BankUnited, Inc.
Form 10-K
February 26, 2016

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015
Commission file number: 001-35039

BankUnited, Inc.
(Exact name of registrant as specified in its charter)

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

(305) 569-2000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a "smaller reporting company."

| | | | |
|---|---|---|---|
| Large accelerated filer ý | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2015 was $3,624,564,361.

The number of outstanding shares of the registrant's common stock, $0.01 par value, as of February 24, 2016, was 104,191,395.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2016 annual meeting of stockholders are incorporated by reference in this Annual Report on Form 10-K in response to Part II. Item 5 and Part III. Items 10, 11, 12, 13 and 14.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "expect," "intend," "plan," "believe," "seek," "estimate," "project," "predict," "will" and similar expressions identify forward-looking statements.

These forward-looking statements are based on management's current views with respect to future results, and are subject to risks and uncertainties. Forward-looking statements are based on beliefs and assumptions made by management using currently available information, such as market and industry materials, historical performance and current financial trends. These statements are only predictions and are not guarantees of future performance. The inclusion of forward-looking statements should not be regarded as a representation by the Company that the future plans, estimates or expectations contemplated by a forward-looking statement will be achieved. Forward-looking statements are subject to various risks and uncertainties and assumptions, including those relating to the Company's operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, the Company's actual results could differ materially from those contemplated by a forward-looking statement. These risks and uncertainties include, without limitation:

- the impact of conditions in the financial markets and economic conditions generally;
- credit risk, relating to our portfolios of loans, leases and investments overall, as well as loans and leases exposed to specific industry conditions;
- real estate market conditions and other risks related to holding loans secured by real estate or real estate received in satisfaction of loans;
- an inability to successfully execute our fundamental growth strategy;
- geographic concentration of the Company's markets in Florida and the New York metropolitan area;
- natural or man-made disasters;
- risks related to the regulation of our industry;
- inadequate allowance for credit losses;
- interest rate risk;
- liquidity risk;
- loss of executive officers or key personnel;
- competition;
- dependence on information technology and third party service providers and the risk of systems failures, interruptions or breaches of security;
- failure to comply with the terms of the Company's Loss Sharing Agreements (as defined below) with the FDIC (as defined below);
- inadequate or inaccurate forecasting tools and models;
- ineffective risk management or internal controls;
- a variety of operational, compliance and legal risks; and
- the selection and application of accounting methods and related assumptions and estimates.

Additional factors are set forth in the Company's filings with the Securities and Exchange Commission, or the SEC, including this Annual Report on Form 10-K.

Forward-looking statements speak only as of the date on which they are made. The Company expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

As used herein, the terms the "Company," "we," "us," and "our" refer to BankUnited, Inc. and its subsidiaries unless the context otherwise requires.

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PART I

Item 1. Business

Summary

BankUnited, Inc. ("BankUnited, Inc." or "BKU"), with total consolidated assets of $23.9 billion at December 31, 2015, 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 services to individual and corporate customers through 98 branches located in 15 Florida counties and 6 banking centers in the New York metropolitan area. The Bank also provides certain commercial lending products on a national platform. The Company has built, through organic growth and, to a lesser extent, acquisitions, a premier commercially focused regional bank with a long-term value oriented business model serving primarily small and medium sized businesses. We endeavor to provide relationship focused, personalized customer service and offer a full range of traditional banking products and services to both our commercial and retail customers.

BankUnited, Inc. was organized by a management team led by our Chairman, President and Chief Executive Officer, John A. Kanas and was initially capitalized with $945.0 million by a group of investors. On May 21, 2009, BankUnited acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of BankUnited, FSB (the "Failed Bank"), from the Federal Deposit Insurance Corporation ("FDIC"), in a transaction which we refer to as the FSB Acquisition. On February 2, 2011, we completed the initial public offering ("IPO") of our common stock.

The FSB Acquisition

On May 21, 2009, BankUnited entered into a purchase and assumption agreement (the "Purchase and Assumption Agreement") with the FDIC, Receiver of the Failed Bank, to acquire substantially all of the assets and assume all of the non-brokered deposits and substantially all other liabilities of the Failed Bank. Excluding the effects of acquisition accounting adjustments, BankUnited acquired $13.6 billion of assets and assumed $12.8 billion of liabilities. The fair value of the assets acquired was $10.9 billion and the fair value of the liabilities assumed was $13.1 billion. BankUnited received net cash consideration from the FDIC in the amount of $2.2 billion.

The acquired assets included $5.0 billion of loans with a corresponding unpaid principal balance ("UPB") of $11.2 billion, a $3.4 billion FDIC indemnification asset, $539 million of investment securities, $1.2 billion of cash and cash equivalents, $178 million of foreclosed assets and $591 million of other assets. Liabilities assumed included $8.3 billion of non-brokered deposits, $4.6 billion of Federal Home Loan Bank ("FHLB") advances, and $112 million of other liabilities.

Concurrently with the FSB Acquisition, the Bank entered into two loss sharing agreements with the FDIC, which we refer to as the "Loss Sharing Agreements." The Loss Sharing Agreements cover certain legacy assets, including the entire legacy loan portfolio and other real estate owned ("OREO") and certain purchased investment securities. We refer to assets covered by the Loss Sharing Agreements as covered assets or, in certain cases, covered loans or covered securities. The Loss Sharing Agreements do not apply to subsequently acquired, purchased or originated assets. At December 31, 2015, the covered assets, consisting of residential loans and OREO, had an aggregate carrying value of $818 million. The total UPB of the covered assets at December 31, 2015 was $2.1 billion.

The following charts illustrate the percentage of total assets represented by covered assets and the FDIC indemnification asset at December 31, 2015 and 2010, reflecting the change in balance sheet composition over time:

Pursuant to the terms of the Loss Sharing Agreements, the covered assets are subject to a stated loss threshold whereby the FDIC will reimburse the Bank for 80% of losses up to a $4.0 billion stated threshold and 95% of losses in excess of the $4.0 billion stated threshold, calculated, in each case, based on UPB (or, for investment securities, unamortized cost basis) plus certain interest and expenses. The carrying value of the FDIC indemnification asset at December 31, 2015 was $740 million. The Bank will reimburse the FDIC for its share of recoveries with respect to losses for which the FDIC paid the Bank a reimbursement under the Loss Sharing Agreements. The FDIC's obligation to reimburse the Company for losses with respect to the covered assets began with the first dollar of loss incurred. We have received reimbursements of $2.7 billion for claims submitted to the FDIC under the Loss Sharing Agreements as of December 31, 2015.

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 for ten years from May 21, 2009 for single family residential and home equity loans and OREO. The Commercial Shared-Loss Agreement provided for FDIC loss sharing for five years from May 21, 2009 and provides for the Bank's reimbursement for recoveries to the FDIC for eight years from May 21, 2009 for all other covered assets.

Under the terms of the Purchase and Assumption Agreement with the FDIC, the Bank may sell up to 2.5% of the covered loans based on the UPB at the date of the FSB Acquisition, or approximately $280.0 million, on an annual basis without prior consent of the FDIC. Any losses incurred from such loan sales are covered under the Loss Sharing Agreements. Any loan sale in excess of the annual threshold requires approval from the FDIC to be eligible for loss share coverage. However, if the Bank seeks to sell residential loans in excess of the agreed 2.5% threshold in the nine months prior to the stated termination date of loss share coverage (May 21, 2019) and the FDIC refuses to consent, then the Single Family Shared-Loss Agreement will be extended for two years only with respect to the loans requested to be included in such sales. The Bank will have the right to sell all or any portion of such loans without FDIC consent at any time within the nine months prior to the respective extended termination date, and any losses incurred will be covered under the Loss Sharing Agreement. If exercised, this final sale mechanism ensures no residual credit risk in our covered loan portfolio that would otherwise arise from credit losses occurring after the termination dates of the Loss Sharing Agreement.

With respect to the Commercial Shared-Loss Agreement, FDIC loss sharing terminated on May 21, 2014. In the nine months prior to termination, requests for sales of non-residential loans were subject to the same terms as those discussed above for residential loans. 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 and commercial OREO in the first quarter of 2014. See the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Non-interest Income" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Termination of the Commercial Shared-Loss Agreement" for further discussion.

Our Market Areas

Our primary banking markets are Florida, with the largest concentration being the Miami metropolitan statistical area, and the Tri-State market of New York, New Jersey and Connecticut. We believe both represent long-term attractive banking markets. We also operate several national commercial lending platforms and purchase residential loans on a national basis through established correspondent channels.

Our competitive strengths, including experienced management, lending and relationship banking teams, a strong capital position and scalable platform, continue to allow us to take advantage of opportunities across our markets. According to estimates from the United States Census Bureau and SNL Financial, from 2010 to 2015, Florida added over 1.4 million new residents, the sixth most of any U.S. state, and, in 2015, had a total population of 20.3 million and a median household annual income of $47,912. The Florida unemployment rate decreased to 5.0% at December 31, 2015. The Case-Shiller home price index for Florida reflected a year over year increase of 7% at September 30, 2015. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the South region reflected a year over year increase of 11% at September 30, 2015. According to a report published in

December, 2015 by the University of Central Florida, personal income in Florida will grow by 4.7% in 2015 and is expected to average 4.0% growth from 2015 to 2018 while Florida's Real Gross State Product is forecast to expand at an average annual rate of 3.2% from 2015 to 2018.

We had six banking centers in metropolitan New York at December 31, 2015 including four in Manhattan, one in Long Island and one in Brooklyn. According to SNL Financial, at June 30, 2015, the Tri-State area had approximately $1.7 trillion in deposits, with the majority of the market concentrated in the New York metropolitan area. The New York unemployment rate decreased to 4.8% at December 31, 2015. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the Northeast region reflected a year over year increase of 13% at September 30, 2015. The size and economic health of the

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Tri-State market, coupled with the management team's experience in building a successful Northeast U.S. regional bank in the past, make us well positioned to continue our expansion and growth in this market.

Through three commercial lending subsidiaries of BankUnited, we engage in equipment and municipal finance on a national basis. The Bank also originates small business loans through programs sponsored by the U.S. Small Business Administration ("SBA") and to a lesser extent the U.S. Department of Agriculture ("USDA") and provides mortgage warehouse finance on a national basis. We refer to our three commercial lending subsidiaries, our small business finance unit, our mortgage warehouse lending operations and our residential loan purchase program as national platforms.

Products and Services

Lending and Leasing

General—Our primary lending focus is to serve small and middle-market businesses, their executives and consumers with a variety of financial products and services, while maintaining a strong and disciplined credit culture.

We offer a full array of lending products that cater to our customers' needs including small business loans, commercial real estate loans, equipment loans and leases, term loans, formula-based loans, municipal loans and leases, commercial lines of credit, letters of credit and consumer loans. We also purchase performing residential loans through established correspondent channels on a national basis.

We have attracted and invested in experienced lending teams from competing institutions in our Florida, Tri-State and national markets, resulting in significant growth in our new loan portfolio. At December 31, 2015, our loan portfolio included $15.8 billion in loans originated or purchased since the FSB Acquisition, or new loans, including $12.8 billion in commercial and commercial real estate loans, $2.9 billion in residential loans and $35 million in consumer loans. A continued trend of strong loan growth in both the Florida and Tri-State markets and across our national lending and leasing platforms is a core component of our current business strategy.

Commercial loans and leasing—Our commercial loans, which are generally made to growing companies and middle-market businesses, include equipment loans and leases, secured and unsecured commercial and working capital lines of credit, formula-based loans, mortgage warehouse lines, taxi medallion loans, letters of credit, SBA product offerings and business acquisition finance credit facilities.

Commercial real estate loans—We offer term financing for the acquisition or refinancing of properties, primarily rental apartments, mixed-use commercial properties, industrial properties, warehouses, retail shopping centers, free-standing single-tenant buildings, office buildings and hotels. Other products that we provide include real estate secured lines of credit, acquisition, development and construction loan facilities and construction financing. We make commercial real estate loans secured by both owner-occupied and non-owner occupied properties. Construction lending is not a primary area of focus for us; construction and land loans comprised 2.1% of the loan portfolio at December 31, 2015.

National Commercial Lending Platforms—Through the Bank's three commercial lending subsidiaries, we provide municipal and equipment financing on a national basis. Pinnacle Public Finance, Inc. ("Pinnacle"), headquartered in Scottsdale, Arizona, offers essential use equipment financing to municipalities through loan, bond refunding and direct finance lease structures. United Capital Business Lending, Inc. ("UCBL") offers small business equipment leases and loans with a primary focus on franchise equipment finance. Bridge Capital Leasing, Inc ("Bridge") provides transportation equipment finance through loan, direct finance lease and operating lease structures. UCBL and Bridge are headquartered in Baltimore, Maryland; effective January 1, 2016, these entities were merged into a single legal entity, Bridge Funding Group, Inc. In 2015 we acquired the Small Business Finance Unit ("SBF") of CertusHoldings, Inc. (see Note 3 to the consolidated financial statements), enabling us to expand our small business lending platform on a national basis. SBF offers an array of SBA, and to a lesser extent, USDA products. We typically sell the government guaranteed portion of the loans SBF originates, and retain the unguaranteed portion in portfolio. We also engage in mortgage warehouse lending on a national basis.

Residential mortgages—At December 31, 2015, our portfolio of new 1-4 single family residential loans included $2.4 billion of purchased loans and $475 million of originated loans. We have historically originated mortgage loans in Florida and New York for portfolio and for sale into the secondary market. In January 2016, we terminated our retail mortgage origination business line. We purchase residential loans through select correspondent channels to diversify our loan portfolio, both by product type and geographically. While the credit parameters we use for purchased loans are substantially similar to the underwriting guidelines we used for originated loans, differences include: (i) loans are purchased on a nationwide basis, while originated loans have been limited to Florida and New York; (ii) purchased loans and loans originated for portfolio, on average, have higher principal balances than loans originated for sale; and (iii) we consider payment history in selecting which seasoned

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loans to purchase, while such information is not available for originated loans. We do not originate or purchase negatively amortizing or sub-prime residential loans.

Home equity loans and lines of credit are not a significant component of the new loan portfolio.

Consumer loans—We offer consumer loans to our customers for personal, family and household purposes, including auto, boat and personal installment loans. At December 31, 2015, consumer loans were not a material component of our loan portfolio.

Loan servicing—We entered the residential mortgage servicing business in 2013; we have acquired servicing portfolios and have retained servicing on residential loans originated and sold into the secondary market. At December 31, 2015, we serviced residential mortgage loans with a UPB of $755 million. We anticipate growing this business at a moderate pace, depending on market conditions, to take advantage of existing mortgage servicing capacity.

We service SBA loans originated and sold into the secondary market by SBF. We anticipate that this servicing business will expand as SBF originations grow. At December 31, 2015, we serviced $452 million of SBA loans.

The balance of servicing assets was not material to the Company's consolidated financial statements at December 31, 2015.

Credit Policy and Procedures

The foundation underlying the Company's credit culture, policy and procedures is high credit quality standards, which enhance the long term value of the Company to its customers, employees, stockholders and communities. Credit quality is a key corporate objective that is managed in concert with other key objectives including volume growth, earnings and expense management.

Since lending represents risk exposure, our Board of Directors, its duly appointed committees and certain Bank-level committees seek to ensure that the Company maintains high credit quality standards. BankUnited, Inc. and the Bank have established asset oversight committees to administer the loan portfolio and monitor and manage credit risk. These committees include: (i) the Enterprise Risk Management Committee, (ii) the Credit Risk Management Committee and its Florida and New York regional subcommittees, (iii) the Asset Recovery Committee, and (iv) the Criticized Asset Committee. These committees meet at least quarterly.

The credit approval process provides for prompt and thorough underwriting and approval or decline of loan requests. The approval method used is a hierarchy of individual lending authorities for new credits and renewals. The Credit Risk Management Committee approves authorities for lending and credit personnel, which are ultimately submitted to our Board for ratification. Lending authorities are based on position, capability and experience of the individuals filling these positions. Authorities are periodically reviewed and updated.

BankUnited has established in-house borrower lending limits which are significantly lower than its legal lending limit of approximately $376 million, at December 31, 2015. The in-house lending limit at December 31, 2015 was $75 million based on total credit exposure of a borrower. This limit is reviewed periodically by the Credit Risk Management Committee and approved annually by the Board of Directors.

Deposits

We offer traditional deposit products including checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of terms and rates. Our deposits are insured by the FDIC up to statutory limits. Demand deposit balances are concentrated in commercial and small business accounts. Our service fee schedule and rates are competitive with other financial institutions in our markets.

Investment Securities

The primary objectives of our investment policy are to provide liquidity necessary for day-to-day operations, provide a suitable balance of high credit and diversified quality assets to the consolidated balance sheet, manage interest rate risk exposure, and generate acceptable returns given the Company's established risk parameters.

The investment policy is reviewed annually by our Board of Directors. Overall investment goals are established by our Board, Chief Executive Officer, Chief Financial Officer, and members of the Asset/Liability Committee ("ALCO"). The Board has delegated the responsibility of monitoring our investment activities to ALCO. Day-to-day activities pertaining to the investment portfolio are conducted within the Company's Treasury division under the supervision of the Chief Financial Officer.

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Risk Management and Oversight

Our Board of Directors oversees our risk management process, including the company-wide approach to risk management, carried out by our management. Our Board approves the Company's business plans and the policies that set standards for the nature and level of risk the Company is willing to assume. The Board receives reports on the Company's management of critical risks and the effectiveness of risk management systems. While our full Board maintains the ultimate oversight responsibility for the risk management process, its committees, including the audit and risk committee, the compensation committee and the nominating and corporate governance committee, oversee risk in certain specified areas.

Our Board has assigned responsibility to our Chief Risk Officer for maintaining a risk management framework to identify, manage and mitigate risks to the achievement of our strategic goals and objectives and ensure we operate in a safe and sound manner in accordance with the Board approved policies. We have invested significant resources to establish a robust enterprise-wide risk management framework to support the planned growth of our Company. Our framework is consistent with common industry practices and regulatory guidance and is appropriate to our size, growth trajectory and the complexity of our business activities. Significant elements include ongoing identification and assessments of risk, executive management level risk committees to oversee compliance with the Board approved risk policies and adherence to risk limits, and ongoing testing and reporting by independent internal audit, credit review, and regulatory compliance groups. Executive level oversight of the risk management framework is provided by the Enterprise Risk Management Committee which is chaired by the Chief Risk Officer and attended by the senior executives of the Company. Reporting to the Enterprise Risk Management Committee are sub-committees dedicated to guiding and overseeing management of critical categories of risk, including the Credit Risk Management, ALCO, Compliance Risk Management, Operational Risk Management, Corporate Disclosure, and Loss Share Compliance committees.

Marketing and Distribution

We conduct our banking business through 98 branches located in 15 Florida counties as well as 6 banking centers in the New York metropolitan area as of December 31, 2015. Our distribution network also includes 100 ATMs, fully integrated on-line banking, mobile banking and a telephone banking service. We target growing companies and commercial and middle-market businesses, as well as individual consumers.

In order to market our products, we use local television, radio, digital, print and direct mail advertising as well as a variety of promotional activities, and provide sales incentives for our employees.

Competition

Our markets are highly competitive. Our markets contain not only a large number of community and regional banks, but also a significant presence of the country's largest commercial banks. We compete with other state, national and international financial institutions located in our market areas as well as savings associations, savings banks and credit unions for deposits and loans. In addition, we compete with financial intermediaries such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. Our largest banking competitors in the Florida market include Bank of America, BB&T, BBVA Compass, HSBC, JPMorgan Chase, PNC, Regions Bank, Santander, Sabadell, SunTrust Banks, TD Bank and Wells Fargo and a number of community banks. In the Tri-State market, we also compete with, in addition to the national and international financial institutions listed, Capital One, Signature Bank, New York Community Bank, Valley National Bank, M&T Bank and numerous community banks.

Interest rates on both loans and deposits and prices of fee-based services are significant competitive factors among financial institutions generally. Other important competitive factors include office location, office hours, quality of customer service, availability of on-line and remote banking products, community reputation, continuity of personnel and services, and, in the case of larger commercial customers, relative lending limits and ability to offer sophisticated cash management and other commercial banking services. While we continue to provide competitive interest rates on both depository and lending products, we believe that we can compete most successfully by focusing on the financial needs of growing companies and their executives, consumers and commercial and middle-market businesses, and offering them a broad range of personalized services and sophisticated cash management tools tailored to their businesses.

## Regulation and Supervision

The U.S. banking industry is highly regulated under federal and state law. These regulations affect the operations of BankUnited, Inc. and its subsidiaries.

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Statutes, regulations and policies limit the activities in which we may engage and the conduct of our permitted activities and establish capital requirements with which we must comply. Further, the regulatory system imposes reporting and information collection obligations. We incur significant costs relating to compliance with these laws and regulations. Banking statutes, regulations and policies are continually under review by federal and state legislatures and regulatory agencies, and a change in them, including changes in how they are interpreted or implemented, could have a material adverse effect on our business.

The material statutory and regulatory requirements that are applicable to us are summarized below. The description below is not intended to summarize all laws and regulations applicable to us.

Bank and Bank Holding Company Regulation

BankUnited is a national bank. As a national bank organized under the National Bank Act, BankUnited is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Office of the Comptroller of the Currency ("OCC"). BankUnited is subject to certain commitments made to the OCC, in conjunction with its conversion to a national bank in 2012, regarding its business and capital plans.

Any entity that directly or indirectly controls a bank must be approved by the Federal Reserve Board under the Bank Holding Company Act of 1956 ("BHC Act") to become a bank holding company ("BHC"). BHCs are subject to regulation, inspection, examination, supervision and enforcement by the Federal Reserve Board under the BHC Act. The Federal Reserve Board's jurisdiction also extends to any company that is directly or indirectly controlled by a BHC.

BankUnited, Inc., which controls BankUnited, is a BHC and, as such, is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Federal Reserve Board.

FDIC Deposit Insurance

The FDIC is an independent federal agency that insures the deposits of federally insured depository institutions up to applicable limits. The FDIC also has certain regulatory, examination and enforcement powers with respect to FDIC-insured institutions. The deposits of BankUnited are insured by the FDIC up to applicable limits. As a general matter, the maximum deposit insurance amount is $250,000 per depositor.

Broad Supervision, Examination and Enforcement Powers

A principal objective of the U.S. bank regulatory system is to protect depositors by ensuring the financial safety and soundness of banking organizations. To that end, the banking regulators have broad regulatory, examination and enforcement authority. The regulators regularly examine the operations of banking organizations. In addition, banking organizations are subject to periodic reporting requirements.

The regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things:

- enjoin "unsafe or unsound" practices;
- require affirmative actions to correct any violation or practice;
- issue administrative orders that can be judicially enforced;
- direct increases in capital;
- direct the sale of subsidiaries or other assets;
- limit dividends and distributions;
- restrict growth;
- assess civil monetary penalties;
- remove officers and directors; and
- terminate deposit insurance.

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The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. Engaging in unsafe or unsound practices or failing to comply with applicable laws, regulations and supervisory agreements could subject BankUnited, Inc., the Bank and their subsidiaries or their officers, directors and institution-affiliated parties to the remedies described above and other sanctions.

The Dodd-Frank Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, was signed into law. The Dodd-Frank Act is having a broad impact on the financial services industry, and imposes significant regulatory and compliance requirements, including the designation of certain financial companies as systemically important financial institutions ("SIFIs"), the changing roles of credit rating agencies, the imposition of increased capital, leverage, and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness within, the financial services sector. Additionally, the Dodd-Frank Act establishes a new framework of authority to conduct systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, or Council, the Federal Reserve Board, the OCC, and the FDIC.

The following is a a brief description of certain provisions of the Dodd-Frank Act that are most relevant to BankUnited, Inc. and its banking subsidiary.

- Source of strength. The Dodd-Frank Act requires all companies, including BHCs, that directly or indirectly control an insured depository institution to serve as a source of strength for the institution. Under this requirement, BankUnited, Inc. in the future could be required to provide financial assistance to BankUnited should it experience financial distress.
- Limitation on federal preemption. The Dodd-Frank Act significantly reduces the ability of national banks to rely on federal preemption of state consumer financial laws. Although the OCC, as the primary regulator of national banks, will have the ability to make preemption determinations where certain conditions are met, the broad rollback of federal preemption has the potential to create a patchwork of federal and state compliance obligations. This could, in turn, result in significant new regulatory requirements applicable to BankUnited, with potentially significant changes in our operations and increases in our compliance costs. It could also result in uncertainty concerning compliance, with attendant regulatory and litigation risks.
- Company-Run Stress Testing. Under Section 165(i) of the Dodd-Frank Act and the stress testing rules of the Federal Reserve Board and OCC, each bank holding company and national bank with more than $10 billion and less than $50 billion in total consolidated assets must annually conduct a company-run stress test to estimate the potential impact of three scenarios provided by the agencies on its regulatory capital ratios and certain other financial metrics. In 2016, BankUnited, Inc. and the Bank will submit the results of their company-run stress test to the Federal Reserve Board and OCC by July 31 and will publish a public summary of the results between October 15 and October 30.
- Mortgage loan origination and risk retention. The Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banking organizations, by requiring that lenders be able to substantiate they have made a good faith determination of a borrower's ability to repay a mortgage. The ability to repay requirement mandates specific factors that a lender must consider in evaluating a borrower's ability to repay. In 2013, federal regulators released the "qualified mortgage" rule. The qualified mortgage rule is intended to clarify the application of the Dodd-Frank Act requirement that mortgage lenders have a reasonable belief that borrowers have the ability to repay their mortgages. For mortgages meeting the regulatory definition of qualified mortgages, lenders generally enjoy a safe harbor with respect to compliance with the ability to repay rules. Generally, to be considered qualified mortgages, loans must meet all requirements set forth in the ability to repay rules and have debt-to-income ratios and closing costs not exceeding specified levels. Any prepayment penalties must fall within defined constraints. Loans meeting the regulatory definition of higher priced loans, or those with balloon, negative amortization or interest-only features do not meet the definition of qualified mortgages. While lenders are permitted to originate mortgages that do not meet the definition of qualified mortgages, the burden of demonstrating compliance with the ability to repay rules with respect to such mortgages is greater, possibly impeding a lender's ability to foreclose on such mortgages.

In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans the lender sells or mortgage and other asset-backed securities that the securitizer issues. The risk retention requirement generally requires a securitizer to retain no less than 5 percent of the credit risk in assets it sells into a securitization and prohibits a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain, subject to limited exemptions. One significant exemption is for securities

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entirely collateralized by "qualified residential mortgages" ("QRMs"), which are loans deemed to have a lower risk of default. QRMs have the same meaning as the term "qualified mortgage," as defined by the Consumer Financial Protection Bureau ("CFPB"). In addition, qualifying commercial loan, commercial real estate loan and auto loan securitizations have lower risk retention requirements. . BankUnited is not currently a securitizer.

- Expanded FDIC resolution authority. While insured depository institutions have long been subject to the FDIC's resolution process, the Dodd-Frank Act creates a new mechanism for the FDIC to conduct the orderly liquidation of certain "covered financial companies," including bank and thrift holding companies and systemically significant non-bank financial companies. Upon certain findings being made, the FDIC may be appointed receiver for a covered financial company, and would conduct an orderly liquidation of the entity. The FDIC liquidation process is modeled on the existing Federal Deposit Insurance Act, or FDIA bank resolution process, and generally gives the FDIC more discretion than in the traditional bankruptcy context. The FDIC has issued final rules implementing the orderly liquidation authority.
- CFPB. The Dodd-Frank Act created a new independent CFPB. The CFPB is tasked with establishing and implementing rules and regulations under certain federal consumer protection laws with respect to the conduct of providers of certain consumer financial products and services. The CFPB has rulemaking authority over many of the statutes governing products and services offered to bank and thrift consumers. For banking organizations with assets of $10 billion or more, the CFPB has exclusive rule making and examination, and primary enforcement authority under federal consumer financial law. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB. Compliance with any such new regulations could increase our cost of operations and could necessitate changes to certain of our business practices.
- Deposit insurance. The Dodd-Frank Act made permanent the general $250,000 deposit insurance limit for insured deposits. Amendments to the FDIA also revised the assessment base against which an insured depository institution's deposit insurance premiums paid to the deposit insurance fund, or DIF, of the FDIC are calculated. Under the amendments, the assessment base is the institution's average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act made changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15 percent to 1.35 percent of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds.
- Transactions with affiliates and insiders. The Dodd-Frank Act generally enhanced the restrictions on transactions with affiliates under Section 23A and 23B of the Federal Reserve Act, including an expansion of the definition of "covered transactions" and clarification regarding the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. Insider transaction limitations are expanded through the strengthening of loan restrictions to insiders and the expansion of the types of transactions subject to the various limits, including derivatives transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions. Restrictions are also placed on certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution's board of directors.
- Enhanced lending limits. The Dodd-Frank Act strengthens the existing limits on a depository institution's credit exposure to one borrower. The OCC has published a final rule amending its existing lending limits to incorporate changes made by the Dodd-Frank Act. The Dodd-Frank Act and the final rule amend the OCC's lending limit regulation to include credit exposures arising from derivative transactions and repurchase agreements, reverse repurchase agreements, securities lending transactions, and securities borrowing transactions. The final rule exempts certain types of transactions, and outlines the methods that banks can choose from to measure credit exposures of derivative transactions and securities financing transactions. In most cases, a bank may choose which method it will use; the OCC, however, may specify that a bank use a particular method for safety and soundness reasons.
- Corporate governance. The Dodd-Frank Act addresses many investor protection, corporate governance and executive compensation matters that affect most U.S. publicly traded companies, including BankUnited, Inc. The Dodd-Frank Act (1) grants stockholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for compensation committee members; (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers; and

(4) provides the SEC with authority to adopt proxy access rules that would allow stockholders of publicly traded companies to nominate candidates for election as a director and have those nominees included in a company's proxy materials.

The requirements of the Dodd-Frank Act are in the process of being implemented over time and most will be subject to regulations implemented over the course of several years.

The Volcker Rule
On December 10, 2013, five U.S. financial regulators, including the Federal Reserve Board and the OCC, adopted a final rule implementing the so-called "Volcker Rule." The Volcker Rule was created by Section 619 of the Dodd-Frank Act and generally prohibits "banking entities" from engaging in "proprietary trading" and making investments and conducting certain other activities with "covered funds."
Although the final rule provides some tiering of compliance and reporting obligations based on size, the fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including BankUnited, Inc. and BankUnited. Banking entities with total assets of $10 billion or more that engage in activities subject to the Volcker Rule will be required to establish a six-element compliance program to address the prohibitions of, and exemptions from, the Volcker Rule. The final rule became effective April 1, 2014; however, at the time the agencies released the final Volcker Rule, the Federal Reserve Board announced an extension of the conformance period for all banking entities until July 21, 2015. On December 18, 2014, the Federal Reserve Board granted an additional one year extension to July 21, 2016, for certain “legacy covered fund” investments and relationships entered into by banking entities prior to December 31, 2013. The Federal Reserve Board also indicated that it plans to grant an additional one year extension to July 21, 2017, at a later date.
In response to industry questions regarding the final Volcker Rule, the OCC, Federal Reserve Board, the FDIC, the SEC, and the CFTC issued a clarifying interim final rule on January 14, 2014, permitting banking entities to retain interests in certain collateralized debt obligations ("CDOs") backed by trust preferred securities if the CDO meets certain requirements.
Notice and Approval Requirements Related to Control
Banking laws impose notice, approval, and ongoing regulatory requirements on any stockholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution. These laws include the BHC Act, the Change in Bank Control Act, and the Savings and Loan Holding Company Act. Among other things, these laws require regulatory filings by a stockholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution. The determination of whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, a party is deemed to control a depository institution or other company if the party owns or controls 25% or more of any class of voting stock. Subject to rebuttal, a party may be presumed to control a depository institution or other company if the investor owns or controls 10% or more of any class of voting stock. Ownership by affiliated parties, or parties acting in concert, is typically aggregated for these purposes. If a party's ownership of BankUnited, Inc. were to exceed certain thresholds, the investor could be deemed to "control" the Company for regulatory purposes. This could subject the investor to regulatory filings or other regulatory consequences.
In addition, except under limited circumstances, BHCs are prohibited from acquiring, without prior approval:
- control of any other bank or BHC or all or substantially all the assets thereof; or
- more than 5% of the voting shares of a bank or BHC which is not already a subsidiary.

