans	\$ 171,379	\$ 163,783
Investment securities	28,220	24,826
Other	2,283	1,953
Total interest income	201,882	190,562
Interest expense:		
Deposits	20,004	16,095
Borrowings	9,150	8,003
Total interest expense	29,154	24,098
Net interest income before provision for loan losses	172,728	166,464
Provision for (recovery of) loan losses (including \$(451) and \$796 for covered loans)	8,147	8,403
Net interest income after provision for loan losses	164,581	158,061
Non-interest income:		
Income from resolution of covered assets, net	15,154	13,061
Net loss on FDIC indemnification	(20,265)	(16,904)
FDIC reimbursement of costs of resolution of covered assets	707	1,128
Service charges and fees	4,451	4,005
Gain on sale of loans, net (including gain related to covered loans of \$10,006 and \$19,294)	10,166	19,332
Gain on investment securities available for sale, net	2,022	361
Lease financing	6,237	3,871
Other non-interest income	2,269	5,336
Total non-interest income	20,741	30,190
Non-interest expense:		
Employee compensation and benefits	49,479	49,449
Occupancy and equipment	18,170	16,967
Amortization of FDIC indemnification asset	22,005	15,741
Other real estate owned expense (income), net (including loss (gain) related to covered OREO of \$471 and \$(2,806))	1,224	(1,697)
Deposit insurance expense	2,918	2,252
Professional fees	3,298	3,430
Telecommunications and data processing	3,471	3,307
Other non-interest expense	13,579	13,012
Total non-interest expense	114,144	102,461
Income before income taxes	71,178	85,790
Provision for income taxes	24,721	30,519
Net income	\$46,457	\$55,271
Earnings per common share, basic (see Note 2)	\$0.44	\$0.53
Earnings per common share, diluted (see Note 2)	\$0.44	\$0.53
Cash dividends declared per common share	\$0.21	\$0.21

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 - UNAUDITED  
 (In thousands)

	Three Months Ended March 31,	
	2015	2014
Net income	\$46,457	\$55,271
Other comprehensive income, net of tax:		
Unrealized gains on investment securities available for sale:		
Net unrealized holding gain arising during the period	12,987	13,411
Reclassification adjustment for net securities gains realized in income	(1,223	) (222
Net change in unrealized gains on securities available for sale	11,764	13,189
Unrealized losses on derivative instruments:		
Net unrealized holding loss arising during the period	(12,707	) (4,576
Reclassification adjustment for net losses realized in income	4,019	4,023
Net change in unrealized losses on derivative instruments	(8,688	) (553
Other comprehensive income	3,076	12,636
Comprehensive income	\$49,533	\$67,907

