BankUnited, Inc.
Form 10-K
February 26, 2015

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, 2014
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, 2014 was $3,320,080,057.

The number of outstanding shares of the registrant's common stock, $0.01 par value, as of February 24, 2015, was 102,182,306.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2015 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;
- 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 the coastal regions of Florida and the New York metropolitan area;
- natural or man-made disasters;
- risks related to the regulation of our industry;
- credit risk;
- inadequate allowance for credit losses;
- interest rate risk;
- liquidity risk;
- loss of executive officers or key personnel;
- competition;
- dependence on information technology 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);
- 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.

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") 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 with $19.1 billion of assets at December 31, 2014, provides a full range of banking services to individual and corporate customers through 100 branches located in 15 Florida counties and 6 banking centers in the New York metropolitan area. The Company has built, through organic growth and acquisitions, a premier regional bank with a low-risk, long-term value oriented business model focused on small and medium sized businesses and consumers. We endeavor to provide 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 of 33,350,000 shares of our common stock, 4,000,000 of which was sold by us, for which we received proceeds, after deducting underwriting discounts and estimated offering expenses, of approximately $98.6 million. We refer to this transaction as the IPO.

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, or the Loss Sharing Agreements, which 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, 2014, the covered assets, consisting of residential loans and OREO, had an aggregate carrying value of $1.1 billion. The total UPB of the covered assets at December 31, 2014 was $2.7 billion.

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The following charts illustrate the percentage of total assets represented by covered assets and the FDIC indemnification asset at December 31, 2014, 2013 and 2012:

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, 2014 was $975 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 $2.6 billion for claims submitted to the FDIC under the Loss Sharing Agreements as of December 31, 2014.

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 loans. The Commercial Shared-Loss Agreement provides for FDIC loss sharing for five years from May 21, 2009 and 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 or non-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, 2014 for non-residential loans and May 21, 2019 for residential loans) and the FDIC refuses to consent, then the Single Family Shared-Loss Agreement and the Commercial Shared-Loss Agreement, as applicable, will be extended for two years after their respective anniversaries. The terms of the Loss Sharing Agreements are extended 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 dates, and any losses incurred will be covered under the Loss Sharing Agreements. 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 Agreements.

With respect to the Commercial Shared-Loss Agreement, FDIC loss sharing terminated on May 21, 2014. In accordance with the terms of the Commercial Shared-Loss Agreement as discussed above, 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.

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Our Market Areas

Our primary banking markets are Florida, in particular 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. Our competitive strengths, including experienced management and lending teams, a robust capital position and scalable platform, continue to allow us to take advantage of opportunities in both markets. Florida has shown signs of continued economic recovery, which we expect will enhance opportunities for growth in that market. According to estimates from the United States Census Bureau and SNL Financial, from 2010 to 2014, Florida added over 850 thousand new residents, the sixth most of any U.S. state, and, in 2014, had a total population of 19.7 million and a median household annual income of $44,318. The Florida unemployment rate decreased to 5.6% at December 31, 2014. The Case-Shiller home price index for Florida reflected a year over year increase of 9% at September 30, 2014. At December 31, 2014, we had 100 branches throughout Florida.

Through the acquisition of Herald National Bank ("Herald"), we entered the Tri-State market in February, 2012. In March, 2013, Herald was merged into BankUnited and BankUnited launched its operations in the Tri-State market. We had six banking centers in metropolitan New York at December 31, 2014 including four in Manhattan, one in Long Island and one in Brooklyn. According to SNL Financial, at June 30, 2014, the Tri-State area had approximately $1.6 trillion in deposits, with the majority of the market concentrated in the New York metropolitan area. The New York unemployment rate decreased to 5.8% at December 31, 2014. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the Northeast region reflected a year over year increase of 10% at September 30, 2014. The size and economic health of the 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 finance subsidiaries of BankUnited, we engage in equipment and municipal finance on a national basis.

Products and Services

Lending and Leasing

General—Our primary lending focus is to serve commercial 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, residential mortgages and consumer loans. We also purchase performing residential loans through established correspondent channels on a national basis. We do not originate or purchase negatively amortizing or sub-prime residential loans.

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, 2014, our loan portfolio included $11.3 billion in loans originated or purchased since the FSB Acquisition, or new loans, including $8.7 billion in commercial and commercial real estate loans, $2.5 billion in residential loans and $26 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, secured and unsecured commercial and working capital lines of credit, formula-based loans, mortgage warehouse lines, taxi medallion loans, letters of credit, an array of Small Business Administration product offerings and, to a lesser extent, acquisition finance credit facilities. Through three commercial finance 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 both loan and direct finance lease structures. United Capital Business Lending, Inc. ("UCBL"), headquartered in Baltimore, Maryland, offers small business equipment leases and loans with a primary focus on franchise equipment finance. Bridge Capital Leasing, Inc ("Bridge"), headquartered in Baltimore, Maryland, primarily provides transportation equipment finance through loan, direct finance lease and operating lease structures.

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 and free-standing 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

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owner-occupied and non-owner occupied properties. Construction lending is not a primary area of focus for us; construction and land loans comprised less than 2% of the loan portfolio at December 31, 2014.

Residential mortgages—At December 31, 2014, the portfolio of new 1-4 single family residential loans included $2.2 billion of purchased loans and $311 million of originated loans. We originate loans for portfolio and for sale into the secondary market. We purchase loans to supplement our mortgage origination platform and to geographically diversify our loan portfolio. While the credit parameters we use for purchased loans are substantially similar to the underwriting guidelines we use for originated loans, differences include: (i) loans are purchased on a nationwide basis, while originated loans have historically 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 loans to purchase, while such information is not available for originated loans. We intend to further expand our in-house residential mortgage origination channel. Additionally, we entered the mortgage servicing business in 2013; to date we have acquired two small servicing portfolios and have begun retaining servicing on residential loans sold into the secondary market. At December 31, 2014, the total amount of mortgage servicing rights was not significant. We anticipate growing this business at a moderate pace, depending on market conditions, to take advantage of existing mortgage servicing capacity.

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, 2014, consumer loans were not a material component of our loan portfolio.

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 and its duly appointed committees seek to ensure that the Company maintains high credit quality standards. The Company has 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 $260 million, at December 31, 2014. The in-house lending limit at December 31, 2014 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.

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 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, Asset/Liability Management, Compliance Risk Management, Operational Risk Management, Corporate Disclosure, and Loss Share Compliance committees.

Marketing and Distribution

We conduct our banking business through 100 branches located in 15 Florida counties as well as 6 banking centers in the New York metropolitan area as of December 31, 2014. Our distribution network also includes 104 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 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, Regions Bank, Santander, Sabadell, SunTrust Banks, TD Bank and Wells Fargo. 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 and 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.

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Regulation and Supervision

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

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 currently 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").

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.

The Company, 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.

History of the Company as a Regulated Entity

On May 21, 2009, we received approvals from the Office of Thrift Supervision ("OTS") and FDIC for the organization of BankUnited as a federal savings association, for the Company to become a savings and loan holding company ("SLHC"), and for BankUnited to obtain federal deposit insurance.

Subsequently, on February 13, 2012, we received approval of the Federal Reserve Board to become a bank holding company in connection with the conversion of BankUnited from a federal savings association to a national bank and the acquisition of Herald by BankUnited, Inc. On February 14, 2012, we received approval of the OCC to convert BankUnited to a national bank. In connection with the conversion, BankUnited made certain commitments to the OCC regarding the business and capital plans of BankUnited. BankUnited, Inc. consummated these transactions on February 29, 2012, and became a BHC as of that date. In March 2013, Herald was merged into BankUnited.

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;

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- 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.

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 the Company, and subsidiaries of the Company 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 items provide a brief description of certain provisions of the Dodd-Frank Act that are most relevant to the Company and its banking subsidiaries.

- 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, the Company 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 2015, the Company and the Bank will submit the results of their company-run stress test to the Federal Reserve Board and OCC by March 31 and will publish a public summary of the results between June 15 and June 30.
- Mortgage loan origination and risk retention. The Dodd-Frank Act contains additional regulatory requirements that may affect our operations and result in increased compliance costs. For example, 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

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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. On August 28, 2013, the OCC, the Federal Reserve Board, the FDIC, the SEC, the Federal Housing Finance Agency and the Department of Housing and Urban Development issued a proposed rule in connection with the risk retention requirement mandated by Section 941 of the Dodd-Frank Act. 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 entirely collateralized by "qualified residential mortgages" ("QRMs"), which are loans deemed to have a lower risk of default. The proposed rule defines QRMs to have the same meaning as the term "qualified mortgage," as defined by the Consumer Financial Protection Bureau ("CFPB"). In addition, the Proposed Rule provides for reduced risk retention requirements for qualifying commercial loan, commercial real estate loan and auto loan securitizations. On October 22, 2014, the same regulatory agencies adopted a final version of the rule, retaining the same general substantive risk retention framework as the proposed rule.

- 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 within the Federal Reserve Board. 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 would 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 no longer the institution's deposit base, but rather its 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.

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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 will affect most U.S. publicly traded companies, including the Company. 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. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage 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 may negatively impact our results of operations and financial condition.

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 "private equity funds and hedge 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 the Company and BankUnited. Banking entities with total assets of $10 billion or more, such as the Company and BankUnited, 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 planned 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

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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 the Company 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 the Company from engaging 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.

In addition, as a general matter, the establishment or acquisition by the Company 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 the Company and BankUnited are subject to regulatory capital requirements.

The Federal Reserve Board has established risk-based and leverage capital guidelines for BHCs, including the Company. 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 as of December 31, 2014, 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. The federal banking agencies subsequently adopted separate risk-based capital guidelines for so-called "core banks" based upon the Revised Framework for the International Convergence of Capital Measurement and Capital Standards ("Basel II") issued by the Basel Committee in November 2005, and most recently are in the process of implementing the revised framework referred to as "Basel III."

Basel I

The risk-based capital standards are designed to make regulatory capital more sensitive to differences in credit and market risk profiles among banks and BHCs and to account for off-balance sheet exposures. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. Under the Basel I-based guidelines, the minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet items such as standby letters of credit) was eight percent. At least half of total capital was required to be composed of tier 1 capital, which included common stockholders' equity (including retained earnings), qualifying non-cumulative perpetual preferred stock and, for BHCs only, a limited amount of qualifying cumulative perpetual preferred stock and a limited amount of trust preferred securities, and minority interests in the equity accounts of consolidated subsidiaries, less goodwill, other disallowed intangibles, and disallowed deferred tax assets, among other items. The Federal Reserve Board also adopted a minimum leverage ratio for BHCs, requiring tier 1 capital of at least three percent of average quarterly total consolidated assets (as defined for regulatory purposes), net of goodwill and certain other intangible assets.

The federal banking agencies also established risk-based and leverage capital guidelines that FDIC-insured depository institutions were required to meet. These regulations were generally similar to those established by the Federal Reserve Board for bank holding companies.