Permissible Activities and Investments
Banking laws generally restrict the ability of BankUnited, Inc. to engage in activities other than those determined by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto. The Gramm-Leach-Bliley Financial Modernization Act of 1999, or "GLB Act," expanded the scope of permissible activities for a BHC that qualifies as a financial holding company. Under the regulations implementing the GLB Act, a financial holding company may engage in additional activities that are financial in nature or incidental or complementary to a financial activity. Those activities include, among other activities, certain insurance and securities activities. Qualifications for becoming a financial holding company include, among other things, meeting certain specified capital standards and achieving certain management ratings in examinations. Under the Dodd-Frank Act, BHCs and their subsidiaries must be well-capitalized and well-managed in order for the BHC and its nonbank affiliates to engage in the expanded financial activities permissible only for a financial holding company. BankUnited, Inc. is not a financial holding company.
In addition, as a general matter, the establishment or acquisition by BankUnited, Inc. of a depository institution or, in certain cases, a non-bank entity, requires prior regulatory approval.

Regulatory Capital Requirements and Capital Adequacy

The federal bank regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. The final supervisory determination on an institution's capital adequacy is based on the regulator's assessment of numerous factors. Both BankUnited, Inc. and BankUnited are subject to regulatory capital requirements.

The Federal Reserve Board has established risk-based and leverage capital guidelines for BHCs, including BankUnited, Inc. The OCC has established substantially similar risk-based and leverage capital guidelines applicable to national banks, including BankUnited. The risk-based capital guidelines in place prior to January 1, 2015, commonly referred to as Basel I, were based upon the 1988 capital accord of the International Basel Committee on Banking Supervision ("Basel Committee"), a committee of central banks and bank supervisors, as implemented by the U.S. federal banking agencies. Revised capital guidelines became effective on January 1, 2015, based on the final framework for strengthening international capital and liquidity regulation, released by the Basel Committee in 2010, referred to as "Basel III." The Basel III calibration and phase-in arrangements were subject to individual adoption by member nations, including the United States.

In July 2013, the federal banking agencies published final rules implementing the Basel III framework and certain provisions of the Dodd-Frank Act (the "Basel III Capital Rules"). While some provisions are tailored to larger institutions, the Basel III Capital Rules generally apply to all U.S. banking organizations, including BankUnited, Inc. and BankUnited.

Among other things, the Basel III Capital Rules: (i) introduce a new capital measure entitled "Common Equity Tier 1" ("CET1"); (ii) specify that tier 1 capital consist of CET1 and additional instruments satisfying specified requirements that permit inclusion in tier 1 capital; (iii) define CET1 narrowly by requiring that most deductions or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions or adjustments from capital as compared to the existing regulations.

Under the Basel III Capital Rules, banking organizations that do not meet the definition of an advanced approaches institution were provided a one-time option in their initial regulatory financial report filed after January 1, 2015 to remove certain components of accumulated other comprehensive income from the computation of common equity regulatory capital. BankUnited, Inc. and BankUnited made such elections.

The Basel III Capital Rules also implement stricter eligibility requirements for regulatory capital instruments intended to disallow the inclusion of all non-exempt issuances of trust preferred securities and cumulative perpetual preferred stock from tier 1 capital. The Basel III Capital Rules provide additional constraints on the inclusion of minority interests, mortgage servicing assets, deferred tax assets and certain investments in the capital of unconsolidated financial institutions in tier 1 capital, as well as applying stricter risk weighting rules to these assets.

The Basel III Capital Rules provide for the following minimum capital to risk-weighted assets ratios:

(i) 4.5% based upon CET1;

(ii) 6.0% based upon tier 1 capital; and

(iii) 8.0% based upon total regulatory capital.

A minimum leverage ratio (tier 1 capital as a percentage of average total assets) of 4.0% is also required under the Basel III Capital Rules. The Basel III Capital Rules additionally require institutions to retain a capital conservation buffer of 2.5% above these required minimum capital ratio levels, to be phased in at annual increments of 0.625% beginning in 2016. Banking organizations that fail to maintain the minimum required capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers, with distributions and discretionary bonus payments being completely prohibited if no capital conservation buffer exists, or in the event of the following: (i) the banking organization's capital conservation buffer was below 2.5% (or the minimum amount required) at the beginning of a quarter; and (ii) its cumulative net income for the most recent quarterly period plus the preceding four calendar quarters is less than its cumulative capital distributions (as well as associated tax effects not already reflected in net income) during the same measurement period.

The Basel III Capital Rules also provide stricter rules related to the risk weighting of past due and certain commercial real estate loans, as well as on some equity investment exposures, and replace the existing credit rating approach for determining the risk weighting of securitization exposures with an alternative approach.

Finally, the Basel III Capital Rules amend the thresholds under the "prompt corrective action" framework enforced with respect to the Bank by the OCC to reflect both (i) the generally heightened requirements for regulatory capital ratios as well as (ii) the introduction of the CET1 capital measure.

The enactment of the Basel III Capital Rules increased the required capital levels of BankUnited, Inc. and BankUnited. The Basel III Capital Rules became effective as applied to BankUnited, Inc. and BankUnited on January 1, 2015, with a phase in period from January 1, 2015 through January 1, 2019.

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Liquidity Coverage Ratio
The Basel III Capital Rules adopted in July 2013 did not address the proposed liquidity coverage ratio ("LCR") called for by the Basel Committee's Basel III framework. On September 3, 2014, the Federal Reserve Board finalized a rule implementing a LCR requirement in the United States for larger banking organizations. Neither BankUnited, Inc. nor BankUnited are subject to the LCR requirement.
Dodd-Frank Act Capital Changes
Under the Dodd-Frank Act, the Federal Reserve Board may increase the capital buffer for SIFIs. The purpose of these new capital requirements is to ensure financial institutions are better capitalized to withstand periods of unfavorable financial and economic conditions. The Dodd-Frank Act also requires the establishment of more stringent prudential standards for SIFIs, which include requiring the federal banking agencies to adopt capital and liquidity requirements which address the risks that the activities of an institution pose to the institution and the public and private stakeholders, including risks arising from certain enumerated activities. We have not been deemed to be a SIFI.
Prompt Corrective Action
Under the FDIA, the federal bank regulatory agencies must take "prompt corrective action" against undercapitalized U.S. depository institutions. U.S. depository institutions are assigned one of five capital categories: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," and are subjected to differential regulation corresponding to the capital category within which the institution falls. As of December 31, 2015, a depository institution was deemed to be "well capitalized" if the banking institution had a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 8.0% or greater, a common equity tier 1 risk-based capital ratio of 6.5% and a leverage ratio of 5.0% or greater, and the institution was not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific level for any capital measure. Under certain circumstances, a well-capitalized, adequately-capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A banking institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject the institution to a variety of enforcement remedies by federal bank regulatory agencies, including: termination of deposit insurance by the FDIC, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver. As of December 31, 2015, BankUnited, Inc. and BankUnited were well capitalized.
Regulatory Limits on Dividends and Distributions
Federal law currently imposes limitations upon certain capital distributions by national banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash-out merger and other distributions charged against capital. The Federal Reserve Board and OCC regulate all capital distributions by BankUnited directly or indirectly to BankUnited, Inc., including dividend payments. BankUnited may not pay dividends to BankUnited, Inc. if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage capital ratio requirements, or in the event the OCC notified BankUnited that it was in need of more than normal supervision. Under the FDIA, an insured depository institution such as BankUnited is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized." Payment of dividends by BankUnited also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.
In addition, BankUnited is subject to supervisory limits on its ability to declare or pay a dividend or reduce its capital unless certain conditions are satisfied.
Reserve Requirements
Pursuant to regulations of the Federal Reserve Board, all banking organizations are required to maintain average daily reserves at mandated ratios against their transaction accounts. In addition, reserves must be maintained on certain non-personal time deposits. These reserves must be maintained in the form of vault cash or in an account at a Federal Reserve Bank.
Limits on Transactions with Affiliates and Insiders
Insured depository institutions are subject to restrictions on their ability to conduct transactions with affiliates and other related parties. Section 23A of the Federal Reserve Act imposes quantitative limits, qualitative requirements,

and collateral requirements on certain transactions by an insured depository institution with, or for the benefit of, its affiliates. Transactions

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covered by Section 23A include loans, extensions of credit, investment in securities issued by an affiliate, and acquisitions of assets from an affiliate. Section 23B of the Federal Reserve Act requires that most types of transactions by an insured depository institution with, or for the benefit of, an affiliate be on terms at least as favorable to the insured depository institution as if the transaction were conducted with an unaffiliated third party.

As noted above, the Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Section 23A and 23B of the Federal Reserve Act, including an expansion of the definition of "covered transactions" and a clarification regarding the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. The ability of the Federal Reserve Board to grant exemptions from these restrictions is also narrowed by the Dodd-Frank Act, including by requiring coordination with other bank regulators.

The Federal Reserve Board's Regulation O and OCC regulations impose restrictions and procedural requirements in connection with the extension of credit by an insured depository institution to directors, executive officers, principal stockholders and their related interests.

Examination Fees

The OCC currently charges fees to recover the costs of examining national banks, processing applications and other filings, and covering direct and indirect expenses in regulating national banks. The Dodd-Frank Act provides various agencies with the authority to assess additional supervision fees.

Deposit Insurance Assessments

FDIC-insured depository institutions are required to pay deposit insurance assessments to the FDIC. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. Deposit insurance assessments fund the DIF. As noted above, the Dodd-Frank Act changed the way an insured depository institution's deposit insurance premiums are calculated and increased the minimum for the DIF reserve ratio from 1.15% to 1.35% . The Dodd-Frank Act also made banks with $10 billion or more in total assets responsible for the increase. Future changes to our risk classification or to the method for calculating premiums generally may impact assessment rates, which could impact the profitability of our operations.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If we invest in or acquire an insured depository institution that fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including us, with respect to any extensions of credit they have made to such insured depository institution.

Federal Reserve System and Federal Home Loan Bank System

As a national bank, BankUnited is required to hold shares of capital stock in a Federal Reserve Bank. BankUnited holds capital stock in the Federal Reserve Bank of Atlanta. As a member of the Federal Reserve System, BankUnited has access to the Federal Reserve discount window lending and payment clearing systems.

BankUnited is a member of the Federal Home Loan Bank of Atlanta. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral. As a member of the FHLB, BankUnited is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankUnited is in compliance with this requirement.

Anti-Money Laundering and OFAC

Under federal law, financial institutions must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with non-U.S. financial institutions and non-U.S. customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by

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financial institutions. Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for banking mergers and acquisitions. The regulatory authorities have imposed "cease and desist" orders and civil money penalty sanctions against institutions found to be violating these obligations.

The U.S. Department of the Treasury's Office of Foreign Assets Control, or "OFAC," is responsible for helping to insure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If BankUnited, Inc. or BankUnited finds a name on any transaction, account or wire transfer that is on an OFAC list, BankUnited, Inc. or BankUnited must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

Consumer Laws and Regulations

Banking organizations are subject to numerous laws and regulations intended to protect consumers. These laws include, among others:

- Truth in Lending Act;
- Truth in Savings Act;
- Electronic Funds Transfer Act;
- Expedited Funds Availability Act;
- Equal Credit Opportunity Act;
- Fair and Accurate Credit Transactions Act;
- Fair Housing Act;
- Fair Credit Reporting Act;
- Fair Debt Collection Act;
- Gramm-Leach-Bliley Act;
- Home Mortgage Disclosure Act;
- Right to Financial Privacy Act;
- Real Estate Settlement Procedures Act;
- laws regarding unfair and deceptive acts and practices; and
- usury laws.

Many states and local jurisdictions have consumer protection laws analogous, and in addition to, those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans, or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, and civil or criminal liability. The creation of the CFPB by the Dodd-Frank Act has led to enhanced enforcement of consumer financial protection laws.

The Community Reinvestment Act

The Community Reinvestment Act, or "CRA," is intended to encourage banks to help meet the credit needs of their service areas, including low and moderate-income neighborhoods, consistent with safe and sound operations. The bank regulators examine and assign each bank a public CRA rating.

The CRA then requires bank regulators to take into account the bank's record in meeting the needs of its service area when considering an application by a bank to establish or relocate a branch or to conduct certain mergers or acquisitions. The Federal Reserve Board is required to consider the CRA records of a BHC's controlled banks when considering an application by the BHC to acquire a banking organization or to merge with another BHC. When BankUnited, Inc. or BankUnited applies for regulatory approval to make certain investments, the regulators will consider the CRA record of target institutions and BankUnited, Inc.'s depository institution subsidiaries. An unsatisfactory CRA record could substantially delay approval or

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result in denial of an application. The regulatory agency's assessment of the institution's record is made available to the public. Following its most recent CRA examination in October 2012, BankUnited received an overall rating of "Satisfactory."

Employees

At December 31, 2015, we employed 1,641 full-time employees and 100 part-time employees. None of our employees are parties to a collective bargaining agreement. We believe that our relations with our employees are good.

Available Information

Our website address is www.bankunited.com. Our electronic filings with the SEC (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and if applicable, amendments to those reports) are available free of charge on the website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information posted on our website is not incorporated into this Annual Report. In addition, the SEC maintains a website that contains reports and other information filed with the SEC. The website can be accessed at http://www.sec.gov.

Item 1A. Risk Factors

Risks Related to Our Business

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

During 2015, economic conditions in the United States continued to show modest improvement, as reflected by growth in gross domestic product and a continued decline in the unemployment rate. The potential for economic disruption continues, however, and there can be no assurance that economic conditions will continue to improve. A slowing of improvement or a deterioration in business or economic conditions generally, or more specifically in the principal markets in which we do business, could have one or more of the following adverse effects on our business, financial condition and results of operations:

- A decrease in demand for our loan and deposit products;
- An increase in delinquencies and defaults by borrowers or counterparties;
- A decrease in the value of our assets;
- A decrease in our earnings;
- A decrease in liquidity; and
- A decrease in our ability to access the capital markets.

Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject, or in reducing the potential for losses in connection with such risks.

Our enterprise risk management framework is designed to identify and minimize or mitigate the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited in their ability to anticipate the existence or development of risks that are currently unknown and unanticipated. The ineffectiveness of our enterprise risk management framework in mitigating the impact of known risks or the emergence of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations.

Our business is highly susceptible to credit risk on our non-covered assets.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans, if any, may be insufficient to ensure repayment. Credit losses are inherent in the business of making loans. We are also subject to credit risk that is embedded in our securities portfolio. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly if economic or market conditions deteriorate. It is difficult to determine the many ways in which a decline in economic or market conditions may impact the credit quality of our assets. The Loss Sharing Agreements only cover a small percentage of assets, and credit losses on assets not covered by the Loss Sharing Agreements could have a material adverse effect on our operating results.

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Our allowance for loan and lease losses may not be adequate to cover actual credit losses.

We maintain an allowance for loan and lease losses ("ALLL") that represents management's estimate of probable losses inherent in our credit portfolio. This estimate requires management to make significant assumptions and involves a high degree of judgment, which is inherently subjective, particularly as our non-covered loan portfolio has not yet developed an observable loss trend. Management considers numerous factors in determining the amount of the ALLL, including, but not limited to, historical loss severities and net charge-off rates of BankUnited and other comparable financial institutions, internal risk ratings, loss forecasts, collateral values, delinquency rates, the level of non-performing, criticized, classified and restructured loans in the portfolio, product mix, underwriting and credit administration policies and practices, portfolio trends, concentrations, industry conditions, economic trends and other factors considered by management to have an impact on the ability of borrowers to repay their loans. The effects of any decreases in expected cash flows on covered loans are also considered in the establishment of the ALLL.

If management's assumptions and judgments prove to be incorrect, our current allowance may be insufficient and we may be required to increase our ALLL. In addition, regulatory authorities periodically review our ALLL and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of our management. Adverse economic conditions could make management's estimate even more complex and difficult to determine. Any increase in our ALLL will result in a decrease in net income and capital and could have a material adverse effect on our financial condition and results of operations. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of the Allowance for Loan and Lease Losses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for Loan and Lease Losses."

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

Our business is susceptible to interest rate risk.

Our business and financial performance are impacted by market interest rates and movements in those rates. Since a high percentage of our assets and liabilities are interest bearing or otherwise sensitive in value to changes in interest rates, changes in rates, in the shape of the yield curve or in spreads between different types of rates can have a material impact on our results of operations and the values of our assets and liabilities. Changes in the value of investment securities available for sale and certain derivatives directly impact equity through adjustments of accumulated other comprehensive income and changes in the values of certain other assets and liabilities may directly impact earnings. Interest rates are highly sensitive to many factors over which we have no control and which we may not be able to anticipate adequately, including general economic conditions and the monetary and tax policies of various governmental bodies, particularly the Federal Reserve Board.

Our earnings and cash flows depend to a great extent upon the level of our net interest income. Net interest income is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. The current persistent low level of market interest rates limits our ability to add higher yielding assets to the balance sheet. If this prolonged period of low rates continues beyond current forecasts, it may exacerbate downward pressure on our net interest margin and have a negative impact on our net interest income in the future. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest bearing liabilities mature or reprice more quickly than interest earning assets in a period of rising rates, an increase in interest rates could reduce net interest income. When interest earning assets mature or reprice more quickly than interest bearing liabilities, falling interest rates could reduce net interest income. Additionally, an increase in interest rates may, among other things, reduce the demand for loans and our deposit products, decrease loan repayment rates and negatively affect borrowers' ability to meet their obligations. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan and mortgage-backed securities portfolios and increased competition for deposits. A flattening or inversion of the yield curve or a negative interest rate environment in the United States could create downward pressure on our net interest margin.

We attempt to manage interest rate risk by adjusting the rates, maturity, repricing, mix and balances of the different types of interest-earning assets and interest bearing liabilities and through the use of hedging instruments; however, interest rate risk management techniques are not precise, and we may not be able to successfully manage our interest rate risk. Our ability to manage interest rate risk could be negatively impacted by longer fixed rate terms on real estate loans being added to our portfolio or by unpredictable behavior of depositors in various interest rate environments. A rapid or unanticipated increase or decrease in interest rates, changes in the shape of the yield curve or in spreads between rates could have an adverse effect on our net interest margin and results of operations.

A failure to maintain adequate liquidity could adversely affect our financial condition and results of operations.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities and withdrawals and other cash commitments under both normal operating conditions and under extraordinary or unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in economic conditions in the geographic markets in which our operations are concentrated or in the financial or credit markets in general. Our access to liquidity in the form of deposits may also be affected by the liquidity needs of our depositors and by competition for deposits in our primary markets. A substantial portion of our liabilities consist of deposit accounts that are payable on demand or upon several days' notice, while by comparison, the majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and borrowings as necessary, we might not be able to replace such funds in the future. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

We may not be successful in executing our fundamental growth strategy.

Growth of our business, whether organic or through acquisitions, is an essential component of our business strategy. Commercial and consumer banking in our primary markets is highly competitive. Our ability to achieve organic growth is also dependent on economic conditions in our primary markets. There is no guarantee that we will be able to successfully or profitably execute our organic growth strategy in these markets.

We also compete with other financial institutions for acquisition opportunities and there are a limited number of candidates that meet our acquisition criteria. Consequently, we may not be able to identify suitable candidates for acquisitions. If we are unable to locate suitable acquisition candidates willing to sell on terms acceptable to us, we will not be able to execute a strategy of growth by acquisition.

If we do identify suitable candidates, there is no assurance that we will be able to obtain the required regulatory approvals in order to acquire them. If we do succeed in consummating future acquisitions, acquisitions involve risks that the acquired businesses may not achieve anticipated revenue, earnings, synergies or cash flows or that the other strategic benefits of the acquisitions may not be realized. There may also be unforeseen liabilities relating to the acquired businesses or arising out of the acquisitions, asset quality problems of the acquired entities, difficulty operating in markets in which we have had no or only limited experience and other conditions not within our control, such as adverse personnel relations, loss of customers because of change in identity, and deterioration in local economic conditions.

In addition, the process of integrating acquired entities will divert significant management time and resources. We may not be able to integrate successfully or operate profitably any financial institutions or complementary businesses we may acquire. We may experience disruption and incur unexpected expenses in integrating acquisitions. Any acquisitions we do make may not enhance our cash flows, business, financial condition, results of operations or prospects and may have an adverse effect on our results of operations, particularly during periods in which the acquisitions are being integrated into our operations.

Lastly, our growth plans are dependent on the availability of capital and funding. Our ability to raise capital through the sale of stock or debt securities may be affected by market conditions, economic conditions or regulatory changes. There is no assurance that sufficient capital or funding will be available in the future, upon acceptable terms or at all.

Failure to comply with the terms of our Loss Sharing Agreements with the FDIC may result in significant losses.

A significant portion of BankUnited's revenue continues to be derived from the covered assets. The Loss Sharing Agreements with the FDIC provide that a significant portion of losses related to the covered assets will be borne by the FDIC. Under the Loss Sharing Agreements, we are obligated to comply with certain loan servicing standards, including requirements to participate in government-sponsored loan modification programs. As these standards continue to evolve, we may experience difficulties in complying with the requirements of the Loss Sharing Agreements, which could result in covered assets losing some or all of their coverage. BankUnited's compliance with the terms of the Loss Sharing Agreements is subject to audit by the FDIC through its designated agent. The required terms of the agreements are extensive and failure to comply with any of

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the guidelines could result in a specific asset or group of assets losing their loss sharing coverage. See "Item 1. Business—The FSB Acquisition."

The geographic concentration of our markets in Florida and the New York metropolitan area makes our business highly susceptible to local economic conditions.

Unlike some larger financial institutions that are more geographically diversified, our operations are concentrated in Florida and the New York metropolitan area. Additionally, a significant portion of our loans secured by real estate are secured by commercial and residential properties in these geographic regions. Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in these regions or by changes in the local real estate markets. The Florida economy and our sub-markets in particular were affected by the most recent downturn in commercial and residential property values, and the decline in real estate values in Florida during the downturn was higher than the national average. Additionally, the Florida economy relies heavily on tourism and seasonal residents. Disruption or deterioration in economic conditions in the markets we serve could result in one or more of the following:

- an increase in loan delinquencies;
- an increase in problem assets and foreclosures;
- a decrease in the demand for our products and services; or
- a decrease in the value of collateral for loans, especially real estate, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage.

Hurricanes and other weather-related events, as well as man-made disasters, could cause a disruption in our operations or other consequences that could have an adverse impact on our results of operations.

The occurrence of a hurricane or other natural disaster to which our markets are susceptible or a man-made catastrophe or terrorist activity could disrupt our operations, result in damage to our properties, reduce or destroy the value of collateral and negatively affect the local economies in which we operate, which could have a material adverse effect on our results of operations.

Since we engage in lending secured by real estate and may be forced to foreclose on the collateral property and own the underlying real estate, we may be subject to the increased costs and risks associated with the ownership of commercial or residential real property, which could have an adverse effect on our business or results of operations.

A significant portion of our loan portfolio is secured by residential or commercial real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans, in which case, we are exposed to the risks inherent in the ownership of real estate. The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including:

- general or local economic conditions;
- environmental cleanup liability;
- neighborhood values;
- interest rates;
- commercial real estate rental and vacancy rates;
- real estate tax rates;
- operating expenses of the mortgaged properties;
- supply of and demand for properties;
- ability to obtain and maintain adequate occupancy of the properties;
- zoning laws;
- governmental rules, regulations and fiscal policies; and
- hurricanes or other natural or man-made disasters.

These same factors may impact the ability of borrowers to repay their obligations that are secured by real property.

The credit quality of our loan portfolio and results of operations are affected by residential and commercial real estate values and the level of residential and commercial real estate sales and rental activity.

A material portion of our loans are secured by residential or commercial real estate. The ability of our borrowers to repay their obligations and our financial results may therefore be adversely affected by changes in real estate values. Commercial real estate valuations in particular are highly subjective, as they are based on many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, occupancy rates, the level of rents, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. The properties securing income-producing investor real estate loans may not be fully leased at the origination of the loan. A borrower's ability to repay these loans is dependent upon stabilization of the properties and additional leasing through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations, lead to elevated vacancy rates or lease turnover, slow the execution of new leases or result in falling rents. These factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Similarly, residential real estate valuations can be impacted by housing trends, the availability of financing at reasonable interest rates, the level of supply of available housing, governmental policy regarding housing and housing finance and general economic conditions affecting consumers.

We make credit and reserve decisions based on current real estate values, the current conditions of borrowers, properties or projects and our expectations for the future. If real estate values or fundamentals underlying the commercial and residential real estate markets decline, we could experience higher delinquencies and charge-offs beyond that provided for in the ALLL.

Our portfolio of loans secured by taxi medallions is exposed to fluctuations in the demand for taxi services and valuation of the underlying collateral.

We have a portfolio of loans secured by taxi medallions, substantially all of which are in New York City. The introduction of application-based mobile ride services, such as Uber, has caused a more competitive landscape for these services, resulting in reduced ridership and utilization of taxis and a reduction in the pool of drivers willing to drive taxis. Consequently, the reduced income generated from the operation of taxi medallions has caused significant declines in the market value of medallions and increased the likelihood that loans secured by taxi medallions may default or that borrowers may be unable to repay these loans at maturity, leading to an increase in troubled debt restructurings. Management has provided for estimated losses incurred through December 31, 2015, however, further declines in demand for taxi services or further deterioration in the value of medallions may result in higher delinquencies and losses beyond that provided for in the ALLL.

Our portfolio of assets under operating lease is exposed to fluctuations in the demand for and valuation of the underlying assets.

Our equipment leasing business is exposed to asset risk resulting from ownership of the equipment on operating lease. Asset risk arises from fluctuations in supply and demand for the underlying leased equipment. We are exposed to the risk that, at the end of the lease term or in the event of early termination, the value of the asset will be lower than expected, resulting in reduced future lease income over the remaining life of the asset or a lower sale value. Demand for and the valuation of the leased transportation equipment is sensitive to shifts in general and industry specific economic and market trends and changes in trade flows from specific events such as natural or man-made disasters. A significant portion of our equipment under operating lease consists of rail cars used directly or indirectly in oil and gas drilling activities. Although we regularly monitor the value of the underlying assets and the potential impact of declines in oil and natural gas prices on the value of railcars on operating lease, there is no assurance that the value of these assets will not be adversely impacted by conditions in the energy industry.

Our reported financial results depend on management's selection and application of accounting policies and methods and related assumptions and estimates.

Our accounting policies and estimates are fundamental to our reported financial condition and results of operations. Management is required to make difficult, complex or subjective judgments in selecting and applying many of these accounting policies. In some cases, management must select an accounting policy or method from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in us reporting materially different results than would have been reported under a different alternative.

From time to time, the Financial Accounting Standards Board and SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially

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impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in a restatement of prior period financial statements.

Our internal controls may be ineffective.

Management regularly monitors, evaluates and updates our internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our financial condition and results of operations.

We depend on our executive officers and key personnel to continue the implementation of our long-term business strategy and could be harmed by the loss of their services.

We believe that our continued growth and future success will depend in large part on the skills of our senior management team. We believe our senior management team possesses valuable knowledge about and experience in the banking industry and that their knowledge and relationships would be very difficult to replicate. Although certain key members of our senior management team have entered into employment agreements with us, they may not complete the terms of their employment agreements or renew them upon expiration. Other members of our senior management team are not subject to employment agreements. Our success also depends on the experience of other key personnel and on their relationships with the customers and communities they serve. The loss of service of one or more of our executive officers or key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

We face significant competition from other financial institutions and financial services providers, which may adversely impact our growth or profitability.

The primary markets we currently serve are Florida and the New York metropolitan area. Consumer and commercial banking in these markets is highly competitive. Our markets contain not only a large number of community and regional banks, but also a significant presence of the country's largest commercial banks. We compete with other state and national financial institutions located in Florida, New York and adjoining states as well as savings and loan associations, savings banks and credit unions for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, marketplace lenders, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Increased competition among financial services companies may adversely affect our ability to market our products and services. Also, technology has lowered barriers to entry and made it possible for banks to compete in our market without a retail footprint by offering competitive rates, as well as non-banks, including online providers, to offer products and services traditionally provided by banks. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may offer a broader range of products and services as well as better pricing for certain products and services than we can.

Our ability to compete successfully depends on a number of factors, including:

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe and sound banking practices;
- the ability to attract and retain qualified employees to operate our business effectively;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

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Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could harm our business, financial condition and results of operations.

The inability of BankUnited, Inc. to receive dividends from its subsidiary bank could have a material adverse effect on the ability of BankUnited, Inc. to make payments on its debt or pay cash dividends to its shareholders.

BankUnited, Inc. is a separate and distinct legal entity from the Bank, and a substantial portion of its revenue consists of dividends from the Bank. These dividends are the primary funding source for the dividends paid by BankUnited, Inc. on its common stock and the interest and principal payments on its debt. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company. In addition, our right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary's depositors and other creditors. If the Bank is unable to pay dividends, BankUnited, Inc. might not be able to service its debt, pay its obligations, or pay dividends on its common stock.

We rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely impact the effectiveness of our strategic planning and our results of operations.

The processes we use to forecast future performance and estimate expected credit losses, the effects of changing interest rates, sources and uses of liquidity, cash flows from the covered assets, real estate values, and economic indicators such as unemployment on our financial condition and results of operations depend upon the use of analytical and forecasting tools and models. These tools and models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the tools and models they are based on may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If these tools prove to be inadequate or inaccurate, our strategic planning processes, earnings and capital may be adversely impacted.

Changes in taxes and other assessments may adversely affect us.

The legislatures and taxing authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business.

Tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, the Company must make judgments and interpretations about the application of these inherently complex tax laws. If the judgments, estimates and assumptions the Company uses in preparing its tax returns are subsequently found to be incorrect, there could be a material effect on our results of operations.

Operational Risks

We are subject to a variety of operational, legal and compliance risks, including the risk of fraud or theft by employees or outsiders, which may adversely affect our business and results of operations.

We are exposed to many types of operational risks, including legal and compliance risk, the risk of fraud or theft by employees or outsiders and operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. The occurrence of any of these events could cause us to suffer financial loss, face regulatory action and suffer damage to our reputation.

