BankUnited, Inc.
Form 10-K
February 28, 2012

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Item 8. Financial Statements and Supplementary Data

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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, 2011
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 o No ý

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 o	Accelerated filer o	Non-accelerated filer ý (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, 2011 was $992,146,227.

The number of outstanding shares of the registrant's common stock, $0.01 par value, as of February 24, 2012, was 97,703,169.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2012 annual meeting of stockholders are incorporated by reference in this Annual Report on Form 10-K in response to Part III. Items 10, 11, 12 13 and 14.

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For the Year Ended December 31, 2011

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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:

- failure to comply with the terms of the Company's Loss Sharing Agreements (as defined below) with the FDIC (as defined below);
- geographic concentration of the Company's markets in the coastal regions of Florida which makes the Company's business highly susceptible to local economic conditions and natural disasters;
- court backlogs and an increase in the amount of legislative action that might restrict or delay the Company's ability to foreclose on residential mortgages and hence delay the collection of payments for single family residential loans under the Loss Sharing Agreements;
- ongoing correction in residential and commercial real estate prices and reduced levels of residential and commercial real estate sales;
- credit risk;
- interest rate risk;
- loss of executive officers or key personnel; and
- inadequate allowance for credit losses.

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

As of December 31, 2011, BankUnited, Inc. was a savings and loan holding company with two wholly-owned subsidiaries: BankUnited ("BankUnited" or the "Bank"), which is one of the largest independent depository institutions headquartered in Florida by assets, and BankUnited Investment Services, Inc. ("BankUnited Investment Services" or "BUIS"), a Florida insurance agency which provides comprehensive wealth management products and financial planning services, collectively (the "Company"). As of December 31, 2011, BankUnited was a federally-chartered, federally-insured savings association headquartered in Miami Lakes, Florida, with $11.3 billion of assets, more than 1,300 professionals and 95 branches in 15 counties. The Company's goal is to build a premier, large 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 financial services to both our commercial and consumer customers, who are predominantly located in Florida.

On February 29, 2012, the Company expects to complete its previously announced acquisition of Herald National Bank ("Herald"), and the Bank to complete its previously announced conversion to a national bank charter. Upon the occurrence of these events, the Company will become a bank holding company and will cease to be a savings and loan holding company. Herald will operate as a separate subsidiary of BankUnited, Inc., until the end of August 2012, at which time it will be merged into the Bank.

BankUnited, Inc. was organized by a management team led by our Chairman, President and Chief Executive Officer, John A. Kanas, on April 28, 2009 and was initially capitalized with $945.0 million by a group of investors. On May 21, 2009, BankUnited was granted a savings association charter and the newly formed bank 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, or the FDIC, in a transaction which we refer to as the Acquisition. Concurrently with the Acquisition, we 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, including private-label mortgage-backed securities and non-investment grade securities. We refer to assets covered by the Loss Sharing Agreements as covered assets or, in certain cases, covered loans or covered securities.

Since the Bank's establishment in May 2009, we have pursued our new strategy and as part of this strategy we have recruited a new executive management team, substantially enhanced our middle management team, redesigned the Bank's underwriting functions, completed a conversion of the Bank's core operating systems, and refurbished and re-branded our existing branch network. BankUnited's Tier 1 leverage ratio was 10.8% and its Tier 1 risk-based capital ratio was 34.6% at December 31, 2011. We intend to invest our excess capital to grow opportunistically both organically and through acquisitions.

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. Prior to the IPO we were a direct, wholly owned subsidiary of BU Financial Holdings LLC, or the LLC, a Delaware limited liability company, and whose common equity interests are referred to herein as units. Immediately prior to the consummation of the IPO, the LLC was liquidated and all LLC interests were distributed to the members of the LLC in accordance with its amended and restated limited liability company agreement dated as of May 21, 2009, or the LLC Agreement. All of

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the transactions necessary to effect the liquidation are collectively referred to herein as the Reorganization.

The 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 a 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, $538.9 million of investment securities, $1.2 billion of cash and cash equivalents, $177.7 million of foreclosed assets, $243.3 million of Federal Home Loan Bank ("FHLB"), stock and $347.4 million of other assets. Liabilities assumed included $8.3 billion of non-brokered deposits, $4.6 billion of FHLB advances, and $112.2 million of other liabilities.

Concurrently with the Acquisition, the Bank entered into the Loss Sharing Agreements with the FDIC with respect to the covered assets. The Bank acquired other BankUnited, FSB assets that are not covered by the Loss Sharing Agreements with the FDIC including cash, certain investment securities purchased at fair market value and other tangible assets. The Loss Sharing Agreements do not apply to subsequently acquired, purchased or originated assets. At December 31, 2011, the covered assets consisted of assets with a book value of $2.8 billion. The total UPB or, for investment securities, unamortized cost basis, of the covered assets at December 31, 2011 was $6.2 billion. The following charts illustrate the percentage of total assets represented by covered assets at December 31, 2011, 2010 and 2009:

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, 2011 was $2.0 billion. 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

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have submitted claims of $1.9 billion to the FDIC for reimbursements under the Loss Sharing Agreements as of December 31, 2011.

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 Purchase and Assumption Agreement, the Bank may sell up to 2.5% of the covered loans based on the UPB at Acquisition, or approximately $280.0 million, on an annual basis without prior consent of the FDIC. Any losses incurred from such loan sale are covered under the Loss Sharing Agreements. Any loan sale in excess of the annual 2.5% of the covered loans 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 tenth anniversary or the fifth anniversary, respectively, and the FDIC refuses to consent, then the Single Family Shared-Loss Agreement and the Commercial Shared-Loss Agreement 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 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 five- and ten-year periods, respectively.

The Loss Sharing Agreements require us to follow specific servicing procedures and to undertake loss mitigation efforts. Additionally, the FDIC has information rights with respect to our performance under the Loss Sharing Agreements, requiring us to maintain detailed compliance records.

Our Market Area

We view our market as the southeast region of the United States with a current focus on Florida, and in particular the Miami metropolitan statistical area, or MSA. We believe Florida represents a long-term attractive banking market. After the closing of the Herald acquisition, the New York MSA will also be a market in which we see long-term growth opportunities.

Florida's economy and banking industry continue to face significant challenges. Since 2007, many Florida banks have experienced capital constraints and liquidity challenges as a result of significant losses from loans with poor credit quality and investments that have had sizeable decreases in value or realized losses. The undercapitalization and increased regulation of the banking sector have caused many banks to reduce lending to new and existing clients and focus primarily on improving their balance sheets, putting pressure on commercial borrowers to look for new banking relationships. Given our competitive strengths, including an experienced management team, robust capital position and scalable platform, we believe these challenges present significant acquisition and organic growth opportunities for us.

Over time, we will look to expand our branch network outside of Florida in selected markets including New York, where our management team has had significant experience and has the competitive advantage of having managed one of the most successful regional banks in that market. However, until August 2012 certain of our executive officers are subject to non-compete agreements which may restrict them individually from operating in New York, New Jersey and Connecticut.

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Products and Services

Loan Origination Activities

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

We offer a full array of lending products that cater to our customers' needs including small business loans, residential mortgage loans, commercial real estate loans, equipment loans and leases, term loans, asset-backed loans, municipal leases, letters of credit and commercial lines of credit. As part of our loan activities, we also purchase performing residential loans on a national basis. We do not originate or purchase negatively amortizing or sub-prime residential loans.

In 2010 and 2011, we hired a number of commercial lenders and teams from competing institutions in our Florida markets, which has resulted in significant growth in our new loan portfolio. At December 31, 2011, our loan portfolio included $1.7 billion in loans originated or purchased since the Acquisition, including $1.3 billion in commercial and commercial real estate loans and $463.5 million in residential loans. Our consumer loan origination has not been significant.

Commercial loans. Our commercial loans, which are generally made to small and middle-market businesses primarily in Florida, include equipment loans, lines of credit, acquisition finance credit facilities and an array of Small Business Administration product offerings, and typically have maturities of 5 years or less. We also offer term financing for the acquisition or refinancing of properties, primarily rental apartments, industrial properties, retail shopping centers and free-standing buildings, office buildings and hotels located primarily in Florida. Other products that we provide include secured lines of credit, acquisition, development and construction loan facilities and construction financing. In addition, in the fourth quarter of 2010, we acquired a small business lending company and a municipal leasing business. We now provide secured loan and lease programs for small and medium sized businesses on a national basis through United Capital Business Lending. These loans and leases are typically used for equipment purchases and upgrades, business expansion and acquisition purposes. Through Pinnacle Public Finance, we also offer tax-exempt leasing to municipalities and governmental entities nationwide for the financing of essential-use assets.

Residential real estate loans. At December 31, 2011, the portfolio of 1-4 single family residential loans originated or purchased by us since the Acquisition included $403.2 million of purchased loans and $58.2 million of originated residential real estate loans. We have decided to purchase loans to supplement our mortgage origination platform and to geographically diversify our loan portfolio given the current credit environment of the non-agency mortgage market in Florida. 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 are currently limited to Florida; (ii) purchased loans, on average, have a higher principal balance than originated loans; and (iii) we consider payment history in selecting which seasoned loans to purchase, while such information is not available for originated loans. We provide 1-4 single family residential real estate loans with terms ranging from 10 to 40 years, with either fixed or adjustable interest rates. Loans are currently offered to customers primarily in Florida through BankUnited branches and loan officers. We do not originate subprime loans or option ARM loans. Loans are typically closed-end first lien loans for purposes of property purchased, or for refinancing existing loans with or without cashout. The majority of our loans are owner occupied, full documentation loans. We have not originated a significant amount of home equity loans since the Acquisition.