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Basel II

Under the final U.S. Basel II rules issued by the federal banking agencies, there were a small number of "core" banking organizations required to use the advanced approaches under Basel II for calculating risk-based capital related to credit risk and operational risk, instead of the methodology reflected in the regulations effective prior to adoption of Basel II. The rules also required core banking organizations to have rigorous processes for assessing overall capital adequacy in relation to their total risk profiles, and to publicly disclose certain information about their risk profiles and capital adequacy. The Company and BankUnited were not among the core banking organizations required to use Basel II advanced approaches.

Basel III

On December 16, 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, known as Basel III. The Basel III calibration and phase-in arrangements were subject to individual adoption by member nations, including the United States. Under these standards, when fully phased-in on January 1, 2019, banking institutions will be required to satisfy three risk-based capital ratios:

(i) A common equity tier 1 ratio of at least 7.0%, inclusive of 4.5% minimum common equity tier 1 ratio, net of regulatory deductions, and the new 2.5% "capital conservation buffer", of common equity to risk-weighted assets;

(ii) A tier 1 capital ratio of at least 8.5%, inclusive of the 2.5% capital conservation buffer; and

(iii) A total capital ratio of at least 10.5%, inclusive of the 2.5% capital conservation buffer.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a common equity tier 1 ratio above the minimum but below the conservation buffer may face constraints on dividends, equity repurchases, and compensation based on the amount of such shortfall. The Basel Committee also announced that a "countercyclical buffer" of 0% to 2.5% of common equity or other loss-absorbing capital "will be implemented according to national circumstances" as an "extension" of the conservation buffer during periods of excess credit growth. The countercyclical buffer would not apply to the Company or BankUnited.

Basel I and Basel II did not include a leverage requirement as an international standard. However, Basel III includes a non-risk adjusted tier 1 leverage ratio of 4%, based on a measure of total exposure rather than total assets and new liquidity standards.

On November 4, 2011 the Basel Committee issued its final rule setting forth proposals to apply a new common equity tier 1 surcharge to certain designated global systemically important banks ("GSIBs"). On November 1, 2012, using the Basel Committee's methodology, the Financial Stability Board and the Basel Committee identified 28 financial institutions determined to be GSIBs. The group of GSIBs is updated annually and published by the Financial Stability Board each November. The Company has not been designated as a GSIB.

U.S. Implementation of Basel III

In July 2013, the federal banking agencies published final rules (the "Basel III Capital Rules") that revised their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to implement, in part, agreements reached by the Basel Committee and certain provisions of the Dodd-Frank Act. While some provisions are tailored to larger institutions, the Basel III Capital Rules generally apply to all banking organizations, including the Company 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 are 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.

The Basel III Capital Rules also provide a permanent exemption from the proposed phase out of existing trust preferred securities and cumulative perpetual preferred stock from regulatory capital for banking organizations with less than $15 billion in total assets, while also implementing stricter eligibility requirements for regulatory capital instruments that should serve 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 also provide additional constraints on the inclusion of minority interests, mortgage

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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 could increase the required capital levels of the Company and BankUnited. The Basel III Capital Rules became effective as applied to the Company and BankUnited on January 1, 2015, with a phase in period from January 1, 2015 through January 1, 2019. The Company is incorporating the Basel III Capital Rules into its company-run stress tests beginning with the 2014-2015 stress-test cycle.

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 October 24, 2013, the Federal Reserve Board issued a proposed rule implementing a LCR requirement in the United States for larger banking organizations. On September 3, 2014, the Federal Reserve Board finalized the rule implementing a LCR requirement in a form largely identical to the proposed rule. Neither the Company 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.

The Company cannot determine the ultimate effect that additional potential future legislation, or subsequent additional regulations, if enacted, would have upon the Company's earnings or financial position.

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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, 2014, 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 6.0% or greater, 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, 2014, the Company and BankUnited were well capitalized.
As noted above, as of January 1, 2015, 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.
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 the Company, including dividend payments.
BankUnited may not pay dividends to the Company 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 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.

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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. 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, and BankUnited may only obtain advances for the purpose of providing funds for residential housing finance. 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 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 the Company or BankUnited finds a name on any transaction, account or wire transfer that is on an OFAC list, the

Company or BankUnited must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

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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 federal banking 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 the Company or BankUnited applies for regulatory approval to make certain investments, the regulators will consider the CRA record of target institutions and the Company's depository institution subsidiaries. An unsatisfactory CRA record could substantially delay approval or 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."

Changes in Laws, Regulations or Policies

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 legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on our business,

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financial condition or results of operations. The Dodd-Frank Act is in the process of imposing substantial changes to the regulatory framework applicable to us and our subsidiaries. The majority of these changes will be implemented over time by various regulatory agencies. The full effect that these changes will have on us remains uncertain at this time and may have a material adverse effect on our business and results of operations.

Employees

At December 31, 2014, we employed 1,569 full-time employees and 78 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

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

Markets and economic conditions in the United States have generally improved from the economic downturn at the end of the last decade. Although real estate prices, unemployment rates and other economic indicators have improved, they have yet to return to pre-downturn levels. The potential for economic disruption continues and there can be no assurance that economic conditions will continue to improve. A slowing of improvement or a return to deteriorating 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 earnings; 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 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.

Risks Related to Our Business

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 assure repayment. Credit losses are inherent in the business of making loans. To a lesser extent, we have credit risk 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 certain legacy 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, particularly as our new 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, internal risk ratings, loss forecasts, collateral values, delinquency rates, historical loss severities, the level of non-performing and restructured loans in the loan portfolio, product mix, underwriting practices, credit administration, portfolio trends, industry conditions, economic trends and net charge-off trends. The effects of any decreases in expected cash flows on covered loans are also considered in the establishment of the allowance for credit losses.

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."

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, 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 directly impact equity through adjustments of accumulated other comprehensive income. 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 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. Similarly, 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.

We attempt to manage interest rate risk by adjusting the rates, maturity, repricing, 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. 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.

Ineffective liquidity management 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 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. 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 advances 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. There is no guarantee that we will be able to successfully 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 and succeed in consummating future acquisitions, acquisitions involve risks that the acquired businesses may not achieve anticipated revenue, earnings or cash flows. 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 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 the coastal regions of Florida and the New York metropolitan area makes our business highly susceptible to local economic conditions.

Unlike larger financial institutions that are more geographically diversified, our operations are concentrated in the coastal regions of 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 market 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;

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- 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 such as the 2010 Gulf of Mexico oil spill 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.

Delinquencies and defaults in residential mortgages have created a backlog in courts, where subject to judicial foreclosure, and an increase in the amount of legislative action that might restrict or delay our ability to foreclose and hence delay the collection of payments for single family residential loans under the Loss Sharing Agreements.

For the single family residential loans covered by the Loss Sharing Agreements, we cannot collect loss share payments until we liquidate the properties securing those loans. These loss share payments could be delayed by an extended foreclosure process, including delays resulting from a court backlog, local or national foreclosure moratoriums or other delays, and these delays could have a material adverse effect on our results of operations. Homeowner protection laws may also delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans. Any such limitations are likely to cause delayed or reduced collections from mortgagors. Any restriction on our ability to foreclose on a loan, any requirement that we forgo a portion of the amount otherwise due on a loan or any requirement that we modify any original loan terms could negatively impact our business, financial condition, liquidity and 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.

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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, 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. The borrowers' 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, 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.

Although we have the Loss Sharing Agreements with the FDIC, these agreements do not cover 100% of the losses attributable to covered assets. In addition, the Loss Sharing Agreements will not mitigate any losses on our non-covered assets.

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 shifts 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 are carefully monitoring the potential impact of declines in oil and natural gas prices on our equipment on operating lease, there is no assurance that the values of this portfolio will not be adversely impacted by conditions in the energy industry.

Our reported financial results depend on management's selection and application of accounting 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 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 reviews 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.

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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 decrease our growth or profits.

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, 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 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.

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.

Operational Risks

We are subject to a variety of operational, legal and compliance risks, and 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 and third-party servicers. 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, many of which are provided by third parties. We rely on third-party servicers 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. 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, or the termination of a third-party software license or service agreement on which any of these systems is based, 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.

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, or failure of a vendor to provide services for any reason or poor performance of services, 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 hurt our operations if those difficulties interfere with the vendor's ability to serve us. 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 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.

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, may also adversely impact our reputation. 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 us, 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, capital base and the price of our securities. Further, any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business and financial condition.

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 the provisions of the Dodd-Frank Act will ultimately be implemented by the various regulatory agencies and the full extent of the impact of the requirements on our operations is 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."

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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.

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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.

We will become subject to more stringent capital requirements under the Basel III Capital Rules.

As noted above, the Dodd-Frank Act required the federal banking agencies to establish stricter risk-based capital requirements and leverage limits to apply to banks and bank and savings and loan holding companies. In July 2013, the federal banking agencies published the final Basel III Capital Rules that revised their risk-based and leverage capital requirements and their method for calculating risk-weighted assets. The Basel III Capital Rules will apply to banking organizations, including the Company and BankUnited.

As a result of the enactment of the Basel III Capital Rules, the Company and BankUnited will be subject to increased required capital levels. The Basel III Capital Rules become effective as applied to the Company and BankUnited on January 1, 2015, with a phase in period that generally extends from January 1, 2015 through January 1, 2019.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2014, 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, 2014, we provided banking services at 100 branch locations in 15 Florida counties. Of the 100 branch properties, we leased 331,699 square feet in 93 locations and owned 32,416 square feet in 7 locations. We also leased 10,747 square feet of property and owned 4,000 square feet of property in Florida for future retail branch operations. Additionally, we leased 19,185 square feet of office space and 5,580 square feet of warehouse space.

At December 31, 2014, 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 61,040 square feet of office space in New York in 4 locations.

At December 31, 2014, 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 2,229 square feet of office and operations space in Orlando, Florida and Austin, Texas used by Bridge.

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

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

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, 2015 was $32.79 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:

	2014		2013	
	High	Low	High	Low
1st Quarter	$34.77	$30.45	$28.69	$24.22
2nd Quarter	35.38	31.36	27.00	24.17
3rd Quarter	34.13	30.34	31.47	26.25
4th Quarter	30.95	27.66	33.34	30.35

As of February 24, 2015, there were 580 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 2015 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 2014 and 2013 resulting in total dividends for 2014 and 2013 of $87.9 million and $87.1 million, respectively, or $0.84 per share for each of the years ended December 31, 2014 and 2013. 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, 2014, 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	6/30/2011	12/31/2011	6/30/2012	12/31/2012	6/30/2013	12/31/2013	6/30/2014	12/31/2014
BankUnited, Inc.	100.00	94.40	79.24	86.17	90.75	97.37	125.05	129.60	113.73
S&P 500	100.00	104.36	100.51	110.05	116.60	132.72	154.36	165.38	175.49
S&P Bank	100.00	92.40	88.70	106.19	110.19	133.72	149.55	158.73	172.75

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 at December 31, 2014, 2013, 2012, 2011 and 2010 and for the years then ended is derived from our audited consolidated financial statements.