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Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control which may give rise to disruption of service to customers and to financial loss or liability. The occurrence of any of these events could result in a diminished ability to operate our business as well as potential liability to customers and counterparties, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations.

We are dependent on our information technology and telecommunications systems. Systems failures or interruptions could have an adverse effect on our financial condition and results of operations.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to process new and renewal loans, gather deposits, provide customer service, facilitate collections and share data across our organization. The failure of these systems could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We are dependent on third-party servicer providers for certain aspects of our business infrastructure and information and telecommunications systems.

We rely on third parties to provide key components of our business infrastructure and major systems including, but not limited to, our electronic funds transfer transaction processing, cash management and online banking services. While we select and monitor the performance of third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, failure of a vendor to provide services for any reason or poor performance of services, or the termination of a third-party software license or service agreement on which any of these systems is based, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third party vendor could also adversely affect our operations if those difficulties interfere with the vendor's ability to serve us effectively or at all. Replacing these third party vendors could also create significant delay and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

Failure to detect or prevent a breach in information security or to protect customer privacy could have an adverse effect on our business.

In the normal course of our business, we collect, process and retain sensitive and confidential client and customer information. Despite the security measures we have in place, our facilities and systems may be vulnerable to cyber-attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors, or other similar events.

We provide our customers the ability to bank remotely, including online, via mobile devices and over the telephone. The secure transmission of confidential information over the Internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, designed to disrupt key business services such as customer-facing web sites. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Any cyber-attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business.

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Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations.

Financial products and services have become increasingly technology-driven. To some degree, our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on our ability to keep pace with technological advances and to invest in new technology as it becomes available. Many of our competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services. The widespread adoption of new technologies, including internet services and payment systems, could require us to incur substantial expenditures to modify or adapt our existing products and services.

The soundness of other financial institutions, particularly our financial institution counterparties, could adversely affect us.

Our ability to engage in routine funding and other transactions could be adversely affected by the stability and actions of other financial services institutions. Financial services institutions are interrelated as a result of trading, clearing, servicing, counterparty and other relationships. We have exposure to an increasing number of financial institutions and counterparties. These counterparties include institutions that may be exposed to various risks over which we have little or no control.

Adverse developments affecting the overall strength and soundness of the financial services industry as a whole and third parties with whom we have important relationships could have a negative impact on our business even if we are not subject to the same adverse developments.

Reputational risks could affect our results.

Our ability to originate new business and maintain existing customer relationships is highly dependent upon customer and other external perceptions of our business practices. Adverse perceptions regarding our business practices could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Adverse developments with respect to external perceptions regarding the practices of our competitors, or our industry as a whole, or the general economic climate may also adversely impact our reputation. These perceptions about us could cause our business to be negatively affected and exacerbate the other risks that we face. In addition, adverse reputational impacts on third parties with whom we have important relationships may adversely impact our reputation. Adverse reputational impacts or events may also increase our litigation risk. We carefully monitor internal and external developments for areas of potential reputational risk and have established governance structures to assist in evaluating such risks in our business practices and decisions.

Risks Relating to the Regulation of Our Industry

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation, supervision, and legal requirements that govern almost all aspects of our operations. Intended to protect customers, depositors, the DIF, and the overall financial stability of the United States, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that BankUnited can pay to BankUnited, Inc., restrict the ability of institutions to guarantee our debt, and impose specific accounting requirements on us. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. In addition, federal banking agencies, including the OCC and Federal Reserve Board, periodically conduct examinations of our business, including compliance with laws and regulations. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines, remedial actions, administrative orders and other penalties, any of which could adversely affect our results of operations and capital base.

Further, federal, state and local legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, their holding companies and other financial institutions.

Changes in laws, regulations or regulatory policies could adversely affect the operating environment for the Company in substantial and unpredictable ways, increase our cost of doing business, impose new restrictions on the way in which we conduct our operations or add significant operational constraints that might impair our profitability. We cannot predict whether new

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legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on our business, financial condition or results of operations.

The ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material effect on our operations.

The Dodd-Frank Act imposes significant regulatory and compliance changes. There remains uncertainty surrounding the manner in which certain provisions of the Dodd-Frank Act will ultimately be interpreted and implemented by the various regulatory agencies and the full extent of the impact of the requirements on our operations is still unclear. The changes resulting from the Dodd-Frank Act, including the Volcker Rule and rules and regulations established by the CFPB, may impact the profitability of our business activities, require changes to certain of our business practices, require the development of new compliance infrastructure, impose upon us more stringent capital and liquidity requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements or with any future changes in laws or regulations may negatively impact our results of operations and financial condition. For a more detailed description of the Dodd-Frank Act, see Item 1 "Business—Regulation and Supervision—The Dodd-Frank Act."

Failure to comply with the business plan filed with the OCC could have an adverse effect on our ability to execute our business strategy.

In conjunction with the conversion of its charter to that of a national bank, BankUnited was required to file a business plan with the OCC, and is required to update the business plan annually. Failure to comply with the business plan could subject the Bank to regulatory actions that could impede our ability to execute our business strategy. The provisions of the business plan restrict our ability to engage in business activities outside of those contemplated in the business plan or to expand the level of our growth beyond that contemplated in the business plan without regulatory non-objection.

Our ability to expand through acquisition or de novo branching requires regulatory approvals, and failure to obtain them may restrict our growth.

We may identify opportunities to complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. We must generally receive federal regulatory approval before we can acquire an institution or business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects, and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience, and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the CRA) and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell or close branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise, we may continue de novo branching as a part of our internal growth strategy and possibly enter into new markets through de novo branching. De novo branching and any acquisition carries with it numerous risks, including the inability to obtain all required regulatory approvals. The failure to obtain these regulatory approvals for potential future strategic acquisitions and de novo branches may impact our business plans and restrict our growth.

Financial institutions, such as BankUnited, face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The federal Bank Secrecy Act, the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal

Revenue Service. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control.

In order to comply with regulations, guidelines and examination procedures in this area, we dedicate significant resources to the ongoing execution of our anti-money laundering program, continuously monitor and enhance as necessary our policies and procedures and maintain a robust automated anti-money laundering software solution. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of financial institutions that we may acquire in the future are deemed deficient, we could be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our expansion plans.

We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

The FDIC's restoration plan and any future related increased assessments could adversely affect our earnings.

As a result of economic conditions and the enactment of the Dodd-Frank Act, the FDIC increased the deposit insurance assessment rates and thus raised deposit premiums for insured depository institutions. If the current level of deposit premiums are insufficient for the DIF to meet its funding requirements in the future, further special assessments or increases in deposit insurance premiums may be required. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures in the future, we may be required to pay FDIC premiums higher than current levels. Any future additional assessments or increases in FDIC insurance premiums may adversely affect results of operations.

Unfavorable results from ongoing stress analyses may adversely affect our ability to retain customers or compete for new business opportunities.

Under the Dodd-Frank Act, the Company is required to annually conduct a company-run stress test to estimate the potential impact of three macroeconomic scenarios provided by the Federal Reserve on our regulatory capital ratios and certain other financial metrics. The Company is required to publish a public summary of these results.

Although the stress tests are not meant to assess our current condition, our customers may misinterpret and adversely react to the results of these stress tests despite the strength of our financial condition. Any potential misinterpretations and adverse reactions could limit our ability to attract and retain customers or to effectively compete for new business opportunities. The inability to attract and retain customers or effectively compete for new business may adversely affect our business, financial condition or results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2015, BankUnited leased 139,572 square feet of office and operations space in Miami Lakes, Florida. This space includes our principal executive offices and operations center. At December 31, 2015, we provided banking services at 98 branch locations in 15 Florida counties. Of the 98 branch properties, we leased 314,589 square feet in 91 locations and owned 32,556 square feet in 7 locations. We also leased 3,000 square feet of property and owned 4,000 square feet of property in Florida for future retail branch operations. Additionally, we leased 32,395 square feet of office space and 5,580 square feet of warehouse space.

At December 31, 2015, BankUnited leased 25,306 square feet of banking services space in New York City at 5 branch locations and 2,000 square feet of banking services space in Melville, New York at 1 branch location. We also leased 76,035 square feet of office space in New York in 7 locations, of which 10,048 square feet have been subleased.

At December 31, 2015, we leased 10,619 square feet of office and operations space in Baltimore, Maryland to house UCBL and Bridge; 5,488 square feet of office and operations space in Scottsdale, Arizona to house Pinnacle; and 129 square feet of office space in Austin, Texas used by Bridge Capital Leasing. We also leased 10,592 square feet of office and operations space in various states used by SBF.

We believe that our facilities are in good condition and are adequate to meet our operating needs for the foreseeable future.

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## Item 3. Legal Proceedings

The Company is involved as plaintiff or defendant in various legal actions arising in the normal course of business. In the opinion of management, based upon advice of legal counsel, the likelihood is remote that the impact of these proceedings, either individually or in the aggregate, would be material to the Company's consolidated financial position, results of operations or cash flows.

## Item 4. Mine Safety Disclosures

None.

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PART II - FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders of Record

Shares of our common stock began trading on the NYSE under the symbol "BKU" on January 28, 2011. The last sale price of our common stock on the NYSE on February 24, 2016 was $31.76 per share.

The following table shows the high and low sales prices for our common stock for the periods indicated, as reported by the NYSE:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| 1st Quarter | $33.69 | $26.69 | $34.83 | $30.16 |
| 2nd Quarter | 36.95 | 32.13 | 35.65 | 30.76 |
| 3rd Quarter | 37.92 | 33.07 | 34.23 | 30.23 |
| 4th Quarter | 39.97 | 34.05 | 30.98 | 27.40 |

As of February 24, 2016, there were 584 stockholders of record of our common stock.

Equity Compensation Plan Information

The information set forth under the caption "Equity Compensation Plan Information" in our definitive proxy statement for the Company's 2016 annual meeting of stockholders (the "Proxy Statement") is incorporated herein by reference.

Dividend Policy

The Company declared a quarterly dividend of $0.21 per share on its common stock for each of the four quarters of 2015 and 2014 resulting in total dividends for 2015 and 2014 of $89.4 million and $87.9 million, respectively, or $0.84 per common share for each of the years ended December 31, 2015 and 2014. Dividends from the Bank are the principal source of funds for the payment of dividends on our common stock. The Bank is subject to certain restrictions that may limit its ability to pay dividends to us. See "Business—Regulation and Supervision—Regulatory Limits on Dividends and Distributions". The quarterly dividends on our common stock are subject to the discretion of our board of directors and dependent on, among other things, our financial condition, results of operations, capital requirements, restrictions contained in financing instruments and other factors that our board of directors may deem relevant.

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Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on an initial investment of $100 in our common stock between January 28, 2011 (the day shares of our common stock began trading) and December 31, 2015, with the comparative cumulative total return of such amount on the S&P 500 Index and the S&P 500 Bank Index over the same period. Reinvestment of all dividends is assumed to have been made in our common stock. The graph assumes our closing sales price on January 28, 2011 of $28.40 per share as the initial value of our common stock.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

| Index | 1/28/2011 | 12/31/2011 | 12/31/2012 | 12/31/2013 | 12/31/2014 | 12/31/2015 |
|---|---|---|---|---|---|---|
| BankUnited, Inc. | 100.00 | 79.24 | 90.75 | 125.05 | 113.73 | 144.16 |
| S&P 500 | 100.00 | 100.51 | 116.60 | 154.36 | 175.49 | 177.92 |
| S&P Bank | 100.00 | 88.70 | 110.19 | 149.55 | 172.75 | 174.22 |

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

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Item 6. Selected Consolidated Financial Data

You should read the selected consolidated financial data set forth below in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the audited consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K. The selected consolidated financial data set forth below is derived from our audited consolidated financial statements.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (dollars in thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Cash and cash equivalents | $267,500 | $187,517 | $252,749 | $495,353 | $303,742 |
| Investment securities available for sale, at fair value | 4,859,539 | 4,585,694 | 3,637,124 | 4,172,412 | 4,181,977 |
| Loans, net | 16,510,775 | 12,319,227 | 8,983,884 | 5,512,618 | 4,088,656 |
| FDIC indemnification asset | 739,880 | 974,704 | 1,205,117 | 1,457,570 | 2,049,151 |
| Total assets | 23,883,467 | 19,210,529 | 15,046,649 | 12,375,953 | 11,322,038 |
| Deposits | 16,938,501 | 13,511,755 | 10,532,428 | 8,538,073 | 7,364,714 |
| Federal Home Loan Bank advances | 4,008,464 | 3,307,932 | 2,412,050 | 1,916,919 | 2,236,131 |
| Notes and other borrowings | 402,545 | 10,627 | 2,263 | 8,175 | 206 |
| Total liabilities | 21,639,569 | 17,157,995 | 13,117,951 | 10,569,273 | 9,786,758 |
| Total stockholder's equity | 2,243,898 | 2,052,534 | 1,928,698 | 1,806,680 | 1,535,280 |
| Covered assets | 813,525 | 1,053,317 | 1,730,182 | 2,149,009 | 2,754,668 |

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| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (dollars in thousands, except per share data) | | | | |
| Consolidated Income Statement Data: | | | | | |
| Interest income | $880,816 | $783,744 | $738,821 | $720,856 | $638,097 |
| Interest expense | 135,164 | 106,651 | 92,611 | 123,269 | 138,937 |
| Net interest income | 745,652 | 677,093 | 646,210 | 597,587 | 499,160 |
| Provision for loan losses | 44,311 | 41,505 | 31,964 | 18,896 | 13,828 |
| Net interest income after provision for loan losses | 701,341 | 635,588 | 614,246 | 578,691 | 485,332 |
| Non-interest income (1) | 102,224 | 84,165 | 68,049 | 73,941 | 163,217 |
| Non-interest expense (2) | 506,672 | 426,503 | 364,293 | 307,767 | 455,805 |
| Income before income taxes | 296,893 | 293,250 | 318,002 | 344,865 | 192,744 |
| Provision for income taxes (3) | 45,233 | 89,035 | 109,066 | 133,605 | 129,576 |
| Net income | $251,660 | $204,215 | $208,936 | $211,260 | $63,168 |
| Share Data: | | | | | |
| Earnings per common share, basic | $2.37 | $1.95 | $2.03 | $2.05 | $0.63 |
| Earnings per common share, diluted | $2.35 | $1.95 | $2.01 | $2.05 | $0.62 |
| Cash dividends declared per common share | $0.84 | $0.84 | $0.84 | $0.72 | $0.56 |
| Dividend payout ratio | 35.75 % | 43.06 % | 41.73 % | 35.13 % | 90.32 % |
| Other Data (unaudited): | | | | | |
| Financial ratios | | | | | |
| Return on average assets | 1.18 % | 1.21 % | 1.55 % | 1.71 % | 0.58 % |
| Return on average common equity | 11.62 % | 10.13 % | 11.16 % | 12.45 % | 4.34 % |
| Yield on earning assets (4) | 4.64 % | 5.33 % | 6.54 % | 7.28 % | 7.92 % |
| Cost of interest bearing liabilities | 0.84 % | 0.87 % | 0.94 % | 1.33 % | 1.62 % |
| Equity to assets ratio | 9.40 % | 10.68 % | 12.82 % | 14.60 % | 13.56 % |
| Interest rate spread (4) | 3.80 % | 4.46 % | 5.60 % | 5.95 % | 6.30 % |
| Net interest margin (4) | 3.94 % | 4.61 % | 5.73 % | 6.05 % | 6.21 % |
| Loan to deposit ratio (5) | 98.50 % | 91.89 % | 85.96 % | 65.28 % | 56.23 % |
| Asset quality ratios | | | | | |
| Non-performing loans to total loans (5)(6) | 0.43 % | 0.31 % | 0.39 % | 0.62 % | 0.70 % |
| Non-performing assets to total assets (7) | 0.35 % | 0.27 % | 0.51 % | 0.89 % | 1.35 % |
| Non-performing non-covered assets to total assets (7) | 0.26 % | 0.17 % | 0.16 % | 0.13 % | 0.03 % |
| ALLL to total loans | 0.76 % | 0.77 % | 0.77 % | 1.06 % | 1.17 % |
| ALLL to non-performing loans (6) | 175.90 % | 244.69 % | 195.52 % | 171.21 % | 167.59 % |
| Non-covered ALLL to non-covered non-performing loans (6) | 204.45 % | 281.54 % | 246.73 % | 256.65 % | 859.34 % |
| Net charge-offs to average loans | 0.10 % | 0.15 % | 0.31 % | 0.17 % | 0.62 % |
| Non-covered net charge-offs to average non-covered loans | 0.09 % | 0.08 % | 0.34 % | 0.09 % | 0.36 % |

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| | At December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
| Capital ratios | | | | | | | | | | |
| Tier 1 leverage | 9.35 | % | 10.70 | % | 12.42 | % | 13.16 | % | 13.06 | % |
| CET1 risk-based capital | 12.58 | % | N/A | | N/A | | N/A | | N/A | |
| Tier 1 risk-based capital | 12.58 | % | 15.45 | % | 21.06 | % | 33.60 | % | 41.62 | % |
| Total risk-based capital | 13.36 | % | 16.27 | % | 21.93 | % | 34.88 | % | 42.89 | % |

(1) Includes accretion of FDIC indemnification asset for the year ended December 31, 2011.

(2) Includes $110.4 million of equity based compensation recorded in conjunction with the IPO during the year ended December 31, 2011.

(3) Includes a discrete income tax benefit of $49.3 million recognized during the year ended December 31, 2015.

(4) On a tax-equivalent basis.

(5) Total loans includes premiums, discounts, deferred fees and costs and loans held for sale.

(6) We define non-performing loans to include non-accrual loans, loans, other than acquired credit impaired ("ACI") loans, that are past due 90 days or more and still accruing and certain loans modified in troubled debt restructurings. Contractually delinquent ACI loans on which interest continues to be accreted are excluded from non-performing loans.

(7) Non-performing assets include non-performing loans, OREO and other repossessed assets.

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## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist readers in understanding the consolidated financial condition and results of operations of BankUnited, Inc. and its subsidiaries (the "Company", "we", "us" and "our") and should be read in conjunction with the consolidated financial statements, accompanying footnotes and supplemental financial data included herein. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Forward-looking Statements" and "Risk Factors." We assume no obligation to update any of these forward-looking statements.

### Overview

#### Performance Highlights

In evaluating our financial performance, we consider the level of and trends in net interest income, the net interest margin, levels and composition of non-interest income and non-interest expense, performance ratios such as the return on average assets and return on average equity and asset quality ratios, particularly for the non-covered portfolio, including the ratio of non-performing loans to total loans, non-performing assets to total assets, and portfolio delinquency and charge-off trends. We consider growth in the loan portfolio by region and product type, deposit growth, trends in funding mix and cost of funds. We analyze these ratios and trends against our own historical performance, our budgeted performance and the financial condition and performance of comparable financial institutions.

Performance highlights include:

- Net income for the year ended December 31, 2015 was $251.7 million or $2.35 per diluted share, compared to $204.2 million or $1.95 per diluted share for the year ended December 31, 2014. Earnings for 2015 generated a return on average stockholders' equity of 11.62% and a return on average assets of 1.18%. Excluding the effect of a discrete income tax benefit and related professional fees described below, diluted earnings per share for for the year ended December 31, 2015 was $1.90, return on average stockholders' equity was 9.38% and return on average assets was 0.95%.
- The Company recognized a discrete income tax benefit of $49.3 million during the year ended December 31, 2015, reducing the Company's effective tax rate to 15.2% for the year ended December 31, 2015 from 30.4% for the year ended December 31, 2014. The tax benefit, predicated on guidance issued by the IRS in 2015, relates to the Company's ability to claim additional tax basis in certain assets acquired in the FSB Acquisition. The Company recorded professional fees of $1.3 million related to this tax benefit during 2015.
- Net interest income for 2015 was $745.7 million, an increase of $68.6 million over the prior year. The net interest margin, calculated on a tax-equivalent basis, decreased to 3.94% for 2015 from 4.61% for 2014. The primary driver of the decline in the net interest margin was the continued shift in the composition of the loan portfolio away from higher yielding covered loans into new loans originated at lower current market rates of interest. The following chart provides a comparison of net interest margin, the interest rate spread, the average yield on interest earning assets and the average rate paid on interest bearing liabilities for the years ended December 31, 2015 and 2014 (on a tax-equivalent basis):

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- New loans and leases, including equipment under operating lease, grew by $4.7 billion, to $16.2 billion for the year ended December 31, 2015. New loan growth was concentrated in the commercial portfolio, commensurate with our core business strategy. New commercial loans and leases grew by $4.1 billion for the year ended December 31, 2015, while new residential loans grew by $401 million. The New York region, the Florida region and our national platforms contributed $2.2 billion, $1.3 billion and $1.0 billion, respectively, to new loan growth for the year ended December 31, 2015. The following charts compare the composition of our loan and lease portfolio by portfolio segment and of our new loan and lease portfolio by region at December 31, 2015 and 2014:

(1) Commercial real estate loans include multifamily, owner occupied and non-owner occupied commercial real estate and construction and land loans.
(2) Includes equipment under operating leases.

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- Asset quality remained strong. At December 31, 2015, 98.2% of the new commercial loan portfolio was rated "pass" and substantially all of the new residential portfolio was current. The ratio of non-performing, non-covered loans to total non-covered loans was 0.37% and the ratio of non-covered non-performing assets to total assets was 0.26% at December 31, 2015. Credit risk related to the covered assets is significantly mitigated by the Loss Sharing Agreements. A comparison of our non-covered, non-performing assets ratio to that of our peers at December 31, 2015, 2014 and 2013 is presented in the chart below:

(1) Calculated as non-covered non-performing assets as a percentage of total assets.

(2) Source: SNL Financial. Peer data reflects median values for publicly traded U.S. banks and thrifts with assets between $10-50 billion.

- Total deposits grew by $3.4 billion for the year ended December 31, 2015 to $16.9 billion, including deposits of $3.3 billion in New York. The weighted average cost of deposits remained steady at 0.61% for both of the years ended December 31, 2015 and 2014. The following charts illustrate the composition of deposits at December 31, 2015 and 2014:
- The Company completed the SBF acquisition in May, 2015 for a cash purchase price of $278 million. In connection with the transaction, the Company acquired loans with an estimated fair value of $256 million, comprised of $174 million of loans to be held in portfolio and $82 million of loans designated held for sale, and servicing assets with an estimated fair value of $10 million. Goodwill of $10 million was recognized.
- During the quarter ended December 31, 2015, the Company completed an underwritten public offering of $400 million aggregate principal amount of its 4.875% senior notes.

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- The Company's and the Bank's capital ratios exceed all regulatory "well capitalized" guidelines. The charts below present the Company's and the Bank's regulatory capital ratios compared to regulatory guidelines as of December 31, 2015 and 2014:

BankUnited, Inc:

BankUnited, N.A.:

Opportunities and Challenges

Management has identified significant opportunities for our Company, including:

- Our capital position, market presence and experienced lending and relationship banking teams position us well for continued organic growth in Florida and the Tri-State market, both of which we believe to be attractive banking markets. We also expect continued growth from our national lending platforms.

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- We continue to evaluate potential strategic acquisitions of financial institutions and complementary businesses.
- The potential to further optimize our deposit mix in conjunction with the growth of our core commercial business.
- Potential enhancement of operating efficiency as the New York region and our national platforms, with their limited geographic footprints, comprise a larger proportion of our asset and revenue mix.

We have also identified significant challenges confronting the industry and our Company:

- The sustained low interest rate environment and competitive market conditions are likely to continue to put pressure on our net interest margin, particularly as higher yielding covered assets are liquidated or mature and are replaced with assets originated or purchased at current market rates of interest.
- Uncertainty about fiscal and monetary policy may impact the business and economic environment in our primary market areas.
- Uncertainty about the full impact of new regulation may present challenges in the execution of our business strategy and the management of non-interest expense. For additional discussion, see "Item 1. Business—Regulation and Supervision."

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and follow general practices within the banking industry. Application of these principles requires management to make complex and subjective estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable and appropriate under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. We believe that the critical accounting policies and estimates discussed below involve a heightened level of management judgment due to the complexity, subjectivity and sensitivity involved in their application.

Note 1 to the consolidated financial statements contains a further discussion of our significant accounting policies.

Allowance for Loan and Lease Losses

The ALLL represents management's estimate of probable loan losses inherent in the Company's loan portfolio. Determining the amount of the ALLL is considered a critical accounting estimate because of its complexity and because it requires significant judgment and estimation. Estimates that are particularly susceptible to change that may have a material impact on the amount of the ALLL include:

- the amount and timing of expected future cash flows from ACI loans and impaired loans;
- the value of underlying collateral, which impacts loss severity and certain cash flow assumptions;
- the selection of proxy data used to calculate loss factors;
- our evaluation of loss emergence and historical loss experience periods;
- our evaluation of the risk profile of various loan portfolio segments, including internal risk ratings; and
- our selection and evaluation of qualitative factors.

Note 1 to the consolidated financial statements describes the methodology used to determine the ALLL.

Accounting for Acquired Loans and the FDIC Indemnification Asset

A significant portion of the covered loans are residential ACI Loans. The accounting for ACI loans requires the Company to estimate the timing and amount of cash flows to be collected from these loans and to continually update estimates of the cash flows expected to be collected over the lives of the loans. Similarly, the accounting for the FDIC indemnification asset requires the Company to estimate the timing and amount of cash flows to be received from the FDIC in reimbursement for losses and

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expenses related to the covered loans; these estimates are directly related to estimates of cash flows to be received from the covered loans. Estimated cash flows impact the rate of accretion on covered loans and the rate of accretion or amortization on the FDIC indemnification asset as well as the amount of any ALLL to be established related to the covered loans. These cash flow estimates are considered to be critical accounting estimates because they involve significant judgment and assumptions as to their amount and timing.

Covered 1-4 single family residential and home equity loans were placed into homogenous pools at the time of the FSB Acquisition; the ongoing credit quality and performance of these loans is monitored on a pool basis and expected cash flows are estimated on a pool basis. At acquisition, the fair value of the pools was measured based on the expected cash flows to be derived from each pool. For ACI pools, the difference between total contractual payments due and the cash flows expected to be received at acquisition was recognized as non-accretable difference. The excess of expected cash flows over the recorded fair value of each ACI pool at acquisition was recognized as accretable yield. The accretable yield is accreted into interest income over the life of each pool.

We monitor the pools quarterly by updating our expected cash flows to determine whether any changes have occurred in expected cash flows that would be indicative of impairment or necessitate reclassification between non-accretable difference and accretable yield. Initial and ongoing cash flow expectations incorporate significant assumptions regarding prepayment rates, the timing of resolution of loans, the timing and amount of loan sales, frequency of default, delinquency and loss severity, which is dependent on estimates of underlying collateral values. Changes in these assumptions could have a potentially material impact on the amount of the ALLL related to the covered loans as well as on the rate of accretion on these loans. Prepayment, delinquency, default curves and loss severity used to forecast pool cash flows are derived from roll rates generated from the historical performance of the ACI residential loan portfolio observed over the immediately preceding four quarters, or the immediately preceding twelve quarters as it relates to loss severity from loan sales. Generally, improvements in expected cash flows less than 1% of the expected cash flows from a pool are not recorded. This threshold is judgmentally determined.

Generally, commercial loans are monitored and expected cash flows updated at the individual loan level due to the size and other unique characteristics of these loans. The expected cash flows are estimated based on judgments and assumptions which include credit risk grades established in the Bank's ongoing credit review program, likelihood of default based on observations of specific loans during the credit review process as well as applicable industry data, loss severity based on updated evaluations of cash flows from available collateral, and the contractual terms of the underlying loan agreements. Changes in the assumptions that impact forecasted cash flows could result in a potentially material change to the amount of the ALLL.

The estimated cash flows from the FDIC indemnification asset are sensitive to changes in the same assumptions that impact expected cash flows on covered loans. Estimated cash flows impact the rate of amortization on the FDIC indemnification asset.

Fair Value Measurements

The Company measures certain of its assets and liabilities at fair value on a recurring or non-recurring basis. Assets and liabilities measured at fair value on a recurring basis include investment securities available for sale, certain servicing rights and derivative instruments. Assets that may be measured at fair value on a non-recurring basis include OREO and other repossessed assets, impaired loans, loans held for sale, goodwill, intangible assets, residential MSRs and assets acquired and liabilities assumed in business combinations. The consolidated financial statements also include disclosures about the fair value of financial instruments that are not recorded at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to determine fair value measurements are prioritized into a three level hierarchy based on observability and transparency of the inputs, summarized as follows:

Level 1—observable inputs that reflect quoted prices in active markets,

Level 2—inputs other than quoted prices in active markets that are based on observable market data, and

Level 3—unobservable inputs requiring significant management judgment or estimation.

When observable market quotes are not available, fair value is estimated using modeling techniques such as discounted cash flow analyses and option pricing models. These modeling techniques utilize assumptions that we

believe market participants would use in pricing the asset or the liability.
Particularly for estimated fair values of assets and liabilities categorized within level 3 of the fair value hierarchy, the selection of different valuation techniques or underlying assumptions could result in fair value estimates that are higher or

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lower than the amounts recorded or disclosed in our consolidated financial statements. Considerable judgment may be involved in determining the amount that is most representative of fair value.

Because of the degree of judgment involved in selecting valuation techniques and underlying assumptions, fair value measurements are considered critical accounting estimates.

Notes 1, 4 and 16 to our consolidated financial statements contain further information about fair value estimates.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements for a discussion of recent accounting pronouncements.

Impact of Acquisition Accounting, ACI Loan Accounting and the Loss Sharing Agreements

The application of acquisition accounting, accounting for loans acquired with evidence of deterioration in credit quality since origination ("ACI" or "Acquired Credit Impaired" loans) and the provisions of the Loss Sharing Agreements have had a material impact on our financial condition and results of operations. The more significant ways in which our financial statements have been impacted are summarized below and discussed in more detail throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations":

- Under the acquisition method of accounting, all of the assets acquired and liabilities assumed in the FSB Acquisition were initially recorded on the consolidated balance sheet at their estimated fair values as of May 21, 2009. These estimated fair values differed materially from the carrying amounts of many of the assets acquired and liabilities assumed as reflected in the financial statements of the Failed Bank immediately prior to the FSB Acquisition. In particular, the acquisition date carrying amount of investment securities, loans, the FDIC indemnification asset, goodwill, net deferred tax assets, deposit liabilities, and FHLB advances were materially impacted by acquisition accounting adjustments. The reported amounts of many of the acquired assets continue to be affected by the adjustments;
- Interest income and the net interest margin reflect the impact of accretion of the fair value adjustments made to the carrying amounts of interest earning assets and, to a much lesser extent, interest expense reflects the impact of amortization of the fair value adjustments made to the carrying amounts of interest bearing liabilities in conjunction with the FSB Acquisition;
- The estimated fair value at which the acquired loans were initially recorded by the Company was significantly less than the UPB of the loans. No ALLL was recorded with respect to acquired loans at the FSB Acquisition date. The write-down of loans to fair value in conjunction with the application of acquisition accounting and credit protection provided by the Loss Sharing Agreements reduce the impact of the provision for loan losses related to the acquired loans on the results of operations;
- Acquired investment securities were recorded at their estimated fair values at the FSB Acquisition date, significantly reducing the potential for other-than-temporary impairment charges in periods subsequent to the FSB Acquisition for the acquired securities;
- An indemnification asset related to the Loss Sharing Agreements with the FDIC was recorded in conjunction with the FSB Acquisition. The Loss Sharing Agreements afford the Company significant protection against future credit losses related to covered assets, including up to 90 days of past due interest, as well as reimbursement of certain expenses;
- Non-interest expense includes the effect of amortization of the indemnification asset;
- Non-interest income includes gains and losses associated with the resolution of covered assets and the related effect of indemnification under the terms of the Loss Sharing Agreements. The impact of gains or losses related to transactions in covered assets is significantly mitigated by FDIC indemnification; and
- ACI loans that are contractually delinquent may not be reflected as non-accrual loans or non-performing assets due to the accounting treatment accorded such loans under Accounting Standards Codification ("ASC") section 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality."