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,	
	2015	2014
Cash flows from operating activities:		
Net income	\$46,457	\$55,271
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization and accretion, net	(43,497	) (72,539
Provision for loan losses	8,147	8,403
Income from resolution of covered assets, net	(15,154	) (13,061
Net loss on FDIC indemnification	20,265	16,904
(Gain) loss on sale of loans, net	(10,166	) (19,332
Increase in cash surrender value of bank owned life insurance	(865	) (1,083
Gain on investment securities available for sale, net	(2,022	) (361
(Gain) loss on other real estate owned	471	(2,677
Equity based compensation	3,151	3,529
Depreciation and amortization	9,296	7,381
Deferred income taxes	20,731	(14,507
Proceeds from sale of loans held for sale	6,995	2,070
Loans originated for sale, net of repayments	(7,311	) (3,258
Realized tax deficiency (benefits) from dividend equivalents and equity based compensation	235	(615
Other:		
(Increase) decrease in other assets	(10,326	) 22,807
Increase (decrease) in other liabilities	1,723	(7,572
Net cash provided by (used in) operating activities	28,130	(18,640
Cash flows from investing activities:		
Purchase of investment securities	(367,175	) (65,652
Proceeds from repayments of investment securities available for sale	135,214	76,525
Proceeds from sale of investment securities available for sale	334,917	119,824
Purchase of non-marketable equity securities	(17,363	) (10,350
Proceeds from redemption of non-marketable equity securities	25,088	8,767
Purchases of loans	(169,380	) (179,384
Loan originations, repayments and resolutions, net	(616,078	) (729,621
Proceeds from sale of loans, net	47,695	146,920
Decrease in FDIC indemnification asset for claims filed	21,902	41,048
Purchase of premises and equipment, net	(2,241	) (16,352
Acquisition of equipment under operating lease	(54,913	) (13,995
Proceeds from sale of other real estate owned	4,360	22,832
Other investing activities	(7,700	) (6,952
Net cash used in investing activities	(665,674	) (606,390
		(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 (Continued)  
 (In thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from financing activities:		
Net increase in deposits	749,487	591,354
Additions to Federal Home Loan Bank advances and other borrowings	1,045,000	1,125,000
Repayments of Federal Home Loan Bank advances and other borrowings	(1,070,409	) (1,075,375 )
Dividends paid	(21,968	) (21,833 )
Realized tax (deficiency) benefits from dividend equivalents and equity based compensation	(235	) 615
Exercise of stock options	32,955	914
Other financing activities	19,685	14,767
Net cash provided by financing activities	754,515	635,442
Net increase in cash and cash equivalents	116,971	10,412
Cash and cash equivalents, beginning of period	187,517	252,749
Cash and cash equivalents, end of period	\$304,488	\$263,161
Supplemental disclosure of cash flow information:		
Interest paid	\$27,226	\$22,535
Income taxes paid (received), net	\$(350	) \$21,734
Supplemental schedule of non-cash investing and financing activities:		
Transfers from loans to other real estate owned	\$2,254	\$9,154
Disbursement of loan proceeds from escrow	\$—	\$52,500
Dividends declared, not paid	\$22,321	\$21,959
Unsettled purchases of investment securities available for sale	\$75,000	\$—
Acquisition of assets under capital lease	\$—	\$9,035

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	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2014	101,656,702	\$ 1,017	\$ 1,353,538	\$ 651,627	\$ 46,352	\$ 2,052,534
Comprehensive income	—	—	—	46,457	3,076	49,533
Dividends	—	—	—	(22,321 )	—	(22,321 )
Equity based compensation	545,455	5	3,146	—	—	3,151
Forfeiture of unvested shares	(26,108 )	—	—	—	—	—
Exercise of stock options	1,237,965	12	32,943	—	—	32,955
Tax deficiency from dividend equivalents and equity based compensation	—	—	(235 )	—	—	(235 )
Balance at March 31, 2015	103,414,014	\$ 1,034	\$ 1,389,392	\$ 675,763	\$ 49,428	\$ 2,115,617
Balance at December 31, 2013	101,013,014	\$ 1,010	\$ 1,334,945	\$ 535,263	\$ 57,480	\$ 1,928,698
Comprehensive income	—	—	—	55,271	12,636	67,907
Dividends	—	—	—	(21,959 )	—	(21,959 )
Equity based compensation	620,180	6	3,523	—	—	3,529
Forfeiture of unvested shares	(24,140 )	—	—	—	—	—
Exercise of stock options	54,883	1	913	—	—	914
Tax benefits from dividend equivalents and equity based compensation	—	—	615	—	—	615
Balance at March 31, 2014	101,663,937	\$ 1,017	\$ 1,339,996	\$ 568,575	\$ 70,116	\$ 1,979,704

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, 2015

Note 1 Basis of Presentation and Summary of Significant Accounting Policies

BankUnited, Inc. ("BankUnited, Inc." or "BKU"), is a national bank holding company with one wholly-owned subsidiary, BankUnited, National Association ("BankUnited" or the "Bank"), 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 100 branches located in 15 Florida counties and 6 banking centers located in the New York metropolitan area at March 31, 2015.