Consumer loans. We offer consumer loans to our customers primarily in Florida for personal, family and household purposes, including home equity loans, auto, boat and personal installment loans. This portfolio segment is currently not significant.

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Credit Policy and Procedures

The fundamental principles of the Bank's credit policy and procedures are to maintain high quality credit standards, which enhance the long term value of the Bank 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. We recognize that our credit policy and procedures are dynamic and responsive to the market place. It is the foundation of our credit culture.

The Board of Directors of the Bank is responsible for the safety and soundness of the Bank. As such, they are charged to monitor the efforts of the Bank's management activities. Since lending represents risk exposure, our Board and its duly appointed committees seek to ensure that the Bank maintains high credit quality standards.

The Bank has established asset oversight committees to administer the loan portfolio. These committees include: (i) the Enterprise Risk Management Committee; (ii) the Credit Risk Management Committee; (iii) the Asset Recovery Committee; and (iv) the Criticized Asset Committee. These committees meet at least quarterly to review and approve the lending activities of the Bank.

The credit approval process at the Bank provides for the 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 loan 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.

The Bank has established in-house borrower lending limits which are significantly lower than its legal lending limit of approximately $183.9 million, at December 31, 2011. The present in-house lending limit is $75.0 million based on total credit exposure of a borrower. These limits are reviewed periodically by the Credit Risk Management Committee and approved annually by the Board of Directors of the Bank.

Deposits

We offer traditional deposit products including checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of rates. Our deposits are insured by the FDIC up to statutory limits. At December 31, 2011, the balance of our interest bearing deposits was $6.6 billion, representing 89.5% of our total deposits, and the balance of our non-interest bearing deposits was $770.8 million, representing 10.5% of our total deposits. Our strategy has been to increase our mix of transaction accounts and reduce our time deposit portfolio. We have a service fee schedule, which is competitive with other financial institutions in our market, covering such matters as maintenance fees on checking accounts, per item processing fees on checking accounts, returned check charges and similar fees.

Wealth Management

Through dedicated financial consultants and licensed bankers, BankUnited Investment Services provides a comprehensive wealth management product offering that includes mutual funds, annuities, life insurance, and individual securities. We also provide comprehensive succession planning, estate planning, and financial planning to individuals and business owners. We use a third-party financial services company to provide our trading platform, administrative and back office support, and provide our customers with 24-hour access to account balances and summaries, positions and portfolio views, transaction detail, customized portfolio view, and online statements.

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Investments

The primary objectives of our investment policy are to provide liquidity necessary for the day-to-day operations of the Company, 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.

Our strategy for investment security purchases since the Acquisition has been to achieve the objectives noted above, with an emphasis on managing interest rate risk exposure and maintaining liquidity in the portfolio.

Marketing and Distribution

We conduct our banking business through 95 branches located in 15 counties throughout Florida as of December 31, 2011. Our distribution network also includes 91 ATMs, fully integrated on-line banking, and a telephone banking service. We target growing companies and commercial and middle-market businesses, as well as individual consumers throughout Florida.

In order to market our products, we use local television, radio, print and direct mail advertising and provide sales incentives for our employees.

Competition

The primary market we serve is Florida. Our market is highly competitive. Our market contains 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 and adjoining states 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 our market include Bank of America, BankAtlantic, BB&T, JPMorgan Chase, Regions Bank, SunTrust Banks, TD Bank and Wells Fargo.

Interest rates, both on 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, 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. We also believe that further volatility and consolidation in the banking industry would create additional opportunities for us to enhance our competitive position.

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Information Technology Systems

Information Technology and Bank Operations

We have recently made and continue to make significant investments in our information technology systems for our banking and lending operations and cash management activities. We believe this is a necessary investment in order to enhance our capabilities to offer new products and overall customer experience, and to provide scale for future growth and acquisitions. Critical enhancements include the consolidation of all residential servicing to a leading servicing platform, upgrading our general ledger system, selecting an automated anti-money laundering software solution and enhancing other ancillary systems. We also converted our core deposit banking system to more effectively automate bank transactions for our branches, improve our commercial and consumer loan origination, electronic banking and direct response marketing processes, as well as enhance cash management, streamlined reporting, reconciliation support and sales support.

The majority of our systems including our electronic funds transfer or EFT, transaction processing and our online banking services are hosted by third-party service providers. Additionally, we rely on a leading third-party provider to provide a comprehensive, fully integrated solution that gives us the ability to automate areas of our residential loan servicing, including loan set-up and maintenance, customer service, cashiering, escrow administration, investor accounting, default management, corporate accounting and federal regulatory reporting. The scalability of this new infrastructure supports our growth strategy. In addition, the capability of these vendors to automatically switch over to standby systems allows us to recover our systems and provide business continuity quickly in case of a disaster.

Loan Servicing

Substantially all of our loans are serviced by us. Since the Acquisition, we have invested heavily in our loan servicing platform to ensure we are making best efforts in minimizing losses on the Covered Loans. Additionally, we have been an active participant in the U.S. Treasury Department's Home Affordable Modification Program ("HAMP") since 2009, which focuses on helping at-risk homeowners avoid foreclosure by reducing payments through interest rate reduction, term extension, principal forbearance and principal forgiveness.

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. 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.

Currently a Savings and Loan Holding Company

BankUnited is currently a federal savings association organized under the Federal Home Owners' Loan Act, or "HOLA." A federal savings association is commonly referred to as a federal thrift. As a federal thrift, 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 thrift (but that does not control a bank) must be approved to become a savings

and loan holding company, or SLHC. The Company, which controls BankUnited, received such approval to become a SLHC on May 21, 2009. As an SLHC, the Company is currently subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Federal Reserve Board. This jurisdiction also extends to any company that is directly or indirectly controlled by us.

Prior to July 21, 2011, the Company and BankUnited were subject to supervision and regulation by the Office of Thrift Supervision ("OTS"). However, effective July 21, 2011, supervisory and regulatory responsibilities were shifted from the OTS to the Federal Reserve Board with respect to the Company and to the OCC with respect to BankUnited. This shift in jurisdiction was mandated by the Dodd-Frank Act, as noted in the Section below, entitled "The Dodd-Frank Act."

Will Become a Bank Holding Company

The Company's regulatory structure will change as a result of two proposed events that are expected to occur on February 29, 2012. First, the Company will acquire control of Herald. Second, the Company will convert the charter of BankUnited from a federal thrift to a national bank to be known as BankUnited, National Association, or "BankUnited, NA." National banks are depository institutions chartered under the federal National Bank Act and regulated and supervised by the OCC.

The occurrence of these events will cause the Company to control a bank for purposes of the Bank Holding Company Act of 1956, or the "BHC Act." Any entity that directly or indirectly controls a bank must be approved by the Federal Reserve Board under the BHC Act to become a bank holding company, or "BHC." BHCs are subject to regulation, inspection, examination, supervision and enforcement by the Federal Reserve Board under the BHC Act. This Federal Reserve Board's jurisdiction also extends to any company that is directly or indirectly controlled by a BHC. Once the Company becomes a BHC, it would no longer be, and no longer be regulated as, an SLHC.

The Company has applied for and received all necessary regulatory approvals to acquire Herald, to convert BankUnited from a federal thrift to a national bank, and to thereby become a BHC. Specifically, the OCC approved the Company's acquisition of Herald and BankUnited's conversion to a national bank on February 14, 2012. The Federal Reserve Bank of Atlanta, acting under delegated authority for the Federal Reserve Board, approved the Company's application to become a BHC on February 13, 2012. The Company expects to consummate these transactions on February 29, 2012, and to become a BHC as of that date.

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 (as well as Herald) 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

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organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things:

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

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 (including BankUnited), or their officers, directors and institution-affiliated parties to the remedies described above and other sanctions.

Approval Orders

On May 21, 2009, we received approvals from the OTS and FDIC for the organization of BankUnited as a federal thrift, for the Company to become a SLHC, and for BankUnited to obtain federal deposit insurance. Those approval orders contained conditions related to the conduct of our business. Those conditions include, among other things, the following requirements:

- during our first three years of operation, BankUnited must maintain a tier 1 capital to adjusted total assets leverage ratio at not less than eight percent; and
- during our first three years of operation, we must operate within the parameters of our business plan and obtain prior written regulatory consent to any material change in our business plan.

On February 13, 2012, we received approval of the Federal Reserve Board to become a BHC. In connection with that approval, we committed that within a period of two years of becoming a BHC, or by February 29, 2014, we would conform our nonbanking activities to those permissible for a BHC under the BHC Act. In addition, we committed to adding another independent member to our board of directors within

18 months of becoming a BHC, or by the end of August 2013.

On February 14, 2012, we received approval of the OCC to convert BankUnited to a national bank. In connection with the conversion, BankUnited, NA will enter into an operating agreement with the OCC. Under that agreement, BankUnited, NA will be required to, among other things:

- adopt a comprehensive 3-year business and capital plan acceptable to the OCC;
- operate within the parameters of the plan and obtain prior written non-objection from the OCC for any material change or significant deviation from the plan; and

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at all times continue to maintain a Tier 1 capital to adjusted total assets leverage ratio of not less than eight percent.