While the impact of these factors on our reported financial results is expected to continue to decline over time, they may continue to impact the comparability of our financial performance to that of other financial institutions.

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## Results of Operations

### Net Interest Income

Net interest income is the difference between interest earned on interest earning assets and interest incurred on interest bearing liabilities and is the primary driver of core earnings. Net interest income is impacted by the relative mix of interest earning assets and interest bearing liabilities, the ratio of interest earning assets to total assets and of interest bearing liabilities to total funding sources, movements in market interest rates, levels of non-performing assets and pricing pressure from competitors.

The mix of interest earning assets is influenced by loan demand, market and competitive conditions in our primary lending markets and by management's continual assessment of the rate of return and relative risk associated with various classes of earning assets. The mix of interest bearing liabilities is influenced by management's assessment of the desire for lower cost funding sources weighed against relationships with customers and growth requirements and is impacted by competition for deposits in the Company's markets and the availability and pricing of other sources of funds.

Net interest income is also impacted by the accounting for ACI loans and to a declining extent, the accretion of fair value adjustments recorded in conjunction with the FSB Acquisition. ACI loans were initially recorded at fair value, measured based on the present value of expected cash flows. The excess of expected cash flows over carrying value, known as accretable yield, is recognized as interest income over the lives of the underlying loans. The positive impact of accretion related to ACI loans on the net interest margin and the interest rate spread is expected to continue to decline as ACI loans comprise a declining percentage of total loans. The proportion of total loans represented by ACI loans is declining as the ACI loans are resolved and new loans are added to the portfolio. ACI loans represented 4.6%, 8.0% and 14.4%, of total loans, including premiums, discounts and deferred fees and costs, at December 31, 2015, 2014 and 2013, respectively. As this trend continues, we expect our net interest margin and interest rate spread to continue to decrease, although at a declining rate.

Consideration received earlier than expected or in excess of expected cash flows may result in a pool of ACI residential loans becoming fully amortized and its carrying value reduced to zero even though outstanding contractual balances and expected cash flows remain related to loans in the pool. Once the carrying value of a pool is reduced to zero, any future proceeds from the remaining loans, representing further realization of accretable yield, are recognized as interest income upon receipt. The carrying value of one pool has been reduced to zero. Interest income for the years ended December 31, 2014 and 2013 was impacted by proceeds from the sale of loans in this pool. The UPB of loans remaining in this pool was insignificant at December 31, 2015 and 2014.

The impact of accretion and ACI loan accounting on net interest income makes it difficult to compare our net interest margin and interest rate spread to those reported by other financial institutions.

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The following table presents, for the years ended December 31, 2015, 2014 and 2013, information about (i) average balances, the total dollar amount of taxable equivalent interest income from earning assets and the resultant average yields; (ii) average balances, the total dollar amount of interest expense on interest bearing liabilities and the resultant average rates; (iii) net interest income; (iv) the interest rate spread; and (v) the net interest margin. Non-accrual and restructured loans are included in the average balances presented in this table; however, interest income foregone on non-accrual loans is not included. Interest income, yields, spread and margin have been calculated on a tax-equivalent basis (dollars in thousands):

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest[(1)] | Yield/ Rate[(1)] | Average Balance | Interest[(1)] | Yield/ Rate[(1)] | Average Balance | Interest[(1)] | Yield/ Rate[(1)] |
| Assets: | | | | | | | | | |
| Interest earning assets: | | | | | | | | | |
| Loans | $14,263,617 | $769,789 | 5.40 % | $10,536,287 | $678,274 | 6.44 % | $6,817,786 | $625,948 | 9.18 % |
| Investment securities [(2)] | 4,672,032 | 121,221 | 2.59 % | 3,984,543 | 111,471 | 2.80 % | 4,135,407 | 117,289 | 2.84 % |
| Other interest earning assets | 481,716 | 10,098 | 2.10 % | 453,252 | 7,845 | 1.73 % | 500,306 | 5,342 | 1.07 % |
| Total interest earning assets | 19,417,365 | 901,108 | 4.64 % | 14,974,082 | 797,590 | 5.33 % | 11,453,499 | 748,579 | 6.54 % |
| Allowance for loan and lease losses | (108,875 ) | | | (76,606 ) | | | (62,461 ) | | |
| Non-interest earning assets | 1,985,421 | | | 1,928,564 | | | 2,057,923 | | |
| Total assets | $21,293,911 | | | $16,826,040 | | | $13,448,961 | | |
| Liabilities and Stockholders' Equity: | | | | | | | | | |
| Interest bearing liabilities: | | | | | | | | | |
| Interest bearing demand deposits | $1,169,921 | 5,782 | 0.49 % | $773,655 | 3,254 | 0.42 % | $582,623 | $2,698 | 0.46 % |
| Savings and money market deposits | 6,849,366 | 37,744 | 0.55 % | 5,092,444 | 25,915 | 0.51 % | 4,280,531 | 20,620 | 0.48 % |
| Time deposits | 4,305,857 | 47,625 | 1.11 % | 3,716,611 | 43,792 | 1.18 % | 2,844,377 | 37,248 | 1.31 % |
| Total interest bearing deposits | 12,325,144 | 91,151 | 0.74 % | 9,582,710 | 72,961 | 0.76 % | 7,707,531 | 60,566 | 0.79 % |
| FHLB advances | 3,706,288 | 40,328 | 1.09 % | 2,613,156 | 32,412 | 1.24 % | 2,097,581 | 31,872 | 1.52 % |
| Notes and other borrowings | 58,791 | 3,685 | 6.27 % | 10,768 | 1,278 | 11.87 % | 650 | 173 | 26.62 % |
| | 16,090,223 | 135,164 | 0.84 % | 12,206,634 | 106,651 | 0.87 % | 9,805,762 | 92,611 | 0.94 % |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total interest bearing liabilities | | | | | | | | | |
| Non-interest bearing demand deposits | 2,732,654 | | | 2,366,621 | | | 1,586,007 | | |
| Other non-interest bearing liabilities | 305,519 | | | 235,930 | | | 184,645 | | |
| Total liabilities | 19,128,396 | | | 14,809,185 | | | 11,576,414 | | |
| Stockholders' equity | 2,165,515 | | | 2,016,855 | | | 1,872,547 | | |
| Total liabilities and stockholders' equity | $21,293,911 | | | $16,826,040 | | | $13,448,961 | | |
| Net interest income | | $765,944 | | | $690,939 | | | $655,968 | |
| Interest rate spread | | | 3.80 % | | | 4.46 % | | | 5.60 % |
| Net interest margin | | | 3.94 % | | | 4.61 % | | | 5.73 % |

(1) On a tax-equivalent basis where applicable
(2) At fair value except for securities held to maturity

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Increases and decreases in interest income, calculated on a tax-equivalent basis, and interest expense result from changes in average balances (volume) of interest earning assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest earning assets and the interest incurred on our interest bearing liabilities for the years indicated. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous year's volume. Changes applicable to both volume and rate have been allocated to volume (in thousands):

| | 2015 Compared to 2014 | | | 2014 Compared to 2013 | | |
|---|---|---|---|---|---|---|
| | Change Due to Volume | Change Due to Rate | Increase | Change Due to Volume | Change Due to Rate | Increase (Decrease) |
| Interest Income Attributable to: | | | | | | |
| Loans | $201,092 | $(109,577) | $91,515 | $239,133 | $(186,807) | $52,326 |
| Investment securities | 18,118 | (8,368) | 9,750 | (4,164) | (1,654) | (5,818) |
| Other interest earning assets | 576 | 1,677 | 2,253 | (799) | 3,302 | 2,503 |
| Total interest income | 219,786 | (116,268) | 103,518 | 234,170 | (185,159) | 49,011 |
| Interest Expense Attributable to: | | | | | | |
| Interest bearing demand deposits | 1,986 | 542 | 2,528 | 789 | (233) | 556 |
| Savings and money market deposits | 9,792 | 2,037 | 11,829 | 4,011 | 1,284 | 5,295 |
| Time deposits | 6,435 | (2,602) | 3,833 | 10,242 | (3,698) | 6,544 |
| Total interest bearing deposits | 18,213 | (23) | 18,190 | 15,042 | (2,647) | 12,395 |
| FHLB advances | 11,836 | (3,920) | 7,916 | 6,413 | (5,873) | 540 |
| Notes and other borrowings | 3,010 | (603) | 2,407 | 1,201 | (96) | 1,105 |
| Total interest expense | 33,059 | (4,546) | 28,513 | 22,656 | (8,616) | 14,040 |
| Increase (decrease) in net interest income | $186,727 | $(111,722) | $75,005 | $211,514 | $(176,543) | $34,971 |

Year ended December 31, 2015 compared to year ended December 31, 2014

Net interest income, calculated on a tax-equivalent basis, was $765.9 million for the year ended December 31, 2015 compared to $690.9 million for the year ended December 31, 2014, an increase of $75.0 million. The increase in net interest income was comprised of an increase in interest income of $103.5 million, offset by an increase in interest expense of $28.5 million.

The increase in tax-equivalent interest income was comprised primarily of a $91.5 million increase in interest income from loans and a $9.8 million increase in interest income from investment securities.

Increased interest income from loans was attributable to a $3.7 billion increase in the average balance outstanding partially offset by a 1.04% decrease in the tax-equivalent yield to 5.40% for the year ended December 31, 2015 from 6.44% for the year ended December 31, 2014. Offsetting factors contributing to the overall decline in the yield on loans included:

- New loans originated at lower market rates of interest comprised a greater percentage of the portfolio for the year ended December 31, 2015 than for 2014. New loans represented 93.0% of the average balance of loans outstanding for the year ended December 31, 2015 compared to 87.8% for the year ended December 31, 2014. We expect the impact of growth of the new loan portfolio to lead to further declines in the overall yield on loans.
- The tax-equivalent yield on new loans declined to 3.50% for the year ended December 31, 2015 from 3.56% for the year ended December 31, 2014.
- Interest income on loans acquired in the FSB Acquisition totaled $303.2 million and $348.6 million for the years ended December 31, 2015 and 2014, respectively. The tax-equivalent yield on those loans increased to 30.29% for the year ended December 31, 2015 from 27.09% for the year ended December 31, 2014. The increase in the yield on loans acquired in the FSB Acquisition resulted primarily from improvements in the timing and amount of expected cash flows and corresponding transfers from non-accretable difference to accretable yield for ACI loans. The yield on loans acquired in the FSB Acquisition was also impacted by a decrease in the amount of interest income recognized in

connection with the sale of ACI residential loans from the pool with a carrying value of zero. Interest income on loans included $30.9 million in proceeds from sales of loans from the zero carrying value pool

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for the year ended December 31, 2014. No loans were sold from the zero carrying value pool in the year ended December 31, 2015.

The average balance of investment securities increased by $687 million for the year ended December 31, 2015 from the year ended December 31, 2014 while the tax-equivalent yield declined to 2.59% for the year ended December 31, 2015 from 2.80% for year ended December 31, 2014. The decline in tax-equivalent yield reflects (i) the impact of the addition of new, relatively short duration securities at current market yields while securities purchased in a higher interest rate environment continue to amortize and (ii) adjustments resulting from changes in prepayment speeds for certain securities.

The components of the increase in interest expense for the year ended December 31, 2015 as compared to the year ended December 31, 2014 were an $18.2 million increase in interest expense on deposits, a $7.9 million increase in interest expense on FHLB advances and a $2.4 million increase in interest expense on notes and other borrowings. The most significant factor contributing to the increase in interest expense on deposits was an increase of $2.7 billion in average interest bearing deposits The increase in interest expense on FHLB advances was driven by an increase in the average balance of $1.1 billion, partially offset by a decrease in the average rate paid on these borrowings. The average rate paid on FHLB advances declined by 0.15% to 1.09% for the year ended December 31, 2015 from 1.24% for the year ended December 31, 2014, reflecting the impact of the maturity of higher rate advances and the addition of new advances at lower market interest rates. The increase in interest expense on notes and other borrowings was primarily the result of the issuance of $400 million in senior notes in November 2015.

The net interest margin, calculated on a tax-equivalent basis, for the year ended December 31, 2015 was 3.94% as compared to 4.61% for the year ended December 31, 2014. The interest rate spread decreased to 3.80% for the year ended December 31, 2015 from 4.46% for the year ended December 31, 2014. The declines in net interest margin and interest rate spread resulted primarily from lower yields on loans and investment securities partly offset by a lower cost of deposits and FHLB advances, as discussed above. We expect the net interest margin and interest rate spread to continue to decline, although at a decreasing rate, as new loans originated at lower current market rates of interest continue to grow and higher yielding loans acquired in the FSB Acquisition are collected or resolved.

Year ended December 31, 2014 compared to year ended December 31, 2013

Net interest income, calculated on a tax-equivalent basis, was $690.9 million for the year ended December 31, 2014 compared to $656.0 million for the year ended December 31, 2013, an increase of $35.0 million. The increase in net interest income was comprised of an increase in interest income of $49.0 million, offset by an increase in interest expense of $14.0 million.

The increase in tax-equivalent interest income resulted primarily from a $52.3 million increase in interest income from loans offset by a $5.8 million decrease in interest income from investment securities.

Increased interest income from loans was attributable to a $3.7 billion increase in the average balance outstanding partially offset by a 2.74% decrease in the tax-equivalent yield to 6.44% for the year ended December 31, 2014 from 9.18% for the year ended December 31, 2013. Offsetting factors contributing to the overall decline in the yield on loans were consistent with those indicated for the year ended December 31, 2015 compared to year ended December 31, 2014 above, further quantified as follows:

- New loans represented 87.8% of the average balance of loans outstanding for the year ended December 31, 2014 as compared to 75.6% for the year ended December 31, 2013, while the tax-equivalent yield on new loans declined to 3.56% for the year ended December 31, 2014 from 3.76% for the year ended December 31, 2013.
- Interest income on loans acquired in the FSB Acquisition totaled $348.6 million and $431.1 million for the years ended December 31, 2014 and 2013, respectively. The tax-equivalent yield on those loans increased to 27.09% for the year ended December 31, 2014 from 26.02% for the year ended December 31, 2013. Interest income on loans included $30.9 million and $50.6 million in proceeds from sales of loans in the pool of ACI loans with a zero carrying value for the years ended December 31, 2014 and 2013, respectively.

The average balance of investment securities decreased by $151 million for the year ended December 31, 2014 from the year ended December 31, 2013 while the tax-equivalent yield declined to 2.80% for the year ended December 31, 2014 from 2.84% for 2013.

The increase in interest expense for the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily reflected an increase of $12.4 million in interest expense on deposits. This increase was driven by an increase of $1.9 billion in average interest bearing deposits, partially offset by a decrease in the average rate paid on interest

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bearing deposits to 0.76% for the year ended December 31, 2014 from 0.79% for the year ended December 31, 2013. The decrease in the average rate paid reflected a decline in market interest rates on time deposits,
The impact of an increase of $516 million in the average balance of FHLB advances was largely offset by decreases in the average rate paid. The average rate paid on FHLB advances, inclusive of the impact of cash flow hedges and fair value accretion, declined to 1.24% for the year ended December 31, 2014 from 1.52% for the year ended December 31, 2013.
The net interest margin, calculated on a tax-equivalent basis, for the year ended December 31, 2014 was 4.61% as compared to 5.73% for the year ended December 31, 2013, a decrease of 112 basis points. The interest rate spread decreased to 4.46% for the year ended December 31, 2014 from 5.60% for the year ended December 31, 2013. The declines in net interest margin and interest rate spread resulted primarily from lower yields on loans partly offset by a lower cost of deposits and FHLB advances, as discussed above. The net interest margin was also positively impacted by an increase in the ratio of the average balance of loans to total interest-earning assets and an increase in the ratio of the average balance of interest-earning assets to interest bearing liabilities.
Provision for Loan Losses
The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the ALLL at an adequate level to absorb probable losses inherent in the loan portfolio at the balance sheet date and that, in management’s judgment, is appropriate under U.S. GAAP. The determination of the amount of the ALLL is complex and involves a high degree of judgment and subjectivity. Our determination of the amount of the allowance and corresponding provision for loan losses considers ongoing evaluations of the credit quality of and level of credit risk inherent in various segments of the loan portfolio and of individually significant credits, levels of non-performing loans and charge-offs, statistical trends and economic and other relevant factors. See “Analysis of the Allowance for Loan and Lease Losses” below for more information about how we determine the appropriate level of the allowance.
For the years ended December 31, 2015, 2014 and 2013, we recorded provisions for loan losses of $42.1 million, $41.7 million and $33.7 million, respectively, related to new loans. The amount of the provision is impacted by loan growth, historical loss rates, the level of charge-offs and specific reserves for impaired loans, and management's evaluation of qualitative factors in the determination of general reserves. See the section entitled "Analysis of the Allowance for Loan and Lease Losses" below for further discussion.
An ALLL is established related to ACI loans when quarterly evaluations of expected cash flows indicate it is probable that the Company will be unable to collect all of the cash flows expected at acquisition plus any additional cash flows expected to be collected arising from changes in estimate after acquisition. An allowance for non-ACI loans is established if factors considered relevant by management indicate that additional losses have arisen on non-ACI loans subsequent to the FSB Acquisition.
As discussed below in the section entitled "Non-interest income," the impact on our results of operations of any provision for (recovery of) loan losses on covered loans is significantly mitigated by the corresponding impact on the FDIC indemnification asset, recorded in non-interest income. For the years ended December 31, 2015, 2014 and 2013 we recorded provisions for (recovery of) losses on covered loans of $2.3 million, $(0.2) million and $(1.7) million, respectively.
Non-Interest Income
The Company reported non-interest income of $102.2 million, $84.2 million and $68.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. Although the amounts have declined as a percent of total non-interest income, a significant portion of our non-interest income relates to transactions in the covered assets. We have broken out the significant categories of non-interest income that relate to covered assets in the table below, to assist in the comparison of the amount and composition of our non-interest income with that of other financial institutions.

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The following table presents a comparison of the categories of non-interest income for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Income from resolution of covered assets, net | $50,658 | $49,082 | $78,862 |
| Net loss on FDIC indemnification | (65,942) | (46,396) | (50,638) |
| FDIC reimbursement of costs of resolution of covered assets | 859 | 4,440 | 9,397 |
| Gain (loss) on sale of covered loans, net | 34,929 | 20,369 | (16,195) |
| Other-than-temporary impairment ("OTTI") on covered investment securities available for sale | — | — | (963) |
| Mortgage insurance income and modification incentives | 2,911 | 5,036 | 7,617 |
| Non-interest income related to the covered assets | 23,415 | 32,531 | 28,080 |
| Service charges and fees | 17,876 | 16,612 | 14,255 |
| Gain on sale of non-covered loans | 5,704 | 678 | 726 |
| Gain on investment securities available for sale, net | 8,480 | 3,859 | 9,592 |
| Lease financing | 35,641 | 21,601 | 8,214 |
| Other non-interest income | 11,108 | 8,884 | 7,182 |
| | $102,224 | $84,165 | 68,049 |

Non-interest income related to transactions in the covered assets

Historically, a significant portion of our non-interest income has resulted from transactions related to the resolution of assets covered by our Loss Sharing Agreements with the FDIC. As covered assets continue to decline, we expect the net impact of these transactions on results of operations to decrease.

The balance of the FDIC indemnification asset is reduced or increased as a result of decreases or increases in cash flows expected to be received from the FDIC related to the gains or losses recorded in our consolidated financial statements from transactions in the covered assets. When these transaction gains or losses are recorded, we also record an offsetting amount in the consolidated statement of income line item “Net loss on FDIC indemnification.” This line item includes the significantly mitigating impact of FDIC indemnification related to the following types of transactions in covered assets:

- gains or losses from the resolution of covered assets;
- provisions for (recoveries of) losses on covered loans;
- gains or losses on the sale of covered loans;
- gains or losses on covered investment securities; and
- gains or losses on covered OREO.

Each of these types of transactions is discussed further below.

Covered loans may be resolved through prepayment, short sale of the underlying collateral, foreclosure, sale of the loans or charge-off. For loans resolved through prepayment, short sale or foreclosure, the difference between consideration received in resolution of the loans and the carrying value of the loans is recorded in the consolidated statement of income line item “Income from resolution of covered assets, net.” Both gains and losses on individual resolutions are included in this line item. Losses from the resolution of covered loans increase the amount recoverable from the FDIC under the Loss Sharing Agreements. Gains from the resolution of covered loans reduce the amount recoverable from the FDIC under the Loss Sharing Agreements. These additions to or reductions in amounts recoverable from the FDIC related to the resolution of covered loans are recorded in non-interest income in the line item “Net loss on FDIC indemnification” and reflected as corresponding increases or decreases in the FDIC indemnification asset. The amount of income or loss recorded in any period will be impacted by the amount of covered loans resolved, the amount of consideration received, and our ability to accurately project cash flows from ACI loans in future periods.

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The following table provides further detail of the components of income from resolution of covered assets, net, for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Payments in full | $47,238 | $47,855 | $69,673 |
| Foreclosures | 476 | (1,556) | (2,657) |
| Short sales | 36 | (388) | (2,334) |
| Charge-offs | (549) | (1,016) | (927) |
| Recoveries | 3,457 | 4,187 | 15,107 |
| Income from resolution of covered assets, net | $50,658 | $49,082 | $78,862 |

The substantial majority of income from resolution of covered assets has resulted from transactions covered under the Single Family Shared-Loss Agreement. The decrease in income for the year ended December 31, 2014 compared to the year ended December 31, 2013 resulted mainly from decreases in income from residential paid in full resolutions and decreased recoveries on commercial loans.

The decrease in income from payments in full for the year ended December 31, 2014 compared to the year ended December 31, 2013 was the result of a reduction in the number of paid in full resolutions and a decrease in average income per resolution. Average income per resolution declined in part due to updated cash flow forecasts, reflecting additional history with the performance of covered loans.

A decline in the level of foreclosure and short sale activity coupled with improving home prices led to declines in losses on resolutions from foreclosures and short sales.

Charge-offs primarily reflect the carrying value of ACI home equity lines of credit accounted for in pools, while recoveries primarily reflect collections on commercial ACI loans charged off in prior years. The decrease in income from recoveries from 2013 to 2014 was attributable primarily to two large commercial loan recoveries recognized in 2013.

Sales of covered 1-4 single family residential loans for the years ended December 31, 2015, 2014 and 2013 are summarized as follows (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| UPB of loans sold (1) | $249,038 | $219,297 | $127,972 |
| Cash proceeds, net of transaction costs (1) | $207,425 | $143,450 | $64,588 |
| Carrying value of loans sold (1) | 172,496 | 141,052 | 80,783 |
| Gain (loss) on sale of covered loans, net | $34,929 | $2,398 | $(16,195) |
| Gain (loss) on indemnification asset (2) | $(28,051) | $(2,323) | $12,695 |

(1) Excludes loans sold from a pool of ACI loans with a zero carrying value, for which proceeds are recognized as interest income.

(2) Excludes gains of $1,514 and $8,326 related to loans sold from a pool of ACI loans with a zero carrying value for the years ended December 31, 2014 and 2013, respectively.

Loans were sold on a non-recourse basis to third parties. The improvement in results of these sales for the year ended December 31, 2015 as compared to the year ended December 31, 2014 and for the year ended December 31, 2014 as compared to the year ended December 31, 2013 resulted primarily from improved pricing on the sales. Improved pricing reflected both improvement in the quality of loans sold and better market conditions. We anticipate that we will continue to exercise our right to sell covered loans on a quarterly basis in the future.

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 and commercial OREO in the first quarter of 2014. Commercial and consumer loans with a carrying value of $86.5 million 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. A provision for loan losses in the amount of $3.5 million, representing the excess of carrying value over the fair value of specific loans, was recognized upon the transfer to loans held for sale. The Company sold these covered loans during the three months ended March 31, 2014 receiving cash proceeds, net of transaction costs, in the amount of $101.0 million. The Company also sold commercial OREO properties with a carrying value of $1.3 million for cash proceeds of $0.8 million. The following table

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summarizes the impact of these transactions on pre-tax income, as reflected in the consolidated statements of income, for the year ended December 31, 2014 (in thousands):

| | |
|---|---|
| Gain on sale of covered loans | $17,971 |
| Provision for loan losses on transfer to loans held for sale | (3,469) |
| Loss on sale of OREO | (524) |
| Loss on FDIC indemnification | (1,737) |
| | $12,241 |

The net loss on FDIC indemnification related to covered loan sales for the year ended December 31, 2014 did not bear the 80% relationship to the net gain on sale that might generally be expected primarily because indemnification is determined based on the unpaid principal balance of the loans sold rather than carrying value and because proceeds in excess of the unpaid principal balance are not subject to sharing with the FDIC.

Additional impairment arising since the FSB Acquisition related to covered loans is recorded in earnings through the provision for losses on covered loans. Under the terms of the Loss Sharing Agreements, the Company is entitled to recover from the FDIC a portion of losses on these loans; therefore, the discounted amount of additional expected cash flows from the FDIC related to these losses is recorded in non-interest income in the line item “Net loss on FDIC indemnification” and reflected as a corresponding increase in the FDIC indemnification asset. Alternatively, a recovery of the provision for loan losses related to covered loans results in a reduction in the amounts the Company expects to recover from the FDIC and a corresponding reduction in the FDIC indemnification asset and in non-interest income, reflected in the line item “Net loss on FDIC indemnification.”

The Company records impairment charges related to declines in the net realizable value of OREO properties subject to the Loss Sharing Agreements and recognizes additional gains or losses upon the eventual sale of such OREO properties. These amounts are included in non-interest expense in the consolidated financial statements. The estimated increase or reduction in amounts recoverable from the FDIC with respect to these gains and losses is reflected as an increase or decrease in the FDIC indemnification asset and in non-interest income in the line item "Net loss on FDIC indemnification."

As discussed further in the section entitled "Investment Securities Available for Sale", the net loss on FDIC indemnification for the year ended December 31, 2013 was also impacted by an OTTI loss recognized on one covered security

Net loss on FDIC indemnification of $65.9 million, $46.4 million and $50.6 million was recorded for the years ended December 31, 2015, 2014 and 2013, respectively, representing the net change in the FDIC indemnification asset from increases or decreases in cash flows estimated to be received from the FDIC related to gains and losses from covered assets as discussed in the preceding paragraphs. The net impact on earnings before taxes of these transactions related to covered assets for the the years ended December 31, 2015, 2014 and 2013 was $16.3 million, $26.0 million and $20.4 million, respectively,

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The following tables summarize the components of the gains and losses associated with covered assets, along with the related additions to or reductions in the amounts recoverable from the FDIC under the Loss Sharing Agreements, as reflected in the consolidated statements of income for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | | |
|---|---|---|---|
| | Transaction Income (Loss) | Net Loss on FDIC Indemnification | Net Impact on Pre-tax Earnings |
| Provision for losses on covered loans [1] | $(2,284) | $1,826 | $(458) |
| Income from resolution of covered assets, net | 50,658 | (40,395) | 10,263 |
| Gain on sale of covered loans | 34,929 | (28,051) | 6,878 |
| Loss on covered OREO | (1,014) | 678 | (336) |
| | $82,289 | $(65,942) | $16,347 |

| | 2014 | | |
|---|---|---|---|
| | Transaction Income | Net Loss on FDIC Indemnification | Net Impact on Pre-tax Earnings |
| Recovery of losses on covered loans [1] | $33 | $(54) | $(21) |
| Income from resolution of covered assets, net | 49,082 | (39,127) | 9,955 |
| Gain on sale of covered loans | 20,369 | (5,338) | 15,031 |
| Gain on covered investment securities available for sale | 209 | (167) | 42 |
| Gain on covered OREO | 2,744 | (1,710) | 1,034 |
| | $72,437 | $(46,396) | $26,041 |

| | 2013 | | |
|---|---|---|---|
| | Transaction Income (Loss) | Net Loss on FDIC Indemnification | Net Impact on Pre-tax Earnings |
| Recovery of losses on covered loans | $1,738 | $(1,574) | $164 |
| Income from resolution of covered assets, net | 78,862 | (64,793) | 14,069 |
| Loss on sale of covered loans | (16,195) | 21,021 | 4,826 |
| Loss on covered investment securities available for sale | (963) | 770 | (193) |
| Gain on covered OREO | 7,629 | (6,062) | 1,567 |
| | $71,071 | $(50,638) | $20,433 |

(1) Transaction income (loss) for the years ended December 31, 2015 and 2014 includes provisions of $33 thousand and $210 thousand, respectively, related to unfunded loan commitments included in other non-interest expense in the accompanying consolidated statements of income.

For the years ended December 31, 2014 and 2013, loans were sold from the pool of residential ACI loans with a zero carrying value, Proceeds from sale of loans in this pool, reflecting additional realization of accretable yield, were reflected in interest income upon receipt as discussed above in the section entitled "Net Interest Income." Since reimbursements from the FDIC under the Loss Sharing Agreements are calculated based on UPB of the loans rather than on their financial statement carrying amounts, "Net Loss on FDIC Indemnification" for the years ended December 31, 2014 and 2013 included a component related to the sale of loans from the zero carrying value pool. Certain OREO and foreclosure related expenses associated with covered assets, including fees paid to attorneys and other service providers, property preservation costs, maintenance and repair costs, advances for taxes and insurance, appraisal costs and inspection costs are also reimbursed under the terms of the Loss Sharing Agreements. Such expenses are recorded in non-interest expense when incurred, and the reimbursement is recorded as "FDIC reimbursement of costs of resolution of covered assets" in non-interest income when submitted to the FDIC, generally upon ultimate resolution of the underlying covered assets. During the years ended December 31, 2015, 2014 and 2013, claims of $0.9 million, $4.4 million and $9.4 million, respectively, were submitted to the FDIC for reimbursement. The year over year decrease in claims primarily reflects a reduction in foreclosure activities over the period.

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Mortgage insurance income totaled $0.7 million, $1.7 million and $2.1 million and modification incentives totaled $2.2 million, $3.3 million and $5.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. Mortgage insurance income represents mortgage insurance proceeds received with respect to covered loans in excess of the portion of losses on those loans that is recoverable from the FDIC. Mortgage insurance proceeds up to the amount of losses on covered loans recoverable from the FDIC offset amounts otherwise reimbursable by the FDIC. Modification incentives represent amounts received from the Department of Treasury related to loans modified under the Home Affordable Modification Program ("HAMP"), net of amounts reimbursed to the FDIC. Year over year declines in mortgage insurance and modification incentives income reflect the reduced volume of covered loan foreclosure resolution and HAMP modification activity over the period.