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." Neither the Company nor the Bank had any substantive operations prior to May 21, 2009. In connection with the FSB Acquisition, BankUnited entered into two loss sharing agreements with the FDIC (the "Loss Sharing Agreements"). The Loss Sharing Agreements consist of a single family shared-loss agreement (the "Single Family Shared-Loss Agreement"), and a commercial and other loans shared-loss agreement, (the "Commercial Shared-Loss Agreement"). The Single Family Shared-Loss Agreement provides for FDIC loss sharing and the Bank's reimbursement for recoveries to the FDIC through May 21, 2019 for single family residential loans and other real estate owned ("OREO"). Loss sharing under the Commercial Shared-Loss Agreement terminated on May 21, 2014. The Commercial Shared-Loss Agreement continues to provide for the Bank's reimbursement of recoveries to the FDIC through May 21, 2017 for all other covered assets, including commercial real estate, commercial and industrial and consumer loans, certain investment securities and commercial OREO. Gains realized on the sale of formerly covered investment securities are included in recoveries subject to reimbursement. The assets covered under the Loss Sharing Agreements are 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 related to the covered assets 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 BKU's Annual Report on Form 10-K for the year ended December 31, 2014 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, 2015 are not necessarily indicative of the results that may be expected in future periods.

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

Accounting Estimates

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. Actual results could differ significantly from these estimates.

Significant estimates include the allowance for loan and lease losses ("ALLL"), the amount and timing of expected cash flows from covered assets and the FDIC indemnification asset, and the fair values of investment securities and other financial instruments. Management has used information provided by third party valuation specialists to assist in the determination of the fair values of investment securities.

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## BANKUNITED, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

March 31, 2015

## Note 2 Earnings Per Common Share

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

	Three Months Ended March 31,	
	2015	2014
c		
Basic earnings per common share:		
Numerator:		
Net income	\$46,457	\$55,271
Distributed and undistributed earnings allocated to participating securities	(1,772	) (2,145
Income allocated to common stockholders for basic earnings per common share	\$44,685	\$53,126
Denominator:		
Weighted average common shares outstanding	102,231,870	101,325,157
Less average unvested stock awards	(1,013,346	) (977,439
Weighted average shares for basic earnings per common share	101,218,524	100,347,718
Basic earnings per common share	\$0.44	\$0.53
Diluted earnings per common share:		
Numerator:		
Income allocated to common stockholders for basic earnings per common share	\$44,685	\$53,126
Adjustment for earnings reallocated from participating securities	4	3
Income used in calculating diluted earnings per common share	\$44,689	\$53,129
Denominator:		
Weighted average shares for basic earnings per common share	101,218,524	100,347,718
Dilutive effect of stock options	615,846	144,483
Weighted average shares for diluted earnings per common share	101,834,370	100,492,201
Diluted earnings per common share	\$0.44	\$0.53

The following potentially dilutive securities were outstanding at March 31, 2015 and 2014, but excluded from the calculation of diluted earnings per common share for the periods indicated because their inclusion would have been anti-dilutive:

	Three Months Ended March 31,	
	2015	2014
Unvested shares	1,202,933	1,271,715
Stock options and warrants	1,851,376	6,386,424

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## BANKUNITED, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

March 31, 2015

## Note 3 Investment Securities

Investment securities available for sale consisted of the following at the dates indicated (in thousands):