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 companies, or SIFIs, 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.

Principal changes for federal thrifts and SLHCs. The Dodd-Frank Act preserves the charter for federal thrifts, but eliminates the OTS as the primary federal regulator for federal thrifts and SLHCs. The functions of the OTS were allocated among the OCC, FDIC, and the Federal Reserve Board on July 21, 2011. Primary jurisdiction for the supervision and regulation of federal thrifts, including BankUnited, was transferred to the OCC; supervision and regulation of SLHCs, including the Company, was transferred to the Federal Reserve Board. Although the Dodd-Frank Act maintains the federal thrift charter, it eliminates certain benefits of the charter and imposes new penalties for failure to comply with the qualified thrift lender, or QTL test. Under the Dodd-Frank Act, the risk-based and leverage capital standards currently applicable to U.S. insured depository institutions will be imposed on U.S. BHCs and SLHCs, and depository institutions and their holding companies will be subject to minimum risk-based and leverage capital requirements on a consolidated basis. In addition, the Dodd-Frank Act requires that SLHCs be well-capitalized and well managed in the same manner as BHCs in order to engage in the expanded financial activities permissible only for a financial holding company.

Source of strength. The Dodd-Frank Act requires all companies, including SLHCs and 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 its insured depository institution subsidiaries should they experience financial distress.

Limitation on federal preemption. The Dodd-Frank Act significantly reduces the ability of national banks and federal thrifts to rely on federal preemption of state consumer financial laws. Although the OCC, as the new primary regulator of federal thrifts, 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.

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, in an effort to require steps to verify a borrower's

ability to repay. In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans the lender sells or mortgage and other asset-backed securities that the securitizer issues. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

Imposition of restrictions on certain activities. The Dodd-Frank Act imposes a new regulatory structure on the over-the-counter derivatives market, including requirements for clearing, exchange trading, capital, margin, reporting, and record keeping. In addition, certain swaps and other derivatives activities are required to be "pushed out" of insured depository institutions and conducted in separately capitalized non-bank affiliates. The Dodd-Frank Act also will require certain persons to register as a "major swap participant" or a "swap dealer." The U.S. Commodity Futures Trading Commission, the SEC and other U.S. regulators are in the process of adopting regulations to implement the Dodd-Frank Act. It is anticipated that this rulemaking process will further clarify, among other things, reporting and recordkeeping obligations, margin and capital requirements, the scope of registration requirements, and what swaps are required to be centrally cleared and exchange-traded. Rules will also be issued to enhance the oversight of clearing and trading entities. These restrictions may affect our ability to manage certain risks in our business.

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. On July 6, 2011, the FDIC approved a final rule, which became effective on August 15, 2011, implementing the orderly liquidation authority.

Consumer Financial Protection Bureau ("CFPB"). The Dodd-Frank Act creates 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. On July 21, 2011, the CFPB assumed its authority to supervise and enforce existing consumer financial protection rules.

Deposit insurance. The Dodd-Frank Act makes permanent the general $250,000 deposit insurance limit for insured deposits. The Dodd-Frank Act also extends until January 1, 2013, federal deposit coverage for the full net amount held by depositors in non-interest bearing transaction accounts. Amendments to the FDIA also revise the assessment base against which an insured depository institution's deposit insurance premiums paid to the deposit insurance fund, or DIF, of the FDIC will be calculated. Under the amendments, the assessment base will no longer be the institution's deposit base, but rather its average consolidated total assets less its average tangible equity. Additionally, the Dodd-Frank Act makes 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. Several of these provisions could increase the FDIC deposit insurance premiums paid by BankUnited and Herald.

Transactions with affiliates and insiders. 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 an increase in the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. Insider transaction limitations are expanded through the strengthening of loan restrictions to insiders and the expansion of the types of transactions subject to the various limits, including derivatives transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions. Restrictions are also placed on certain asset sales to and from an insider to an institution, including requirements that such sales be on market terms and, in certain circumstances, approved by the institution's board of directors.

Enhanced lending limits. The Dodd-Frank Act strengthens the existing limits on a depository institution's credit exposure to one borrower.

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.

Many of the requirements of the Dodd-Frank Act will be 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.

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 Savings and Loan Holding Company Act, the BHC Act and the Change in Bank Control 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 whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, a party is deemed to control a depository institution or other company if the party owns or controls 25% or more of any class of voting stock. Subject to rebuttal, a party may be presumed to control a depository institution or other company if the investor owns or controls 10% or more of any class of voting stock. Ownership by affiliated parties, or parties acting in concert, is typically aggregated for these purposes. If a party's ownership of 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.

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Permissible Activities and Investments

Banking laws generally restrict the ability of the Company and its subsidiaries 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, SLHCs like the Company currently must be well-capitalized and well managed in the same manner as BHCs in order 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 Prompt Corrective Action

The 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 judgment on an institution's capital adequacy is based on the regulator's individualized assessment of numerous factors.

BankUnited is subject to various regulatory capital adequacy requirements. The Federal Deposit Insurance Corporation Improvement Act, or "FDICIA," requires that the federal regulatory agencies adopt regulations defining five capital tiers for depository institutions: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that could have a direct material adverse effect on our financial condition.

The regulators have established quantitative measures that require that an FDIC-insured depository institution (such as BankUnited) to maintain minimum ratios of capital to risk-weighted assets. There are two main categories of capital under the guidelines. Tier 1 capital includes common equity holders' equity, qualifying preferred stock and trust preferred securities, less goodwill and certain other deductions (including a portion of servicing assets and the unrealized net gains and losses, after taxes, on securities available for sale). Tier 2 capital includes preferred stock not qualifying as Tier 1 capital, subordinated debt, the allowance for credit losses and net unrealized gains on marketable equity securities, subject to limitations by the guidelines. Tier 2 capital is limited to the amount of Tier 1 capital (i.e., at least half of the total capital must be in the form of tier 1 capital). Under the risk-based guidelines, capital is compared with the relative risk related to the balance sheet. To derive the risk included in the balance sheet, a risk weighting is applied to each balance sheet asset and off-balance sheet item, primarily based on the relative credit risk of the counterparty. For example, claims guaranteed by the U.S. government or one of its agencies are risk-weighted at 0% and certain real-estate related loans risk-weighted at 50%. Off-balance sheet items, such as loan commitments and derivatives, are also applied a risk weight after calculating balance sheet equivalent amounts.

In order to be deemed well-capitalized, FDIC-insured depository institutions (such as BankUnited) currently are required to (i) maintain a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater and a Tier 1 leverage ratio of 5% or greater (measured as Tier 1 capital to adjusted total assets) and (ii) not be subject to any written agreement, order, capital

directive or prompt corrective action issued by its banking regulator(s) to meet and maintain a specific capital level for any capital measure. The regulators may set higher capital requirements for an individual institution when particular circumstances warrant. The OTS has required BankUnited to maintain a Tier 1 capital to adjusted total assets leverage ratio of not less than 8% for the first three years of its operation. In addition, under BankUnited, NA's operating agreement with the OCC, BankUnited, NA will be required continue to maintain this same 8% ratio. At December 31, 2011, BankUnited's Tier 1 leverage ratio was equal to 10.8%.

In July 2011, the OCC assumed the OTS's powers with respect to federal savings associations (like BankUnited currently), as well as rulemaking authority over all savings associations (except for the limited rulemaking authority transferred to the Federal Reserve Board). Although the federal banking agencies have substantially similar capital adequacy standards and utilize the same accounting standards, some differences in capital standards exist, such as the regulatory treatment of noncumulative perpetual preferred stock and the risk-weightings assigned to certain assets. The OCC also limits the amount of subordinated debt and intermediate-term preferred stock that may be treated as part of Tier 2 capital to 50% of Tier 1 capital, whereas the OTS did not prescribe such a restriction. Finally, the OCC recognizes an additional category, "Tier 3 capital," consisting of forms of unsecured, subordinated debt that can be allocated for market risk and is included in the total risk-based capital ratio numerator.

At this time, banking regulatory agencies are more inclined to impose higher capital requirements in order to meet well-capitalized standards, and future regulatory change could impose higher capital standards as a routine matter. The regulators may also set higher capital requirements for holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

As an additional means to identify problems in the financial management of depository institutions, the FDIA requires federal banking regulators to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

SLHCs are not currently required to maintain specific minimum capital ratios. However, as a result of the Dodd-Frank Act, the risk-based and leverage capital standards currently applicable to U.S. insured depository institutions and U.S. BHCs will in the future become applicable to SLHCs. The Dodd-Frank Act generally authorizes the Federal Reserve Board to promulgate capital requirements for SLHCs, an action the Federal Reserve Board has indicated that it will take once it adopts consolidated capital standards under Basel III (described below).

Once the Company becomes a BHC, it must comply with the capital requirements imposed on BHCs. The Federal Reserve Board requires BHCs to maintain a minimum Tier 1 leverage ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio. In addition, the Federal Reserve Board requires BHCs that engage in trading activities to adjust their risk-based capital ratios to take into consideration market risks that may result from movements in market prices of covered trading positions in trading accounts, or from foreign exchange or commodity positions, whether or not in trading accounts, including changes in interest rates, equity prices, foreign exchange rates or commodity prices. Any capital required to be maintained under these provisions may consist of Tier 3 capital. Also, the Federal Reserve Board considers a "tangible Tier 1 leverage ratio" (deducting all intangibles) and other indications of capital strength in evaluating proposals for expansion or engaging in new activities.