Other components of non-interest income

Year over year increases in service charges and fees correspond to the growth in deposits and loans.

The increase in gain on sale of non-covered loans for the year ended December 31, 2015 compared to the years ended December 31, 2014 and 2013 related primarily to gains on sales of loans by SBF. Such gains totaled $5.0 million for the year ended December 31, 2015.

Gains on investment securities available for sale for the years ended December 31, 2015, 2014 and 2013 related to sales of securities in the normal course of managing liquidity, the Company's cash position, portfolio duration and yield. For the year ended December 31, 2013, gains from the sale of investment securities available for sale also included net gains of $2.3 million related to the liquidation of our positions in certain securities in response to the release of the Volcker Rule and net gains of $1.6 million from the sale of securities acquired in a 2012 business combination.

Income from lease financing increased to $35.6 million for the year ended December 31, 2015, compared to $21.6 million for the year ended December 31, 2014 and $8.2 million year ended December 31, 2013. The increase in income is consistent with the growth in the portfolio of equipment under lease.

The most significant recurring items included in other non-interest income include the increase in cash surrender value of bank owned life insurance, income related to interest rate swaps not designated as cash flow hedges, and servicing income.

Non-Interest Expense

The following table presents the components of non-interest expense for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Employee compensation and benefits | 210,104 | $195,218 | $173,763 |
| Occupancy and equipment | 75,484 | 70,520 | 63,766 |
| Amortization of FDIC indemnification asset | 109,411 | 69,470 | 36,943 |
| Deposit insurance expense | 14,257 | 9,348 | 7,648 |
| Professional fees | 14,185 | 13,178 | 21,934 |
| Telecommunications and data processing | 13,613 | 13,381 | 13,034 |
| Depreciation of equipment under operating lease | 18,369 | 8,759 | 4,259 |
| Other real estate owned expense, net | 4,775 | 2,360 | 2,812 |
| Other non-interest expense | 46,474 | 44,269 | 40,134 |
| | $506,672 | $426,503 | $364,293 |

Non-interest expense as a percentage of average assets was 2.4%, 2.5% and 2.7% for the years ended December 31, 2015, 2014 and 2013, respectively. Excluding amortization of the FDIC indemnification asset, non-interest expense as a percentage of average assets was 1.9%, 2.1% and 2.4% for the years ended December 31, 2015, 2014 and 2013, respectively. The more significant changes in the components of non-interest expense are discussed below.

Employee compensation and benefits

As is typical for financial institutions, employee compensation and benefits represents the single largest component of recurring non-interest expense. Employee compensation and benefits for the year ended December 31, 2015 increased by

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$14.9 million as compared to the year ended December 31, 2014. This increase reflected higher head count, particularly from the SBF acquisition and the addition of lending and deposit gathering teams. Employee compensation and benefits for the year ended December 31, 2014 increased by $21.5 million as compared to the year ended December 31, 2013. This increase related primarily to the Company's overall growth and its expansion into New York.

Occupancy and equipment

Occupancy and equipment expense increased by $5.0 million million or 7.0% for the year ended December 31, 2015 as compared with the year ended December 31, 2014 and by $6.8 million or 10.6% for the year ended December 31, 2014 as compared to the year ended December 31, 2013. These increases related primarily to the Company's growth and expansion.

Amortization of FDIC indemnification asset

Amortization of FDIC indemnification asset totaled $109.4 million, $69.5 million and $36.9 million, respectively, for the years ended December 31, 2015, 2014 and 2013.

The FDIC indemnification asset was initially recorded at its estimated fair value of $3.4 billion, representing the present value of estimated future cash payments from the FDIC for probable losses on covered assets. As projected cash flows from the ACI loans have increased, the yield on the loans has increased accordingly and the estimated future cash payments from the FDIC have decreased. This change in estimated cash flows is recognized prospectively, consistent with the recognition of the increased cash flows from the ACI loans. As a result, the FDIC indemnification asset is being amortized to the amount of the estimated future cash flows. For the years ended December 31, 2015, 2014 and 2013, the average rate at which the FDIC indemnification asset was amortized was 12.68%, 6.41%, and 2.76%, respectively.

The rate of amortization will increase if estimated future cash payments from the FDIC decrease. The amount of amortization is impacted by both the change in the amortization rate and the decrease in the average balance of the indemnification asset. As we continue to submit claims under the Loss Sharing Agreements and recognize periodic amortization, the balance of the indemnification asset will continue to decline.

See Note 6 to the consolidated financial statements for a rollforward of the FDIC indemnification asset for the years ended December 31, 2015, 2014 and 2013. Subsequent to the termination of loss sharing under the Commercial Shared-Loss Agreement in May 2014, the entire balance of the FDIC indemnification asset relates to residential loans and OREO covered under the Single Family Shared-Loss Agreement. The following table presents the carrying value of the FDIC indemnification asset and the estimated future cash flows at December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| FDIC indemnification asset | $739,880 | $974,704 |
| Less expected amortization | (342,317) | (302,669) |
| Amount expected to be collected from the FDIC | $397,563 | $672,035 |

The amount of expected amortization reflects the impact of improvements in cash flows expected to be collected from the covered loans, as well as the impact of time value resulting from the discounting of the asset when it was initially established. This amount will be amortized to non-interest expense using the effective interest method over the period during which cash flows from the FDIC are expected to be collected, which is limited to the lesser of the contractual term of the Single Family Shared-Loss Agreement and the expected remaining life of the indemnified assets.

Professional fees

Professional fees increased by $1.0 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily attributed to $1.3 million in accounting and advisory fees related to the discrete income tax benefit recorded in 2015. Professional fees decreased by $8.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This decrease was primarily due to higher consulting and advisory fees incurred in 2013 related to regulatory compliance.

Depreciation of equipment under operating lease

Depreciation of equipment under operating lease increased by $9.6 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014 and by $4.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013. These increases correspond to the growth in the portfolio of equipment under operating lease.

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Other real estate owned expense, net

The following table presents the components of other real estate owned expense, net for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gain on sale of OREO | $(133) | $(3,851) | $(9,569) |
| Impairment of OREO | 1,053 | 1,235 | 1,939 |
| Foreclosure and OREO related expenses | 3,855 | 4,976 | 10,442 |
| Other real estate owned expense, net | $4,775 | $2,360 | $2,812 |

During the years ended December 31, 2015, 2014 and 2013, a substantial majority of the gains or losses recognized on the sale or impairment of OREO related to properties covered by the Loss Sharing Agreements. Generally declining levels of foreclosure activity and OREO inventory have led to the decreasing impact of OREO sales and OREO related expenses.

Other non interest expense

The most significant components of other non-interest expense are advertising and promotion, costs related to lending activities and deposit generation, insurance, travel and general office expense.

Income Taxes

The provision for income taxes for the years ended December 31, 2015, 2014 and 2013 was $45.2 million, $89.0 million and $109.1 million, respectively. The Company's effective tax rate was 15.2%, 30.4% and 34.3% for the years ended December 31, 2015, 2014 and 2013, respectively. The most significant components included in the reconciliation of the Company's effective tax rate to the statutory federal tax rate of 35.0% were the effect of state income taxes, the lapse of the statute of limitations related to certain uncertain state tax positions, the impact of income not subject to federal tax and for 2015, the $49.3 million discrete income tax benefit discussed previously. The decrease in the effective tax rate for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily reflected the discrete income tax benefit of $49.3 million discussed above. The decrease in the effective tax rate for the year ended December 31, 2014 compared to the year ended December 31, 2013 reflected increases in income not subject to federal tax, benefits resulting from state tax law changes, changes in certain state tax positions and decreases in the amount of uncertain state tax positions resulting from the lapse of the statute of limitations.

At December 31, 2015 and 2014, the Company had net deferred tax assets of $105.6 million and $117.2 million, respectively. Based on an evaluation of both positive and negative evidence related to ultimate realization of deferred tax assets, we have concluded it is more likely than not that the deferred tax assets will be realized. Persuasive positive evidence leading to this conclusion as of December 31, 2015 included the availability of sufficient tax loss carrybacks and future taxable income resulting from reversal of existing taxable temporary differences to assure realization of the deferred tax assets. Realization of deferred tax assets as of December 31, 2015 is not dependent, to any significant extent, on the generation of additional future taxable income.

For more information about income taxes, see Note 11 to the consolidated financial statements.

Termination of the Commercial Shared-Loss Agreement

Loss sharing under the terms of BankUnited, N.A.'s Commercial Shared-Loss Agreement with the FDIC terminated on May 21, 2014. At December 31, 2015, the Company's loan portfolio included commercial and consumer ACI loans with a carrying value of $67 million, and the investment portfolio included securities with a carrying value of $143 million that are no longer subject to loss sharing under the terms of the Commercial Shared-Loss Agreement. As of December 31, 2015 we bear all credit risk with respect to these assets. The Commercial Shared-Loss Agreement provides for the Bank's continued reimbursement for recoveries, as defined, to the FDIC through May 21, 2017.

Analysis of Financial Condition

Average interest-earning assets increased $4.4 billion to $19.4 billion for the year ended December 31, 2015 from $15.0 billion for the year ended December 31, 2014. This increase was driven by a $3.7 billion increase in the average balance of outstanding loans and a $687 million increase in the average balance of investment securities. The increase in average loans reflected growth of $4.0 billion in average new loans outstanding, partially offset by a $286 million decrease in the average

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balance of loans acquired in the FSB Acquisition. Average non-interest earning assets remained relatively consistent period over period, reflecting a decrease in the FDIC indemnification asset and offsetting increases in equipment under operating lease, net and other assets. Growth of the new loan and lease portfolio, resolution of covered loans and declines in the amount of the FDIC indemnification asset are trends that are expected to continue.

Average interest bearing liabilities increased by $3.9 billion to $16.1 billion for the year ended December 31, 2015 from $12.2 billion for the year ended December 31, 2014, due primarily to an increase of $2.7 billion in average interest bearing deposits and a $1.1 billion increase in average FHLB advances. Average non-interest bearing deposits increased by $366 million.

Average stockholders' equity increased by $149 million, due to the retention of earnings and, to a lesser extent, the exercise of stock options.

Investment Securities Available for Sale

The following table shows the amortized cost and fair value of investment securities available for sale as of December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| U.S. Treasury securities | $4,997 | $4,997 | $54,924 | $54,967 | $— | $— |
| U.S. Government agency and sponsored enterprise residential mortgage-backed securities | 1,167,197 | 1,178,318 | 1,501,504 | 1,524,716 | 1,548,671 | 1,574,303 |
| U.S. Government agency and sponsored enterprise commercial mortgage-backed securities | 95,997 | 96,814 | 101,089 | 101,858 | 27,132 | 26,777 |
| Re-Remics | 88,658 | 89,691 | 179,664 | 183,272 | 267,525 | 271,785 |
| Private label residential mortgage-backed securities and CMOs | 502,723 | 544,612 | 350,300 | 403,979 | 255,184 | 310,118 |
| Private label commercial mortgage-backed securities | 1,219,355 | 1,218,740 | 1,156,166 | 1,161,485 | 842,818 | 839,000 |
| Single family rental real estate-backed securities | 646,156 | 636,705 | 446,079 | 443,017 | — | — |
| Collateralized loan obligations | 309,615 | 306,877 | 174,767 | 174,332 | — | — |
| Non-mortgage asset-backed securities | 54,981 | 56,500 | 96,250 | 100,068 | 143,625 | 148,766 |
| Preferred stocks | 75,742 | 83,209 | 96,294 | 105,442 | 140,806 | 149,677 |
| State and municipal obligations | 351,456 | 361,753 | 15,317 | 15,702 | — | — |
| SBA securities | 270,553 | 273,336 | 298,424 | 308,728 | 295,892 | 308,937 |
| Other debt securities | 3,854 | 7,987 | 3,712 | 8,128 | 3,542 | 7,761 |
| | $4,791,284 | $4,859,539 | $4,474,490 | $4,585,694 | $3,525,195 | $3,637,124 |

Our investment strategy has focused on providing liquidity necessary for day-to-day operations, adding a suitable balance of high credit quality, diversifying assets to the consolidated balance sheet, managing interest rate risk, and generating acceptable returns given our established risk parameters. We have sought to maintain liquidity by investing a significant portion of the portfolio in high quality liquid securities including U.S. Treasury securities, SBA securities and U.S. Government agency mortgage-backed securities. We have also invested in highly rated structured products that, while somewhat less liquid, provide us with attractive yields. Relatively short effective portfolio duration helps mitigate interest rate risk arising from the currently low level of market interest rates. The weighted average expected life of the investment portfolio as of December 31, 2015 was 4.1 years and the effective duration was 1.8 years.

Regulations implementing the Volcker Rule were approved in December 2013. Among other provisions, the regulations generally serve to prohibit us from holding an ownership interest, as defined, in a covered fund, also as defined. There are Re-Remic securities in our portfolio that we believe may be deemed impermissible investments under the regulations. At December 31, 2015, we held Re-Remics with a carrying value of $90 million, the majority of which were in unrealized gain positions. The Re-Remics are an amortizing portfolio and we estimate that their carrying value will be significantly reduced through normal amortization and prepayments prior to the required compliance date. We will continue to evaluate our holdings in light of the regulations and further interpretations or implementation guidance that may be forthcoming, if any. As currently promulgated, we must be in compliance with the regulations implementing the Volcker Rule by July 2016 as it pertains to legacy covered funds, as defined. The Federal Reserve has indicated its intention to extend the conformance period further to July 2017.

As discussed above in the section entitled “Results of Operations - Termination of the Commercial Shared-Loss Agreement”, FDIC loss sharing on investment securities acquired in the FSB Acquisition ended in May 2014. The terms of the Commercial Shared-Loss Agreement continue to require sharing with the FDIC of any realized gains from the sale of covered investment securities through May 2017. Securities formerly covered under the Commercial Shared-Loss Agreement include private label residential mortgage-backed securities, trust preferred collateralized debt obligations, U.S. Government sponsored enterprise preferred stocks and corporate debt securities with an aggregate fair value of $143 million and gross unrealized gains of $51 million at December 31, 2015. Gross unrealized losses on this portfolio segment were de minimis at December 31, 2015.

A summary of activity in the investment securities available for sale portfolio for the year ended December 31, 2015 follows (in thousands):

| | |
|---|---|
| Balance, beginning of period | $4,585,694 |
| Purchases | 1,968,741 |
| Repayments | (537,484) |
| Sales, maturities and calls | (1,105,540) |
| Amortization of discounts and premiums, net | (8,922) |
| Change in unrealized gains | (42,950) |
| Balance, end of period | $4,859,539 |

The following table shows the scheduled maturities, carrying values and current yields for investment securities available for sale as of December 31, 2015. Scheduled maturities have been adjusted for anticipated prepayments of mortgage-backed and other pass through securities. Yields on tax-exempt securities have been calculated on a tax-equivalent basis (dollars in thousands):

| | Within One Year | | After One Year Through Five Years | | After Five Years Through Ten Years | | After Ten Years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying Value | Weighted Average Yield | Carrying Value | Weighted Average Yield | Carrying Value | Weighted Average Yield | Carrying Value | Weighted Average Yield | Carrying Value | Weighted Average Yield |
| U.S. Treasury securities | $— | — % | $4,997 | 0.92 % | $— | — % | $— | — % | $4,997 | 0.92 % |
| U.S. Government agency and sponsored enterprise residential mortgage-backed securities | 174,007 | 2.45 % | 638,600 | 2.26 % | 249,152 | 1.42 % | 116,559 | 1.31 % | 1,178,318 | 2.11 % |
| U.S. Government agency and sponsored enterprise commercial | 13,423 | 2.63 % | 37,774 | 2.65 % | 35,990 | 2.56 % | 9,627 | 3.20 % | 96,814 | 2.67 % |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| mortgage-backed securities | | | | | | | | | | |
| Re-Remics | 40,524 | 3.57 % | 48,063 | 3.59 % | 1,104 | 3.83 % | — | — % | 89,691 | 3.58 % |
| Private label residential mortgage backed securities and CMOs | 86,795 | 6.74 % | 228,353 | 4.50 % | 146,875 | 4.19 % | 82,589 | 4.58 % | 544,612 | 4.79 % |
| Private label commercial mortgage-backed securities | 245,807 | 1.92 % | 498,953 | 2.81 % | 377,565 | 2.53 % | 96,415 | 2.54 % | 1,218,740 | 2.52 % |
| Single family rental real estate-backed securities | 322,642 | 1.77 % | 291,578 | 2.58 % | 22,485 | 3.73 % | — | — % | 636,705 | 2.21 % |
| Collateralized loan obligations | — | — % | 219,757 | 2.16 % | 87,120 | 2.56 % | — | — % | 306,877 | 2.28 % |
| Non-mortgage asset-backed securities | 6,380 | 2.80 % | 27,579 | 2.78 % | 22,541 | 3.53 % | — | — % | 56,500 | 3.08 % |
| State and municipal obligations | 2,872 | 4.68 % | 12,522 | 4.68 % | 42,292 | 4.25 % | 304,067 | 4.88 % | 361,753 | 4.80 % |
| SBA securities | 51,325 | 1.73 % | 128,807 | 1.73 % | 63,102 | 1.73 % | 30,102 | 1.72 % | 273,336 | 1.73 % |
| Other debt securities | — | — % | — | — % | — | — % | 7,987 | 7.59 % | 7,987 | 7.59 % |
| | $943,775 | 2.46 % | $2,136,983 | 2.66 % | $1,048,226 | 2.64 % | $647,346 | 3.84 % | 4,776,330 | 2.76 % |
| Preferred stocks with no scheduled maturity | | | | | | | | | 83,209 | 8.85 % |
| Total investment securities available for sale | | | | | | | | | $4,859,539 | 2.86 % |

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The available for sale investment securities portfolio was in a net unrealized gain position of $68 million at December 31, 2015 with aggregate fair value equal to 101% of amortized cost. Net unrealized gains included $95 million of gross unrealized gains and $27 million of gross unrealized losses. Investment securities available for sale in an unrealized loss position at December 31, 2015 had an aggregate fair value of $2.5 billion. At December 31, 2015, 90.2% of investment securities available for sale were backed by the U.S. Government, U.S. Government agencies or sponsored enterprises or were rated AAA or AA, based on the most recent third-party ratings. Investment securities available for sale totaling $89 million were rated below investment grade or not rated at December 31, 2015, substantially all of which were acquired in the FSB Acquisition and in unrealized gain positions at December 31, 2015.

We evaluate the credit quality of individual securities in the portfolio quarterly to determine whether any of the investments in unrealized loss positions are other-than-temporarily impaired. This evaluation considers, but is not necessarily limited to, the following factors, the relative significance of which varies depending on the circumstances pertinent to each individual security:

- our intent to hold the security until maturity or for a period of time sufficient for a recovery in value;
- whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis;
- the length of time and extent to which fair value has been less than amortized cost;
- adverse changes in expected cash flows;
- collateral values and performance;
- the payment structure of the security, including levels of subordination or over-collateralization;
- changes in the economic or regulatory environment;
- the general market condition of the geographic area or industry of the issuer;
- the issuer’s financial condition, performance and business prospects; and
- changes in credit ratings.

No securities were determined to be other-than-temporarily impaired during the years ended December 31, 2015 or 2014. During the year ended December 31, 2013, OTTI of $963 thousand was recognized on an intermediate term mortgage mutual fund. Due primarily to the length of time the investment had been in a continuous unrealized loss position and an increasing measure of impairment, we determined the impairment to be other than temporary. This security was covered under the Loss Sharing Agreements; therefore, the impact of the impairment was significantly mitigated by an increase of $770 thousand in the FDIC indemnification asset and in non-interest income, reflected in the consolidated statement of income line item "Net loss on FDIC indemnification."

We do not intend to sell securities in significant unrealized loss positions. Based on an assessment of our liquidity position and internal and regulatory guidelines for permissible investments and concentrations, it is not more likely than not that we will be required to sell securities in significant unrealized loss positions prior to recovery of amortized cost basis. The severity of impairment of individual securities in the portfolio is generally not material. For fixed rated securities, unrealized losses in the portfolio at December 31, 2015 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. For variable rate securities, unrealized losses were primarily due to widening credit spreads. The timely repayment of principal and interest on U.S. Government agency and sponsored enterprise securities in unrealized loss positions is explicitly or implicitly guaranteed by the full faith and credit of the U.S. Government. Management performed projected cash flow analyses of the private label residential mortgage-backed securities and CMOs and private label commercial mortgage-backed securities in unrealized loss positions, incorporating CUSIP level assumptions consistent with the collateral characteristics of each security including collateral default rate, voluntary prepayment rate, severity and delinquency assumptions. Based on the results of this analysis, no credit losses were projected. Management's analysis of the credit characteristics of individual securities and the underlying collateral and levels of subordination for each of the Re-Remics, single family rental real estate-backed securities and collateralized loan obligations in unrealized loss positions is not indicative of projected credit losses. Given the expectation of timely repayment of principal and interest and the generally limited severity of impairment, the impairments were considered to be temporary.

For further discussion of our analysis of investment securities for OTTI, see Note 4 to the consolidated financial statements.

We use third-party pricing services to assist us in estimating the fair value of investment securities. We perform a variety of procedures to ensure that we have a thorough understanding of the methodologies and assumptions used by the pricing services including obtaining and reviewing written documentation of the methods and assumptions employed, conducting interviews with valuation desk personnel and reviewing model results and detailed assumptions used to value selected securities as considered necessary. Our classification of prices within the fair value hierarchy is based on an evaluation of the nature of the significant assumptions impacting the valuation of each type of security in the portfolio. We have established a robust price challenge process that includes a review by our treasury front office of all prices provided on a monthly basis. Any price evidencing unexpected month over month fluctuations or deviations from our expectations based on recent observed trading activity and other information available in the marketplace that would impact the value of the security is challenged. Responses to the price challenges, which generally include specific information about inputs and assumptions incorporated in the valuation and their sources, are reviewed in detail. If considered necessary to resolve any discrepancies, a price will be obtained from an additional independent valuation specialist. We do not typically adjust the prices provided, other than through this established challenge process. Our primary pricing services utilize observable inputs when available, and employ unobservable inputs and proprietary models only when observable inputs are not available. As a matter of course, the services validate prices by comparison to recent trading activity whenever such activity exists. Quotes obtained from the pricing services are typically non-binding.

We have also established a quarterly price validation process whereby we verify the prices provided by our primary pricing service for a sample of securities in the portfolio. Sample sizes vary based on the type of security being priced, with higher sample sizes applied to more difficult to value security types. Verification procedures may consist of obtaining prices from an additional outside source or internal modeling, generally based on Intex. We have established acceptable percentage deviations from the price provided by the initial pricing source. If deviations fall outside the established parameters, we will obtain and evaluate more detailed information about the assumptions and inputs used by each pricing source or, if considered necessary, employ an additional valuation specialist to price the security in question. When there are price discrepancies, the final determination of fair value is based on careful consideration of the assumptions and inputs employed by each of the pricing sources given our knowledge of the market for each individual security and may include interviews with the outside pricing sources utilized. Depending on the results of the validation process, sample sizes may be extended for particular classes of securities. Results of the validation process are reviewed by the treasury front office and by senior management.

The majority of our investment securities are classified within level 2 of the fair value hierarchy. U.S. Treasury securities and certain preferred stocks are classified within level 1 of the hierarchy. At December 31, 2015 and 2014, 3.0% and 3.8%, respectively, of our investment securities were classified within level 3 of the fair value hierarchy. Securities classified within level 3 of the hierarchy at December 31, 2015 included certain private label residential mortgage-backed securities and trust preferred securities. These securities were classified within level 3 of the hierarchy because proprietary assumptions related to voluntary prepayment rates, default probabilities, loss severities and discount rates were considered significant to the valuation. There were no transfers of investment securities between levels of the fair value hierarchy during the years ended December 31, 2015 and 2014.

For additional discussion of the fair values of investment securities, see Note 16 to the consolidated financial statements.

Loans Held for Sale

Loans held for sale at December 31, 2015 included $45.8 million of commercial loans and $1.6 million of residential real estate loans originated with the intent to sell in the secondary market. The balance of commercial loans held for sale at December 31, 2015 is comprised of the guaranteed portion of loans guaranteed by U.S. government agencies, some of which were purchased in the acquisition of SBF and some of which were originated by the SBF unit subsequent to the acquisition. Loans are generally sold with servicing retained. Servicing activity did not have a material impact on the results of operations for the years ended December 31, 2015, 2014 and 2013 . We anticipate growth in loan sales and servicing and related revenue from SBF in future periods.

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Loans

The loan portfolio comprises the Company’s primary interest-earning asset and consists of "new loans", which are loans originated or purchased subsequent to the FSB Acquisition, as well as loans acquired in the FSB Acquisition. Loans acquired in the FSB Acquisition are further segregated between ACI loans, or those acquired with evidence of deterioration in credit quality since origination and non-ACI loans, or those acquired without evidence of deterioration in credit quality since origination. Residential loans acquired in the FSB Acquisition are covered under the Single Family Shared Loss Agreement and are referred to as covered loans. Effective May, 2014, commercial and consumer loans acquired in the FSB Acquisition are no longer covered under the Loss Sharing Agreements. The following tables show the composition of the loan portfolio and the breakdown of the portfolio among new loans, non-covered ACI loans, covered ACI loans and covered non-ACI loans at December 31 of the years indicated (dollars in thousands):

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-Covered Loans | | Covered Loans | | | Percent of | |
| | New Loans | ACI | ACI | Non-ACI | Total | Total | |
| Residential: | | | | | | | |
| 1-4 single family residential | $2,883,470 | $— | $699,039 | $46,110 | $3,628,619 | 21.9 | % |
| Home equity loans and lines of credit | 806 | — | 4,831 | 67,493 | 73,130 | 0.4 | % |
| | 2,884,276 | — | 703,870 | 113,603 | 3,701,749 | 22.3 | % |
| Commercial: | | | | | | | |
| Multi-family | 3,447,526 | 24,636 | — | — | 3,472,162 | 20.9 | % |
| Commercial real estate | | | | | | | |
| Owner occupied | 1,338,184 | 16,567 | — | — | 1,354,751 | 8.2 | % |
| Non-owner occupied | 2,885,226 | 25,101 | — | — | 2,910,327 | 17.5 | % |
| Construction and land | 347,676 | — | — | — | 347,676 | 2.1 | % |
| Commercial and industrial | 2,769,813 | 1,062 | — | — | 2,770,875 | 16.7 | % |
| Commercial lending subsidiaries | 2,003,984 | — | — | — | 2,003,984 | 12.1 | % |
| | 12,792,409 | 67,366 | — | — | 12,859,775 | 77.5 | % |
| Consumer | 35,173 | 10 | — | — | 35,183 | 0.2 | % |
| Total loans | 15,711,858 | 67,376 | 703,870 | 113,603 | 16,596,707 | 100.0 | % |
| Premiums, discounts and deferred fees and costs, net | 47,829 | — | — | (7,933) | 39,896 | | |
| Loans including premiums, discounts and deferred fees and costs | 15,759,687 | 67,376 | 703,870 | 105,670 | 16,636,603 | | |
| Allowance for loan and lease losses | (120,960) | — | — | (4,868) | (125,828) | | |
| Loans, net | $15,638,727 | $67,376 | $703,870 | $100,802 | $16,510,775 | | |

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| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-Covered Loans | | Covered Loans | | | Percent of | |
| | New Loans | ACI | ACI | Non-ACI | Total | Total | |
| Residential: | | | | | | | |
| 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 | % |
| Commercial: | | | | | | | |
| 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 lending 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 including 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 | | |

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-Covered Loans | | Covered Loans | | | Percent of | |
| | New Loans | ACI | ACI | Non-ACI | Total | Total | |
| Residential: | | | | | | | |
| 1-4 single family residential | $1,800,332 | $— | $1,057,012 | $70,378 | $2,927,722 | 32.4 | % |
| Home equity loans and lines of credit | 1,535 | — | 39,602 | 127,807 | 168,944 | 1.9 | % |
| | 1,801,867 | — | 1,096,614 | 198,185 | 3,096,666 | 34.3 | % |
| Commercial: | | | | | | | |
| Multi-family | 1,097,872 | 8,093 | 33,354 | — | 1,139,319 | 12.6 | % |
| Commercial real estate | | | | | | | |
| Owner occupied | 712,844 | 5,318 | 49,861 | 689 | 768,712 | 8.5 | % |
| Non-owner occupied | 946,543 | 1,449 | 93,089 | 52 | 1,041,133 | 11.5 | % |
| Construction and land | 138,091 | — | 10,600 | 729 | 149,420 | 1.7 | % |
| Commercial and industrial | 1,651,739 | — | 6,050 | 6,234 | 1,664,023 | 18.5 | % |
| Commercial lending subsidiaries | 952,050 | — | — | — | 952,050 | 10.5 | % |
| | 5,499,139 | 14,860 | 192,954 | 7,704 | 5,714,657 | 63.3 | % |
| Consumer | 213,107 | — | 1,679 | — | 214,786 | 2.4 | % |
| Total loans | 7,514,113 | 14,860 | 1,291,247 | 205,889 | 9,026,109 | 100.0 | % |
| Premiums, discounts and deferred fees and costs, net | 40,748 | — | — | (13,248 ) | 27,500 | | |
| | 7,554,861 | 14,860 | 1,291,247 | 192,641 | 9,053,609 | | |

| | | | | | |
|---|---|---|---|---|---|
| Loans net of premiums, discounts and deferred fees and costs | | | | | |
| Allowance for loan and lease losses | (57,330) | — | (2,893) | (9,502) | (69,725) |
| Loans, net | $7,497,531 | $14,860 | $1,288,354 | $183,139 | $8,983,884 |

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| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-Covered Loans | | Covered Loans | | | Percent of | |
| | New Loans | ACI | ACI | Non-ACI | Total | Total | |
| Residential: | | | | | | | |
| 1-4 single family residential | $920,713 | $— | $1,300,109 | $93,438 | $2,314,260 | 41.5 | % |
| Home equity loans and lines of credit | 1,954 | — | 52,499 | 157,691 | 212,144 | 3.8 | % |
| | 922,667 | — | 1,352,608 | 251,129 | 2,526,404 | 45.3 | % |
| Commercial: | | | | | | | |
| Multi-family | 307,183 | — | 56,148 | 716 | 364,047 | 6.5 | % |
| Commercial real estate | | | | | | | |
| Owner occupied | 451,130 | 4,087 | 58,675 | 850 | 514,742 | 9.3 | % |
| Non-owner occupied | 343,576 | — | 115,057 | 60 | 458,693 | 8.2 | % |
| Construction and land | 72,361 | — | 18,064 | 829 | 91,254 | 1.6 | % |
| Commercial and industrial | 1,105,938 | — | 14,608 | 11,627 | 1,132,173 | 20.3 | % |
| Commercial lending subsidiaries | 455,033 | — | — | — | 455,033 | 8.2 | % |
| | 2,735,221 | 4,087 | 262,552 | 14,082 | 3,015,942 | 54.1 | % |
| Consumer | 33,526 | — | 2,239 | — | 35,765 | 0.6 | % |
| Total loans | 3,691,414 | 4,087 | 1,617,399 | 265,211 | 5,578,111 | 100.0 | % |
| Premiums, discounts and deferred fees and costs, net | 11,863 | — | — | (18,235) | (6,372) | | |
| Loans net of premiums, discounts and deferred fees and costs | 3,703,277 | 4,087 | 1,617,399 | 246,976 | 5,571,739 | | |
| Allowance for loan and lease losses | (41,228) | — | (8,019) | (9,874) | (59,121) | | |
| Loans, net | $3,662,049 | $4,087 | $1,609,380 | $237,102 | $5,512,618 | | |

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-Covered Loans | | Covered Loans | | | Percent of | |
| | New Loans | ACI | ACI | Non-ACI | Total | Total | |
| Residential: | | | | | | | |
| 1-4 single family residential | $461,431 | $— | $1,681,866 | $117,992 | $2,261,289 | 54.1 | % |
| Home equity loans and lines of credit | 2,037 | — | 71,565 | 182,745 | 256,347 | 6.1 | % |
| | 463,468 | — | 1,753,431 | 300,737 | 2,517,636 | 60.2 | % |
| Commercial: | | | | | | | |
| Multi-family | 108,178 | — | 61,710 | 791 | 170,679 | 4.1 | % |
| Commercial real estate | 311,434 | 4,220 | 219,136 | 32,678 | 567,468 | 13.6 | % |
| Construction and land | 30,721 | — | 37,120 | 163 | 68,004 | 1.7 | % |
| Commercial and industrial | 581,822 | — | 24,007 | 20,382 | 626,211 | 15.0 | % |
| Commercial lending subsidiaries | 218,156 | — | — | — | 218,156 | 5.2 | % |
| | 1,250,311 | 4,220 | 341,973 | 54,014 | 1,650,518 | 39.6 | % |
| Consumer | 3,372 | — | 2,937 | — | 6,309 | 0.2 | % |
| Total loans | 1,717,151 | 4,220 | 2,098,341 | 354,751 | 4,174,463 | 100.0 | % |
| Premiums, discounts and deferred fees and costs, net | (7,124) | — | — | (30,281) | (37,405) | | |
| Loans net of premiums, discounts and deferred fees and costs | 1,710,027 | 4,220 | 2,098,341 | 324,470 | 4,137,058 | | |
| Allowance for loan and lease losses | (24,328) | — | (16,332) | (7,742) | (48,402) | | |
| Loans, net | $1,685,699 | $4,220 | $2,082,009 | $316,728 | $4,088,656 | | |

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The following graph shows the trend of loans acquired in the FSB Acquisition as a percentage of the total loan portfolio as of December 31, 2015, 2014, 2013, 2012 and 2011. As indicated, loans acquired in the FSB Acquisition, the substantial majority of which are covered loans, are declining and new loans increasing as a percentage of the total portfolio as loans acquired in the FSB Acquisition are repaid or resolved and new loan originations and purchases continue. This trend is expected to continue.