	March 31, 2015			Fair Value
	Amortized Cost	Gross Gains	Unrealized Losses	
U.S. Treasury securities	\$54,932	\$338	\$—	\$55,270
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	1,332,387	31,743	(1,551)	) 1,362,579
U.S. Government agency and sponsored enterprise commercial mortgage-backed securities	100,924	1,428	—	102,352
Resecuritized real estate mortgage investment conduits ("Re-Remics")	161,196	3,292	—	164,488
Private label residential mortgage-backed securities and collateralized mortgage obligations ("CMOs")	324,042	52,655	(378)	) 376,319
Private label commercial mortgage-backed securities	950,450	15,329	(667)	) 965,112
Single family rental real estate-backed securities	555,680	3,439	(2,863)	) 556,256
Collateralized loan obligations	309,564	223	(110)	) 309,677
Non-mortgage asset-backed securities	111,090	4,455	—	115,545
Preferred stocks	96,223	10,231	—	106,454
State and municipal obligations	30,519	539	—	31,058
Small Business Administration securities	291,657	9,992	(10)	) 301,639
Other debt securities	3,749	4,246	—	7,995
	\$4,322,413	\$137,910	\$(5,579)	) \$4,454,744
	December 31, 2014			Fair Value
	Amortized Cost	Gross Gains	Unrealized Losses	
U.S. Treasury securities	\$54,924	\$43	\$—	\$54,967
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	1,501,504	29,613	(6,401)	) 1,524,716
U.S. Government agency and sponsored enterprise commercial mortgage-backed securities	101,089	769	—	101,858
Re-Remics	179,664	3,613	(5)	) 183,272
Private label residential mortgage-backed securities and CMOs	350,300	54,222	(543)	) 403,979
Private label commercial mortgage-backed securities	1,134,854	9,470	(4,935)	) 1,139,389
Single family rental real estate-backed securities	446,079	468	(3,530)	) 443,017
Collateralized loan obligations	174,767	—	(435)	) 174,332
Non-mortgage asset-backed securities	117,562	4,608	(6)	) 122,164
Preferred stocks	96,294	9,148	—	105,442
State and municipal obligations	15,317	385	—	15,702
Small Business Administration securities	298,424	10,540	(236)	) 308,728
Other debt securities	3,712	4,416	—	8,128
	\$4,474,490	\$127,295	\$(16,091)	) \$4,585,694



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## BANKUNITED, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

March 31, 2015

Investment securities held to maturity at March 31, 2015 consisted of one State of Israel bond with a carrying value of \$10 million. Fair value approximated carrying value at March 31, 2015. The bond matures in 2024.

At March 31, 2015, contractual maturities of investment securities available for sale, adjusted for anticipated prepayments of mortgage-backed and other pass-through securities, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	\$399,885	\$417,039
Due after one year through five years	2,645,847	2,705,829
Due after five years through ten years	960,667	987,667
Due after ten years	219,791	237,755
Preferred stocks with no stated maturity	96,223	106,454
	\$4,322,413	\$4,454,744

Based on the Company's proprietary assumptions, the estimated weighted average life of the investment portfolio as of March 31, 2015 was 4.0 years. The effective duration of the investment portfolio as of March 31, 2015 was 1.4 years.

The model results are based on assumptions that may differ from actual results.

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 ("FRB") totaled \$1.1 billion at March 31, 2015 and \$1.0 billion at December 31, 2014.

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

	Three Months Ended March 31,	
	2015	2014
Proceeds from sale of investment securities available for sale	\$334,917	\$119,824
Gross realized gains	\$2,497	\$1,280
Gross realized losses	(475)	(919)
Gain on investment securities available for sale, net	\$2,022	\$361

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## BANKUNITED, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

March 31, 2015

The following tables present the aggregate fair value and the aggregate amount by which amortized cost exceeded fair value for investment securities in unrealized loss positions, aggregated by investment category and length of time that individual securities had been in continuous unrealized loss positions at the dates indicated (in thousands):

	March 31, 2015					
	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 residential mortgage-backed securities	\$11,641	\$(29 )	\$266,595	\$(1,522 )	\$278,236	\$(1,551 )
Private label residential mortgage-backed securities and CMOs	57,975	(133 )	13,720	(245 )	71,695	(378 )
Private label commercial mortgage-backed securities	91,891	(166 )	91,240	(501 )	183,131	(667 )
Single family rental real estate-backed securities	217,379	(2,863 )	—	—	217,379	(2,863 )
Collateralized loan obligations	109,679	(110 )	—	—	109,679	(110 )
Small Business Administration securities	974	(10 )	—	—	974	(10 )
	\$489,539	\$(3,311 )	\$371,555	\$(2,268 )	\$861,094	\$(5,579 )
	December 31, 2014					
	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 residential mortgage-backed securities	\$7,058	\$(34 )	\$300,057	\$(6,367 )	\$307,115	\$(6,401 )
Re-Remics	—	—	335	(5 )	335	(5 )
Private label residential mortgage-backed securities and CMOs	60,076	(189 )	14,653	(354 )	74,729	(543 )
Private label commercial mortgage-backed securities	103,900	(1,150 )	239,456	(3,785 )	343,356	(4,935 )
Single family rental real estate-backed securities	233,012	(3,530 )	—	—	233,012	(3,530 )
Collateralized loan obligations	49,565	(435 )	—	—	49,565	(435 )
Non-mortgage asset-backed securities	2,796	(6 )	—	—	2,796	(6 )
Small Business Administration securities	49,851	(236 )	—	—	49,851	(236 )
	\$506,258	\$(5,580 )	\$554,501	\$(10,511 )	\$1,060,759	\$(16,091 )