In addition, the Dodd-Frank Act further requires the federal banking agencies to adopt capital requirements which address the risks that the activities of an institution poses to the institution and the

public and private stakeholders, including risks arising from certain enumerated activities. The federal banking agencies will likely change existing capital guidelines or adopt new capital guidelines in the future pursuant to the Dodd-Frank Act, the implementation of Basel III (described below) or other regulatory or supervisory changes.

The FDIA requires federal banking regulators to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation. Under this system, the federal banking regulators have established five capital categories, well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, in which all institutions are placed. The federal banking regulators have also specified by regulation the relevant capital levels for each of the other categories. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized.

Basel, Basel II and Basel III Accords

The current risk-based capital guidelines that apply to BankUnited are based on the 1988 capital accord of the International Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by U.S. federal banking agencies. In 2008, federal banking agencies began to phase-in capital standards based on a second capital accord, referred to as Basel II, for large or "core" international banks (total assets of $250 billion or more or consolidated foreign exposures of $10 billion or more). Basel II emphasizes internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced agreement on the calibration and phase-in arrangements for a strengthened set of capital requirements, known as Basel III. Basel III increases the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a non-risk adjusted Tier 1 leverage ratio of 3%, based on a measure of total exposure rather than total assets, and new liquidity standards. The Basel III capital and liquidity standards will be phased in over a multi-year period.

The final package of Basel III reforms was submitted to and endorsed by the Seoul G20 Leaders Summit in November, 2010. On December 16, 2010, the Basel Committee issued the text of the Basel III rules, which are now subject to individual adoption by member nations, including the United States. The federal banking agencies will likely implement changes to the capital adequacy standards applicable to the insured depository institutions and their holding companies in light of Basel III.

If adopted by federal banking agencies, Basel III could lead to higher capital requirements and more restrictive leverage and liquidity ratios. The ultimate impact of the new capital and liquidity standards on us and our bank subsidiary is currently being reviewed and will depend on a number of factors, including the rulemaking and implementation by the U.S. banking regulators. We cannot determine the ultimate effect that potential legislation, or subsequent regulations, if enacted, would

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have upon our earnings or financial position. In addition, significant questions remain as to how the capital and liquidity mandates of the Dodd-Frank Act will be integrated with the requirements of Basel III.

Qualified Thrift Lender Test

Federal banking laws require a thrift to meet the QTL test by maintaining at least 65% of its "portfolio assets" in certain "qualified thrift investments," such as residential housing related loans, certain consumer and small business loans and residential mortgage-backed securities, on a monthly average basis in at least nine months out of every twelve months. A thrift that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. The Dodd-Frank Act imposes additional restrictions on the ability of any thrift that fails to become or remain a QTL to pay dividends. Specifically, the thrift is not only subject to the general dividend restrictions as would apply to a national bank (as under prior law), but also is prohibited from paying dividends at all (regardless of its financial condition) unless required to meet the obligations of a company that controls the thrift, permissible for a national bank and specifically approved by the OCC and the Federal Reserve Board. In addition, violations of the QTL test now are treated as violations of federal banking laws subject to remedial enforcement action. At December 31, 2011, BankUnited was in compliance with the QTL test.

HOLA limits the amount of non-residential mortgage loans a federal savings association, such as BankUnited, may currently make. Separate from the QTL test, the law limits a federal savings association to a maximum of 20% of its total assets in commercial loans not secured by real estate; however, only 10% can be large commercial loans not secured by real estate (defined as loans in excess of $2 million). Commercial loans secured by real estate can be made in an amount up to four times an institution's total capital. An institution can also have leases, in addition to the above items, up to 10% of its assets. Commercial paper, corporate bonds, and consumer loans taken together cannot exceed 35% of a savings association's assets. For this purpose, residential mortgage loans and credit card loans, however, are not considered consumer loans, and are both unlimited in amount. The foregoing limitations are established by statute, and cannot be waived by the OCC. At December 31, 2011, BankUnited was in compliance with these limits.

Upon its conversion to a national bank, BankUnited will no longer be subject to the QTL test or the HOLA limits on making non-residential mortgage loans.

Regulatory Limits on Dividends and Distributions

Federal law currently imposes limitations upon certain capital distributions by thrifts, 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 us, including dividend payments. BankUnited currently must file an application to receive the approval of the Federal Reserve Board prior to making any proposed capital distribution. Upon BankUnited's conversion to a national bank, application to receive the approval of the Federal Reserve Board prior to making any proposed capital distribution will no longer be required.

BankUnited may not pay dividends to us if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible 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. Additionally, the Dodd-Frank Act imposes additional restrictions on the ability of any thrift that fails to become or remain a QTL to pay dividends.

Under BankUnited, NA's operating agreement with the OCC, BankUnited, NA will not be permitted to declare or pay a dividend or reduce its capital unless it would maintain a Tier 1 capital to adjusted total assets leverage ratio of not less than 8% both before and after the paying the dividend or reducing its capital and otherwise be in compliance with its comprehensive business plan.

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.

Liability of Commonly Controlled Institutions

FDIC-insured depository institutions can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of an FDIC-insured depository institution controlled by the same company and for any assistance provided by the FDIC to an FDIC-insured depository institution that is in danger of default and that is controlled by the same company. "Default" means generally the appointment of a conservator or receiver for the institution. "In danger of default" means generally the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

The cross-guarantee liability for a loss at a commonly controlled institution is subordinated in right of payment to deposit liabilities, secured obligations, any other general or senior liability and any obligation subordinated to depositors or general creditors, other than obligations owed to any affiliate of the depository institution (with certain exceptions). After the Company acquires Herald and BankUnited converts to a national bank, BankUnited, NA and Herald will be commonly controlled by the Company.

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 or, 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.

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 an increase in 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 federal thrifts and national banks, processing applications and other filings, and covering direct and indirect expenses in regulating thrifts and 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, which is currently under-funded. The FDIC recently raised assessment rates to increase funding for the DIF.

The Dodd-Frank Act changes the way an insured depository institution's deposit insurance premiums are calculated. The assessment base will no longer be the institution's deposit base, but rather its average consolidated total assets less its average tangible equity. The Dodd-Frank Act also makes 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, eliminating the upper limit for the reserve ratio designated by the FDIC each year, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds.

Continued action by the FDIC to replenish the DIF as well as the changes contained in the Dodd-Frank Act may result in higher assessment rates, which could reduce our profitability or otherwise negatively impact 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 Home Loan Bank System

BankUnited is a member of the Federal Home Loan Bank of Atlanta, which is one of the twelve regional FHLB's composing the FHLB system. 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 all long-term advances may be obtained only for the purpose of providing funds for residential housing finance. As a member of the FHLB of Atlanta, BankUnited is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankUnited has always been in compliance with this requirement with an investment in FHLB of Atlanta stock. BankUnited will continue its FHLB membership after converting to a national bank.

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Federal Reserve Bank System

Upon conversion of its charter to that of a national bank, BankUnited will be required to hold shares of capital stock in the Federal Reserve Bank of Atlanta.

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.

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;

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- 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 is likely to lead to enhanced and strengthened 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. Since the Acquisition, bank regulators have not conducted a CRA exam of BankUnited.

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, thrifts, 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, financial condition or results of operations. The Dodd-Frank Act imposes 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, 2011, we employed 1,335 full-time employees and 30 part-time employees. None of our employees are parties to a collective bargaining agreement. We believe that our relations with our employees are good.

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Available Information

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

Item 1A. Risk Factors

Risks Related to Our Business

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

In May 2009, we purchased substantially all of the assets and assumed all of the non-brokered deposits and substantially all other liabilities of the Failed Bank in an FDIC-assisted transaction, and presently a substantial portion of BankUnited's revenue is derived from such assets. The purchased loans, commitments, foreclosed assets and certain securities are covered by the Loss Sharing Agreements with the FDIC, which provide that a significant portion of the 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 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 is subject to audits with the terms of the Loss Sharing Agreements 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 Acquisition."

The geographic concentration of our markets in the coastal regions of Florida makes our business highly susceptible to local economic conditions and natural disasters.

Unlike larger financial institutions that are more geographically diversified, our branch offices are primarily concentrated in the coastal regions of Florida. Additionally, a significant portion of our loans secured by real estate are secured by commercial and residential properties in Florida. The Florida economy and our market in particular have been affected by the downturn in commercial and residential property values, and the decline in real estate values in Florida during the downturn has been higher than the national average. Additionally, the Florida economy relies heavily on tourism and seasonal residents, which have also been affected by recent market disruptions. Continued deterioration in economic conditions in the markets we serve or the occurrence of a natural disaster, such as a hurricane, or a man-made catastrophe, such as the Gulf of Mexico oil spill, could result in one or more of the following:

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

Hurricanes and other catastrophes to which our markets in the coastal regions of Florida are susceptible also can disrupt our operations, result in damage to our properties, reduce or destroy the

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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.

A decline in existing and new real estate sales decreases lending opportunities, may delay the collection of our cash flow from the Loss Sharing Agreements, and negatively affects our income. We do not anticipate that the real estate market will improve in the near-term and, accordingly, this could lead to additional valuation adjustments on our loan portfolios.

Delinquencies and defaults in residential mortgages continue to increase, creating a backlog in courts 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.