	At December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$187,517	$252,749	$495,353	$303,742	$564,774
Investment securities available for sale, at fair value	4,585,694	3,637,124	4,172,412	4,181,977	2,926,602
Loans, net	12,319,227	8,983,884	5,512,618	4,088,656	3,875,857
FDIC indemnification asset	974,704	1,205,117	1,457,570	2,049,151	2,667,401
Total assets	19,210,529	15,046,649	12,375,953	11,322,038	10,869,560
Deposits	13,511,755	10,532,428	8,538,073	7,364,714	7,163,728
Federal Home Loan Bank advances and other borrowings	3,318,559	2,414,313	1,925,094	2,236,337	2,255,692
Total liabilities	17,157,995	13,117,951	10,569,273	9,786,758	9,616,052
Total stockholder's equity	2,052,534	1,928,698	1,806,680	1,535,280	1,253,508
Covered assets	1,053,317	1,730,182	2,149,009	2,754,668	3,814,086

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(dollars in thousands, except per share data)				
Consolidated Income Statement Data:					
Interest income	$783,744	$738,821	$720,856	$638,097	$557,688
Interest expense	106,651	92,611	123,269	138,937	168,200
Net interest income	677,093	646,210	597,587	499,160	389,488
Provision for loan losses	41,505	31,964	18,896	13,828	51,407
Net interest income after provision for loan losses	635,588	614,246	578,691	485,332	338,081
Non-interest income (1)	84,165	68,049	73,941	163,217	297,779
Non-interest expense (2)	426,503	364,293	307,767	455,805	323,320
Income before income taxes	293,250	318,002	344,865	192,744	312,540
Provision for income taxes	89,035	109,066	133,605	129,576	127,805
Net income	$204,215	$208,936	$211,260	$63,168	$184,735
Share Data:					
Earnings per common share, basic	$1.95	$2.03	$2.05	$0.63	$1.99
Earnings per common share, diluted	$1.95	$2.01	$2.05	$0.62	$1.99
Cash dividends declared per common share	$0.84	$0.84	$0.72	$0.56	$0.37
Dividend payout ratio	43.06 %	41.73 %	35.13 %	90.32 %	18.59 %
Other Data (unaudited):					
Financial ratios					
Return on average assets	1.21 %	1.55 %	1.71 %	0.58 %	1.65 %
Return on average common equity	10.13 %	11.16 %	12.45 %	4.34 %	15.43 %
Yield on earning assets (3)	5.33 %	6.54 %	7.28 %	7.92 %	7.26 %
Cost of interest bearing liabilities	0.87 %	0.94 %	1.33 %	1.62 %	1.81 %
Equity to assets ratio	10.68 %	12.82 %	14.60 %	13.56 %	11.53 %

Interest rate spread (3)	4.46	%	5.60	%	5.95	%	6.30	%	5.45	%
Net interest margin (3)	4.61	%	5.73	%	6.05	%	6.21	%	5.08	%
Loan to deposit ratio (4)	91.89	%	85.96	%	65.28	%	56.23	%	54.96	%
Asset quality ratios										
Non-performing loans to total loans(4)(5)	0.31	%	0.39	%	0.62	%	0.70	%	0.66	%
Non-performing assets to total assets (6)	0.27	%	0.51	%	0.89	%	1.35	%	2.14	%
ALLL to total loans	0.77	%	0.77	%	1.06	%	1.17	%	1.48	%
ALLL to non-performing loans (5)	244.69	%	195.52	%	171.21	%	167.59	%	226.35	%
Non-covered ALLL to non-covered non-performing loans (5)	281.54	%	246.73	%	256.65	%	859.34	%	191.56	%
Net charge-offs to average loans	0.15	%	0.31	%	0.17	%	0.62	%	0.37	%
Non-covered net charge-offs to average non-covered loans	0.08	%	0.34	%	0.09	%	0.36	%	0.04	%

	At December 31,									
	2014		2013		2012		2011		2010	
Capital ratios										
Tier 1 risk-based capital	15.45	%	21.06	%	33.60	%	41.62	%	42.97	%
Total risk-based capital	16.27	%	21.93	%	34.88	%	42.89	%	43.71	%
Tier 1 leverage	10.70	%	12.42	%	13.16	%	13.06	%	10.76	%

(1) Includes accretion of FDIC indemnification asset for the years ended December 31, 2011 and 2010.

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

(3) On a tax-equivalent basis.

(4) Total loans is net of premiums, discounts and deferred fees and costs.

(5) 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. The carrying value of ACI loans contractually delinquent by more than 90 days, but not identified as non-performing was $23 million, $78 million, $177 million, $361 million and $718 million at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

(6) Non-performing assets include non-performing loans and OREO.

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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, 2014 was $204.2 million or $1.95 per diluted share, compared to $208.9 million or $2.01 per diluted share for the year ended December 31, 2013. Earnings for 2014 generated a return on average stockholders' equity of 10.13% and a return on average assets of 1.21%.
- Net interest income for 2014 was $677.1 million, an increase of $30.9 million over the prior year. The net interest margin, calculated on a tax-equivalent basis, decreased to 4.61% for 2014 from 5.73% for 2013. 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, 2014 and 2013 (on a tax-equivalent basis):

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- 2014 was marked by strong loan growth across our market and portfolio segments. New loans grew by $4.0 billion, excluding the impact of the sale of $303 million of indirect auto loans in the second quarter, to $11.3 billion at December 31, 2014. New loan growth was concentrated in the commercial portfolio, commensurate with our core business strategy. The following charts compare the composition of our loan portfolio by portfolio segment and of our new loan portfolio by region at December 31, 2014 and 2013.

(1) National platform is defined as loans and leases made by our commercial finance subsidiaries, purchased residential mortgage loans, mortgage warehouse loans and until their sale in the second quarter of 2014, indirect auto loans.

- Loss sharing under the terms of BankUnited, N.A.'s Commercial Shared-Loss Agreement with the FDIC terminated on May 21, 2014. The sale of covered commercial and consumer loans and commercial OREO in anticipation of the termination resulted in a net favorable pre-tax impact on earnings of $12.2 million, inclusive of the impact of FDIC loss sharing and direct expenses of the sale.
- The Company's effective tax rate decreased to 30.4% for the year ended December 31, 2014 from 34.3% for the year ended December 31, 2013. The decrease in the effective tax rate reflected increases in income not subject to federal tax, benefits resulting from state tax law changes, changes in certain state tax positions and an increase in the amount of reserves for uncertain state tax positions released as a result of the lapse in the statute of limitations related thereto.

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- Total deposits grew by $3.0 billion for the year ended December 31, 2014 to $13.5 billion, including deposits of $1.6 billion in New York. The weighted average cost of deposits declined to 0.61% for the year ended December 31, 2014 from 0.65% for the year ended December 31, 2013. The following charts illustrate the composition of deposits at December 31, 2014 and 2013:

- Asset quality remained strong. At December 31, 2014, 99% 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 0.29% and the ratio of non-covered non-performing assets to total assets was 0.17% at December 31, 2014. 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, 2014, 2013 and 2012 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 $10-25 billion and $1-5 billion in market capitalization.

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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, 2014 and 2013:

BankUnited, Inc:

BankUnited, N.A.:

Opportunities and Challenges

Management has identified significant opportunities for our Company, including:

- Economic recovery continued across our market areas in 2014. Florida unemployment declined to 5.6% in December 2014 from 6.3% in December 2013. Similarly, unemployment in New York declined to 5.8% from 7.0% and

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nationally to 5.6% from 6.7% over the same period. Our capital position, market presence and experienced lending and deposit gathering 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.

- 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.

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 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 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 and default curves 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. 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 or the rate of accretion on these loans.

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 accretion or 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 and derivative instruments. Assets that may be measured at fair value on a non-recurring basis include OREO, impaired loans, loans held for sale, goodwill, intangible assets, mortgage servicing rights 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.

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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 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 17 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 Agreement

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 carrying amount of investment securities, loans, the FDIC indemnification asset, goodwill, net deferred tax assets, deposit liabilities, and FHLB advances were materially impacted by these adjustments. The reported amounts of the assets identified above 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 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 or accretion 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 loans and OREO 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."

These factors may 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 need 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 8.0%, 14.4%, and 29.1% of total loans, net of premiums, discounts and deferred fees and costs, at December 31, 2014, 2013 and 2012, respectively. As this trend continues, we expect our net interest margin and interest rate spread to decrease. 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, 2013 and 2012 was impacted by proceeds from loans in this pool. The UPB of loans remaining in this pool was insignificant at December 31, 2014.

Fair value adjustments of interest earning assets and interest bearing liabilities recorded at the time of the FSB Acquisition are accreted to interest income or expense over the lives of the related assets or liabilities. Generally, accretion of these fair value adjustments increases interest income and decreases interest expense, and thus has a positive impact on our net interest income, net interest margin and interest rate spread. Accretion of fair value adjustments on interest bearing liabilities has not had a significant impact on interest expense in the last two years. The impact of accretion of fair value adjustments on interest income will continue to decline as these assets mature or are repaid and constitute a smaller portion of total interest earning assets.

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, 2014, 2013 and 2012, 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):

	2014 Average Balance	Interest(1)	Yield/ Rate(1)	2013 Average Balance	Interest(1)	Yield/ Rate(1)	2012 Average Balance	Interest(1)	Yield/ Rate(1)
Assets:									
Interest earning assets:									
Loans	$10,536,287	$678,274	6.44 %	$6,817,786	$625,948	9.18 %	$4,887,209	$588,950	12.05 %
Investment securities (2)	3,984,543	111,471	2.80 %	4,135,407	117,289	2.84 %	4,611,379	135,833	2.95 %
Other interest earning assets	453,252	7,845	1.73 %	500,306	5,342	1.07 %	522,184	4,931	0.94 %
Total interest earning assets	14,974,082	797,590	5.33 %	11,453,499	748,579	6.54 %	10,020,772	729,714	7.28 %
Allowance for loan and lease losses	(76,606)			(62,461)			(56,463)		
Non-interest earning assets	1,928,564			2,057,923			2,387,719		
Total assets	$16,826,040			$13,448,961			$12,352,028		
Liabilities and Stockholders' Equity:									
Interest bearing liabilities:									
Interest bearing demand deposits	$773,655	3,254	0.42 %	$582,623	2,698	0.46 %	$504,614	3,155	0.63 %
Savings and money market deposits	5,092,444	25,915	0.51 %	4,280,531	20,620	0.48 %	3,912,444	24,093	0.62 %
Time deposits	3,716,611	43,792	1.18 %	2,844,377	37,248	1.31 %	2,632,451	38,930	1.48 %
Total interest bearing deposits	9,582,710	72,961	0.76 %	7,707,531	60,566	0.79 %	7,049,509	66,178	0.94 %
FHLB advances and other borrowings	2,623,924	33,690	1.28 %	2,098,231	32,045	1.53 %	2,240,345	57,091	2.55 %
Total interest bearing liabilities	12,206,634	106,651	0.87 %	9,805,762	92,611	0.94 %	9,289,854	123,269	1.33 %
	2,366,621			1,586,007			1,099,448		