Total loans, including premiums, discounts and deferred fees and costs, increased by $4.2 billion to $16.6 billion at December 31, 2015, from $12.4 billion at December 31, 2014. New loans grew by $4.5 billion while loans acquired in the FSB Acquisition declined by $260 million from December 31, 2014 to December 31, 2015. New residential loans grew by $401 million and new commercial loans grew by $4.1 billion during the year ended December 31, 2015. Growth in new loans, including premiums, discounts and deferred fees and costs, for the year ended December 31, 2015 included $1.3 billion for the Florida franchise, $2.2 billion for the New York franchise and $1.0 billion for the national platforms. Our warehouse lending operations, SBF and commercial lending subsidiaries contributed $42 million, $198 million (including $174 million of loans that were part of the SBF acquisition), and $546 million, respectively, to growth in new loans for the year ended December 31, 2015, while the residential loan purchase program contributed $238 million.

The following tables show the composition of the new loan portfolio and the breakdown among the Florida and New York franchises and national platforms at December 31, 2015 and 2014. Amounts include premiums, discounts and deferred fees and costs (dollars in thousands):

| | 2015 | | | |
|---|---|---|---|---|
| | Florida | New York | National | Total |
| Residential | $246,751 | $228,741 | $2,449,935 | $2,925,427 |
| Commercial | 5,254,554 | 5,252,396 | 2,292,232 | 12,799,182 |
| Consumer | 29,820 | 5,258 | — | 35,078 |
| | $5,531,125 | $5,486,395 | $4,742,167 | $15,759,687 |
| | 35.1 % | 34.8 % | 30.1 % | 100.0 % |

| | 2014 | | | |
|---|---|---|---|---|
| | Florida | New York | National | Total |
| Residential | $196,101 | $116,627 | $2,211,937 | $2,524,665 |
| Commercial | 4,042,607 | 3,177,979 | 1,505,992 | 8,726,578 |
| Consumer | 20,930 | 5,316 | — | 26,246 |
| | $4,259,638 | $3,299,922 | $3,717,929 | $11,277,489 |
| | 37.8 % | 29.2 % | 33.0 % | 100.0 % |

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The geographic concentration of the commercial loans in the national platforms is summarized as follows at December 31, 2015 and 2014. Amounts include premiums, discounts and deferred fees and costs (dollars in thousands):

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Florida | $537,111 | 23.4 | % | $351,237 | 23.3 | % |
| California | 188,338 | 8.2 | % | 149,621 | 9.9 | % |
| Iowa | 159,142 | 6.9 | % | 42,667 | 2.8 | % |
| Virginia | 113,486 | 5.0 | % | 50,244 | 3.3 | % |
| Nevada | 101,370 | 4.4 | % | 103,542 | 6.9 | % |
| All others (1) | 1,192,785 | 52.1 | % | 808,681 | 53.8 | % |
| | $2,292,232 | 100.0 | % | $1,505,992 | 100.0 | % |

(1) No other state represented borrowers with more than 5.0% of loans outstanding at December 31, 2015 or 2014.

Residential Mortgages

Residential mortgages totaled $3.7 billion, or 22.3% of total loans and $3.5 billion, or 28.6% of total loans at December 31, 2015 and 2014, respectively. The decline in this portfolio segment as a percentage of loans is primarily a result of higher commercial loan originations, reflecting our strategic emphasis on commercial lending, and to a smaller extent, the resolution of covered loans.

The new residential loan portfolio includes both originated and purchased loans. At December 31, 2015 and 2014, $475 million or 16.2% and $311 million or 12.3%, respectively, of our new 1-4 single family residential loans were originated loans; $2.4 billion or 83.8% and $2.2 billion or 87.7%, respectively, were purchased loans. New residential mortgage loans are primarily closed-end first lien loans for the purchase or re-finance of owner occupied property. We have originated 1-4 single family residential mortgage loans with terms ranging from 10 to 30 years, with either fixed or adjustable interest rates, primarily to customers in Florida and New York. We have purchased loans to supplement our mortgage origination platform and to geographically diversify our loan portfolio. The purchased residential portfolio consists primarily of jumbo mortgages on owner-occupied properties acquired through established correspondent channels. At December 31, 2015, 34.1% of the new residential loan portfolio were fixed rate loans. The adjustable rate mortgage ("ARM") portfolio included 5/1, 7/1 and 10/1 ARMs. At December 31, 2015, $182 million or 6.2% of new residential mortgage loans were interest-only loans, substantially all of which begin amortizing 10 years after origination. The number of newly originated residential mortgage loans that are re-financings of covered loans is not significant. In January 2016, we made the decision to terminate our retail residential mortgage origination business, but we continue to purchase residential loans through correspondent channels.

Home equity loans and lines of credit are not significant to the new loan portfolio.

We do not originate or acquire option ARMs, “no-doc” or “reduced-doc” mortgages and do not utilize wholesale mortgage origination channels although the covered loan portfolio contains loans with these characteristics. The Company’s exposure to future losses on these mortgage loans is mitigated by the Single Family Shared-Loss Agreement. The following table presents a breakdown of the 1-4 single family residential mortgage portfolio categorized between fixed rate loans and ARMs at December 31, 2015 and 2014. Amounts are net of premiums, discounts and deferred fees and costs (dollars in thousands):

| | 2015 | | | | |
|---|---|---|---|---|---|
| | New Loans | Covered Loans | Total | Percent of Total | |
| 1 - 4 single family residential loans: | | | | | |
| Fixed rate loans | 997,580 | 304,632 | 1,302,212 | 35.6 | % |
| ARM Loans | 1,927,041 | 433,665 | 2,360,706 | 64.4 | % |
| | $2,924,621 | $738,297 | $3,662,918 | 100.0 | % |

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| | 2014 | | | | |
|---|---|---|---|---|---|
| | New Loans | Covered Loans | Total | Percent of Total | |
| 1 - 4 single family residential loans: | | | | | |
| Fixed rate loans | $875,584 | $347,582 | $1,223,166 | 35.5 | % |
| ARM Loans | 1,647,254 | 574,105 | 2,221,359 | 64.5 | % |
| | $2,522,838 | $921,687 | $3,444,525 | 100.0 | % |

Included in ARM loans above are payment option ARMs representing 49.5% and 49.9% of total covered ARM loans outstanding as of December 31, 2015 and 2014, respectively, based on UPB. All of the option ARMs are covered loans and the substantial majority are ACI loans. The ACI loans are accounted for in accordance with ASC 310-30; therefore, the optionality embedded in these loans does not directly impact the carrying value of the loans or the amount of interest income recognized on them. These features are taken into account in quarterly updates of expected cash flows from these loans.

At December 31, 2015 and 2014, the 1-4 single family residential loans outstanding were to customers domiciled in the following states (dollars in thousands):

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Percent of Total | | | |
| | New Loans | Covered Loans | Total | New Loans | | Total Loans | |
| California | $948,301 | $53,048 | $1,001,349 | 32.4 | % | 27.3 | % |
| Florida | 422,638 | 381,897 | 804,535 | 14.5 | % | 22.0 | % |
| New York | 548,181 | 23,326 | 571,507 | 18.7 | % | 15.6 | % |
| Others [(1)] | 1,005,501 | 280,026 | 1,285,527 | 34.4 | % | 35.1 | % |
| | $2,924,621 | $738,297 | $3,662,918 | 100.0 | % | 100.0 | % |

| | 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Percent of Total | | | |
| | New Loans | Covered Loans | Total | New Loans | | Total Loans | |
| California | $1,045,430 | $66,105 | $1,111,535 | 41.4 | % | 32.3 | % |
| Florida | 335,073 | 483,297 | 818,370 | 13.3 | % | 23.8 | % |
| New York | 318,484 | 27,568 | 346,052 | 12.6 | % | 10.0 | % |
| Others [(1)] | 823,851 | 344,717 | 1,168,568 | 32.7 | % | 33.9 | % |
| | $2,522,838 | $921,687 | $3,444,525 | 100.0 | % | 100.0 | % |

(1) No other state represented borrowers with more than 4.0% of 1-4 single family residential loans outstanding at December 31, 2015 or 2014.

Commercial loans

The commercial portfolio segment includes loans secured by multi-family properties, loans secured by both owner-occupied and non-owner occupied commercial real estate, construction loans, land loans, commercial and industrial loans and direct financing leases.

Management’s loan origination strategy is heavily focused on the commercial portfolio segment, which comprised 81.4% and 77.6% of new loans as of December 31, 2015 and 2014, respectively.

Commercial real estate loans include term loans secured by owner and non-owner occupied income producing properties including rental apartments, mixed-use properties, industrial properties, retail shopping centers, free-standing single-tenant buildings, office buildings, warehouse facilities and hotels as well as real estate secured lines of credit. Loans secured by commercial real estate typically have shorter repayment periods and re-price more frequently than 1-4 single family residential loans but may have longer terms and re-price less frequently than commercial and industrial loans. The Company’s underwriting standards generally provide for loan terms of five to ten years, with amortization schedules of no more than thirty years. LTV ratios are typically limited to no more than 80%.

In addition, the Company usually obtains personal guarantees or carve-out guarantees of the principals as an additional enhancement for commercial real estate loans. Owner-occupied commercial real estate loans typically have risk profiles more closely aligned with that of commercial and industrial loans than with other types of commercial real estate loans. Construction and land loans represented only 2.1% of the total loan portfolio at December 31, 2015. Construction and land loans are generally made for projects expected to stabilize within eighteen months of completion in submarkets with strong fundamentals and, to a lesser extent, for-sale residential projects to experienced developers with a strong cushion between market prices and loan basis. At December 31, 2015, the recorded investment in construction loans with available interest reserves totaled $52 million; the amount of available interest reserves totaled $2 million. All of these loans were rated “pass” at December 31, 2015.

Commercial and industrial loans are typically made to small and middle market businesses and include equipment loans and leases, secured and unsecured working capital facilities, formula-based loans, mortgage warehouse lines, taxi medallion loans, lease financing, Small Business Administration product offerings and business acquisition finance credit facilities. These loans may be structured as term loans, typically with maturities of three to seven years, or revolving lines of credit which may have multi-year maturities. Commercial loans include shared national credits totaling $965 million at December 31, 2015, typically relationship based loans to borrowers in our geographic footprint.

Through its three commercial lending subsidiaries, Pinnacle, UCBL and Bridge, the Bank provides equipment and franchise financing on a national basis using both loan and lease structures. Pinnacle primarily offers essential use equipment financing to municipalities through loans and leases, as well asbond re-funding structures; UCBL offers small business equipment and franchise financing; and Bridge primarily provides transportation equipment finance. The Bank's SBF unit primarily originates SBA guaranteed commercial and commercial real estate loans, generally selling the guaranteed portion in the secondary market and retaining the unguaranteed portion in portfolio. The Bank engages in mortgage warehouse lending on a national basis.

The following table presents the recorded investment in loans and direct finance leases held for investment for each of our national commercial lending platforms at December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|---|---|---|
| Pinnacle | $1,085,981 | $751,286 |
| UCBL | 440,375 | 364,623 |
| Bridge | 486,290 | 350,350 |
| SBF | 197,953 | — |
| Mortgage warehouse lending | 81,633 | 39,733 |
| | $2,292,232 | $1,505,992 |

New commercial loans that represent re-financings of loans acquired in the FSB Acquisition are not significant.

Consumer Loans

Consumer loans are comprised primarily of consumer installment financing, loans secured by certificates of deposit, unsecured personal lines of credit and demand deposit account overdrafts.

The Company terminated its indirect auto lending activities in the second quarter of 2014, selling substantially all of its then existing portfolio of indirect auto loans.

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Loan Maturities

The following table sets forth, as of December 31, 2015, the maturity distribution of our loan portfolio by category, based on UPB. Commercial loans are presented by contractual maturity, including scheduled payments for amortizing loans. Contractual maturities of 1-4 single family residential loans have been adjusted for an estimated rate of voluntary prepayments on all loans, and defaults on ACI loans, based on historical trends, current interest rates, types of loans and refinance patterns (in thousands):

| | One Year or Less | After One Through Five Years | After Five Years | Total |
|---|---|---|---|---|
| Residential: | | | | |
| Covered: | | | | |
| 1-4 single family residential | $681,728 | $973,638 | $287,994 | $1,943,360 |
| Home equity loans and lines of credit | 51,009 | 41,521 | 25,559 | 118,089 |
| | 732,737 | 1,015,159 | 313,553 | 2,061,449 |
| Non-Covered: | | | | |
| 1-4 single family residential | 559,971 | 1,585,881 | 737,618 | 2,883,470 |
| Home equity loans and lines of credit | 250 | 532 | 24 | 806 |
| | 560,221 | 1,586,413 | 737,642 | 2,884,276 |
| Commercial: | | | | |
| Multi-family | 301,844 | 2,646,657 | 530,035 | 3,478,536 |
| Commercial real estate | 550,417 | 2,459,157 | 1,262,038 | 4,271,612 |
| Construction and land | 114,606 | 207,469 | 25,601 | 347,676 |
| Commercial and industrial | 1,256,631 | 1,437,485 | 76,795 | 2,770,911 |
| Commercial lending subsidiaries | 430,020 | 997,975 | 575,989 | 2,003,984 |
| | 2,653,518 | 7,748,743 | 2,470,458 | 12,872,719 |
| Consumer | 10,902 | 21,739 | 2,542 | 35,183 |
| | $3,957,378 | $10,372,054 | $3,524,195 | $17,853,627 |

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The following table shows the distribution of UPB of those loans that mature in more than one year between fixed and adjustable interest rate loans as of December 31, 2015 (in thousands):

| | Interest Rate Type | | |
|---|---|---|---|
| | Fixed | Adjustable | Total |
| Residential: | | | |
| Covered: | | | |
| 1-4 single family residential | $510,182 | $751,450 | $1,261,632 |
| Home equity loans and lines of credit | 18,386 | 48,694 | 67,080 |
| | 528,568 | 800,144 | 1,328,712 |
| Non-Covered: | | | |
| 1-4 single family residential | 766,591 | 1,556,908 | 2,323,499 |
| Home equity loans and lines of credit | 6 | 550 | 556 |
| | 766,597 | 1,557,458 | 2,324,055 |
| Commercial: | | | |
| Multi-family | 2,751,327 | 425,365 | 3,176,692 |
| Commercial real estate | 2,106,365 | 1,614,830 | 3,721,195 |
| Construction and land | 135,346 | 97,724 | 233,070 |
| Commercial and industrial | 714,309 | 799,971 | 1,514,280 |
| Commercial lending subsidiaries | 1,573,964 | — | 1,573,964 |
| | 7,281,311 | 2,937,890 | 10,219,201 |
| Consumer | 17,346 | 6,935 | 24,281 |
| | $8,593,822 | $5,302,427 | $13,896,249 |

Asset Quality

In discussing asset quality, a distinction must be made between new loans and loans acquired in the FSB Acquisition. New loans were underwritten under significantly different and generally more conservative standards than the loans acquired in the FSB Acquisition. In particular, credit approval policies have been strengthened, wholesale mortgage origination channels have been eliminated, “no-doc” and option ARM loan products have been eliminated, and real estate appraisal policies have been improved. Although the risk profile of loans acquired in the FSB Acquisition is higher than that of new loans, our exposure to loss related to the loans acquired in the FSB Acquisition is significantly mitigated by the fair value basis recorded in these loans resulting from the application of acquisition accounting and, for the residential loans, by the Single Family Shared-Loss Agreement. Loss sharing under the Commercial Shared-Loss Agreement was terminated on May 21, 2014. At December 31, 2015, covered loans totaled $810 million, all of which were covered under the Single Family Shared-Loss Agreement.

We have established a robust credit risk management framework, put in place an experienced team to lead the workout and recovery process for the commercial and commercial real estate portfolios and implemented a dedicated internal credit review function that reports directly to our Audit and Risk Committee. We have an experienced resolution team in place for covered residential mortgage loans, and have implemented outsourcing arrangements with industry leading firms in certain areas such as OREO resolution.

Loan performance is monitored by our credit administration and workout and recovery departments. Generally, relationships with balances in excess of defined thresholds are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. At December 31, 2015, the defined thresholds ranged from $1.5 million to $3.0 million for the commercial lending subsidiaries, and were $1.0 million for other commercial loan relationships. Additionally, commercial loans are regularly reviewed by our internal credit review department. The Company utilizes a 13 grade internal asset risk classification system as part of its efforts to monitor and maintain commercial asset quality. Loans exhibiting potential credit weaknesses that deserve management’s close attention and that if left uncorrected may result in deterioration of the repayment capacity of the borrower are categorized as special mention. These borrowers may exhibit negative financial trends or erratic financial performance, strained liquidity, marginal collateral coverage, declining industry trends or weak management. Loans with well-defined credit weaknesses that may result in a loss if the deficiencies are not corrected are assigned a risk rating of substandard. These borrowers may exhibit payment defaults, inadequate cash flows, operating losses, increasing balance sheet leverage, project cost overruns, unreasonable construction delays, exhausted interest

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reserves, declining collateral values, frequent overdrafts or past due real estate taxes. Loans with weaknesses so severe that collection in full is highly questionable or improbable, but because of certain reasonably specific pending factors have not been charged off, are assigned an internal risk rating of doubtful.

Residential mortgage loans and consumer loans are not individually risk rated. Delinquency status is the primary measure we use to monitor the credit quality of these loans. We also consider original LTV and FICO score to be significant indicators of credit quality for the new 1-4 single family residential portfolio.

New Loans

Commercial

The ongoing asset quality of significant commercial loans is monitored on an individual basis through our regular credit review and risk rating process. We believe internal risk rating is the best indicator of the credit quality of commercial loans. Homogenous groups of smaller balance commercial loans may be monitored collectively.

At December 31, 2015, new commercial loans with aggregate balances of $32 million, $198 million and $6 million were rated special mention, substandard and doubtful, respectively. At December 31, 2014, new commercial loans aggregating $25 million, $41 million and $12 million were rated special mention, substandard and doubtful, respectively. The balance of substandard loans at December 31, 2015 includes approximately $80 million of taxi medallion finance loans. The substantial majority of these taxi medallion loans were internally downgraded to the substandard category in the fourth quarter of 2015, based on an updated analysis of collateral and expected cash flows in response to stressed conditions in the transportation-for-hire industry, as discussed further below. The remaining increase in criticized and classified assets at December 31, 2015 as compared to December 31, 2014 reflects seasoning of the new commercial loan portfolio. Criticized and classified assets represented 1.8% of the new commercial portfolio at December 31, 2015. See Note 5 to the consolidated financial statements for more detailed information about risk rating of new commercial loans.

The commercial and industrial loan portfolio includes exposure to taxi medallion finance of approximately $212 million at December 31, 2015. The estimated value of underlying taxi medallion collateral and liquidity in the market for sales of medallions, a potential secondary source of repayment, have declined in recent periods due to competitive developments in the transportation-for-hire industry. In the fourth quarter of 2015, we performed an updated analysis of the cash flow generating capacity of the operation of medallions in the current environment and the resultant debt service capacity and estimated medallion valuations. This analysis was based on an extensive data set made available by the New York Taxi and Limousine Commission and assumptions that we believe to generally be conservative regarding fleet utilization. We also considered recent medallion transfer activity and, if less favorable than our analysis of cash flow generating capacity, available borrower specific financial information. The taxi medallion portfolio had the following characteristics at December 31, 2015:

- Approximately 95% of the portfolio was concentrated in New York City.
- Loans delinquent by 30 days or more totaled $7.9 million or 3.7% of the portfolio. Loans delinquent by 90 days or more totaled $1.9 million or 0.9% of the portfolio.
- Based on our updated analysis of medallion values, the weighted average estimated current LTV for loans directly secured by medallions was approximately 75% and approximately 40% of loans had current LTV in excess of 100%.
- Less than 20% of the portfolio consisted of interest only loans.
- Based on our updated analysis of the estimated cash flow generating capacity of medallions, approximately 45% of loans secured directly by taxi medallions had estimated debt service coverage ratios of less than 1.00.

We are no longer originating new taxi medallion loans. Our portfolio management strategies include, but are not limited to, working with borrowers experiencing temporary cash flow shortages to provide short term relief and/or extended amortization periods, pro-actively attempting to refinance loans prior to maturity, shortening amortization periods when possible with an emphasis on converting interest only loans, continuing to monitor industry data and obtain updated borrower and guarantor financial information, and identifying and closely monitoring loans with higher risk profiles. As taxi medallion loans mature or are refinanced, we expect the number and amount of troubled debt restructurings in this portfolio segment, which have not been significant to date, to increase.

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Residential

New 1-4 single family residential loans past due more than 30 days totaled $2.5 million and $4.4 million at December 31, 2015 and 2014, respectively. At December 31, 2015, new 1-4 single family residential loans past due 90 days or more totaled $1.5 million. The amount of these loans 90 days or more past due was deminimis at December 31, 2014.

The majority of our new residential mortgage portfolio consists of loans purchased through established correspondent channels. For purchasing seasoned loans, good payment history is required. In general, we purchase performing jumbo mortgage loans which have FICO scores above 700, primarily are owner-occupied and full documentation, and have a current LTV of 80% or less. We perform due diligence on the purchased loans for credit, compliance, counterparty, payment history and property valuation.

The following tables show the distribution of new 1-4 single family residential loans by original FICO and LTV as of December 31, 2015 and 2014:

| | 2015 | | | | |
|---|---|---|---|---|---|
| | FICO | | | | |
| LTV | 720 or less | 721 - 740 | 741 - 760 | 761 or greater | Total |
| 60% or less | 2.7 % | 3.4 % | 4.9 % | 22.8 % | 33.8 % |
| 60% - 70% | 2.4 % | 2.7 % | 3.8 % | 16.4 % | 25.3 % |
| 70% - 80% | 2.2 % | 3.4 % | 7.2 % | 26.4 % | 39.2 % |
| More than 80% | 1.0 % | 0.1 % | 0.1 % | 0.5 % | 1.7 % |
| | 8.3 % | 9.6 % | 16.0 % | 66.1 % | 100.0 % |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | FICO | | | | |
| LTV | 720 or less | 721 - 740 | 741 - 760 | 761 or greater | Total |
| 60% or less | 2.6 % | 3.2 % | 5.1 % | 23.7 % | 34.6 % |
| 60% - 70% | 2.2 % | 2.5 % | 4.0 % | 16.8 % | 25.5 % |
| 70% - 80% | 1.7 % | 3.9 % | 6.8 % | 25.7 % | 38.1 % |
| More than 80% | 1.1 % | 0.1 % | 0.1 % | 0.5 % | 1.8 % |
| | 7.6 % | 9.7 % | 16.0 % | 66.7 % | 100.0 % |

At December 31, 2015, 67.7% of new 1-4 single family residential loans with LTV of more than 80% were insured by the Federal Housing Administration.

At December 31, 2015, the purchased loan portfolio had the following characteristics: substantially all were full documentation with an average FICO score of 769 and average LTV of 65.7%. The majority of this portfolio was owner-occupied, with 92.0% primary residence, 7.1% second homes and 0.9% investment properties. In terms of vintage, 0.9% of the portfolio was originated pre-2011, 16.5% in 2011 and 2012, 31.2% in 2013, 26.1% in 2014 and 25.3% in 2015.

Similarly, the originated loan portfolio had the following characteristics at December 31, 2015: 100% were full documentation with an average FICO score of 755 and average LTV of 62.8%. The majority of this portfolio was owner-occupied, with 80.9% primary residence, 11.6% second homes and 7.5% investment properties. In terms of vintage, 9.0% of the portfolio was originated from 2010 through 2012, 18.6% in 2013, 28.8% in 2014 and 43.6% in 2015.

Consumer

At December 31, 2015 and 2014 delinquent new consumer loans were deminimis.

Loans Acquired in the FSB Acquisition

Loans acquired in the FSB Acquisition consist of both ACI loans and non-ACI loans. At December 31, 2015, ACI loans totaled $771 million and non-ACI loans totaled $106 million, including premiums, discounts and deferred fees and costs.

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Residential

At December 31, 2015, residential ACI loans totaled $704 million and residential non-ACI loans totaled $106 million, including premiums, discounts and deferred fees and costs. All of these loans are covered under the Single Family Shared-Loss Agreement.

Covered residential loans were placed into homogenous pools at the time of the FSB Acquisition and the ongoing credit quality and performance of these loans is monitored on a pool basis. The fair value of the pools was initially measured based on the expected cash flows from each pool. Initial cash flow expectations incorporated significant assumptions regarding prepayment rates, frequency of default and loss severity. For ACI pools, the difference between total contractual payments due and the cash flows expected to be received at acquisition was recognized as non-accretable difference. The excess of expected cash flows over the recorded fair value of each ACI pool at acquisition, known as the accretable yield, is being recognized as interest income over the life of each pool. We monitor the pools quarterly to determine whether any significant changes have occurred in expected cash flows that would be indicative of impairment or necessitate reclassification between non-accretable difference and accretable yield. Generally, improvements in expected cash flows less than 1% of the expected cash flows from a pool are not recorded. This materiality threshold may be revised in the future based on management's judgment. At December 31, 2015, accretable yield on residential ACI loans totaled $877 million and non-accretable difference related to those loans totaled $633 million. Accretable yield on commercial ACI loans totaled $26 million at December 31, 2015, with no significant non-accretable difference remaining.

At December 31, 2015, the recorded investment in non-ACI 1-4 single family residential loans was $39.3 million; $2.0 million or 5.1% of these loans were 30 days or more past due and the balance of loans 90 days or more past due was insignificant. At December 31, 2015, the recorded investment in ACI 1-4 single family residential loans totaled $699.0 million; $37.3 million or 5.3% of these loans were delinquent by 30 days or more and $19.8 million or 2.8% were delinquent by 90 days or more.

At December 31, 2015, non-ACI home equity loans and lines of credit had an aggregate recorded investment of $66.4 million; $5.7 million or 8.5% of these loans were 30 days or more past due and $4.1 million or 6.2% were 90 days or more past due. ACI home equity loans and lines of credit had a carrying amount of $4.8 million at December 31, 2015; amounts 30 days or more contractually delinquent were not significant.

Home equity loans and lines of credit generally provide that payment terms be reset after an initial contractual period of interest only payments, requiring the pay down of principal through balloon payments or amortization. Additional information regarding ACI and non-ACI home equity loans and lines of credit at December 31, 2015 is summarized as follows:

| | ACI | | Non-ACI | |
|---|---|---|---|---|
| Loans resetting from interest only: | | | | |
| Previously reset | 38.0 | % | 37.6 | % |
| Scheduled to reset within 12 months | 25.1 | % | 11.9 | % |
| Scheduled to reset after 12 months | 36.9 | % | 50.5 | % |
| | 100.0 | % | 100.0 | % |
| Lien position: | | | | |
| First liens | 13.4 | % | 14.5 | % |
| Second or third liens | 86.6 | % | 85.5 | % |
| | 100.0 | % | 100.0 | % |

The Company's exposure to loss related to covered loans is significantly mitigated by the Single Family Shared-Loss Agreement and by the fair value basis recorded in these assets resulting from the application of acquisition accounting. Resets of interest only loans have contributed to an increase in default rates in 2015. Applying the increased loss factor to the population of loans scheduled to reset within 12 months does not have a significant impact on the results of operations, after consideration of loss sharing.

Commercial

At December 31, 2015, ACI commercial loans had a carrying value of $67.4 million, none of which were 90 days or more past due. Aggregate carrying values of $0.9 million and $0.4 million were internally risk rated special mention and substandard, respectively.

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Loss sharing coverage under the Commercial Shared-Loss Agreement was terminated on May 21, 2014. For further discussion, see the section entitled "Results of Operations — Termination of the Commercial Shared-Loss Agreement."

Impaired Loans and Non-Performing Assets

Non-performing assets generally consist of (i) non-accrual loans, including loans that have been modified in TDRs and placed on non-accrual status or that have not yet exhibited a consistent six month payment history, (ii) accruing loans that are more than 90 days contractually past due as to interest or principal, excluding ACI loans, and (iii) OREO and repossessed assets. Impaired loans also typically include loans modified in TDRs that are performing according to their modified terms and ACI loans for which expected cash flows have been revised downward since acquisition (as adjusted for any additional cash flows expected to be collected arising from changes in estimates after acquisition). Impaired ACI loans or pools with remaining accretable yield have not been classified as non-accrual loans and we do not consider them to be non-performing assets.