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, 2015 or 2014. The Company does not intend to sell securities that are in significant 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, 2015, 30 securities were in unrealized loss positions. The amount of impairment related to eight of these securities was considered insignificant, totaling approximately \$60 thousand and no further analysis with respect to these securities was considered necessary.



The basis for concluding that impairment of the remaining securities was not other-than-temporary is further described below:

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

At March 31, 2015, six U.S. Government agency and sponsored enterprise residential mortgage-backed securities were in unrealized loss positions. The unrealized losses were primarily attributable to an increase in medium and long-term market interest rates subsequent to the date the securities were acquired. The amount of impairment of each of the individual securities was 2% or less 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 of impairment and the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

Private label residential mortgage-backed securities and CMOs:

At March 31, 2015, four private label residential mortgage-backed securities were in unrealized loss positions. The unrealized losses were primarily due to widening credit spreads on certain variable rate securities and an increase in medium and long-term market rates subsequent to acquisition. 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 these assessments were not indicative of credit losses that would result in the Company recovering less than its amortized cost basis related to any of these securities as of March 31, 2015. Given the limited severity of impairment and the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Private label commercial mortgage-backed securities:

At March 31, 2015, five private label commercial mortgage-backed securities were in unrealized loss positions. The unrealized losses were primarily attributable to an increase in medium and long-term market interest rates subsequent to the date the securities were acquired and widening credit spreads on one less liquid security. The amount of impairment of each of the individual securities was less than 1% of amortized cost. These securities were assessed for OTTI using third-party developed models, incorporating assumptions consistent with the collateral characteristics of each security. The results of this analysis were not indicative of expected credit losses. Given the limited severity of impairment and the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Single family rental real estate-backed securities:

At March 31, 2015, six single family rental real estate-backed securities were in unrealized loss positions. The unrealized losses were primarily due to widening credit spreads. The securities had been in unrealized loss positions for nine months or less and the amount of impairment of each of the individual securities was 2% or less of amortized cost. Management's analysis of the credit characteristics and levels of subordination for each of the securities is not indicative of projected credit losses. Given the limited duration and severity of impairment and the absence of projected credit losses, the impairments were considered to be temporary.

Collateralized loan obligations:

At March 31, 2015, one collateralized loan obligation was in an unrealized loss position, due to widening credit spreads. This security had been in an unrealized loss position for seven months and the amount of impairment was less than 1% of amortized cost. Given the limited duration and severity of impairment and the results of independent analysis of the credit quality of loans underlying the security, the impairment was considered to be temporary.

Note 4 Loans and Allowance for Loan and Lease Losses

The Company's loan portfolio includes loans acquired in the FSB Acquisition. Residential loans acquired in the FSB Acquisition are covered under the Single Family Shared-Loss Agreement (the "covered loans"). Loans acquired in the FSB Acquisition 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).