Non-interest bearing demand deposits									
Other non-interest bearing liabilities	235,930			184,645			265,399		
Total liabilities	14,809,185			11,576,414			10,654,701		
Stockholders' equity	2,016,855			1,872,547			1,697,327		
Total liabilities and stockholders' equity	$16,826,040			$13,448,961			$12,352,028		
Net interest income		$690,939			$655,968			$606,445	
Interest rate spread			4.46 %			5.60 %			5.95 %
Net interest margin			4.61 %			5.73 %			6.05 %

(1) On a tax-equivalent basis where applicable
(2) At fair value except for investment 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):

	2014 Compared to 2013			2013 Compared to 2012		
	Change Due to Volume	Change Due to Rate	Increase (Decrease)	Change Due to Volume	Change Due to Rate	Increase (Decrease)
Interest Income Attributable to:						
Loans	$239,133	$(186,807)	$52,326	$177,261	$(140,263)	$36,998
Investment securities	(4,164)	(1,654)	(5,818)	(13,471)	(5,073)	(18,544)
Other interest earning assets	(799)	3,302	2,503	(268)	679	411
Total interest income	234,170	(185,159)	49,011	163,522	(144,657)	18,865
Interest Expense Attributable to:						
Interest bearing demand deposits	789	(233)	556	401	(858)	(457)
Savings and money market deposits	4,011	1,284	5,295	2,004	(5,477)	(3,473)
Time deposits	10,242	(3,698)	6,544	2,793	(4,475)	(1,682)
Total interest bearing deposits	15,042	(2,647)	12,395	5,198	(10,810)	(5,612)
FHLB advances and other borrowings	6,891	(5,246)	1,645	(2,194)	(22,852)	(25,046)
Total interest expense	21,933	(7,893)	14,040	3,004	(33,662)	(30,658)
Increase (decrease) in net interest income	$212,237	$(177,266)	$34,971	$160,518	$(110,995)	$49,523

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 included:

- New loans originated at lower market rates of interest comprised a greater percentage of the portfolio for the year ended December 31, 2014 than for the comparable period in 2013. 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. 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 3.56% for the year ended December 31, 2014 from 3.76% for the year ended December 31, 2013, primarily reflecting the addition of loans to the portfolio at lower market rates.
- 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. 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, which accounted for a 0.65% decrease in the yield. Interest income on loans included $30.9 million and $50.6 million in proceeds from sales

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of loans in this pool for the years ended December 31, 2014 and 2013, respectively. The impact on interest income of sales of loans from this pool will not be significant in the future.

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 components of the increase in interest expense for the year ended December 31, 2014 as compared to the year ended December 31, 2013 were a $12.4 million increase in interest expense on deposits and a $1.6 million increase in interest expense on FHLB advances and other borrowings. The most significant factor contributing to the increase in interest expense on deposits was an increase of $1.9 billion in average interest bearing deposits. This was partially offset by a decline in market interest rates on time deposits, leading to a decrease in the average rate paid on interest bearing deposits to 0.76% for the year ended December 31, 2014 from 0.79% for the year ended December 31, 2013. The average rate paid on FHLB advances and other borrowings, inclusive of the impact of cash flow hedges and fair value accretion, declined by 0.25% to 1.28% for the year ended December 31, 2014 from 1.53% for the year ended December 31, 2013. This decline reflected the impact of the maturity of higher rate advances and the addition of new advances at lower market interest rates.

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 borrowings, as discussed above. We expect the net interest margin and interest rate spread to continue to decline as the composition of the loan portfolio shifts away from higher yielding loans acquired in the FSB Acquisition into new loans originated at lower current market rates of interest. 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.

Year ended December 31, 2013 compared to year ended December 31, 2012

Net interest income, calculated on a tax equivalent basis, was $656.0 million for the year ended December 31, 2013 compared to $606.4 million for the year ended December 31, 2012, an increase of $49.5 million. The increase in net interest income was comprised of an increase in interest income of $18.9 million and a decrease in interest expense of $30.7 million.

The increase in tax equivalent interest income resulted primarily from a $37.0 million increase in interest income from loans offset by an $18.5 million decrease in interest income from investment securities available for sale.

Increased interest income from loans was attributable to a $1.9 billion increase in the average balance outstanding partially offset by a 2.87% decrease in the tax-equivalent yield to 9.18% for the year ended December 31, 2013 from 12.05% for the year ended December 31, 2012. 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, 2013 than for the comparable period in 2012. New loans represented 75.6% of the average balance of loans outstanding for the year ended December 31, 2013 as compared to 55.8% for the year ended December 31, 2012.
- The tax-equivalent yield on new loans declined to 3.76% for the year ended December 31, 2013 from 4.34% for the year ended December 31, 2012, primarily reflecting the addition of loans to the portfolio at lower market rates.
- Interest income on loans acquired in the FSB Acquisition totaled $431.1 million and $469.8 million for the years ended December 31, 2013 and 2012, respectively. The tax-equivalent yield on those loans increased to 26.02% for the year ended December 31, 2013 from 21.80% for the year ended December 31, 2012. The increase in the yield on loans acquired in the FSB Acquisition resulted primarily from (i) improvements in the timing and amount of expected cash flows from ACI loans and corresponding transfers from non accretable difference to accretable yield and (ii) an increase 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, which accounted for a 1.66% increase in the yield on loans acquired in the FSB Acquisition. Interest income on loans included $50.6 million and $29.9 million in proceeds from sales of loans in this

pool for the years ended December 31, 2013 and 2012, respectively.

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The average balance of investment securities available for sale decreased by $476 million for the year ended December 31, 2013 from the year ended December 31, 2012 while the tax equivalent yield declined to 2.84% for the year ended December 31, 2013 from 2.95% for the same period in 2012. The decline in yield resulted from lower prevailing market interest rates and changes in portfolio composition. The decline in average balance resulted from sales of investment securities, discussed further in the sections entitled “Non Interest Income” and “Analysis of Financial Condition-Investment Securities Available for Sale.”

The primary components of the decrease in interest expense for the year ended December 31, 2013 as compared to the year ended December 31, 2012 were a $5.6 million decline in interest expense on deposits and a $25.0 million decline in interest expense on FHLB advances and other borrowings. The most significant factor contributing to the decline in interest expense on deposits was a decline in market interest rates, leading to a decrease in the average rate paid on interest bearing deposits to 0.79% for the year ended December 31, 2013 from 0.94% for the year ended December 31, 2012. This decrease was partially offset by an increase of $658 million in average interest bearing deposits. The average rate paid on FHLB advances and other borrowings, inclusive of the impact of cash flow hedges and fair value accretion, declined by 1.02% to 1.53% for the year ended December 31, 2013 from 2.55% for the year ended December 31, 2012. This decline reflected the impact of the extinguishment and maturity of higher rate advances.

The net interest margin, calculated on a tax equivalent basis, for the year ended December 31, 2013 was 5.73% as compared to 6.05% for the year ended December 31, 2012, a decrease of 32 basis points. The interest rate spread decreased to 5.60% for the year ended December 31, 2013 from 5.95% for the year ended December 31, 2012. 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 borrowings, as discussed above.

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 and Note 1 to the consolidated financial statements for more information about how we determine the appropriate level of the allowance.

For the years ended December 31, 2014, 2013 and 2012, we recorded provisions for loan losses of $41.7 million, $33.7 million and $19.4 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.

Since the recognition of a provision for (recovery of) loan losses on covered loans represents an increase (reduction) in the amount of reimbursement we ultimately expect to receive from the FDIC, we also record an increase (decrease) in the FDIC indemnification asset for the present value of the projected increase (reduction) in reimbursement, with a corresponding increase (decrease) in non-interest income, recorded in “Net loss on FDIC indemnification” as discussed below in the section entitled “Non-interest income.” Therefore, 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 non-interest income. For the years ended December 31, 2014, 2013 and 2012, we recorded recoveries of losses on covered loans of $(0.2) million, $(1.7) million, and $(0.5) million and increases (reductions) in related non-interest income of $(0.1) million, $(1.6) million, and $0.3 million, respectively. Also see the section below entitled "Termination of the Commercial Shared-Loss Agreement."

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Non-Interest Income

The Company reported non-interest income of $84.2 million, $68.0 million and $73.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. A significant portion of our non-interest income relates to the covered assets, including the resolution of assets covered by our Loss Sharing Agreements with the FDIC and gains and losses on 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 of our size.

The following table presents a comparison of the categories of non-interest income for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Income from resolution of covered assets, net	$49,082	$78,862	$51,016
Net loss on FDIC indemnification	(46,396)	(50,638)	(6,030)
FDIC reimbursement of costs of resolution of covered assets	4,440	9,397	19,569
Gain (loss) on sale of covered loans, net	20,369	(16,195)	(29,270)
Other-than-temporary impairment ("OTTI") on covered investment securities available for sale	—	(963)	—
Mortgage insurance income and modification incentives	5,036	7,617	15,765
Non-interest income from covered assets	32,531	28,080	51,050
Service charges and fees	16,612	14,255	12,716
Gain on sale of non-covered loans	678	726	613
Gain on investment securities available for sale, net	3,859	9,592	17,039
Lease financing	21,601	8,214	791
Loss on extinguishment of debt	—	—	(14,175)
Loss on termination of interest rate swap	—	—	(8,701)
Other non-interest income	8,884	7,182	14,608
	$84,165	$68,049	$73,941

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.

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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.

The following table provides further detail of the components of income from resolution of covered assets, net for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Payments in full	$47,855	$69,673	$70,562
Foreclosures	(1,556)	(2,657)	(19,326)
Short sales	(388)	(2,334)	(5,046)
Charge-offs	(1,016)	(927)	(2,918)
Recoveries	4,187	15,107	7,744
Income from resolution of covered assets, net	$49,082	$78,862	$51,016

Income from resolution of covered assets, net was $49.1 million, $78.9 million and $51.0 million, respectively, for the years ended December 31, 2014, 2013 and 2012. 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 increase in income for the year ended December 31, 2013 compared to the year ended December 31, 2012 resulted mainly from increased recoveries on commercial loans and lower losses from residential foreclosure resolutions. 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 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 a decrease in losses on resolutions from foreclosures and short sales in 2014 compared to 2013 and in 2013 compared to 2012. Fluctuations in the amount of income from recoveries were 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, 2014, 2013 and 2012 are summarized as follows (in thousands):

	2014	2013	2012
UPB of loans sold (1)	$219,297	$127,972	$165,999
Cash proceeds, net of transaction costs (1)	$143,450	$64,588	$69,986
Carrying value of loans sold (1)	141,052	80,783	99,256
Net pre-tax impact on earnings, excluding gain on FDIC indemnification (1)	$2,398	$(16,195)	$(29,270)
Gain (loss) on indemnification asset (2)	$(809)	$21,021	$30,725

(1) Excludes loans sold from a pool of ACI loans with a zero carrying value.