Our loan portfolio has and will continue to be affected by the ongoing correction in residential and commercial real estate prices and reduced levels of residential and commercial real estate sales.

Soft residential and commercial real estate markets, higher delinquency and default rates, and increasingly volatile and constrained secondary credit markets have affected the mortgage industry generally, and Florida in particular, which is where our business is currently most heavily concentrated. Our financial results may be adversely affected by changes in real estate values. We make credit and reserve decisions based on the current conditions of borrowers or projects combined with our expectations for the future. If the slowdown in the real estate market continues, we could experience higher charge-offs and delinquencies beyond that which is provided in the allowance for loan and lease losses. 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 and our earnings could be adversely affected through a higher than anticipated provision for loan losses on such assets.

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 not be sufficient to assure repayment. Similarly, 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 in light of market developments in recent years. Recent economic and market developments and the potential for continued economic disruption present considerable risks to us and it is difficult to determine the depth and duration of the economic and financial market problems and the many ways in which they may impact our business in general. 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 business is susceptible to interest rate risk.

Our earnings and cash flows depend to a great extent upon the level of our net interest income. The current low level of market interest limits our ability to add higher yielding assets to the balance sheet and may 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. 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. When interest bearing liabilities mature or reprice more quickly than interest earning assets in a period, 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 ability to originate loans and decrease loan repayment rates. 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. Accordingly, changes in the level of market interest rates affect our net yield on interest earning assets, loan origination volume, loan and mortgage-backed securities portfolios, and our overall results.

We attempt to manage our risk from changes in market interest rates by adjusting the rates, maturity, repricing, and balances of the different types of interest-earning assets and interest bearing liabilities; however, interest rate risk management techniques are not precise, and we may not be able to successfully manage our interest rate risk. As a result, a rapid increase or decrease in interest rates could have an adverse effect on our net interest margin and results of operations.

Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve.

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 our senior management team has entered into employment agreements with us, they may not complete the term of their employment agreements or renew them upon expiration. Our success also depends on the experience of our branch managers and lending officers 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 and the value of our common stock.

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

We maintain an allowance for loan and lease losses that represents management's estimate of probable losses inherent in our credit portfolio. This estimate requires management to make certain assumptions and involves a high degree of judgment, particularly as our originated loan portfolio is not yet seasoned and has not yet developed an observable loss trend and covered loans that did not exhibit evidence of deterioration in credit quality at acquisition, or non-ACI loans, have limited delinquency statistics. Management considers numerous factors, including, but not limited to, internal risk ratings, loss forecasts, collateral values, geographic location, borrower FICO scores, delinquency rates, the

proportion of non-performing and restructured loans in the loan portfolio, origination channels, product mix, underwriting practices, industry conditions, economic trends and net charge-off trends.

If management's assumptions and judgments prove to be incorrect, our current allowance may be insufficient and we may be required to increase our allowance for loan and lease losses. In addition, federal and state regulators periodically review our allowance for loan and lease losses 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. Continued adverse economic conditions could make management's estimate even more complex and difficult to determine. Any increase in our allowance for loan and lease losses will result in a decrease in net income and capital and could have a material adverse effect on our financial condition and results of operations. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations Analysis of the Allowance for Loan and Lease Losses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Allowance for Loan and Lease Losses."

We may not be able to find suitable acquisition candidates and may be unable to manage our growth due to acquisitions.

A key component of our growth strategy is to pursue acquisitions of complementary businesses. As consolidation of the banking industry continues, the competition for suitable acquisition candidates may increase. We compete with other banking companies 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, our net income could decline and we would be required to find other methods to grow our business.

Even if suitable candidates are identified and we succeed in consummating future acquisitions, acquisitions involve risks that the acquired business may not achieve anticipated revenue, earnings or cash flows. There may also be unforeseen liabilities relating to the acquired institution or arising out of the acquisition, asset quality problems of the acquired entity, 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 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.

We face significant competition from other financial institutions and financial services providers, which may decrease our growth or profits.

The primary market we serve is Florida. Consumer and commercial banking in Florida is highly competitive. Our market contains 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 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

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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 due to the recent consolidation of certain competing financial institutions 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 assets;
- 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.

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 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 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;

real estate tax rates;

operating expenses of the mortgaged properties;

supply of and demand for rental units or properties;

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- 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.

Certain expenditures associated with the ownership of real estate, principally real estate taxes and maintenance costs, may also adversely affect our operating expenses.

We are dependent on our information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security 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 and third-party servicers. We outsource our major systems including 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.

In addition, 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. 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. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation and our ability to generate business.

Reputational risks could affect our results.

Our ability to originate and maintain accounts is highly dependent upon consumer 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. Adverse developments with respect to the consumer or other 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 also 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.

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BankUnited Investment Services offers third-party products including mutual funds, annuities, life insurance, individual securities and other wealth management services which could experience significant declines in value subjecting us to reputational damage and litigation risk.

Through our subsidiary BankUnited Investment Services, we offer third-party products including mutual funds, annuities, life insurance, individual securities and other wealth management products and services. If these products do not generate competitive risk-adjusted returns that satisfy clients in a variety of asset classes, we will have difficulty maintaining existing business and attracting new business. Additionally, our investment services businesses involve the risk that clients or others may sue us, claiming that we have failed to perform under a contract or otherwise failed to carry out a duty owed to them. Our investment services businesses are particularly subject to this risk and this risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. Significant declines in the performance of these third-party products could subject us to reputational damage and litigation risk.

Global economic conditions may adversely affect our business and results of operations.

There continues to be significant volatility and uncertainty in the global economy which has affected and may continue to affect the markets in which we operate. In particular, the current uncertainty in Europe, including concerns that certain European countries may default on payments due on their sovereign debt, and any resulting disruption may affect interest rates, consumer confidence levels and spending, bankruptcy and default rates, commercial and residential real estate values, and other factors. While we do not have direct exposure to European sovereign debt or the European credit markets, market disruptions in Europe could spread into markets in which we operate. A sustained weakness or weakening in business and economic conditions generally or specifically in the markets in which we do business could have adverse effects on our business including:

- A decrease in the demand for loans and other products and services offered by us;
- A decrease in the value of our assets; and
- An increase in loan delinquencies and defaults.

If economic conditions worsen or remain volatile, our business, financial condition and results of operations could be adversely affected.

Risks Relating to the Regulation of Our Industry

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

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which imposes significant regulatory and compliance changes. 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 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."

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 certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. 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 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 FDIC's restoration plan and the related increased assessment rate could adversely affect our earnings.

Market developments have significantly depleted the DIF and reduced the ratio of reserves to insured deposits. As a result of recent economic conditions and the enactment of the Dodd-Frank Act, the FDIC has increased the deposit insurance assessment rates and thus raised deposit premiums for insured depository institutions. If these increases are insufficient for the DIF to meet its funding requirements, 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, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially adversely affect results of operations.

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

In conjunction with the conversion of its charter to that of a national bank, BankUnited is required to file a business plan with the OCC. 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 will restrict our ability to engage in business activities outside of those contemplated in the business plan without regulatory approval.

Federal banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect us.

Federal banking agencies, including the OCC and Federal Reserve Board, periodically conduct examinations of our business, including compliance with laws and regulations. If, as a result of an examination, a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that the Company or its management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be

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judicially enforced, to direct an increase in BankUnited's capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate BankUnited's deposit insurance. If we become subject to such regulatory actions, our business, results of operations and reputation may be negatively impacted.

Many of our new activities and expansion plans require regulatory approvals, and failure to obtain them may restrict our growth.

We intend to complement and expand our business by pursuing strategic acquisitions of banks and other financial institutions. 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 the competition, our financial condition, and our future prospects. 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 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 plan to 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 recently 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 have enhanced our anti-money laundering program by adopting new policies and procedures and selecting a new, robust automated anti-money laundering software solution that was implemented in 2011. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would 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 acquisition plans.

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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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2011, we leased 120,672 square feet of office and operations space in Miami Lakes, Florida. This space includes our principal executive offices, operations center and a retail branch. We also dedicated approximately 2,100 square feet of this space to house BankUnited Investment Services. At December 31, 2011, we provided banking services at 95 branch locations in 15 Florida counties. Of the 95 branch properties, we leased 87 locations and owned 8 locations.

At December 31, 2011, we also leased 10,619 square feet of office and operations space in Hunt Valley, Maryland to house United Business Capital Lending, 5,488 square feet of office and operations space in Scottsdale, Arizona to house Pinnacle Public Finance, 18,061 square feet of office and future branch space in New York City, New York, and 7,886 square feet of office and operations space in Melville, New York.

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, 2012 was $23.08 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:

	2011	
	High	Low
1st Quarter	$ 29.90	$ 27.25
2nd Quarter	29.54	26.10
3rd Quarter	27.60	19.41
4th Quarter	23.49	19.26

As of February 24, 2012, there were 284 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 2012 annual meeting of stockholders (the "Proxy Statement") is incorporated herein by reference.

Dividend Policy

The Company declared quarterly dividends of $0.14 per share on its common stock in 2011, resulting in total dividends for 2011 of $56.7 million or $0.56 per share on an annualized basis. On October 28, 2010, we paid a quarterly dividend of $14.0 million and an additional one-time special dividend of $6.0 million. In December 2010, we declared a quarterly dividend of $14.0 million, payable in January, 2011. 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 Item 1 "Business Regulation and Supervision Regulatory Limits on Dividends and Distributions." During the period ended December 31, 2009, we did not pay a cash dividend to the holder of our common stock. The quarterly dividends on our common stock are subject to the discretion of our Board 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 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, 2011, with the comparative cumulative total return of such amount on the S&P 500 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.