The following tables summarize the Company's impaired loans and non-performing assets at December 31 of the years indicated (in thousands):

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Covered Assets | Non-Covered Assets | Total | Covered Assets | Non-Covered Assets | Total | Covered Assets | Non-Covered Assets | Total |
| Non-accrual loans | | | | | | | | | |
| Residential: | | | | | | | | | |
| 1 - 4 single family residential | $594 | $2,007 | $2,601 | $604 | $49 | $653 | $293 | $194 | $487 |
| Home equity loans and lines of credit | 4,724 | — | 4,724 | 3,808 | — | 3,808 | 6,559 | — | 6,559 |
| Total residential loans | 5,318 | 2,007 | 7,325 | 4,412 | 49 | 4,461 | 6,852 | 194 | 7,046 |
| Commercial: (4) | | | | | | | | | |
| Commercial real estate | — | 8,274 | 8,274 | — | 4,688 | 4,688 | 1,042 | 4,229 | 5,271 |
| Construction and land | — | — | — | — | 209 | 209 | — | 244 | 244 |
| Commercial and industrial | — | 37,782 | 37,782 | — | 13,666 | 13,666 | 2,767 | 16,612 | 19,379 |
| Commercial lending subsidiaries | — | 9,920 | 9,920 | — | 9,226 | 9,226 | — | 1,370 | 1,370 |
| Total commercial loans | — | 55,976 | 55,976 | — | 27,789 | 27,789 | 3,809 | 22,455 | 26,264 |
| Consumer | — | 7 | 7 | — | 173 | 173 | — | 75 | 75 |
| Total non-accrual loans | 5,318 | 57,990 | 63,308 | 4,412 | 28,011 | 32,423 | 10,661 | 22,724 | 33,385 |
| Non-ACI and new loans past due 90 days and still accruing | — | — | — | — | — | — | — | 512 | 512 |
| TDRs | 7,050 | 1,175 | 8,225 | 2,188 | 4,435 | 6,623 | 1,765 | — | 1,765 |
| Total non-performing loans | 12,368 | 59,165 | 71,533 | 6,600 | 32,446 | 39,046 | 12,426 | 23,236 | 35,662 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| OREO | 8,853 | — | 8,853 | 13,645 | 135 | 13,780 | 39,672 | 898 | 40,570 |
| Repossessed assets | — | 2,337 | 2,337 | — | — | — | — | — | — |
| Total non-performing assets | 21,221 | 61,502 | 82,723 | 20,245 | 32,581 | 52,826 | 52,098 | 24,134 | 76,232 |
| Impaired ACI loans on accrual status (1) | — | — | — | — | — | — | 44,286 | — | 44,286 |
| Non-ACI and new TDRs in compliance with their modified terms | 3,988 | 5,535 | 9,523 | 3,866 | 797 | 4,663 | 3,588 | 1,400 | 4,988 |
| Total impaired loans and non-performing assets | $25,209 | $67,037 | $92,246 | $24,111 | $33,378 | $57,489 | $99,972 | $25,534 | $125,506 |
| | | | | | | | | | |
| Non-performing loans to total loans (2) | | 0.37 % | 0.43 % | | 0.29 % | 0.31 % | | 0.31 % | 0.39 % |
| Non-performing assets to total assets (3) | | 0.26 % | 0.35 % | | 0.17 % | 0.27 % | | 0.16 % | 0.51 % |
| ALLL to total loans (2) | | 0.76 % | 0.76 % | | 0.80 % | 0.77 % | | 0.76 % | 0.77 % |
| ALLL to non-performing loans | | 204.45 % | 175.90 % | | 281.54 % | 244.69 % | | 246.73 % | 195.52 % |
| Net charge-offs to average loans (3) | | 0.09 % | 0.10 % | | 0.08 % | 0.15 % | | 0.34 % | 0.31 % |

(1) Includes TDRs on accrual status.
(2) Total loans for purposes of calculating these ratios include premiums, discounts and deferred fees and costs.
(3) Ratio for non-covered assets is calculated as non-performing non-covered assets to total assets.
(4) Includes ACI loans of $1 million for which discount is no longer being accreted at December 31, 2013.

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Covered Assets | Non-Covered Assets | Total | Covered Assets | Non-Covered Assets | Total |
| Non-accrual loans | | | | | | |
| Residential: | | | | | | |
| 1 - 4 single family residential | $2,678 | $155 | $2,833 | $7,410 | $— | $7,410 |
| Home equity loans and lines of credit | 9,767 | — | 9,767 | 10,451 | 27 | 10,478 |
| Total residential loans | 12,445 | 155 | 12,600 | 17,861 | 27 | 17,888 |
| Commercial: | | | | | | |
| Commercial real estate | 59 | 1,619 | 1,678 | 295 | — | 295 |
| Construction and land | — | 278 | 278 | — | 335 | 335 |
| Commercial and industrial | 4,530 | 11,907 | 16,437 | 6,695 | 2,469 | 9,164 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial lending subsidiaries | — | 1,719 | 1,719 | — | — | — |
| Total commercial loans | 4,589 | 15,523 | 20,112 | 6,990 | 2,804 | 9,794 |
| Total non-accrual loans | 17,034 | 15,678 | 32,712 | 24,851 | 2,831 | 27,682 |
| Non-ACI and new loans past due 90 days and still accruing | 140 | 38 | 178 | 375 | — | 375 |
| TDRs | 1,293 | 348 | 1,641 | 824 | — | 824 |
| Total non-performing loans | 18,467 | 16,064 | 34,531 | 26,050 | 2,831 | 28,881 |
| OREO | 76,022 | — | 76,022 | 123,737 | — | 123,737 |
| Total non-performing assets | 94,489 | 16,064 | 110,553 | 149,787 | 2,831 | 152,618 |
| Impaired ACI loans on accrual status (1) | 43,580 | — | 43,580 | 94,536 | — | 94,536 |
| Other impaired loans on accrual status | — | 2,721 | 2,721 | — | — | — |
| Non-ACI and new TDRs in compliance with their modified terms | 2,650 | 4,689 | 7,339 | 583 | — | 583 |
| Total impaired loans and non-performing assets | $140,719 | $23,474 | $164,193 | $244,906 | $2,831 | $247,737 |
| | | | | | | |
| Non-performing loans to total loans (2) | | 0.43 % | 0.62 % | | 0.17 % | 0.70 % |
| Non-performing assets to total assets (3) | | 0.13 % | 0.89 % | | 0.03 % | 1.35 % |
| ALLL to total loans (2) | | 1.11 % | 1.06 % | | 1.42 % | 1.17 % |
| ALLL to non-performing loans | | 256.65 % | 171.21 % | | 859.34 % | 167.59 % |
| Net charge-offs to average loans (3) | | 0.09 % | 0.17 % | | 0.36 % | 0.62 % |

(1) Includes TDRs on accrual status.
(2) Total loans for purposes of calculating these ratios are net of premiums, discounts and deferred fees and costs.
(3) Ratio for non-covered assets is calculated as non-performing non-covered assets to total assets.

Contractually delinquent ACI loans with remaining accretable yield are not reflected as non-accrual loans because accretion continues to be recorded in income. Accretion continues to be recorded as long as there is an expectation of future cash flows in excess of carrying amount from these loans. The carrying value of ACI loans contractually delinquent by more than 90 days but on which income was still being recognized was $20 million and $23 million at December 31, 2015 and 2014, respectively.

New and non-ACI commercial loans are placed on non-accrual status when (i) management has determined that full repayment of all contractual principal and interest is in doubt, or (ii) the loan is past due 90 days or more as to principal or interest unless the loan is well secured and in the process of collection. New and non-ACI residential and consumer loans are generally placed on non-accrual status when 90 days of interest is due and unpaid. When a loan is placed on non-accrual status, uncollected interest accrued is reversed and charged to interest income. Commercial loans are returned to accrual status only after all past due principal and interest has been collected and full repayment of remaining contractual principal and interest is reasonably assured. Residential loans are returned to accrual status when less than 90 days of interest is due and unpaid. Past due status of loans is determined based on the contractual next payment due date. Loans less than 30 days past due are reported as current. Except for ACI loans accounted for in pools, loans that are the subject of TDRs are generally placed on non-accrual status at the time of the modification unless the borrower has no history of missed payments for six months prior to the restructuring. If borrowers perform pursuant to the modified loan terms for at least six months and the remaining loan balances are considered collectable, the loans are returned to accrual status.

A loan modification is considered a TDR if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise grant. These concessions may take the form of temporarily or permanently reduced interest rates, payment abatement periods, restructuring of payment terms, extensions of maturity at below market terms, or in some cases, partial forgiveness of principal. Under GAAP, modified ACI loans accounted for in pools are not accounted for as TDRs and are not separated from their respective pools when modified. Included in TDRs are residential loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy.

As of December 31, 2015, nine commercial loans with an aggregate carrying value of $8 million and 53 residential loans with an aggregate carrying value of $12 million had been modified in TDRs and were included in impaired loans and non-performing assets. Substantially all of the residential loans modified in TDRs were covered. Because of the immateriality of the amount of loans modified in TDRs and nature of the modifications, the modifications did not have a material impact on the Company's consolidated financial statements or the determination of the amount of the ALLL for the years ended December 31, 2015 or 2014.

Potential Problem Loans

Potential problem loans have been identified by management as those loans included in the "substandard accruing" risk rating category. These loans are typically performing, but possess specifically identified credit weaknesses that, if not remedied, may lead to a downgrade to non-accrual status and identification as impaired in the near-term. Substandard accruing new loans totaled $148 million, of which $78 million were taxi medallion loans, at December 31, 2015. Substantially all of these loans were current as to principal and interest at December 31, 2015. Additionally, taxi medallion loans currently rated "pass" may be considered potential problem loans due to stressed conditions in the transportation-for-hire industry. If conditions in the industry deteriorate further, additional taxi medallion loans may be downgraded in the future. Such loans, substantially all of which were current as to principal and interest, totaled $131 million at December 31, 2015.

Loss Mitigation Strategies

Criticized or classified commercial loans in excess of certain thresholds are reviewed quarterly by the Criticized Asset Committee, which determines the appropriate strategy for collection to mitigate the amount of credit losses. Criticized asset reports for each relationship are presented by the assigned relationship manager to the Criticized Asset Committee until such time as the relationships are returned to a satisfactory credit risk rating or otherwise resolved. The Criticized Asset Committee may require the transfer of a loan to our workout and recovery department, which is tasked to effectively manage the loan with the goal of minimizing losses and expenses associated with restructure, collection and/or liquidation of collateral. Commercial loans with a risk rating of substandard; impaired loans on non-accrual status; loans modified as TDRs; or assets classified as OREO or repossessed assets are usually transferred to workout and recovery. Oversight of the workout and recovery department is provided by the Asset Recovery Committee.

We evaluate each residential loan in default to determine the most effective loss mitigation strategy, which may be modification, short sale, or foreclosure. We offer loan modifications under HAMP to eligible borrowers in the residential portfolio. HAMP is a uniform loan modification process that provides eligible borrowers with sustainable monthly mortgage payments equal to a target 31% of their gross monthly income. We have approved 4,374 permanent loan modifications through December 31, 2015 and there are 31 trial loan modifications at December 31, 2015. Substantially all of these modified loans were covered ACI loans accounted for in pools.

In addition to the HAMP program, we offer a proprietary Subordinate Lien Modification Program for home equity loans and lines of credit. This provides BankUnited the ability to offer a modification on loans covered under the Single Family Shared-Loss Agreement that are subordinate to either a BankUnited first lien or a first lien from another lender.

Analysis of the Allowance for Loan and Lease Losses

The ALLL relates to (i) new loans, (ii) estimated additional losses arising on non-ACI loans subsequent to the FSB Acquisition, and (iii) impairment recognized as a result of decreases in expected cash flows on ACI loans due to further credit deterioration. The impact of any additional provision for losses on covered loans is significantly mitigated by an increase in the FDIC indemnification asset. The determination of the amount of the ALLL is, by nature, highly complex and subjective. Future events that are inherently uncertain could result in material changes to the level of the ALLL. General economic conditions including but not limited to unemployment rates, real estate values in our primary market areas and the level of interest rates, as well as a variety of other factors that affect the ability of borrowers' businesses to generate cash flows sufficient to service their debts will impact the future performance of the portfolio.

New and non-ACI Loans

Residential

Due to the lack of similarity between the risk characteristics of new loans and covered loans in the residential and home equity portfolios, management does not believe it is appropriate to use the historical performance of the covered residential

mortgage portfolio as a basis for calculating the ALLL applicable to new loans. The new loan portfolio has not yet developed an observable loss trend. Therefore, the ALLL for new residential loans is based primarily on relevant proxy historical loss rates. The ALLL for new 1-4 single family residential loans is estimated using average annual loss rates on prime residential mortgage securitizations issued between 2003 and 2008 as a proxy. Based on the comparability of FICO scores and LTV ratios between loans included in those securitizations and loans in the Bank's portfolio and the geographic diversity in the new purchased residential portfolio, we determined that prime residential mortgage securitizations provide an appropriate proxy for expected losses in this portfolio class. A peer group twelve quarter average net charge-off rate is used to estimate the ALLL for the new home equity loan class. See further discussion of the use of peer group loss factors below. The new home equity portfolio is not a significant component of the overall loan portfolio.

Based on an updated analysis of historical performance, OREO and short sale losses, recent trending data and other internal and external factors, we have concluded that historical performance by portfolio class is the best indicator of incurred loss for the non-ACI 1-4 single family residential and home equity portfolio classes. For each of these portfolio classes, a quarterly roll rate matrix is calculated by delinquency bucket to measure the rate at which loans move from one delinquency bucket to the next during a given quarter. An average four quarter roll rate matrix is used to estimate the amount within each delinquency bucket expected to roll to 120+ days delinquent. We assume no cure for those loans that are currently 120+ days delinquent. Loss severity given default is estimated based on internal data about OREO sales and short sales from the portfolio. The ALLL calculation incorporates a 100% loss severity assumption for home equity loans that are projected to roll to default. For non-ACI residential loans, the allowance is initially calculated based on UPB. The total of UPB less the calculated allowance is then compared to the carrying amount of the loans, net of unamortized credit related fair value adjustments established at acquisition. If the calculated balance net of the allowance is less than the carrying amount, an additional allowance is established. Any increase or decrease in the allowance for non-ACI residential loans will result in a corresponding increase or decrease in the FDIC indemnification asset.

Commercial and Consumer

Since the new commercial loan portfolio is not yet seasoned enough to exhibit a loss trend, the ALLL for new commercial loans is based primarily on peer group average annual historical net charge-off rates by loan class and the Company's internal credit risk rating system. The allowance is comprised of specific reserves for loans that are individually evaluated and determined to be impaired as well as general reserves for individually evaluated loans determined not to be impaired and loans that do not meet our established threshold for individual evaluation. Commercial relationships graded substandard or doubtful and on non-accrual status with committed credit facilities greater than or equal to $750,000 are individually evaluated for impairment. For loans evaluated individually for impairment and determined to be impaired, a specific allowance is established based on the present value of expected cash flows discounted at the loan's effective interest rate, the estimated fair value of the loan, or the estimated fair value of collateral less costs to sell. Loans modified in TDRs are also evaluated individually for impairment. We believe that loans rated special mention, substandard or doubtful that are not individually evaluated for impairment exhibit characteristics indicative of a heightened level of credit risk. Loss factors for these loans are determined by using default frequency and severity information applied at the loan level. Estimated default frequencies and severities are based on available industry data.

With the exception of the Pinnacle municipal finance portfolio, a four quarter loss emergence period is used in the calculation of general reserves. A twelve quarter loss emergence period is used in the calculation of general reserves for the Pinnacle portfolio.

The peer group used to calculate the average annual historical net charge-off rates that form the basis for our general reserve calculations for new commercial, home equity and consumer loans is a group of 34 banks made up of the banks included in the OCC Midsize Bank Group plus two additional banks in the New York region that management believes to be comparable based on size and nature of lending operations. The OCC Midsize Bank Group primarily includes commercial banks with total assets ranging from $10 - $50 billion. Peer bank data is obtained from the Statistics on Depository Institutions Report published by the FDIC for the most recent quarter available. These banks, as a group, are considered by management to be comparable to BankUnited in size, nature of lending operations and loan portfolio composition. We evaluate the composition of the peer group annually, or more frequently if, in our judgment, a more frequent evaluation is necessary. The general loss factor for municipal finance receivables is based on a cumulative municipal default curve for obligations of credit quality comparable to those in the Company's portfolio.

The loss experience period used to calculated an average net charge-off rate is twelve quarters. We believe a twelve-quarter look back period is appropriate as it captures a range of observations reflecting the performance of loans originated in the current economic cycle and includes sufficient history. We believe the twelve-quarter look back period to be consistent with the range of industry practice.

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Our internal risk rating system comprises 13 credit grades; grades 1 through 8 are “pass” grades. The risk ratings are driven largely by debt service coverage. Peer group historical loss rates are adjusted upward for loans assigned a lower “pass” rating.

Qualitative Factors

Qualitative adjustments are made to the ALLL when, based on management’s judgment, there are internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. Potential qualitative adjustments are categorized as follows:

- Portfolio performance trends, including trends in and the levels of delinquencies, non-performing loans and classified loans;
- Changes in the nature of the portfolio and terms of the loans, specifically including the volume and nature of policy and procedural exceptions;
- Portfolio growth trends;
- Changes in lending policies and procedures, including credit and underwriting guidelines;
- Economic factors, including unemployment rates and GDP growth rates;
- Changes in the value of underlying collateral;
- Quality of risk ratings, as measured by changes in risk rating identified by our independent loan review function;
- Credit concentrations;
- Changes in and experience levels of credit administration management and staff; and
- Other factors identified by management that may impact the level of losses inherent in the portfolio, including but not limited to competition and legal and regulatory requirements.

ACI Loans

For ACI loans, a valuation allowance is established when periodic evaluations of expected cash flows reflect a decrease resulting from credit related factors from the level of cash flows that were estimated to be collected at acquisition plus any additional expected cash flows arising from revisions in those estimates. We perform a quarterly analysis of expected cash flows for ACI loans.

Expected cash flows are estimated on a pool basis for ACI 1-4 single family residential and home equity loans. The analysis of expected pool cash flows incorporates updated pool level expected prepayment rate, default rate, delinquency level and loss severity given default assumptions. Prepayment, delinquency and default curves are derived primarily from roll rates generated from the historical performance of the portfolio over the immediately preceding four quarters. Estimates of default probability and loss severity given default also incorporate updated LTV ratios, at the loan level, based on Case-Shiller Home Price Indices for the relevant MSA. Costs and fees represent an additional component of loss on default and are projected using the “Making Home Affordable” cost factors provided by the Federal government.  The ACI home equity roll rates include the impact of delinquent, related senior liens and loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy.

Based on our projected cash flow analysis, no ALLL related to 1-4 single family residential and home equity ACI pools was recorded at December 31, 2015 or 2014.

The primary assumptions underlying estimates of expected cash flows for ACI commercial loans are default probability and severity of loss given default. Following the sale of ACI commercial loans in 2014, assessments of default probability and severity are based on net realizable value analyses prepared at the individual loan level. Based on our analysis, no ALLL related to ACI commercial loans was recorded at December 31, 2015 or 2014.

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The following tables provide an analysis of the ALLL, provision for loan losses and net charge-offs for the periods from December 31, 2010 through December 31, 2015 (in thousands):

| | New Loans | ACI Loans | Non-ACI Loans | Total |
|---|---|---|---|---|
| Balance at December 31, 2010 | 6,151 | 39,925 | 12,284 | 58,360 |
| Provision for (recovery of) loan losses: | 21,520 | (11,278) | 3,586 | 13,828 |
| Charge-offs: | | | | |
| 1 - 4 single family residential | — | — | (459) | (459) |
| Home equity loans and lines of credit | — | — | (1,918) | (1,918) |
| Multi-family | — | (461) | — | (461) |
| Commercial real estate | — | (2,845) | (674) | (3,519) |
| Construction and land | — | (7,348) | — | (7,348) |
| Commercial loans and leases | (3,367) | (2,873) | (5,438) | (11,678) |
| Total Charge-offs | (3,367) | (13,527) | (8,489) | (25,383) |
| Recoveries: | | | | |
| Home equity loans and lines of credit | — | — | 20 | 20 |
| Multi-family | — | 565 | 27 | 592 |
| Commercial real estate | — | 16 | 131 | 147 |
| Construction and land | — | 625 | — | 625 |
| Commercial loans and leases | 24 | 6 | 183 | 213 |
| Total Recoveries | 24 | 1,212 | 361 | 1,597 |
| Net Charge-offs: | (3,343) | (12,315) | (8,128) | (23,786) |
| Balance at December 31, 2011 | 24,328 | 16,332 | 7,742 | 48,402 |
| Provision for (recovery of) loan losses: | 19,399 | (4,347) | 3,844 | 18,896 |
| Charge-offs: | | | | |
| 1 - 4 single family residential | — | — | (245) | (245) |
| Home equity loans and lines of credit | — | — | (3,030) | (3,030) |
| Multi-family | (87) | (563) | — | (650) |
| Commercial real estate | — | (1,482) | — | (1,482) |
| Construction and land | (3) | (1,183) | — | (1,186) |
| Commercial loans and leases | (2,839) | (738) | (316) | (3,893) |
| Total Charge-offs | (2,929) | (3,966) | (3,591) | (10,486) |
| Recoveries: | | | | |
| Home equity loans and lines of credit | — | — | 29 | 29 |
| Multi-family | — | — | 24 | 24 |
| Commercial real estate | — | — | 347 | 347 |
| Commercial loans and leases | 427 | — | 1,479 | 1,906 |
| Consumer | 3 | — | — | 3 |
| Total Recoveries | 430 | — | 1,879 | 2,309 |
| Net Charge-offs: | (2,499) | (3,966) | (1,712) | (8,177) |
| Balance at December 31, 2012 | 41,228 | 8,019 | 9,874 | 59,121 |

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| (continued) | New Loans | ACI Loans | Non-ACI Loans | Total |
|---|---|---|---|---|
| Provision for (recovery of) loan losses: | 33,702 | (2,891) | 1,153 | 31,964 |
| Charge-offs: | | | | |
| 1 - 4 single family residential | (10) | — | (1,276) | (1,286) |
| Home equity loans and lines of credit | — | — | (2,858) | (2,858) |
| Commercial real estate | | | | |
| Non-owner occupied | — | (1,162) | — | (1,162) |
| Construction and land | — | (77) | — | (77) |
| Commercial and industrial | (17,987) | (996) | (171) | (19,154) |
| Consumer | (484) | — | — | (484) |
| Total Charge-offs | (18,481) | (2,235) | (4,305) | (25,021) |
| Recoveries: | | | | |
| Home equity loans and lines of credit | — | — | 90 | 90 |
| Multi-family | — | — | 15 | 15 |
| Commercial real estate | | | | |
| Non-owner occupied | — | — | 191 | 191 |
| Commercial and industrial | 743 | — | 2,484 | 3,227 |
| Commercial lending subsidiaries | 15 | — | — | 15 |
| Consumer | 123 | — | — | 123 |
| Total Recoveries | 881 | — | 2,780 | 3,661 |
| Net Charge-offs: | (17,600) | (2,235) | (1,525) | (21,360) |
| Balance at December 31, 2013 | 57,330 | 2,893 | 9,502 | 69,725 |
| Provision for (recovery of) loan losses: | 41,748 | 2,311 | (2,554) | 41,505 |
| Charge-offs: | | | | |
| 1 - 4 single family residential | — | — | (269) | (269) |
| Home equity loans and lines of credit | — | — | (2,737) | (2,737) |
| Multi-family | — | (285) | — | (285) |
| Commercial real estate | | | | |
| Owner occupied | — | (356) | — | (356) |
| Non-owner occupied | (52) | (3,031) | — | (3,083) |
| Construction and land | — | (635) | (13) | (648) |
| Commercial and industrial | (6,033) | (573) | (477) | (7,083) |
| Commercial lending subsidiaries | (1,586) | — | — | (1,586) |
| Consumer | (1,083) | (324) | — | (1,407) |
| Total Charge-offs | (8,754) | (5,204) | (3,496) | (17,454) |
| Recoveries: | | | | |
| Home equity loans and lines of credit | — | — | 19 | 19 |
| Multi-family | — | — | 4 | 4 |
| Commercial real estate | | | | |
| Non-owner occupied | — | — | 3 | 3 |
| Commercial and industrial | 506 | — | 714 | 1,220 |
| Commercial lending subsidiaries | 22 | — | — | 22 |
| Consumer | 498 | — | — | 498 |
| Total Recoveries | 1,026 | — | 740 | 1,766 |
| Net Charge-offs: | (7,728) | (5,204) | (2,756) | (15,688) |
| Balance at December 31, 2014 | 91,350 | — | 4,192 | 95,542 |

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| (continued) | New Loans | ACI Loans | Non-ACI Loans | Total |
|---|---|---|---|---|
| Provision for loan losses: | 42,060 | — | 2,251 | 44,311 |
| Charge-offs: | | | | |
| 1-4 single family residential | — | — | (16) | (16) |
| Home equity loans and lines of credit | — | — | (1,664) | (1,664) |
| Commercial real estate | | | | |
| Non-owner occupied | (263) | — | — | (263) |
| Commercial and industrial | (5,731) | — | — | (5,731) |
| Commercial lending subsidiaries | (7,725) | — | — | (7,725) |
| Total Charge-offs | (13,719) | — | (1,680) | (15,399) |
| Recoveries: | | | | |
| Home equity loans and lines of credit | — | — | 39 | 39 |
| Multi-family | — | — | 4 | 4 |
| Commercial real estate | | | | |
| Non-owner occupied | 2 | — | — | 2 |
| Commercial and industrial | 1,082 | — | 62 | 1,144 |
| Commercial lending subsidiaries | 153 | — | — | 153 |
| Consumer | 32 | — | — | 32 |
| Total Recoveries | 1,269 | — | 105 | 1,374 |
| Net Charge-offs: | (12,450) | — | (1,575) | (14,025) |
| Balance at December 31, 2015 | $120,960 | $— | $4,868 | $125,828 |

The following tables show the distribution of the ALLL, broken out between covered and non-covered loans, as of December 31 of the years indicated (dollars in thousands):

| | 2015 | | | | |
|---|---|---|---|---|---|
| | | Covered Loans | | | |
| | New Loans | ACI Loans | Non-ACI Loans | Total | %(1) |
| Residential: | | | | | |
| 1 - 4 single family residential | $11,086 | $— | $564 | $11,650 | 21.9 % |
| Home equity loans and lines of credit | 4 | — | 4,304 | 4,308 | 0.4 % |
| | 11,090 | — | 4,868 | 15,958 | 22.3 % |
| Commercial: | | | | | |
| Multi-family | 22,317 | — | — | 22,317 | 20.9 % |
| Commercial real estate | | | | | |
| Owner occupied | 7,490 | — | — | 7,490 | 8.2 % |
| Non-owner occupied | 26,179 | — | — | 26,179 | 17.5 % |
| Construction and land | 3,587 | — | — | 3,587 | 2.1 % |
| Commercial and industrial | 33,661 | — | — | 33,661 | 16.7 % |
| Commercial lending subsidiaries | 16,383 | — | — | 16,383 | 12.1 % |
| | 109,617 | — | — | 109,617 | 77.5 % |
| Consumer | 253 | — | — | 253 | 0.2 % |
| | $120,960 | $— | $4,868 | $125,828 | 100.0 % |

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| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Covered Loans | | | | |
| | New Loans | ACI Loans | Non-ACI Loans | Total | %(1) | |
| Residential: | | | | | | |
| 1 - 4 single family residential | $7,116 | $— | $945 | $8,061 | 27.6 | % |
| Home equity loans and lines of credit | 17 | — | 3,247 | 3,264 | 1.0 | % |
| | 7,133 | — | 4,192 | 11,325 | 28.6 | % |
| Commercial: | | | | | | |
| Multi-family | 14,970 | — | — | 14,970 | 15.8 | % |
| Commercial real estate | | | | | | |
| Owner occupied | 8,273 | — | — | 8,273 | 8.4 | % |
| Non-owner occupied | 17,615 | — | — | 17,615 | 14.4 | % |
| Construction and land | 2,725 | — | — | 2,725 | 1.4 | % |
| Commercial and industrial | 25,867 | — | — | 25,867 | 19.4 | % |
| Commercial lending subsidiaries | 14,577 | — | — | 14,577 | 11.8 | % |
| | 84,027 | — | — | 84,027 | 71.2 | % |
| Consumer | 190 | — | — | 190 | 0.2 | % |
| | $91,350 | $— | $4,192 | $95,542 | 100.0 | % |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Covered Loans | | | | |
| | New Loans | ACI Loans | Non-ACI Loans | Total | %(1) | |
| Residential: | | | | | | |
| 1 - 4 single family residential | $6,271 | $— | $827 | $7,098 | 32.4 | % |
| Home equity loans and lines of credit | 12 | — | 8,243 | 8,255 | 1.9 | % |
| | 6,283 | — | 9,070 | 15,353 | 34.3 | % |
| Commercial: | | | | | | |
| Multi-family | 3,947 | 323 | — | 4,270 | 12.6 | % |
| Commercial real estate | | | | | | |
| Owner occupied | 6,774 | 369 | 6 | 7,149 | 8.5 | % |
| Non-owner occupied | 4,401 | 1,444 | 8 | 5,853 | 11.5 | % |
| Construction and land | 803 | 192 | 6 | 1,001 | 1.7 | % |
| Commercial and industrial | 24,148 | 565 | 412 | 25,125 | 18.5 | % |
| Commercial lending subsidiaries | 8,787 | — | — | 8,787 | 10.5 | % |
| | 48,860 | 2,893 | 432 | 52,185 | 63.3 | % |
| Consumer | 2,187 | — | — | 2,187 | 2.4 | % |
| | $57,330 | $2,893 | $9,502 | $69,725 | 100.0 | % |

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| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | | Covered Loans | | | | |
| | New Loans | ACI Loans | Non-ACI Loans | Total | %(1) | |
| Residential: | | | | | | |
| 1 - 4 single family residential | $10,074 | $— | $984 | $11,058 | 41.5 | % |
| Home equity loans and lines of credit | 19 | — | 8,087 | 8,106 | 3.8 | % |
| | 10,093 | — | 9,071 | 19,164 | 45.3 | % |
| Commercial: | | | | | | |
| Multi-family | 2,212 | 504 | 5 | 2,721 | 6.5 | % |
| Commercial real estate | 7,790 | 5,400 | 31 | 13,221 | 17.5 | % |
| Construction and land | 672 | 350 | 9 | 1,031 | 1.6 | % |
| Commercial loans and leases | 20,047 | 1,765 | 758 | 22,570 | 28.5 | % |
| | 30,721 | 8,019 | 803 | 39,543 | 54.1 | % |
| Consumer | 414 | — | — | 414 | 0.6 | % |
| | $41,228 | $8,019 | $9,874 | $59,121 | 100.0 | % |

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | | Covered Loans | | | | |
| | New Loans | ACI Loans | Non-ACI Loans | Total | %(1) | |
| Residential: | | | | | | |
| 1 - 4 single family residential | $4,015 | $— | $593 | $4,608 | 54.1 | % |
| Home equity loans and lines of credit | 18 | — | 5,549 | 5,567 | 6.1 | % |
| | 4,033 | — | 6,142 | 10,175 | 60.2 | % |
| Commercial: | | | | | | |
| Multi-family | 929 | 1,063 | 5 | 1,997 | 4.1 | % |
| Commercial real estate | 4,529 | 10,672 | 284 | 15,485 | 13.6 | % |
| Construction and land | 337 | 2,310 | 62 | 2,709 | 1.7 | % |
| Commercial loans and leases | 14,449 | 2,287 | 1,249 | 17,985 | 20.2 | % |
| | 20,244 | 16,332 | 1,600 | 38,176 | 39.6 | % |
| Consumer | 51 | — | — | 51 | 0.2 | % |
| | $24,328 | $16,332 | $7,742 | $48,402 | 100.0 | % |

(1) Represents percentage of loans receivable in each category to total loans receivable.