(2) Includes gains of $1,514, $8,326 and $7,302 related to loans sold from a pool of ACI loans with a zero carrying value for the years ended December 31, 2014, 2013 and 2012, 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, 2014 as compared to the year ended December 31, 2013 and for the year ended December 31, 2013 as compared to the year ended December 31, 2012 resulted primarily from improved pricing on the sales. Improved pricing reflected both improvement in the quality of loans sold and better market conditions. No gain or loss on sale of loans was recorded in the

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consolidated financial statements on the sale of loans from the pool of loans with a zero carrying value; rather, proceeds from sale of loans in this pool were reflected in interest income upon receipt as discussed above. 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, the gain on indemnification asset recorded related to the sale of these loans included a component related to the sale of loans from the zero carrying value pool. 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 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	

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.

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Net loss on FDIC indemnification of $46.4 million, $50.6 million and $6.0 million was recorded for the years ended December 31, 2014, 2013 and 2012, 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 years ended December 31, 2014, 2013 and 2012 was $26.0 million, $20.4 million and $10.5 million, respectively, as detailed in the following tables (in thousands):

	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

(1) Transaction income includes provisions of $210 related to unfunded loan commitments included in other non-interest expense in the accompanying consolidated income statement.

	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

	2012		
	Transaction Income (Loss)	Net Loss on FDIC Indemnification	Net Impact on Pre-tax Earnings
Recovery of losses on covered loans	$503	$344	$847
Income from resolution of covered assets, net	51,016	(41,962)	9,054
Loss on sale of covered loans	(29,270)	30,725	1,455
Loss on covered OREO	(5,762)	4,863	(899)
	$16,487	$(6,030)	$10,457

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. This may result in the expense and the related income from reimbursements being recorded in different periods. For the years ended December 31, 2014, 2013 and 2012 non-interest expense included approximately $4.3 million, $8.3 million and $20.3 million, of expenses subject to reimbursement at the 80% level under the Loss Sharing Agreements. During the years ended December 31, 2014, 2013 and 2012, claims of $4.4 million, $9.4 million and $19.6 million, respectively, were submitted to the FDIC for reimbursement.

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Mortgage insurance income totaled $1.7 million, $2.1 million and $9.8 million and modification incentives totaled $3.3 million, $5.6 million and $6.0 million for the years ended December 31, 2014, 2013 and 2012, 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 relate primarily to the growth in deposits and loans.

The Company terminated its indirect auto lending activities in the second quarter of 2014. Gain on sale of non-covered loans for the year ended December 31, 2014 includes the gain on sale of substantially all of our indirect auto loans. The Company sold these loans, with a recorded investment of $302.8 million, in June 2014 receiving cash proceeds, net of transaction costs, in the amount of $303.0 million. The total impact of this transaction on pre-tax earnings was a net increase of $1.8 million, inclusive of the gain on sale of $0.2 million, exit costs of $(0.7) million, and elimination of the related allowance for loan losses of $2.3 million. The remainder of gains on sale of non-covered loans for the years ended December 31, 2014, 2013 and 2012 relate to the sale of residential mortgages originated for sale into the secondary market.

Gains from the sale of investment securities available for sale for the year ended December 31, 2013 included net gains of $2.3 million related to the liquidation of our positions in collateralized loan obligations ("CLOs") and certain re-securitized real estate mortgage investment conduits ("Re-Remics") in response to the release of the Volcker Rule and net gains of $1.6 million from the sale of securities formerly held by Herald in conjunction with the merger of Herald into BankUnited.

During the year ended December 31, 2012 we sold agency mortgage-backed securities with an aggregate fair value of $527 million, utilizing the proceeds to extinguish $520 million of FHLB advances and terminate a cash flow hedge with a combined cost of borrowing of 3.46%. We realized a gain on sale of these securities of $10.0 million, a loss on extinguishment of the FHLB advances of $14.2 million and a loss on termination of the cash flow hedge of $8.7 million. In addition, we recognized approximately $6.4 million of aggregate realized gains in 2012 from the liquidation of our position in non-investment grade and certain other preferred stock positions in order to reduce our concentration in bank preferred stock investments.

The rest of the net gains on investment securities available for sale for the years ended December 31, 2014, 2013 and 2012 related to sales of securities in the normal course of managing liquidity, the Company's cash position and portfolio duration and yield.

Income from lease financing increased to $21.6 million for the year ended December 31, 2014 from $8.2 million for the year ended December 31, 2013 and $0.8 million for the year ended December 31, 2012. The increase in income is consistent with the growth in the portfolio of assets under lease.

The most significant fluctuations in other non-interest income were:

- Investment services income totaled $0.9 million and $4.4 for the years ended December 31, 2013 and 2012, respectively. This line of business was discontinued in 2013.
- Other non-interest income for the year ended December 31, 2012 included a gain of $5.3 million on the acquisition of Herald.

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Non-Interest Expense

The following table presents the components of non-interest expense for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Employee compensation and benefits	$195,218	$173,763	$173,261
Occupancy and equipment	70,520	63,766	54,465
Amortization (accretion) of FDIC indemnification asset	69,470	36,943	(15,306)
(Gain) loss on other real estate owned	(2,617)	(7,629)	5,762
Foreclosure and other real estate owned expense	4,976	10,442	20,268
Deposit insurance expense	9,348	7,648	7,248
Professional fees	13,178	21,934	15,468
Telecommunications and data processing	13,381	13,034	12,462
Other non-interest expense	53,029	44,392	34,139
	$426,503	$364,293	$307,767

Non-interest expense as a percentage of average assets was 2.5%, 2.4% and 2.6.% for the years ended December 31, 2014, 2013 and 2012, respectively. The more significant 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, 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. Employee compensation and benefits for the year ended December 31, 2013 as compared to the year ended December 31, 2012 reflected a decrease of $10.0 million in equity-based compensation resulting primarily from the vesting in 2012 of instruments issued in conjunction with the IPO. Increased compensation costs related to the Company's growth and expansion into New York offset this decrease in equity-based compensation.

Occupancy and equipment

Occupancy and equipment expense increased by $6.8 million or 10.6% for the year ended December 31, 2014 as compared to the year ended December 31, 2013 and by $9.3 million or 17.1% for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These increases related primarily to the Company's growth and expansion into New York.

Amortization (accretion) of FDIC indemnification asset

Amortization (accretion) of FDIC indemnification asset totaled $69.5 million, $36.9 million and $(15.3) million respectively, for the years ended December 31, 2014, 2013 and 2012.

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, 2014, 2013 and 2012, the average rate at which the FDIC indemnification asset was amortized (accreted) was 6.41%, 2.76% and (0.89)%, 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.

Recoveries of losses on commercial loans and gains on the sale of investment securities that were previously covered under the Commercial Shared-Loss Agreement also result in reimbursements due to the FDIC. These transactions are included in the tables below. Amounts payable to the FDIC resulting from these transactions are recognized in other liabilities in the consolidated balance sheet.

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A rollforward of the FDIC indemnification asset for the years ended December 31, 2014, 2013 and 2012 follows (in thousands):

Balance at December 31, 2011	$2,049,151
Accretion	15,306
Reduction for claims filed	(600,857)
Net loss on FDIC indemnification	(6,030)
Balance at December 31, 2012	1,457,570
Amortization	(36,943)
Reduction for claims filed	(164,872)
Net loss on FDIC indemnification	(50,638)
Balance at December 31, 2013	1,205,117
Amortization	(69,470)
Reduction for claims filed	(114,916)
Net loss on FDIC indemnification	(46,396)
Balance at December 31, 2014	$974,335

The balance at December 31, 2014 is reflected in the consolidated balance sheet as follows (in thousands):

FDIC indemnification asset	$974,704
Other liabilities	(369)
	$974,335

The following table presents the details of the FDIC indemnification asset at December 31, 2014 and 2013 (in thousands):

	2014	2013
Amounts attributable to:		
Assets covered under the Single Family Shared-Loss Agreement	$974,704	$1,202,066
Assets covered under the Commercial Shared-Loss Agreement	—	3,051
FDIC indemnification asset	974,704	1,205,117
Less expected amortization	(302,669)	(240,773)
Amount expected to be collected from the FDIC	$672,035	$964,344

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 Loss Sharing Agreements and the expected remaining life of the indemnified assets.

OREO and foreclosure related components of non-interest expense

During the years ended December 31, 2014, 2013 and 2012, 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. Therefore, gains or losses from sale or impairment of OREO were substantially offset by gains or losses related to indemnification by the FDIC recognized in non-interest income.

Net (gain) loss on OREO totaled $(2.6) million, comprised of net gain on sales of OREO of $(3.9) million and OREO impairment of $1.2 million, for the year ended December 31, 2014; as compared to $(7.6) million, comprised of net gain on sales of OREO of $(9.6) million and OREO impairment of $1.9 million for the year ended December 31, 2013; and loss of $5.8 million, comprised of net gain on sales of OREO of $(4.2) million and OREO impairment of $9.9 million for the year ended December 31, 2012.

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We continue to realize trends of lower levels of OREO and foreclosure activity. The following tables summarize OREO sale activity for the years ended December 31, 2014, 2013 and 2012 (dollars in thousands):

	2014			2013			2012		
	Units sold	Percent of Total Units	Total Gain	Units sold	Percent of Total Units	Total Gain	Units sold	Percent of Total Units	Total Gain
Residential OREO sales	213	95.5 %	$1,752	557	94.6 %	$5,687	1,326	96.9 %	$2,798
Commercial OREO sales	10	4.5 %	2,100	32	5.4 %	3,881	42	3.1 %	1,366
	223	100.0 %	$3,852	589	100.0 %	$9,568	1,368	100.0 %	$4,164

	2014			2013			2012		
	Units sold	Percent of Total Units	Average Gain or (Loss)	Units sold	Percent of Total Units	Average Gain or (Loss)	Units sold	Percent of Total Units	Average Gain or (Loss)
Residential OREO sales:									
Units sold at a gain	91	42.7 %	$44	330	59.2 %	$28	659	49.7 %	$22
Units sold at a loss	122	57.3 %	$(19)	227	40.8 %	$(16)	667	50.3 %	$(17)
	213	100.0 %	$8	557	100.0 %	$10	1,326	100.0 %	$2

Foreclosure and OREO expenses decreased by $5.5 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 and by $9.8 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These declines were primarily attributable to decreases in the levels of foreclosure activity and OREO inventory. There were 104, 317 and 1,027 residential units in the foreclosure pipeline and 63, 157 and 402 residential units in OREO inventory at December 31, 2014, 2013 and 2012, respectively. Generally, OREO and foreclosure related expenses incurred on covered assets, which comprised the majority of OREO and foreclosure related expenses for the years ended December 31, 2014 and 2013 and all of OREO and foreclosure related expense for 2012, are also eligible for reimbursement under the terms of the Loss Sharing Agreements.

Loans are deemed eligible for foreclosure referral based on state specific and CFPB guidelines, which is generally after 120 days delinquency. Prior to referral, extensive reviews are performed to ensure that all collection and loss mitigation efforts have been exhausted. We have performed an internal assessment of our foreclosure practices and procedures and of our vendor management processes related to outside vendors that assist us in the foreclosure process. This assessment did not reveal any deficiencies in processes and procedures that we believe to be of significance.

Other components of non-interest expense

Professional fees decreased by $8.8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013, and increased by $6.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These fluctuations are primarily due to increased consulting and advisory fees related to regulatory compliance incurred in 2013.