COMPARISON OF CUMULATIVE TOTAL RETURN

Index	01/28/11	01/31/11	02/28/11	03/31/11	04/30/11	05/31/11	06/30/11	07/31/11	08/31/11	09/30/11	10/31/11	11/30/11	12/31/11
BankUnited, Inc.	100.00	98.59	99.82	101.59	99.39	100.35	94.40	88.60	83.41	74.34	78.03	77.67	79.24
S&P 500	100.00	100.77	103.99	103.88	106.84	105.39	103.47	101.25	95.50	88.65	98.19	97.70	98.53
S&P Bank	100.00	101.36	102.11	99.82	95.49	93.89	91.80	90.01	80.64	75.59	82.74	82.53	87.20

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, 2011, and 2010, and for the years then ended and at December 31, 2009 and for the period then ended is derived from our audited consolidated financial statements included elsewhere in this Form 10-K. The selected consolidated financial data set forth below at September 30, 2008, and 2007, for the period from October 1, 2008 to May 21, 2009 and for the fiscal years ended September 30, 2008, and 2007 has been derived from the consolidated financial statements of the Failed Bank.

Although we were incorporated on April 28, 2009, neither we nor the Bank had any substantive operations prior to the Acquisition on May 21, 2009. Results of operations of the Company for the post-Acquisition periods are not comparable to the results of operations of the Failed Bank for the pre-Acquisition periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Periods Presented" and "Management's Discussion and Analysis of Financial Condition and Results of Operations Impact of Acquisition Accounting, ACI Loan Accounting and the Loss Sharing Agreements."

	BankUnited, Inc.			Failed Bank	
	At December 31,			At September 30,	
	2011	2010	2009	2008	2007
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 303,742	$ 564,774	$ 356,215	$ 1,223,346	$ 512,885
Investment securities available for sale, at fair value	4,181,977	2,926,602	2,243,143	755,225	1,098,665
Loans, net	4,088,656	3,875,857	4,588,898	11,249,367	12,561,693
FDIC indemnification asset	2,049,151	2,667,401	3,279,165		
Goodwill and other intangible assets	68,667	69,011	60,981	28,353	28,353
Total assets	11,322,038	10,869,560	11,129,961	14,088,591	15,107,310
Deposits	7,364,714	7,163,728	7,666,775	8,176,817	7,305,788
Federal Home Loan Bank advances	2,236,131	2,255,200	2,079,051	5,279,350	6,234,360
Total liabilities	9,786,758	9,616,052	10,035,701	13,689,821	13,904,508
Total stockholder's equity	1,535,280	1,253,508	1,094,260	398,770	1,202,802

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	BankUnited, Inc.				Failed Bank	
	Year Ended December 31, 2011	Year Ended December 31, 2010	Period from April 28, 2009 to December 31, 2009(1)	Period from October 1, 2008 to May 21, 2009(1)	September 30, 2008	September 30, 2007
	(dollars in thousands, except share data)					
Consolidated Income Statement Data:						
Interest income	$ 638,097	$ 557,688	$ 335,524	$ 339,068	$ 834,460	$ 957,897
Interest expense	138,937	168,200	83,856	333,392	555,594	604,558
Net interest income	499,160	389,488	251,668	5,676	278,866	353,339
Provision for loan losses	13,828	51,407	22,621	919,139	856,374	31,500
Net interest income (loss) after provision for loan losses	485,332	338,081	229,047	(913,463)	(577,508)	321,839
Non-interest income (loss)	163,217	297,779	253,636	(81,431)	(128,859)	28,367
Non-interest expense	455,805	323,320	283,262	238,403	246,480	185,634
Income (loss) before income taxes	192,744	312,540	199,421	(1,233,297)	(952,847)	164,572
Provision (benefit) for income taxes	129,576	127,805	80,375		(94,462)	55,067
Net income (loss)	$ 63,168	$ 184,735	$ 119,046	$ (1,233,297)	$ (858,385)	$ 109,505
Share Data:						
Earnings (loss) per common share, basic	$ 0.63	$ 1.99	$ 1.29	$ (12,332,970)	$ (8,583,850)	$ 1,095,054
Earnings (loss) per common share, diluted	$ 0.62	$ 1.99	$ 1.29	$ (12,332,970)	$ (8,583,850)	$ 1,095,054
Cash dividends declared per common share	$ 0.56	$ 0.37	$	N/A	N/A	N/A
Other Data (unaudited):						
Financial ratios						
Return on average assets(2)	0.58%	1.65%	1.69%	(14.26)%	(5.94)%	0.78%
Return on average common equity(2)	4.34%	15.43%	18.98%	(2041.04)%	(75.43)%	10.04%
Yield on earning assets(2)	7.85%	7.23%	7.42%	3.91%	5.91%	6.96%
Cost of interest bearing liabilities(2)	1.62%	1.81%	1.39%	3.94%	4.36%	4.91%
Equity to assets ratio	13.56%	11.53%	9.83%	(7.25)%	2.83%	7.96%
Interest rate spread(2)	6.23%	5.42%	6.03%	(0.03)%	1.55%	2.05%
Net interest margin(2)	6.14%	5.05%	5.58%	0.06%	1.98%	2.57%
Loan to deposit ratio(5)	56.17%	54.92%	60.15%	128.73%	146.33%	172.74%
Asset quality ratios						
Non-performing loans to total loans(3)(5)	0.70%	0.66%	0.38%	24.58%	11.98%	1.59%
Non-performing assets to total assets(4)	1.35%	2.14%	1.24%	23.53%	11.13%	1.51%
Allowance for loan and lease losses to total loans	1.17%	1.48%	0.49%	11.14%	5.98%	0.46%
Allowance for loan and lease losses to non-performing loans(3)	167.59%	226.35%	130.22%	45.33%	49.96%	29.15%
Net charge-offs to average loans(2)	0.62%	0.37%	0.00%	5.51%	1.58%	0.08%

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	2011	2010	2009(1)	2008	2007
***Capital ratios*(6)**					
Tier 1 common capital to total risk weighted assets	34.59%	41.30%	40.42%	4.90%	14.64%
Tier 1 risk-based capital	34.59%	41.30%	40.42%	4.90%	14.64%
Total risk-based capital	35.86%	42.04%	40.55%	6.21%	15.37%
Tier 1 leverage	10.77%	10.34%	8.78%	2.89%	7.84%

(1) The Company was incorporated on April 28, 2009, but neither the Company nor the Bank had any substantive operations prior to the Acquisition on May 21, 2009. The period from May 22, 2009 to December 31, 2009 contained 224 days. The period from October 1, 2008 to May 21, 2009 contained 233 days.

(2) Ratio is annualized for the period from October 1, 2008 to May 21, 2009 and for the period from May 22, 2009 to December 31, 2009. See note 1 above.

(3) We define non-performing loans to include nonaccrual loans, loans, other than 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 identifed as non-performing was $361.2 million and $717.7 million at December 31, 2011 and December 31, 2010, respectively.

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

(5) Total loans is net of unearned discounts and deferred fees and costs.

(6) All capital ratios presented are ratios of the Bank.

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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 measuring our financial performance, we evaluate the level of and trends in net interest income, the net interest margin and interest rate spread, the allowance and provision for loan losses, performance ratios such as the return on average assets and return on average equity, asset quality ratios 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 and trends in deposit mix. We analyze these ratios and trends against our own historical performance, our budgeted performance and the financial condition and performance of comparable financial institutions in our region and nationally.

Performance highlights include:

- The completion of the IPO of 33,350,000 shares of our common stock in February, 2011 at $27 per share. BankUnited, Inc. sold 4,000,000 shares while selling stockholders sold 29,350,000 shares. We received proceeds of $98.6 million from the offering, net of underwriting discounts and $4.0 million of direct stock issuance costs.

- Equity based compensation expense of $110.4 million recorded in conjunction with the IPO had a significant impact on net income for 2011. This expense was not deductible for income tax purposes. See Note 16 to the consolidated financial statements and the section entitled "Non-Interest Expense" below for further discussion of this expense.

- Net interest income for 2011 was $499.2 million, an increase of $109.7 million over the prior year. The net interest margin increased to 6.14% from 5.05% for 2010. The primary drivers of improvement in the net interest margin were (i) an increase in the average yield on loans resulting primarily from improvements in actual and expected cash flows from loans acquired with evidence of deterioration in credit quality since origination, which we refer to as ACI loans, and (ii) a decrease in the average rate paid on deposits resulting from declines in market interest rates and a continued shift in deposit mix away from time deposits and into demand, savings and money market accounts. The following chart provides a comparison of net interest

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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, 2011 and 2010:

We experienced strong loan portfolio growth. Loans originated or purchased by us since the Acquisition, which we refer to as "new loans," increased by $1.2 billion in 2011. New loan growth in 2011 outpaced the resolution of covered loans, resulting in net growth in the total loan portfolio. Most of the new loan growth was in the commercial portfolio segment, commensurate with our business strategy, which emphasizes commercial lending. The following charts compare the composition of our loan portfolio at December 31, 2011 and 2010:

Time deposits decreased as a percentage of total deposits. The following charts illustrate the composition of deposits outstanding at December 31, 2011 and 2010:

Asset quality remains strong. At December 31, 2011, 98% of the new commercial loan portfolio was rated "pass" and 97% of the new residential portfolio was current. Credit risk related to the covered loans is significantly mitigated by the Loss Sharing Agreements.