The overall increase in the balance of the ALLL for new loans at December 31, 2015 as compared to December 31, 2014 reflects the impact of growth of the new loan portfolio. The impact of a net decrease in historical loss rates was largely offset by a net increase in qualitative reserves and an increase in reserves for classified assets, particularly related to taxi medallion loans. The net increase in qualitative reserves was primarily attributable to increases in qualitative factors related to GDP growth rates, the level of policy and procedure exceptions, the level of criticized and classified assets in certain segments of the portfolio and concerns related to the taxi medallion portfolio; and decreases in the qualitative factors related to changes in lending policies and procedures and loan concentrations in certain segments of the portfolio. Factors influencing significant components of the change in the ALLL at December 31, 2015 compared to December 31, 2014, as related to specific loan types, include:

- A $4.0 million increase for new 1-4 single family residential loans was attributable to increased qualitative loss factors and growth in the portfolio.
- Increases of $7.3 million for new multi-family and $8.6 million for new non-owner occupied commercial real estate loans reflected the growth of the corresponding loan portfolio segments and net increases in qualitative reserves,

partially offset by decreases in the peer group net charge-off rates. An $0.8 million decrease for new owner occupied

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commercial real estate loans, in spite of the growth of the corresponding loan portfolio, was primarily driven by decreased peer group charge-off rates

- A $7.8 million increase for new commercial and industrial loans was primarily attributable to increases in quantitative and qualitative reserves for taxi medallion loans. Increases in the ALLL related to the growth of the portfolio were generally offset by decreased peer group charge-off rates.
- An increase of $1.8 million for commercial lending subsidiaries reflected the growth of the corresponding loan and lease portfolio segments partially offset by decreases in quantitative loss factors and specific reserves on impaired credits.
- A $1.1 million increase for Non-ACI home equity loans and lines of credit was primarily driven by a worsening of roll rates.

For additional information about the ALLL, see Note 5 to the consolidated financial statements.

Equipment under Operating Lease

Equipment under operating lease primarily consists of railcars leased to North American commercial end-users. The portfolio also includes non-commercial aircraft and other land transport equipment. These equipment leases provide additional diversity in asset classes, geography and financing structures, with the potential for attractive after-tax returns.

At December 31, 2015, our operating lease fleet consisted of 4,494 rail cars, including hoppers, tank cars, boxcars, auto carriers, and center beams; 932 trailers; 34 tractors; 12 forklifts; and 2 helicopters.The largest concentrations of rail cars were 1,929 hopper cars and 1,534 tank cars, primarily used to ship sand and oil, respectively, for the energy industry.

The primary risks inherent in the equipment leasing business are asset risk resulting from ownership of the equipment on operating lease and credit risk. Asset risk arises from fluctuations in supply and demand for the underlying leased equipment. Railcars are long-lived equipment with useful lives of approximately 35-50 years. The equipment is leased to commercial end-users with lease terms ranging from 3-10 years at December 31, 2015. We are exposed to the risk that, at the end of the lease term, the value of the asset will be lower than expected, potentially resulting in reduced future lease income over the remaining life of the asset or a lower sale value.

Asset risk may ultimately impact the financial statements through changes to lease income streams from fluctuations in lease rates and/or utilization. Changes to lease income occur when the existing lease contracts expire, the assets come off lease, and we seek to enter new lease agreements. Asset risk may also lead to changes in depreciation as a result of changes in the residual values of the operating lease assets or through impairment of asset carrying values. Since our operating lease portfolio is relatively new, we do not have historical experience with respect to the expiration of lease terms for our equipment. To date, there have been no significant impairments of asset carrying values.

Asset risk is evaluated and managed by an internal team of leasing professionals with a broad depth and breadth of experience in the leasing business. Additionally, we have partnered with an industry leading, experienced service provider who provides fleet management and servicing, including lease administration and reporting, a Regulation Y compliant full service maintenance program and railcar remarketing. Risk is managed by setting appropriate residual values at inception and systematic reviews of residual values based on independent appraisals, performed at least annually. Additionally, our internal management team and our external service provider closely follow the rail markets, monitoring traffic flows, supply and demand trends and the impact of new technologies and regulatory requirements. Demand for railcars is sensitive to shifts in general and industry specific economic and market trends and shifts in trade flows from specific events such as natural or man-made disasters. We seek to mitigate these risks by leasing to a stable end-user base, by maintaining a relatively young and diversified fleet of assets that are expected to maintain stronger and more stable utilization rates despite impacts from unexpected events or cyclical trends and by staggering lease maturities. We regularly monitor the impact of lower oil prices on the estimated residual value of rail cars being used in the petroleum/natural gas extraction sector. There have been no indications of impairment or reductions in residual values through the date of our most recent evaluation and fleet appraisal, performed in the fourth quarter of 2015.

Credit risk in the leased equipment portfolio results from the potential default of lessees, possibly driven by obligor specific or industry-wide conditions, and is economically less significant than asset risk, because in the operating lease business, there is no extension of credit to the obligor. Instead, the lessor deploys a portion of the useful life of the asset. Credit losses, if any, will manifest through reduced rental income due to missed payments, time off lease, or lower rental payments due either to a restructuring or re-leasing of the asset to another obligor. To date, we have not experienced any credit losses, missed payments, time off lease or restructurings related to our operating lease portfolio. Credit risk in the operating lease portfolio is managed and monitored utilizing credit administration infrastructure, processes and procedures similar to those used to manage and monitor credit risk in the commercial loan portfolio. We also mitigate credit risk in this portfolio by leasing only to high credit quality obligors.

During the year ended December 31, 2015, the portfolio of equipment under operating lease grew by $169 million. There were no significant changes in the performance of lessees, there were no significant impairments of residuals or asset carrying values, missed payments, time off-lease or restructurings related to the operating lease portfolio during the years ended December 31, 2015, 2014 and 2013.

We expect our operating lease portfolio to continue to grow, and we may expand into other asset classes. We are not currently increasing our exposure to the energy sector.

Other Real Estate Owned

The following table presents the changes in OREO for the years ended December 31, 2015, 2014 and 2013 (in thousands):

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Balance, beginning of period | $13,780 | $40,570 | $76,022 |
| Transfers from loan portfolio | 14,575 | 26,564 | 68,084 |
| Sales | (18,449) | (52,119) | (101,597) |
| Impairment | (1,053) | (1,235) | (1,939) |
| Balance, end of period | $8,853 | $13,780 | $40,570 |

At December 31, 2015 and 2014, OREO consisted of the following types of properties (in thousands):

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Covered | Non-Covered | Total | Covered | Non-Covered | Total |
| 1-4 single family residential | $7,694 | $ — | $7,694 | $12,341 | $ — | $12,341 |
| Condominium | 1,159 | — | 1,159 | 1,304 | — | 1,304 |
| Land | — | — | — | — | 135 | 135 |
| | $8,853 | $ — | $8,853 | $13,645 | $ 135 | $13,780 |

The decrease in OREO reflects our continued efforts to resolve non-performing covered residential assets and a decline in the volume of residential foreclosures. There were 128 and 123 residential units in the foreclosure pipeline at December 31, 2015 and 2014, respectively. Residential OREO inventory declined to 42 units at December 31, 2015 from 63 units at December 31, 2014.

Full appraisals, prepared in accordance with prevailing industry standards, are ordered for all OREO properties at the time of transfer to OREO and upon obtaining physical possession. Full appraisals are generally considered stale after 180 days. Broker Price Opinions, used for foreclosure bids, short sales, and modifications, are considered stale after 90 days from the effective date of the report.

Goodwill and Other Intangible Assets

Goodwill consists of $59 million recorded in conjunction with the FSB Acquisition, $8 million recorded in conjunction with the acquisition of two commercial lending subsidiaries in 2010 and $10 million recorded in conjunction with the SBF acquisition in May 2015. Other intangible assets consist of core deposit intangible assets and customer relationship intangible assets.

The Company has a single reporting unit. We perform goodwill impairment testing in the third quarter of each fiscal year. As of the 2015 impairment testing date, the estimated fair value of the reporting unit substantially exceeded its carrying amount; therefore, no impairment was indicated.

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Deposits

A further breakdown of the geographic composition of deposits as of December 31, 2015 and 2014 is shown below (dollars in thousands):

(1)Time deposits in New York were insignificant at December 31, 2015 and 2014.

Average balances and rates paid on deposits for the years ended December 31, 2015, 2014 and 2013 were as follows (dollars in thousands):

| | 2015 | | | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Average Rate Paid | | Average Balance | Average Rate Paid | | Average Balance | Average Rate Paid | |
| Demand deposits: | | | | | | | | | |
| Non-interest bearing | $2,732,654 | — | % | $2,366,621 | — | % | $1,586,007 | — | % |
| Interest bearing | 1,169,921 | 0.49 | % | 773,655 | 0.42 | % | 582,623 | 0.46 | % |
| Money market | 6,313,340 | 0.57 | % | 4,444,753 | 0.54 | % | 3,403,276 | 0.51 | % |
| Savings | 536,026 | 0.32 | % | 647,691 | 0.30 | % | 877,255 | 0.37 | % |
| Time | 4,305,857 | 1.11 | % | 3,716,611 | 1.18 | % | 2,844,377 | 1.31 | % |
| | $15,057,798 | 0.61 | % | $11,949,331 | 0.61 | % | $9,293,538 | 0.65 | % |

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The following table shows scheduled maturities of certificates of deposit with denominations greater than or equal to $100,000 as of December 31, 2015 (in thousands):

| | |
|---|---|
| Three months or less | $561,841 |
| Over three through six months | 388,556 |
| Over six through twelve months | 1,210,147 |
| Over twelve months | 1,347,124 |
| | $3,507,668 |

Federal Home Loan Bank Advances, Notes and Other Borrowings

In addition to deposits, we utilize FHLB advances to fund growth in interest earning assets; the advances provide us with additional flexibility in managing both term and cost of funding. FHLB advances are secured by FHLB stock, qualifying residential first mortgage, commercial real estate and home equity loans, and mortgage-backed securities. At December 31, 2015 and 2014, outstanding FHLB advances totaled $4.0 billion and $3.3 billion, respectively. The increase in outstanding FHLB advances during the year ended December 31, 2015 corresponded to asset growth.

The contractual balance of FHLB advances outstanding at December 31, 2015 is scheduled to mature as follows (in thousands):

| | |
|---|---|
| Maturing in: | |
| 2016—31 days or less | $1,000,000 |
| 2016—Over 31 days | 1,730,000 |
| 2017 | 1,130,000 |
| 2018 | 75,000 |
| 2020 | 75,000 |
| Total contractual balance outstanding | 4,010,000 |
| Unamortized modification costs | (1,536) |
| Carrying value | $4,008,464 |

At December 31, 2015 and 2014 outstanding senior notes payable and other borrowings consisted of the following (dollars in thousands):

| | 2015 | 2014 |
|---|---|---|
| Senior notes | $392,326 | $— |
| Capital lease obligations | 10,219 | 10,627 |
| | $402,545 | $10,627 |

In November 2015, the Company issued $400 million of senior notes. The notes have a fixed coupon rate of 4.875% and mature on November 17, 2025. The Company received proceeds of $392 million, net of issuance discount and costs.

Capital Resources

Pursuant to the FDIA, the federal banking agencies have adopted regulations setting forth a five-tier system for measuring the capital adequacy of the financial institutions they supervise. At December 31, 2015 and December 31, 2014, BankUnited and the Company had capital levels that exceeded both the regulatory well-capitalized guidelines and all internal capital ratio targets. See Note 15 to the consolidated financial statements for more information about BankUnited and the Company's regulatory capital ratios and requirements.

Stockholders' equity increased to $2.2 billion at December 31, 2015, an increase of $191 million, or 9.3%, from December 31, 2014 due primarily to the retention of earnings. Proceeds from the exercise of stock options in 2015 were largely offset by a decrease in accumulated other comprehensive income resulting from changes in unrealized gains and losses on investment securities available for sale and derivative instruments.

Since our formation, stockholders' equity has been impacted primarily by the retention of earnings, and to a lesser extent, proceeds from the issuance of common shares and changes in unrealized gains and losses, net of taxes, on investment securities available for sale and cash flow hedges. Our rate of earnings retention is derived by dividing undistributed earnings per common share by earnings per common share. Our retention ratio was 64.3% and 56.9% for the years ended December 31, 2015 and 2014, respectively. We retain a high percentage of our earnings to support our planned growth.

We filed a shelf registration statement with the SEC in October 2015 that allows the Company to periodically offer and sell in one or more offerings, individually or in any combination, our common stock, preferred stock and other non-equity securities. The shelf registration provides us with flexibility in issuing capital instruments and enables us to more readily access the capital markets as needed to pursue future growth opportunities and to ensure continued compliance with regulatory capital requirements. Our ability to issue securities pursuant to the shelf registration is subject to market conditions.

Liquidity

Liquidity involves our ability to generate adequate funds to support planned asset growth, particularly growth of the new loan portfolio, meet deposit withdrawal requests, maintain reserve requirements, conduct routine operations, pay dividends, service outstanding debt and meet other contractual obligations.

Primary sources of liquidity include cash flows from operations, cash generated by the repayment and resolution of loans acquired in the FSB Acquisition, cash payments received from the FDIC pursuant to the Residential Shared Loss Agreement, deposit growth, the available for sale securities portfolio and FHLB advances.

Prior to 2015, our consolidated statements of cash flows reflected net cash outflows from operating activities. For the year ended December 31, 2015, net cash provided by operating activities was $217.9 million compared with net cash used in operating activities of $49.7 million and $67.1 million for the years ended December 31, 2014 and 2013, respectively. The primary driver of cash outflows from operations reflected in the consolidated statements of cash flows for the years ended December 31, 2014 and 2013 was accretion on ACI loans, which is reflected as a non-cash reduction in net income to arrive at operating cash flows. Accretion on ACI loans totaled $295.0 million, $338.9 million and $410.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Accretable yield on ACI loans represents the excess of expected future cash flows over the carrying amount of the loans, and is recognized as interest income over the expected lives of the loans. Amounts recorded as accretion are realized in cash as individual loans are paid down or otherwise resolved; however, the timing of cash realization may differ from the timing of income recognition. These cash flows from the repayment or resolution of loans acquired in the FSB Acquisition, inclusive of amounts that have been accreted through earnings over time, are recognized as cash flows from investing activities in the consolidated statements of cash flows upon receipt. Cash generated by the repayment and resolution of loans acquired in the FSB Acquisition totaled $635.1 million, $776.8 million and $841.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cash payments from the FDIC in the form of reimbursements of losses related to the covered loans under the Loss Sharing Agreements are also characterized as investing cash flows. These reimbursements from the FDIC totaled $59.1 million, $114.9 million and $164.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, exceeding net operating cash outflows for the years ended December 31, 2014 and 2013. Both cash generated by the repayment and resolution of loans acquired in the FSB Acquisition and cash payments received from the FDIC have been and are expected to continue to be consistent and relatively predictable sources of liquidity.

The percentage of assets comprised of ACI loans and percentage of interest income comprised of ACI accretion continues to decrease. As expected, cash flows from resolution of the loans acquired in the FSB Acquisition are being replaced by operating cash flows from new assets originated with those proceeds, resulting in cash inflows from operating activities for the year ended December 31, 2015. In addition to cash provided by the repayment and resolution of covered loans and payments under the Single Family Shared-Loss Agreement from the FDIC, BankUnited's liquidity needs, particularly liquidity to fund growth of the new loan portfolio, have been and continue to be met by deposit growth, its amortizing investment portfolio, and FHLB advances. We anticipate that we will generate cash inflows from operating activities in the future.

BankUnited has access to additional liquidity through FHLB advances, other collateralized borrowings, wholesale deposits or the sale of available for sale securities. At December 31, 2015, unencumbered investment securities available for sale totaled $3.3 billion. At December 31, 2015, BankUnited had available borrowing capacity at the FHLB of $2.6 billion, unused borrowing capacity at the FRB of $179 million and unused Federal funds lines of credit totaling $70 million. Management also has the ability to exert substantial control over the rate and timing of growth of the new loan portfolio, and resultant requirements for liquidity to fund new loans.

Continued runoff of the covered loan portfolio and FDIC indemnification asset and growth of deposits and the new loan portfolio are the most significant trends expected to impact the Bank’s liquidity in the near term.

The ALCO policy has established several measures of liquidity which are monitored monthly by ALCO and quarterly by the Board of Directors. One measure of liquidity monitored by management is the 30 day total liquidity ratio, defined as (a) the sum of cash and cash equivalents, pledgeable securities, a measure of funds expected to be generated by operations over the next 30 days, and borrowing capacity from the FHLB and brokered deposits; divided by (b) the sum of potential deposit runoff, liabilities maturing and a measure of funds expected to be used in operations over the next 30 days. BankUnited's liquidity is considered acceptable if the 30 day total liquidity ratio exceeds 100%. At December 31, 2015, BankUnited's 30 day total liquidity ratio was 168%. Management also monitors a one year liquidity ratio, defined as (a) cash and cash equivalents, pledgeable securities, unused borrowing capacity at the FHLB, and loans and non-agency securities maturing within one year; divided by (b) deposits and borrowings maturing within one year. The maturity of deposits, excluding certificate of deposits, is based on retention rates derived from the most recent external core deposit analysis obtained by the Company. This ratio allows management to monitor liquidity over a longer time horizon. The acceptable threshold established by ALCO for this liquidity measure is 100%. At December 31, 2015, BankUnited's one year liquidity ratio was 165%. Additional measures of liquidity regularly monitored by ALCO include the ratio of FHLB advances to tier 1 capital plus the ALLL, the ratio of FHLB advances to total assets and a measure of available liquidity to volatile liabilities. At December 31, 2015, BankUnited was within acceptable limits established by ALCO for each of these measures.

As a holding company, BankUnited, Inc. is a corporation separate and apart from its banking subsidiary, and therefore, provides for its own liquidity. BankUnited, Inc.'s main sources of funds include management fees and dividends from the Bank, access to public debt and capital markets and, to a lesser extent, its own available for sale securities portfolio. There are regulatory limitations that affect the ability of the Bank to pay dividends to BankUnited, Inc. Management believes that such limitations will not impact our ability to meet our ongoing near-term cash obligations.

We expect that our liquidity requirements will continue to be satisfied over the next 12 months through the sources of funds described above.

Interest Rate Risk

The principal component of the Company's risk of loss arising from adverse changes in the fair value of financial instruments, or market risk, is interest rate risk, including the risk that assets and liabilities with similar re-pricing characteristics may not reprice at the same time or to the same degree. The primary objective of the Company's asset/liability management activities is to maximize net interest income, while maintaining acceptable levels of interest rate risk. The ALCO is responsible for establishing policies to limit exposure to interest rate risk, and to ensure procedures are established to monitor compliance with these policies. The guidelines established by ALCO are approved at least annually by the Board of Directors.

Management believes that the simulation of net interest income in different interest rate environments provides the most meaningful measure of interest rate risk. Income simulation analysis is designed to capture not only the potential of all assets and liabilities to mature or reprice, but also the probability that they will do so. Income simulation also attends to the relative interest rate sensitivities of these items, and projects their behavior over an extended period of time. Finally, income simulation permits management to assess the probable effects on the balance sheet not only of changes in interest rates, but also of proposed strategies for responding to them.

The income simulation model analyzes interest rate sensitivity by projecting net interest income over the next twenty-four months in a most likely rate scenario based on forward interest rate curves versus net interest income in alternative rate scenarios. Management continually reviews and refines its interest rate risk management process in response to the changing economic climate. Currently, our model projects a plus 100, plus 200, plus 300 and plus 400 basis point change with rates increasing by the magnitude of the rate ramp evenly over the next 12 months as well as flattening yield curve scenarios and instantaneous rate shocks of plus 100, 200, 300 and 400 basis points. We continually evaluate the scenarios being modeled with a view toward adapting them to changing economic conditions, expectations and trends.

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The Company’s ALCO policy has established that interest income sensitivity will be considered acceptable if forecast net interest income in the plus 100, plus 200, plus 300 and plus 400 basis point rate shock scenarios is within specified percentages of forecast net interest income in the most likely rate scenario over the next twelve months and in the second year. The following table illustrates the acceptable limits and the impact on forecasted net interest income of plus 100, plus 200, plus 300 and plus 400 basis point rate shock scenarios at December 31, 2015 and 2014.

| | Plus 100 | Plus 200 | Plus 300 | Plus 400 |
|---|---|---|---|---|
| Acceptable Limits: | | | | |
| Twelve Months | 6.0 % | 10.0 % | 14.0 % | 18.0 % |
| Twenty Four Months | 9.0 % | 13.0 % | 17.0 % | 21.0 % |
| December 31, 2015: | | | | |
| Twelve Months | 2.5 % | 5.2 % | 7.8 % | 10.7 % |
| Twenty Four Months | 2.1 % | 4.0 % | 5.9 % | 8.1 % |
| December 31, 2014: | | | | |
| Twelve Months | 2.2 % | 4.4 % | 6.5 % | 8.6 % |
| Twenty Four Months | 3.6 % | 7.0 % | 10.4 % | 13.8 % |

Management also simulates changes in the economic value of equity (“EVE”) in various interest rate environments. The ALCO policy has established parameters of acceptable risk that are defined in terms of the percentage change in EVE from a base scenario under six rate scenarios, derived by implementing immediate parallel movements of plus and minus 100, 200 and 300 basis points from current rates. We did not simulate decreases in interest rates at December 31, 2015 due to the current low rate environment. The parameters established by ALCO stipulate that the change in EVE is considered acceptable if the change is less than 8%, 13% and 18% in plus 100, 200 and 300 basis point scenarios, respectively. As of December 31, 2015, our simulation for BankUnited indicated percentage changes from base EVE of (3.7)%, (8.3)% and (13.4)% in plus 100, 200, and 300 basis point scenarios, respectively.

These measures fall within an acceptable level of interest rate risk per the policies established by ALCO and the Board of Directors. In the event the models indicate an unacceptable level of risk, the Company could undertake a number of actions that would reduce this risk, including the sale or re-positioning of a portion of its available for sale investment portfolio, restructuring of borrowings, or the use of derivatives such as interest rate swaps and caps.

Many assumptions were used by the Company to calculate the impact of changes in interest rates, including the change in rates. Actual results may not be similar to the Company’s projections due to several factors including the timing and frequency of rate changes, market conditions, changes in depositor behavior and the shape of the yield curve. Actual results may also differ due to the Company’s actions, if any, in response to changing rates and conditions.

Derivative Financial Instruments

Interest rate swaps are one of the tools we use to manage interest rate risk. These derivative instruments are used to mitigate exposure to changes in interest rates on variable rate borrowings such as FHLB advances and time deposits and to manage duration of liabilities. These interest rate swaps are designated as cash flow hedging instruments. The fair value of these instruments is included in other assets and other liabilities in our consolidated balance sheets and changes in fair value are reported in accumulated other comprehensive income. At December 31, 2015, outstanding interest rate swaps designated as cash flow hedges had an aggregate notional amount of $2.1 billion. The aggregate fair value of interest rate swaps designated as cash flow hedges included in other assets was $3 million and the aggregate fair value included in other liabilities was $39 million.

Interest rate swaps and caps not designated as cash flow hedges had an aggregate notional amount of $1.6 billion at December 31, 2015. The aggregate fair value of these interest rate swaps and caps included in other assets was $31 million and the aggregate fair value included in other liabilities was $31 million. These interest rate swaps and caps were entered into as accommodations to certain of our commercial borrowers.

See Note 12 to the consolidated financial statements for more information about our derivative positions.

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Off-Balance Sheet Arrangements

Commitments

We routinely enter into commitments to extend credit to our customers, including commitments to fund loans or lines of credit and commercial and standby letters of credit. The credit risk associated with these commitments is essentially the same as that involved in extending loans to customers and they are subject to our normal credit policies and approval processes. While these commitments represent contractual cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. The following table details our outstanding commitments to extend credit as of December 31, 2015 (in thousands):

| | Covered | Non-Covered | Total |
|---|---|---|---|
| Commitments to fund loans | $— | $521,008 | $521,008 |
| Commitments to purchase loans | — | 60,265 | 60,265 |
| Unfunded commitments under lines of credit | 17,689 | 1,661,300 | 1,678,989 |
| Commercial and standby letters of credit | — | 59,240 | 59,240 |
| | $17,689 | $2,301,813 | $2,319,502 |

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Contractual Obligations

The following table contains supplemental information regarding our significant outstanding contractual obligations, including interest to be paid on FHLB advances, long-term borrowings and time deposits, as of December 31, 2015 (in thousands):

| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
|---|---|---|---|---|---|
| FHLB advances | $4,050,984 | $2,756,816 | $1,215,961 | $78,207 | $— |
| 4.875% Senior notes due 2025 | 595,000 | 19,500 | 39,000 | 39,000 | 497,500 |
| Operating lease obligations | 177,175 | 22,865 | 44,233 | 36,426 | 73,651 |
| Time deposits | 4,680,183 | 2,874,780 | 1,469,756 | 335,617 | 30 |
| Capital lease obligations | 18,030 | 1,686 | 3,537 | 3,812 | 8,995 |
| | $9,521,372 | $5,675,647 | $2,772,487 | $493,062 | $580,176 |

Non-GAAP Financial Measures

Net income, diluted earnings per common share, return on average assets and return on average stockholders' equity, excluding the impact of a discrete income tax benefit and related professional fees are non-GAAP financial measures. Management believes disclosure of these measures enhances readers' ability to compare the Company's financial performance for the current period to that of other periods presented. The following tables reconcile these non-GAAP financial measurements to the comparable GAAP financial measurements of net income, diluted earnings per common share, return on average assets and return on average stockholders' equity for the year ended December 31, 2015 (in thousands except share and per share data):

| | | |
|---|---|---|
| Net income excluding the impact of a discrete income tax benefit and related professional fees: | | |
| Net income (GAAP) | $251,660 | |
| Less discrete income tax benefit | (49,323 | ) |
| Add back related professional fees, net of tax of $524 | 801 | |
| Net income excluding the impact of a discrete income tax benefit and related professional fees (non-GAAP) | $203,138 | |
| | | |
| Diluted earnings per common share, excluding the impact of a discrete income tax benefit and related professional fees: | | |
| Diluted earnings per common share (GAAP) | $2.35 | |
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees (non-GAAP) | (0.47 | ) |
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees allocated to participating securities (non-GAAP) | 0.02 | |
| Diluted earnings per common share, excluding the impact of a discrete income tax benefit and related professional fees (non-GAAP) | $1.90 | |
| | | |
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees: | | |
| Discrete income tax benefit and related professional fees, net of tax | $(48,522 | ) |
| Weighted average shares for diluted earnings per share (GAAP) | 102,972,150 | |
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees (non-GAAP) | $(0.47 | ) |
| | | |
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees allocated to participating securities: | | |
| Discrete income tax benefit and related professional fees, net of tax, allocated to participating securities | $1,881 | |
| Weighted average shares for diluted earnings per share (GAAP) | 102,972,150 | |

| | |
|---|---|
| Impact on diluted earnings per common share of discrete income tax benefit and related professional fees allocated to participating securities (non-GAAP) | $0.02 |

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| | | |
|---|---|---|
| Return on average assets excluding the impact of a discrete income tax benefit and related professional fees: | | |
| Return on average assets (GAAP) | 1.18 | % |
| Less impact on return on average assets of discrete income tax benefit and related professional fees | (0.23 | )% |
| Return on average assets excluding the impact of a discrete income tax benefit and related professional fees (non-GAAP) | 0.95 | % |
| | | |
| Impact on return on average assets of discrete income tax benefit and related professional fees: | | |
| Discrete income tax benefit and related professional fees, net of tax | $(48,522 | ) |
| Average assets (GAAP) | 21,293,911 | |
| Impact on return on average assets of discrete income tax benefit and related professional fees (non-GAAP) | (0.23 | )% |
| | | |
| Return on average stockholders' equity excluding the impact of a discrete income tax benefit and related professional fees: | | |
| Return on average stockholders' equity (GAAP) | 11.62 | % |
| Less impact on return on average stockholders' equity of discrete income tax benefit and related professional fees | (2.24 | )% |
| Return on average stockholders' equity excluding the impact of a discrete income tax benefit and related professional fees (non-GAAP) | 9.38 | % |
| | | |
| Impact on return on average stockholders' equity of discrete income tax benefit and related professional fees: | | |
| Discrete income tax benefit and related professional fees, net of tax | $(48,522 | ) |
| Average stockholder's equity (GAAP) | 2,165,515 | |
| Impact on return on average assets of discrete income tax benefit and related professional fees (non-GAAP) | (2.24 | )% |

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See the section entitled “Interest Rate Risk” included in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in Internal Control—Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BankUnited, Inc.:

We have audited the accompanying consolidated balance sheets of BankUnited, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BankUnited, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/KPMG LLP
February 26, 2016
Miami, Florida
Certified Public Accountants

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BankUnited, Inc.:

We have audited BankUnited, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BankUnited, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three year period ended December 31, 2015, and our report dated February 26, 2016 expressed an unqualified opinion on those consolidated financial statements.
/s/KPMG LLP
February 26, 2016
Miami, Florida
Certified Public Accountants

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks: | | |
| Non-interest bearing | $31,515 | $46,268 |
| Interest bearing | 39,613 | 33,979 |
| Interest bearing deposits at Federal Reserve Bank | 192,366 | 100,596 |
| Federal funds sold | 4,006 | 6,674 |
| Cash and cash equivalents | 267,500 | 187,517 |
| Investment securities available for sale, at fair value | 4,859,539 | 4,585,694 |
| Investment securities held to maturity | 10,000 | 10,000 |
| Non-marketable equity securities | 219,997 | 191,674 |
| Loans held for sale | 47,410 | 1,399 |
| Loans (including covered loans of $809,540 and $1,043,864) | 16,636,603 | 12,414,769 |
| Allowance for loan and lease losses | (125,828) | (95,542) |
| Loans, net | 16,510,775 | 12,319,227 |
| FDIC indemnification asset | 739,880 | 974,704 |
| Bank owned life insurance | 225,867 | 215,065 |
| Equipment under operating lease, net | 483,518 | 314,558 |
| Deferred tax asset, net | 105,577 | 117,215 |
| Goodwill and other intangible assets | 78,330 | 68,414 |
| Other assets | 335,074 | 225,062 |
| Total assets | $23,883,467 | $19,210,529 |