The most significant components of other non-interest expense are advertising and promotion, depreciation of equipment under operating lease, costs related to lending activities and deposit generation, insurance, travel and general office expense. Period over period increases in other non-interest expense related primarily to general organic growth of our business. In addition, we recognized depreciation on equipment under operating lease of $8.8 million for the year ended December 31, 2014 as compared to $4.3 million and $0.4 million for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

The provision for income taxes for the years ended December 31, 2014, 2013 and 2012 was $89.0 million, $109.1 million and $133.6 million, respectively. The Company's effective tax rate was 30.4%, 34.3% and 38.7% for the years ended December 31, 2014, 2013 and 2012, 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% include the effect of state income taxes, including the impact of uncertain tax positions related thereto, and the impact of income not subject to federal tax.

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

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state tax positions and an increase in the amount of reserves for uncertain state tax positions released as a result of the lapse in the statute of limitations related thereto. The decrease in the effective tax rate for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflected the impact of changes in certain state tax positions and apportionment rates and the release of reserves for uncertain state tax positions as a result of the lapse in the statute of limitations related thereto in 2013.

At December 31, 2014 and 2013, the Company had net deferred tax assets of $117.2 million and $70.6 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, 2014 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, 2014 is not dependent, to any significant extent, on the generation of additional future taxable income.

For more information, see Note 12 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, 2014, the Company’s loan portfolio included commercial and consumer ACI loans with a carrying value of $93 million and the investment portfolio included securities with a carrying value of $168 million that are no longer subject to loss sharing under the terms of the Commercial Shared-Loss Agreement. As of December 31, 2014 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 $3.5 billion to $15.0 billion for the year ended December 31, 2014 from $11.5 billion for the year ended December 31, 2013. This increase was driven primarily by a $3.7 billion increase in the average balance of outstanding loans. The increase in average loans reflected growth of $4.1 billion in average new loans outstanding, partially offset by a $372 million decrease in the average balance of loans acquired in the FSB Acquisition. Average non-interest earning assets declined by $129 million. The most significant component of this decline was the decrease in the FDIC indemnification asset. Growth of the new loan 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 $2.4 billion to $12.2 billion for the year ended December 31, 2014 from $9.8 billion for the year ended December 31, 2013, due primarily to an increase of $1.9 billion in average interest bearing deposits and a $526 million increase in average FHLB advances. Average non-interest bearing deposits increased by $781 million.

Average stockholders' equity increased by $144 million, due largely to the retention of earnings.

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Investment Securities Available for Sale

The following table shows the amortized cost and fair value of investment securities available for sale at December 31, 2014, 2013 and 2012 (in thousands):

	2014		2013		2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury securities	$54,924	$54,967	$—	$—	$34,998	$35,154
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	1,501,504	1,524,716	1,548,671	1,574,303	1,520,047	1,584,523
U.S. Government agency and sponsored enterprise commercial mortgage-backed securities	101,089	101,858	27,132	26,777	58,518	60,416
Re-Remics	179,664	183,272	267,525	271,785	575,069	585,042
Private label residential mortgage-backed securities and collateralized mortgage obligations ("CMOs")	350,300	403,979	255,184	310,118	386,768	448,085
Private label commercial mortgage-backed securities	1,134,854	1,139,389	814,114	808,772	413,110	433,092
Single family rental real estate-backed securities	446,079	443,017	—	—	—	—
Collateralized loan obligations	174,767	174,332	—	—	252,280	253,188
Non-mortgage asset-backed securities	117,562	122,164	172,329	178,994	233,791	241,346
Mutual funds and preferred stocks	96,294	105,442	140,806	149,677	141,509	149,653
State and municipal obligations	15,317	15,702	—	—	25,127	25,353
Small Business Administration securities	298,424	308,728	295,892	308,937	333,423	339,610
Other debt securities	3,712	8,128	3,542	7,761	12,887	16,950
	$4,474,490	$4,585,694	$3,525,195	$3,637,124	$3,987,527	$4,172,412

Investment securities available for sale totaled $4.6 billion at December 31, 2014 compared to $3.6 billion at December 31, 2013 and $4.2 billion at December 31, 2012. The increase in the investment portfolio during the year ended December 31, 2014 reflected the investment of cash from the sale of the indirect auto loan portfolio. Additionally, management took advantage of certain opportunities by investing in new asset classes that provided attractive yields. The decline of the investment portfolio during 2013 reflected the deployment of proceeds from the sale and repayment of securities to fund loan originations and liquidation of certain positions in response to the release of the Volcker Rule.

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, U.S. Small Business Administration 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, 2014 was 4.1 years and the effective duration was 1.7 years.

Regulations implementing the Volcker Rule were approved in December 2013. Among other provisions, the regulations generally will serve to prohibit us from holding an ownership interest, as defined, in a covered fund, also as defined. Although uncertainty remains as to how the regulations will be interpreted and implemented by regulatory authorities, there are Re-Remic securities in our portfolio that we believe may be deemed impermissible investments under the regulations. At December 31, 2014, we held Re-Remics with a carrying value of $183 million. At December 31, 2014, all but one of these securities were in unrealized gain positions; the one security in an unrealized loss position had a de-minimis unrealized loss of $5 thousand. 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 newly issued regulations and further interpretations or implementation guidance that may be forthcoming, if any.

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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.

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, mortgage-backed security mutual funds, trust preferred collateralized debt obligations, U.S. Government sponsored enterprise preferred stocks and corporate debt securities with an aggregate fair value of $168 million and gross unrealized gains of $60 million at December 31, 2014. Gross unrealized losses on this portfolio segment were de minimis at December 31, 2014.

A summary of activity in the investment securities available for sale portfolio for the year ended December 31, 2014 follows (in thousands):

Balance, beginning of period	$3,637,124
Purchases	1,664,416
Repayments	(361,267)
Sales, maturities and calls	(351,939)
Amortization of discounts and premiums, net	(1,915)
Change in unrealized gains	(725)
Balance, end of period	$4,585,694

The following table shows the scheduled maturities, carrying values and current yields for investment securities available for sale as of December 31, 2014. 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	$—	— %	$54,967	0.91 %	$—	— %	$—	— %	$54,967	0.91 %
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	239,503	2.48 %	861,206	2.24 %	286,709	1.92 %	137,298	2.06 %	1,524,716	2.20 %
U.S. Government agency and sponsored enterprise commercial mortgage-backed securities	14,223	2.37 %	39,710	2.41 %	36,888	2.27 %	11,037	3.01 %	101,858	2.42 %
Re-Remics	72,264	3.40 %	106,348	3.13 %	4,660	2.95 %	—	— %	183,272	3.23 %
Private label residential mortgage backed	73,297	5.61 %	162,593	5.77 %	93,175	5.69 %	74,914	5.13 %	403,979	5.60 %

securities and CMOs										
Private label commercial mortgage-backed securities	37,316	1.10 %	677,356	2.25 %	411,697	2.65 %	13,020	3.05 %	1,139,389	2.36 %
Single family rental real estate-backed securities	674	1.30 %	442,343	1.88 %	—	— %	—	— %	443,017	1.88 %
Collateralized loan obligations	—	— %	60,069	2.08 %	114,263	2.24 %	—	— %	174,332	2.19 %
Non-mortgage asset-backed securities	34,988	3.48 %	71,422	3.16 %	15,747	3.65 %	7	3.27 %	122,164	3.32 %
State and municipal obligations	—	— %	—	— %	15,702	3.65 %	—	— %	15,702	3.65 %
Small Business Administration securities	56,932	1.70 %	144,417	1.69 %	71,755	1.66 %	35,624	1.62 %	308,728	1.68 %
Other debt securities	—	— %	—	— %	—	— %	8,128	7.04 %	8,128	7.04 %
	$529,197	2.87 %	$2,620,431	2.38 %	$1,050,596	2.59 %	$280,028	2.92 %	4,480,252	2.52 %
Mutual funds and preferred stocks with no scheduled maturity									105,442	7.63 %
Total investment securities available for sale									$4,585,694	2.63 %

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The available for sale investment portfolio was in a net unrealized gain position of $111 million at December 31, 2014 with aggregate fair value equal to 102% of amortized cost. Net unrealized gains included $127 million of gross unrealized gains and $16 million of gross unrealized losses. Securities available for sale in an unrealized loss position at December 31, 2014 had an aggregate fair value of $1.1 billion. 91.6% 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 at December 31, 2014, 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, 2014, including $88 million of investment securities acquired in the FSB Acquisition.

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, 2014 and 2012. 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. Unrealized losses in the portfolio at December 31, 2014 were primarily attributable to an increase in medium and long-term market interest rates subsequent to the date the securities were acquired.

The timely repayment of principal and interest on U.S. Government agency and sponsored enterprise securities and Small Business Administration securities in unrealized loss positions is explicitly or implicitly guaranteed by the full faith and credit of the U.S. Government. Management either engaged a third party to perform, or performed internally, 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 collateral default rate, voluntary prepayment rate, severity and delinquency assumptions. Based on the results of this analysis, no credit losses were projected. Given the expectation of timely repayment of principal and interest and the generally limited severity of impairment, we concluded that none of these debt securities in unrealized loss positions were other-than-temporarily impaired. Seven single family rental real estate-backed securities and one collateralized loan obligation were in unrealized loss positions at December 31, 2014; given the limited duration and severity of impairment and the absence of projected credit losses, we considered the impairment of these securities to be temporary.

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

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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, 2014 and 2013, 3.8% and 5.6%, 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, 2014 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 and loss severities were considered significant to the valuation. There were no transfers of investment securities between levels of the fair value hierarchy during the year ended December 31, 2014.

For additional discussion of the fair values of investment securities, see Note 17 to the consolidated financial statements.