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The Bank's capital ratios exceed all regulatory "well capitalized" guidelines. The charts below present BankUnited's regulatory capital ratios compared to regulatory guidelines as of December 31, 2011 and 2010:

In February, 2012, we received regulatory approvals from the OCC and the Federal Reserve Bank for the acquisition of Herald, a national banking association based in the New York metropolitan area. Herald had total assets of approximately $524 million as of December 31, 2011. The acquisition of Herald will ultimately allow the Company to begin to expand its footprint into the New York market. We anticipate closing the Herald acquisition on February 29, 2012. Herald will be operated as a separate subsidiary of BankUnited, Inc. until August of 2012, at which time we plan to merge Herald into BankUnited.

Opportunities and Challenges

Management has identified significant opportunities for our Company, including:

Our capital position, market presence and experienced lending team position us well to compete for high quality commercial credits in our primary market areas. In 2012, we intend to deploy excess liquidity into loans through expansion of our existing product lines and the introduction of new lending platforms including indirect auto and floor plan loans and an expanded leasing product line. We will continue our existing efforts to favorably resolve covered loans.

Organic growth through planned expansion of our branch footprint in Florida and in the New York area through the Herald acquisition.

Potential growth through strategic acquisitions of healthy financial institutions and complementary businesses and participation in the resolution of failed and troubled institutions in the Southeast and New York.

The potential to further shift our deposit mix from time deposits into lower cost money market and transaction accounts.

The continued enhancement of our technology platforms will enable us to expand product offerings to our customers and increase operational efficiency.

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

The economic impact of the financial crisis continued into 2011 and is expected to continue into 2012. Florida home prices continued to decline in 2011, as evidenced by a 6.2% decline in the

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Case-Shiller home price index for the state of Florida over the course of the year. The unemployment rate in Florida remained high, at 9.9% as of December 2011. These continued distressed economic conditions may lead to elevated levels of non-performing assets and deterioration in the credit quality of our loan portfolio and may impact our ability to continue to favorably resolve covered loans.

Economic conditions in our primary market may serve to limit loan demand, which will impact our ability to add higher yielding assets to the balance sheet and put pressure on our net interest margin.

The current low interest rate environment is likely to put pressure on our net interest margin, particularly as higher-yielding covered assets are liquidated or mature and are replaced with assets purchased or originated at current market rates of interest.

Management expects that the Company and the banking industry as a whole may be required by market forces and/or regulation to operate with higher capital ratios than in the recent past.

Uncertainty about the full impact of new regulation, including the Dodd-Frank Act, 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."

The full integration of Herald into BankUnited in August 2012.

Periods Presented

Financial information presented throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the years ended December 31, 2011 and 2010 and the period from May 22, 2009 through December 31, 2009 (which we refer to as the post-Acquisition periods) is that of the Company. Historical financial information for the period from October 1, 2008 through May 21, 2009 and the fiscal year ended September 30, 2008 (which we refer to as the pre-Acquisition periods) is that of the Failed Bank. Results of operations of the Company for the post-Acquisition periods are not comparable to the results of operations of the Failed Bank for the pre-Acquisition period. Results of operations for the post-Acquisition periods reflect, among other things, the application of the acquisition method of accounting, the application of Accounting Standards Codification ("ASC") section 310-30, *"Loans and Debt Securities Acquired with Deteriorated Credit Quality"* to ACI loans, and the impact of the provisions of the Loss Sharing Agreements on certain transactions in the covered assets.

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

The application of acquisition accounting, ACI loan accounting and the provisions of the Loss Sharing Agreements have had a material impact on our financial condition and results of operations in the post-Acquisition periods. 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 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 Acquisition. In particular, the carrying amount of investment securities, loans, the FDIC indemnification asset, goodwill and other intangible assets, net deferred tax assets, deposit liabilities, and FHLB advances were materially impacted by these adjustments. The impact of acquisition accounting fair value adjustments on individual line items in the consolidated balance sheet at Acquisition is detailed in Note 2 to the consolidated financial statements;

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Interest income, interest expense and the net interest margin subsequent to the Acquisition reflect the impact of accretion of the fair value adjustments made to the carrying amounts of interest earning assets and interest bearing liabilities;

The estimated fair value at which the acquired loans were initially recorded by the Company was significantly less than the unpaid principal balances of the loans or the pre-Acquisition carrying value of those loans on the balance sheet of the Failed Bank. No allowance for loan and lease losses was recorded with respect to acquired loans at the 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 results in a significantly lower impact on the results of operations related to the provision for loan losses subsequent to the Acquisition;

Acquired investment securities were recorded at their estimated fair values at the Acquisition date, significantly reducing the potential for other-than-temporary impairment charges in periods subsequent to the Acquisition for the acquired securities. Certain of the acquired investment securities are covered under the Loss Sharing Agreements. The impact on results of operations of any future other-than-temporary impairment charges related to covered securities would be significantly mitigated by indemnification by the FDIC;

An indemnification asset related to the Loss Sharing Agreements with the FDIC was recorded in conjunction with the Acquisition. Loans, OREO and certain investment securities, including certain private label mortgage-backed and non-investment grade securities acquired from the Failed Bank are covered by the Loss Sharing Agreements with the FDIC. The Loss Sharing Agreements afford the Company significant protection against future credit losses related to these assets;

Non-interest income for periods subsequent to the Acquisition includes the effects of accretion of discount on the indemnification asset;

Non-interest income for the post-Acquisition periods 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 other real estate owned is significantly mitigated by indemnification by the FDIC;

Certain loans that may have been reflected as nonaccrual loans in the financial statements of the Failed Bank are not categorized as non-performing assets due to the accounting treatment accorded such loans under ASC Subtopic 310-30. The balances of non-performing assets were significantly reduced by the adjustments to fair value recorded in conjunction with the Acquisition; and

Goodwill and other intangible assets were recorded in conjunction with the Acquisition.

These factors also impact the comparability of our financial performance to that of other financial institutions.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles 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 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 additional 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 allowance for loan and lease losses ("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;
- estimated losses based on risk characteristics and risk rating of loans; and
- consideration of a variety of qualitative factors.

Note 1 of the notes to our audited 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 acquired on May 21, 2009 and covered by the Loss Sharing Agreements were 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 life 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 FDIC indemnification asset as well as the amount of any ALLL to be established related to the covered loans. These estimates are considered to be critical accounting estimates because they involve significant judgment and assumptions as to the amount and timing of cash flows to be collected.

Covered 1-4 single family residential and home equity loans were placed into homogenous pools at 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 is referred to as the accretable yield and is being recognized as interest income over the life of each pool.

We monitor the pools quarterly by updating our expected cash flows to determine whether any material 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, 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 and may be revised as we gain greater experience.

Generally, commercial loans are monitored and expected cash flows updated individually 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 evaluation 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 on the FDIC indemnification asset.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the fair value of the collateral at the date of foreclosure based on estimates, including some obtained from third parties, less estimated costs to sell, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of cost or fair value, less estimated costs to sell. Significant property improvements that enhance the salability of the property are capitalized to the extent that the carrying value does not exceed estimated realizable value. Legal fees, maintenance and other direct costs of foreclosed properties are expensed as incurred. Given the large number of properties included in OREO, and the judgment involved in estimating fair value of the properties, accounting for OREO is regarded as a critical accounting policy. Estimates of value of OREO properties at the date of foreclosure are typically based on real estate appraisals performed by independent appraisers. In some cases, if an appraisal is not available, values may be based on brokers' price opinions. These values are generally updated as appraisals become available. Subsequently, values may be updated using Case-Shiller home price indices for the relevant Metropolitan Statistical Area.

Equity Based Compensation

Prior to the consummation of the IPO, the LLC had issued equity awards in the form of Profits Interest Units ("PIUs") to certain members of management. Compensation expense related to PIUs was based on the fair value of the underlying units on the date of the consolidated financial statements. At the time of the IPO, the PIUs were exchanged for a combination of vested and unvested shares and vested and unvested options. The fair value of PIUs and options issued in exchange for PIUs was estimated using a Black-Scholes option pricing model, which incorporated significant assumptions as to expected volatility, dividends, terms, risk free rates and, prior to the IPO, equity value per share. Changes in these underlying assumptions would have a potentially material effect on the values assigned to these instruments. Determining the fair value of the PIUs and the options issued in exchange for the PIUs is considered a critical accounting estimate because it requires significant

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judgments and the determination of fair value may be material to our consolidated financial statements. See "Note 1, Summary of Significant Accounting Policies" and "Note 16, Equity Based Compensation and Other Benefit Plans" to our consolidated financial statements for further information about equity based compensation awards and the techniques used to value them.

Income Taxes

The Company is subject to the income tax laws of the United States and states and other jurisdictions where the Company conducts business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these laws and related regulations. In the process of preparing the Company's tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to re-interpretation based on management's ongoing assessment of facts and evolving case law. Given the judgment involved in various aspects of accounting for income taxes, this is considered a critical accounting estimate. See "Note 13 Income Taxes" of the notes to our consolidated financial statements for further information.