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Loans consisted of the following at the dates indicated (dollars in thousands):

	March 31, 2015		Covered Loans		Total	Percent of	
	Non-Covered Loans		ACI	Non-ACI		Total	Total
	New Loans	ACI	ACI	Non-ACI		Total	Total
Residential:							
1-4 single family residential	\$2,554,085	\$—	\$835,610	\$54,158	\$3,443,853	26.1	%
Home equity loans and lines of credit	1,754	—	16,275	91,823	109,852	0.8	%
	2,555,839	—	851,885	145,981	3,553,705	26.9	%
Commercial:							
Multi-family	2,407,733	24,958	—	—	2,432,691	18.4	%
Commercial real estate							
Owner occupied	1,044,165	25,643	—	—	1,069,808	8.1	%
Non-owner occupied	1,809,210	28,513	—	—	1,837,723	13.9	%
Construction and land	219,582	2,007	—	—	221,589	1.7	%
Commercial and industrial	2,555,826	1,128	—	—	2,556,954	19.4	%
Commercial finance subsidiaries	1,501,819	—	—	—	1,501,819	11.4	%
	9,538,335	82,249	—	—	9,620,584	72.9	%
Consumer	26,814	13	—	—	26,827	0.2	%
Total loans	12,120,988	82,262	851,885	145,981	13,201,116	100.0	%
Premiums, discounts and deferred fees and costs, net	47,908	—	—	(9,769)	38,139		
Loans net of premiums, discounts and deferred fees and costs	12,168,896	82,262	851,885	136,212	13,239,255		
Allowance for loan and lease losses	(96,712)	—	—	(3,124)	(99,836)		
Loans, net	\$12,072,184	\$82,262	\$851,885	\$133,088	\$13,139,419		

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## BANKUNITED, INC. AND SUBSIDIARIES

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	December 31, 2014		Covered Loans			Total	Percent of Total
	Non-Covered Loans New Loans	ACI	ACI	Non-ACI	Total		
<b>Residential:</b>							
1-4 single family residential	\$2,486,272	\$—	\$874,522	\$56,138	\$3,416,932	27.6	%
Home equity loans and lines of credit	1,827	—	22,657	101,142	125,626	1.0	%
	2,488,099	—	897,179	157,280	3,542,558	28.6	%
<b>Commercial:</b>							
Multi-family	1,927,225	24,964	—	—	1,952,189	15.8	%
Commercial real estate							
Owner occupied	1,008,930	34,440	—	—	1,043,370	8.4	%
Non-owner occupied	1,753,317	30,762	—	—	1,784,079	14.4	%
Construction and land	167,713	2,007	—	—	169,720	1.4	%
Commercial and industrial	2,402,064	1,229	—	—	2,403,293	19.4	%
Commercial finance subsidiaries	1,456,751	—	—	—	1,456,751	11.8	%
	8,716,000	93,402	—	—	8,809,402	71.2	%
Consumer	26,293	14	—	—	26,307	0.2	%
Total loans	11,230,392	93,416	897,179	157,280	12,378,267	100.0	%
Premiums, discounts and deferred fees and costs, net	47,097	—	—	(10,595)	36,502		
Loans net of premiums, discounts and deferred fees and costs	11,277,489	93,416	897,179	146,685	12,414,769		
Allowance for loan and lease losses	(91,350)	—	—	(4,192)	(95,542)		
Loans, net	\$11,186,139	\$93,416	\$897,179	\$142,493	\$12,319,227		

Through three subsidiaries, the Bank provides commercial and municipal equipment financing utilizing both loan and lease structures. At March 31, 2015 and December 31, 2014, the commercial finance subsidiaries portfolio included a net investment in direct financing leases of \$438 million and \$458 million, respectively.

During the three months ended March 31, 2015 and 2014, the Company purchased 1-4 single family residential loans totaling \$169 million and \$179 million, respectively.

At March 31, 2015, the Company had pledged real estate loans with UPB of approximately \$7.5 billion and recorded investment of approximately \$6.3 billion as security for FHLB advances.