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Loans

The loan portfolio comprises the Company's primary interest-earning asset. 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):

	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 finance subsidiaries	1,456,751	—	—	—	1,456,751	11.8 %
	8,716,000	93,402	—	—	8,809,402	71.2 %
Consumer	26,293	14	—	—	26,307	0.2 %
Total loans	11,230,392	93,416	897,179	157,280	12,378,267	100.0 %
Premiums, discounts and deferred fees and costs, net	47,097	—	—	(10,595)	36,502	
Loans net of premiums, discounts and deferred fees and costs	11,277,489	93,416	897,179	146,685	12,414,769	
Allowance for loan and lease losses	(91,350)	—	—	(4,192)	(95,542)	
Loans, net	$11,186,139	$93,416	$897,179	$142,493	$12,319,227	

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	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 finance 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		
Loans net of premiums, discounts and deferred fees and costs	7,554,861	14,860	1,291,247	192,641	9,053,609		
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		

	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 finance 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

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	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 finance 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		

	2010						
	Non-Covered Loans		Covered Loans			Percent of	
	New Loans	ACI	ACI	Non-ACI	Total	Total	
Residential:							
1-4 single family residential	$113,439	$—	$2,421,016	$151,945	$2,686,400	67.5	%
Home equity loans and lines of credit	2,255	—	98,599	206,797	307,651	7.7	%
	115,694	—	2,519,615	358,742	2,994,051	75.2	%
Commercial:							
Multi-family	34,271	—	73,015	5,548	112,834	2.8	%
Commercial real estate	118,857	—	299,068	33,938	451,863	11.4	%
Construction and land	10,455	—	56,518	170	67,143	1.7	%
Commercial loans and leases	266,586	—	49,731	30,139	346,456	8.7	%
	430,169	—	478,332	69,795	978,296	24.6	%
Consumer	3,056	—	4,403	—	7,459	0.2	%
Total loans	548,919	—	3,002,350	428,537	3,979,806	100.0	%
Premiums, discounts and deferred fees and costs, net	(10,749)	—	—	(34,840)	(45,589)		
Loans net of premiums, discounts and deferred fees and costs	538,170	—	3,002,350	393,697	3,934,217		
Allowance for loan and lease losses	(6,151)	—	(39,925)	(12,284)	(58,360)		
Loans, net	$532,019	$—	$2,962,425	$381,413	$3,875,857		

Total loans, net of premiums, discounts and deferred fees and costs, increased by $3.4 billion to $12.4 billion at December 31, 2014, from $9.1 billion at December 31, 2013. New loans grew by $4.0 billion while loans acquired in the FSB Acquisition declined by $361 million from December 31, 2013 to December 31, 2014. The increase in new loans for the year ended December 31, 2014 is net of the sale of indirect auto loans with a recorded investment of

$303 million. New residential loans grew by $695 million and new commercial loans grew by $3.2 billion during the year ended December 31, 2014. The decline in new consumer loans is attributed to the sale of substantially all of the indirect auto portfolio. Residential loan growth was attributable primarily to purchases of residential mortgages through established correspondent channels.

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Growth in new loans, net of premiums, discounts and deferred fees and costs, for the year ended December 31, 2014 included $1.1 billion for the Florida franchise, $1.7 billion for the New York franchise and $1.2 billion, excluding the impact of the sale of indirect auto loans, for what we refer to as national platforms, consisting of our residential loan purchase program, our mortgage warehouse lending operations and the Bank's three commercial finance subsidiaries. Our residential loan purchase program and commercial finance subsidiaries contributed $555 million and $509 million, respectively, to growth in new loans for the year ended December 31, 2014. The remaining growth in the national platforms was related primarily to our indirect auto lending, prior to exiting that business.

The following tables show the composition of the new loan portfolio and the breakdown among the Florida and New York regions and national platforms at December 31, 2014 and 2013. Amounts are net of premiums, discounts and deferred fees and costs (dollars in thousands):

	2014			
	Florida	New York	National	Total
Residential	$196,101	$116,627	$2,211,937	$2,524,665
Commercial	4,037,492	3,183,094	1,505,992	8,726,578
Consumer	26,045	—	201	26,246
	$4,259,638	$3,299,721	$3,718,130	$11,277,489
	37.8 %	29.2 %	33.0 %	100.0 %

	2013			
	Florida	New York	National	Total
Residential	$146,672	$25,382	$1,657,261	$1,829,315
Commercial	2,989,416	1,559,275	956,814	5,505,505
Consumer	12,306	—	207,735	220,041
	$3,148,394	$1,584,657	$2,821,810	$7,554,861
	41.7 %	21.0 %	37.3 %	100.0 %

At December 31, 2014, 2013, 2012, 2011 and 2010 respectively, 8%, 16%, 33%, 59% and 86% of loans, net of premiums, discounts and deferred fees and costs, were covered loans. Covered loans are declining and new loans increasing as a percentage of the total portfolio as covered loans are repaid or resolved and new loan originations and purchases continue. This trend is expected to continue.

Residential Mortgages

Residential mortgages totaled $3.5 billion, or 28.6% of total loans and $3.1 billion, or 34.3% of total loans at December 31, 2014 and 2013, 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, 2014 and 2013, $311 million or 12.3% and $170 million or 9.5%, respectively, of our new 1-4 single family residential loans were originated loans; $2.2 billion or 87.7% and $1.6 billion or 90.5%, respectively, of our new 1-4 single family residential loans were purchased loans. We currently originate 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. New residential mortgage loans are primarily closed-end first lien loans for the purchase or re-finance of owner occupied property. 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, 2014, 34.7% 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, 2014, $222 million or 8.8% 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.

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

We do not originate 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, 2014 and 2013. Amounts are net of premiums, discounts and deferred fees and costs (dollars in thousands):

	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	%

	2013				
	New Loans	Covered Loans	Total	Percent of Total	
1 - 4 single family residential loans:					
Fixed rate loans	$841,987	$421,143	$1,263,130	42.9	%
ARM Loans	985,793	695,539	1,681,332	57.1	%
	$1,827,780	$1,116,682	$2,944,462	100.0	%

Included in ARM loans above are payment option ARMs representing 49.9% and 49.5% of total covered ARM loans outstanding as of December 31, 2014 and 2013, 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, 2014 and 2013, the majority of the 1-4 single family residential loans outstanding were to customers domiciled in the following states (dollars in thousands):

	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	823,851	344,717	1,168,568	32.7	%	33.9	%
	$2,522,838	$921,687	$3,444,525	100.0	%	100.0	%

	2013						
				Percent of Total			
	New Loans	Covered Loans	Total	New Loans		Total Loans	
California	$865,342	$80,919	$946,261	47.3	%	32.1	%
Florida	241,827	604,384	846,211	13.2	%	28.7	%
New York	119,147	31,406	150,553	6.5	%	5.1	%
Others	601,464	399,973	1,001,437	33.0	%	34.1	%
	$1,827,780	$1,116,682	$2,944,462	100.0	%	100.0	%

No other state represented borrowers with more than 5.0% of new or total 1-4 single family residential loans outstanding at December 31, 2014 or 2013.

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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 77.6% and 73.2% of new loans as of December 31, 2014 and 2013, 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, 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. Loan-to-value ("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 1.4% of the total loan portfolio at December 31, 2014. 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, 2014, the recorded investment in construction loans with available interest reserves totaled $77 million; the amount of available interest reserves totaled $2 million. All of these loans were rated "pass" at December 31, 2014.

Commercial and industrial loans are typically made to small and middle market businesses and include equipment loans, secured and unsecured working capital facilities, formula-based loans, mortgage warehouse lines, taxi medallion loans, lease financing, Small Business Administration product offerings and, to a lesser extent, 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 also include shared national credits totaling $757 million at December 31, 2014, to borrowers primarily in our geographic footprint.

Through Pinnacle, UCBL and Bridge, the Bank provides equipment financing on a national basis using both and lease structures. Pinnacle offers essential use equipment financing to municipalities UCBL offers small business equipment leases and loans with a primary focus on franchise equipment finance and Bridge primarily provides transportation equipment finance.

The following table presents the recorded investment in loans and direct finance leases for each of the three commercial finance subsidiaries at December 31, 2014 and 2013 (in thousands):

	2014	2013
Pinnacle	$751,286	$498,438
UCBL	364,623	279,244
Bridge	350,357	179,101
	$1,466,266	$956,783

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

Consumer Loans

As of December 31, 2013, consumer loans consisted primarily of indirect auto loans. Subsequent to the sale of substantially all of the indirect auto loan portfolio in June 2014, 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.

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Loan Maturities

The following table sets forth, as of December 31, 2014, 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:				
1 - 4 single family residential	$1,051,267	$2,077,471	$1,818,944	$4,947,682
Home equity loans and lines of credit	76,251	63,507	46,552	186,310
	1,127,518	2,140,978	1,865,496	5,133,992
Commercial:				
Multi-family	172,991	1,249,780	536,987	1,959,758
Commercial real estate	390,395	1,561,271	887,738	2,839,404
Construction and land	53,129	113,962	2,622	169,713
Commercial and industrial	982,035	1,371,013	50,339	2,403,387
Commercial finance subsidiaries	337,489	763,790	355,472	1,456,751
	1,936,039	5,059,816	1,833,158	8,829,013
Consumer	6,309	17,806	2,192	26,307
	$3,069,866	$7,218,600	$3,700,846	$13,989,312

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, 2014 (in thousands):

	Interest Rate Type		
	Fixed	Adjustable	Total
Residential:			
1 - 4 single family residential	$1,394,095	$2,502,320	$3,896,415
Home equity loans and lines of credit	15,701	94,358	110,059
	1,409,796	2,596,678	4,006,474
Commercial:			
Multi-family	1,552,970	233,797	1,786,767
Commercial real estate	1,567,630	881,379	2,449,009
Construction and land	52,198	64,386	116,584
Commercial and industrial	588,983	832,369	1,421,352
Commercial finance subsidiaries	1,119,262	—	1,119,262
	4,881,043	2,011,931	6,892,974
Consumer	10,325	9,673	19,998
	$6,301,164	$4,618,282	$10,919,446

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. The Commercial Shared-Loss Agreement was terminated on May 21, 2014. At December 31, 2014, covered loans totaled $1.0 billion, 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 loan 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 committed balances greater than $1 million are reviewed at least annually. Additionally, commercial loans are regularly reviewed by our internal loan 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 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, 2014, new commercial loans with aggregate balances of $25 million, $41 million and $12 million were rated special mention, substandard and doubtful, respectively. At December 31, 2013, new commercial loans aggregating $8 million, $26 million and $10 million were rated special mention, substandard and doubtful, respectively. Criticized and classified assets represented less than 1% of the new commercial portfolio at December 31, 2014. See Note 5 to the consolidated financial statements for more detailed information about risk rating of new commercial loans.

Residential

New 1-4 single family residential loans past due more than 30 days totaled $4 million at both December 31, 2014 and 2013. The amount of these loans 90 days or more past due were deminimis at both December 31, 2014 and 2013.

The majority of our new residential mortgage portfolio consists of loans purchased through established correspondent channels. The credit parameters for purchasing loans are similar to the underwriting guidelines in place for our mortgage origination platform. 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.

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The following table shows the distribution of new 1-4 single family residential loans by original FICO and LTV as of December 31, 2014 and 2013:

	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 %
	2013				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
60% or less	2.0 %	3.3 %	4.8 %	25.9 %	36.0 %
60% - 70%	1.4 %	2.5 %	4.2 %	16.9 %	25.0 %
70% - 80%	1.1 %	3.3 %	6.4 %	25.8 %	36.6 %
More than 80%	1.4 %	0.3 %	0.2 %	0.5 %	2.4 %
	5.9 %	9.4 %	15.6 %	69.1 %	100.0 %

At December 31, 2014, 78.2% of new 1-4 single family residential loans with LTV of more than 80% were insured by the Federal Housing Administration.

At December 31, 2014, the purchased loan portfolio had the following characteristics: substantially all were full documentation with an average FICO score of 768 and average LTV of 65.3%. The majority of this portfolio was owner-occupied, with 93.1% primary residence, 6.4% second homes and 0.5% investment properties. In terms of vintage, 0.8% of the portfolio was originated pre-2010, 8.8% in 2010 and 2011, 15.8% in 2012, 43.6% in 2013 and 31.0% in 2014.

Similarly, the originated loan portfolio had the following characteristics at December 31, 2014: 100% were full documentation with an average FICO score of 757 and average LTV of 62.3%. The majority of this portfolio was owner-occupied, with 84.4% primary residence, 9.0% second homes and 6.6% investment properties. In terms of vintage, 7.0% of the portfolio was originated in 2010 and 2011, 10.4% in 2012, 31.6% in 2013 and 51.0% in 2014.

Consumer

At December 31, 2014 and 2013, delinquent new consumer loans were insignificant.

Loans Acquired in the FSB Acquisition

Loans acquired in the FSB Acquisition consist of both ACI loans and non-ACI loans. At December 31, 2014, ACI loans totaled $991 million and non-ACI loans totaled $147 million, net of premiums, discounts and deferred fees and costs.

Residential

At December 31, 2014, residential ACI loans totaled $897 million and residential non-ACI loans totaled $147 million, net of 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, 2014, accretable yield on residential ACI loans totaled $967 million and non-accretable difference related to those loans totaled $1.0 billion. Accretable yield on commercial ACI loans totaled $38 million at December 31, 2014, with no significant non-accretable difference remaining.

We performed a detailed analysis of the residential mortgage loan portfolio acquired in the FSB Acquisition to determine the key loan characteristics influencing performance. Key characteristics influencing the performance of the residential mortgage portfolio, including home equity loans, were determined to be delinquency status; product type, in particular, amortizing as opposed to option ARM products; current indexed LTV ratio; and original FICO score. The ACI loans in the residential mortgage portfolio were grouped into ten homogenous static pools based on these characteristics, and the non-ACI residential loans were grouped into two homogenous static pools. There were other variables which we initially expected to have a significant influence on performance and which were considered in our analysis; however, the results of our analysis demonstrated that their impact was less significant after controlling for current indexed LTV, product type, and FICO score. Therefore, these additional factors were not used in grouping the covered residential loans into pools and are not used in monitoring ongoing asset quality of the pools. The factors we considered but determined not to be significant included the level and type of documentation required at origination, i.e., whether a loan was originated under full documentation, reduced documentation, or no documentation programs; occupancy, defined as owner occupied vs. non-owner occupied collateral properties; geography; and vintage, i.e., year of origination.

At December 31, 2014, the recorded investment in 1-4 single family residential non-ACI loans was $47 million; $1.2 million or 2.6% 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, 2014, the recorded investment in ACI 1-4 single family residential loans totaled $875 million; $45.1 million or 5.2% of these loans were delinquent by 30 days or more and $22.0 million or 2.5% were delinquent by 90 days or more.

At December 31, 2014, non-ACI home equity loans and lines of credit had an aggregate recorded investment of $100 million; $6.1 million or 6.1% of these loans were 30 days or more past due and $3.8 million or 3.8% were 90 days or more past due. ACI home equity loans and lines of credit had a carrying amount of $23 million at December 31, 2014; $2.2 million or 9.6% of ACI home equity loans and lines of credit were 30 days or more contractually delinquent and $1.5 million or 6.6% were delinquent by 90 days or more.

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, 2014 is summarized as follows:

	ACI	Non-ACI
Loans resetting from interest only:		
Previously reset	13.0 %	21.9 %
Scheduled to reset within 12 months	23.0 %	18.3 %
Scheduled to reset after 12 months	64.0 %	59.8 %
	100.0 %	100.0 %
Lien position:		
First liens	8.0 %	11.3 %
Second or third liens	92.0 %	88.7 %
	100.0 %	100.0 %

To date, we have not identified any significant impact to default rates from resets of interest only loans. 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.

Commercial

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.”

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In the first quarter of 2014, we requested and received approval from the FDIC to sell, and completed the sale of, certain covered commercial and consumer loans. See further discussion of the sale above in the section entitled “Results of Operations — Non-Interest Income”. The majority of the covered commercial and consumer loans exhibiting credit weaknesses were included in the sale. Loans not included in the sale represent performing relationships that management has made a business decision to retain or loans that are expected to resolve with no loss.

At December 31, 2014, ACI commercial loans had a carrying value of $93 million. At December 31, 2014, the balance of loans 90 days or more past due was insignificant and loans with aggregate carrying values of $0.5 million and $2.4 million were internally risk rated special mention and substandard, respectively.

Impaired Loans and Non-Performing Assets

Non-performing assets generally consist of (i) non-accrual loans, including loans that have been modified in troubled debt restructurings ("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. 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 table summarizes the Company's impaired loans and non-performing assets at December 31 of the years indicated (in thousands):

	2014			2013			2012			2011
	Covered Assets	Non-Covered Assets	Total	Covered Assets	Non-Covered Assets	Total	Covered Assets	Non-Covered Assets	Total	Total (5
Non-accrual loans										
Residential:										
1 - 4 single family residential	$604	$49	$653	$293	$194	$487	$2,678	$155	$2,833	$7,410
Home equity loans and lines of credit	3,808	—	3,808	6,559	—	6,559	9,767	—	9,767	10,478
Total residential loans	4,412	49	4,461	6,852	194	7,046	12,445	155	12,600	17,888
Commercial(4):										
Multi-family	—	—	—	—	—	—	—	—	—	—
Commercial real estate	—	4,688	4,688	1,042	4,229	5,271	59	1,619	1,678	295
Construction and land	—	209	209	—	244	244	—	278	278	335
Commercial and industrial	—	13,666	13,666	2,767	16,612	19,379	4,530	11,907	16,437	9,164
Commercial finance subsidiaries	—	9,226	9,226	—	1,370	1,370	—	1,719	1,719	—
Total commercial loans	—	27,789	27,789	3,809	22,455	26,264	4,589	15,523	20,112	9,794
Consumer:	—	173	173	—	75	75	—	—	—	—

Total non-accrual loans	4,412	28,011	32,423	10,661	22,724	33,385	17,034	15,678	32,712	27,682
Non-ACI and new loans past due 90 days and still accruing	—	—	—	—	512	512	140	38	178	375
TDRs	2,188	4,435	6,623	1,765	—	1,765	1,293	348	1,641	824
Total non-performing loans	6,600	32,446	39,046	12,426	23,236	35,662	18,467	16,064	34,531	28,881
OREO	13,645	135	13,780	39,672	898	40,570	76,022	—	76,022	123,737
Total non-performing assets	20,245	32,581	52,826	52,098	24,134	76,232	94,489	16,064	110,553	152,618
Impaired ACI loans on accrual status(1)	—	—	—	44,286	—	44,286	43,580	—	43,580	94,536
Other impaired loans on accrual status	—	—	—	—	—	—	—	2,721	2,721	—
Non-ACI and new TDRs in compliance with their modified terms	3,866	797	4,663	3,588	1,400	4,988	2,650	4,689	7,339	583
Total impaired loans and non-performing assets	$24,111	$33,378	$57,489	$99,972	$25,534	$125,506	$140,719	$23,474	$164,193	$247,73
Non-performing loans to total loans(2)		0.29 %	0.31 %		0.31 %	0.39 %		0.43 %	0.62 %	0.70
Non-performing assets to total assets(3)		0.17 %	0.27 %		0.16 %	0.51 %		0.13 %	0.89 %	1.35
ALLL to total loans(2)		0.80 %	0.77 %		0.76 %	0.77 %		1.11 %	1.06 %	1.17
ALLL to non-performing loans		281.54 %	244.69 %		246.73 %	195.52 %		256.65 %	171.21 %	167.59
Net charge-offs to average loans		0.08 %	0.15 %		0.34 %	0.31 %		0.09 %	0.17 %	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.
(4) Includes ACI loans of $1 million for which discount is no longer being accreted at December 31, 2013.
(5) Substantially all impaired loans and non-performing assets were covered assets at December 31, 2011 and 2010.

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 $23 million and $78 million at December 31, 2014 and December 31, 2013, 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, 2014, nine commercial loans with an aggregate carrying value of $15 million and 26 residential loans with an aggregate carrying value of $6 million had been modified in TDRs and were included in impaired loans and non-performing assets. 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 for the years ended December 31, 2014 or 2013.

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 $25 million at December 31, 2014. The majority of these loans were current as to principal and interest at December 31, 2014.

Loss Mitigation Strategies

We evaluate each 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. As of December 31, 2014, 12,405 borrowers had been counseled regarding their participation in HAMP; 9,200 of those borrowers were initially determined to be potentially eligible for loan modifications under the program. As of December 31, 2014, 1,644 borrowers who did not elect to participate in the program had been sent termination letters and 3,387 borrowers had been denied due to ineligibility. There were 4,286 permanent loan modifications and 56 trial loan modifications at December 31, 2014. All of these modified loans were covered loans and substantially all were covered ACI loans accounted for in pools.

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

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 such increase in the allowance for non-ACI loans will result in a corresponding increase in the FDIC indemnification asset.

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 for collateral dependent loans, 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 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 loss emergence period for the Pinnacle portfolio was extended from four quarters to twelve quarters in 2014, in management's judgment better capturing the expected loss emergence period for municipal defaults.

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. Prior to 2014, the peer groups used were banks with total assets ranging from $3 - $15 billion. We used a peer group of 23 banks in the U.S. Southeast region for loans originated in our Florida market and by our commercial finance subsidiaries, and a peer group of 16 banks in the New York region for loans originated in our New York market. We believe the change in the peer group is preferable because these banks, as a group, are

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considered by management to be more 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.

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 rated special mention or assigned a lower "pass" rating. Prior to 2014, peer group average annual historical loss rates were adjusted downward for loans assigned the highest "pass" grades. As peer group average annual historical loss rates have declined over the last year, the downward adjustment for loans assigned the highest "pass" grades has been eliminated.

Beginning in 2014, we extended the loss experience period used to calculated an average net charge-off rate from eight quarters to twelve quarters. We believe a twelve-quarter look back period is appropriate as it better 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.

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 for loans secured by real estate;
- Quality of risk ratings, as measured by changes in risk rating identified by our independent loan review function;
- Credit concentrations;
- Changes in 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 reflect elevated default probabilities as a result 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, 2014 or 2013.

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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 March 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, 2014. An ALLL of $2.9 million was recorded at December 31, 2013 related to ACI commercial loans.

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The following table provides an analysis of the ALLL, provision for loan losses and net charge-offs for the period from December 31, 2009 through December 31, 2014 (in thousands):

	New Loans	ACI Loans	Non-ACI Loans	Total
Balance at December 31, 2009	1,334	20,021	1,266	22,621
Provision for loan losses:	4,926	33,928	12,553	51,407
Charge-offs:				
Home equity loans and lines of credit	—	—	(1,125)	(1,125)
Multi-family	—	(1,414)	(166)	(1,580)
Commercial real estate	—	(3,274)	—	(3,274)
Construction and land	—	(8,398)	—	(8,398)
Commercial loans and leases	(109)	(938)	(29)	(1,076)
Consumer	—	—	(215)	(215)
Total Charge-offs	(109)	(14,024)	(1,535)	(15,668)
Total Recoveries	—	—	—	—
Net Charge-offs:	(109)	(14,024)	(1,535)	(15,668)
Balance at December 31, 2010	6,151			