At March 31, 2015 and December 31, 2014, the UPB of ACI loans was \$2.5 billion and \$2.6 billion, respectively. The accretable yield on ACI loans represents the amount by which undiscounted expected future cash flows exceed recorded investment. Changes in the accretable yield on ACI loans for the three months ended March 31, 2015 and the year ended December 31, 2014 were as follows (in thousands):

Balance, December 31, 2013	\$1,158,572
Reclassifications from non-accretable difference	185,604
Accretion	(338,864)
Balance, December 31, 2014	1,005,312
Reclassifications from non-accretable difference	78,723
Accretion	(70,451)
Balance, March 31, 2015	\$1,013,584

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## Loan sales

During the periods indicated, the Company sold covered residential loans to third parties on a non-recourse basis. The following table summarizes the impact of these transactions (in thousands):

	Three Months Ended March	
	2015	2014
UPB of loans sold	\$55,413	\$70,188
Cash proceeds, net of transaction costs	\$47,695	\$45,897
Recorded investment in loans sold	37,689	36,087
Net pre-tax impact on earnings, excluding gain (loss) on FDIC indemnification	\$10,006	\$9,810
Gain on sale of covered loans	\$10,006	\$1,323
Proceeds recorded in interest income	—	8,487
	\$10,006	\$9,810
Loss on FDIC indemnification	\$(8,118)	\$(320)

For the three months ended March 31, 2014, covered 1-4 single family residential loans with UPB of \$16 million were sold from a pool of ACI loans with a zero carrying value. Proceeds of the sale of loans from this pool, representing realization of accretible yield, were recorded in interest income. The gain or loss on the sale of loans from the remaining pools, representing the difference between the recorded investment and consideration received, was recorded in "Gain (loss) on sale of loans, net" in the accompanying consolidated statements of income.

During the three months ended March 31, 2014, in accordance with the terms of the Commercial Shared-Loss Agreement, the Bank requested and received approval from the FDIC to sell certain covered commercial and consumer loans. These loans were transferred to loans held for sale at the lower of carrying value or fair value, determined at the individual loan level, upon receipt of FDIC approval and sold in March 2014. The reduction of carrying value to fair value for specific loans was recognized in the provision for loan losses. The following table summarizes the pre-tax impact of these sales, as reflected in the consolidated statements of income for the three months ended March 31, 2014 (in thousands):

Cash proceeds, net of transaction costs	\$101,023
Carrying value of loans transferred to loans held for sale	86,521
Provision for loan losses recorded upon transfer to loans held for sale	(3,469)
Recorded investment in loans sold	83,052
Gain on sale of covered loans	\$17,971
Loss on FDIC indemnification	\$(2,085)

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## BANKUNITED, INC. AND SUBSIDIARIES

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## Allowance for loan and lease losses

Activity in the ALLL is summarized as follows for the periods indicated (in thousands):

	Three Months Ended March 31,				2014							
	2015		2014		Residential		Commercial		Consumer		Total	
Beginning balance	\$ 11,325	\$ 84,027	\$ 190	\$ 95,542	\$ 15,353	\$ 52,185	\$ 2,187	\$ 69,725				
Provision for (recovery of) loan losses:												
ACI loans	—	—	—	—	—	1,974	324	2,298				
Non-ACI loans	(436 )	(15 )	—	(451 )	(1,650 )	148	—	(1,502 )				
New loans	2,945	5,658	(5 )	8,598	450	6,033	1,124	7,607				
Total provision	2,509	5,643	(5 )	8,147	(1,200 )	8,155	1,448	8,403				
Charge-offs:												
ACI loans	—	—	—	—	—	(4,867 )	(324 )	(5,191 )				
Non-ACI loans	(639 )	—	—	(639 )	(233 )	(490 )	—	(723 )				
New loans	—	(3,399 )	—	(3,399 )	—	(2,186 )	(363 )	(2,549 )				
Total charge-offs	(639 )	(3,399 )	—	(4,038 )	(233 )	(7,543 )	(687 )	(8,463 )				
Recoveries:												
Non-ACI loans	7	15	—	22	9	26	—	35				
New loans	—	160	3	163	—	168	160	328				
Total recoveries	7	175	3	185	9	194	160	363				
Ending balance	\$ 13,202	\$ 86,446	\$ 188	\$ 99,836	\$ 13,929	\$ 52,991	\$ 3,108	\$ 70,028				

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The following table presents information about the balance of the ALLL and related loans at the dates indicated (in thousands):