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, derivative instruments and, for periods prior to the IPO, the liability for PIUs. Assets that may be measured at fair value on a non-recurring basis include OREO, impaired loans, loans held for sale and intangible assets. The consolidated financial statements also include disclosures about the fair value of financial instruments that are not recorded at fair value.

Fair value is the price that would be received on sale of an asset or paid to transfer a 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 inputs are not available, fair value is estimated using modeling techniques such as discounted cash flow analyses and option pricing models. These modeling techniques utilize assumptions that we believe market participants would use in pricing the asset or the liability.

Particularly for estimated fair values of assets and liabilities categorized within level 3 of the fair value hierarchy, the selection of different valuation techniques or underlying assumptions could result in fair value estimates that are higher or 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 a critical accounting estimate.

Notes 1, 4, and 19 to our consolidated financial statements contain further information about fair value estimates.

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Recent Accounting Pronouncements

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

Results of Operations for the Post-Acquisition Periods

The Company reported net income of $63.2 million, $184.7 million and $119.0 million for the years ended December 31, 2011 and 2010 and the period from April 28, 2009 (date of inception) through December 31, 2009, respectively. Net income for the year ended December 31, 2011 was impacted by the $110.4 million equity based compensation charge recorded in conjunction with the IPO. This expense was not deductible for income tax purposes.

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. Key measures that we use to evaluate our net interest income are the level and stability of the net interest margin and the interest rate spread. Net interest margin is calculated by dividing net interest income for the period by average interest earning assets. The interest rate spread is the difference between the yield earned on average interest earning assets and the rate paid on average interest bearing liabilities for the period.

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, levels of and 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 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 Bank's market and the availability and pricing of other sources of funds.

Net interest income is also impacted by accretion of fair value adjustments recorded in conjunction with the Acquisition and the accounting for ACI loans. At Acquisition, ACI loans were recorded at fair value, measured based on the present value of expected cash flows. The excess of expected cash flows over the recorded fair value at Acquisition, known as accretable yield, is being recognized as interest income over the lives of the underlying loans. Accretion related to ACI loans has a positive impact on our net interest income, net interest margin and interest rate spread. The impact of accretion related to ACI loans on net interest income is expected to decline in the future as ACI loans comprise a declining percentage of total loans. The proportion of total loans represented by ACI loans will decline as the ACI loans are resolved and new loans are added to the portfolio. ACI loans represented 50.8%, 76.3% and 87.4% of total loans, net of discount and deferred fees and costs, at December 31, 2011, 2010 and 2009, respectively.

Payments received 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 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 are recognized as interest income upon receipt. In late 2011, the carrying value of one pool was reduced to zero. Future expected cash flows from this pool total $206.8 million. We expect that future proceeds from loans in this pool will result in an increase in interest income from the pool. To some extent, the increase in interest income will be offset by a reduction in non-interest income reported in the consolidated statement of income line item "Income

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from resolution of covered assets, net". The timing of receipt of proceeds from loans in this pool may be unpredictable, leading to increased volatility in the yield on the pool.

Fair value adjustments of interest earning assets and interest bearing liabilities recorded at Acquisition are accreted to interest income or expense over the lives of the related assets or liabilities. Generally, accretion of 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. The impact of accretion of fair value adjustments on interest income and interest expense has declined each year since the Acquisition and will continue to decline as these assets and liabilities mature or are repaid and constitute a smaller portion of total interest earning assets and interest bearing liabilities.

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.

The following table presents, for the periods indicated, information about (i) average balances, the total dollar amount of 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. Nonaccrual and restructured loans are included in the average balances presented in this table;

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however, interest income foregone on nonaccrual loans is not included. Yields have been calculated on a pre-tax basis *(dollars in thousands)*:

	For the Years Ended December 31,						For the Period Ended December 31,		
	2011			2010			2009		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate(1)
Assets:									
Interest earning assets:									
Investment securities available for sale	$ 3,654,137	$ 122,626	3.36%	$ 2,891,493	$ 124,262	4.30%	$ 959,554	$ 45,142	7.73%
Other interest earning assets	628,782	2,743	0.44%	640,506	1,958	0.31%	1,719,417	2,922	0.28%
Loans	3,848,837	512,728	13.32%	4,181,062	431,468	10.32%	4,754,739	287,460	9.92%
Total interest earning assets	8,131,756	638,097	7.85%	7,713,061	557,688	7.23%	7,433,710	335,524	7.42%
Allowance for loan losses	(57,462)			(38,236)			(1,031)		
Noninterest earning assets	2,866,486			3,513,839			4,026,356		
Total assets	$ 10,940,780			$ 11,188,664			$ 11,459,035		
Liabilities and Stockholders' Equity:									
Interest bearing liabilities:									
Interest bearing deposits:									
Interest bearing demand	$ 382,329	$ 2,499	0.65%	$ 273,897	$ 1,981	0.72%	$ 183,416	$ 891	0.79%
Savings and money market	3,366,466	29,026	0.86%	2,870,768	34,243	1.19%	2,153,446	25,578	1.94%
Time	2,585,201	44,248	1.71%	3,889,961	72,120	1.85%	5,506,320	31,360	0.93%
Total interest bearing deposits	6,333,996	75,773	1.20%	7,034,626	108,344	1.54%	7,843,182	57,829	1.20%
Borrowings:									
FHLB advances	2,246,068	63,158	2.81%	2,244,601	59,784	2.66%	1,974,755	26,026	2.15%
Short term borrowings	1,333	6	0.48%	7,812	72	0.92%	2,091	1	0.02%
Total interest bearing liabilities	8,581,397	138,937	1.62%	9,287,039	168,200	1.81%	9,820,028	83,856	1.39%
Non-interest bearing demand deposits	622,377			440,673			303,810		
Other non-interest bearing liabilities	282,416			263,789			313,399		
Total liabilities	9,486,190			9,991,501			10,437,237		
Stockholders' equity	1,454,590			1,197,163			1,021,798		
Total liabilities and stockholders' equity	$ 10,940,780			$ 11,188,664			$ 11,459,035		
Net interest income		$ 499,160			$ 389,488			$ 251,668	
Interest rate spread			6.23%			5.42%			6.03%
Net interest margin			6.14%			5.05%			5.58%

(1) Annualized.

Increases and decreases in interest income 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 comparison of total interest income and total interest expense for the year ended December 31, 2010 to the period ended December 31, 2009 is also impacted by the different number of days in the comparative periods. 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 periods indicated. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the

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change in average rate by the previous period's volume. Changes applicable to both volume and rate have been allocated to volume *(in thousands)*:

	Year Ended December 31, 2011 Compared to Year Ended December 31, 2010			Year Ended December 31, 2010 Compared to Period Ended December 31, 2009			
	Changes in Volume	Changes in Rate	Total Increase (Decrease)	Changes in Volume	Changes in Rate	Change due to Number of Days	Total Increase (Decrease)
Interest Income Attributable to:							
Investment securities available for sale	$ 25,593	$ (27,229)	$ (1,636)	$ 61,613	$ (31,163)	$ 48,670	$ 79,120
Other interest earning assets	(51)	836	785	(2,215)	495	756	(964)
Loans	(44,258)	125,518	81,260	(43,983)	18,999	168,992	144,008
Total interest income	(18,716)	99,125	80,409	15,415	(11,669)	218,418	222,164
Interest Expense Attributable to:							
Interest bearing demand deposits	$ 709	$ (191)	$ 518	$ 450	$ (125)	$ 765	$ 1,090
Savings and money market deposits	4,274	(9,491)	(5,217)	11,429	(15,992)	13,228	8,665
Time deposits	(22,332)	(5,540)	(27,872)	(38,087)	50,987	27,860	40,760
Total interest bearing deposits	(17,349)	(15,222)	(32,571)	(26,208)	34,870	41,853	50,515
FHLB advances	41	3,333	3,374	475	10,188	23,095	33,758
Short term borrowings	(32)	(34)	(66)	24	19	28	71
Total interest expense	(17,340)	(11,923)	(29,263)	(25,709)	45,077	64,976	84,344
Increase (decrease) in net interest income	$ (1,376)	$ 111,048	$ 109,672	$ 41,124	$ (56,746)	$ 153,442	$ 137,820

Year ended December 31, 2011 compared to year ended December 31, 2010

Net interest income increased to $499.2 million for the year ended December 31, 2011 from $389.5 million for the year ended December 31, 2010, an increase of $109.7 million. The increase was comprised of an increase in interest income of $80.4 million coupled with a decline in interest expense of $29.3 million.

The increase in interest income was primarily driven by an $81.3 million increase in interest income from loans. The average yield on loans increased by 300 basis points, to 13.32% for the year ended December 31, 2011 from 10.32% for the year ended December 31, 2010, primarily because of an increase in the yield on loans acquired in the Acquisition to 16.00% for the year ended December 31, 2011 as compared to 10.66% for the year ended December 31, 2010. This increase resulted from (i) covered loans being resolved at a faster rate than expected, resulting in higher accretion, (ii) improved default frequency and severity rates leading to an increase in expected cash flows, (iii) favorable resolutions of commercial ACI loans and (iv) to a lesser extent, recognition of all proceeds from resolution of loans in one residential pool with a carrying value of zero as interest income, as discussed above. The average yield on new loans declined to 4.84% for the year ended December 31, 2011 from 5.46% for the year ended December 31, 2010, primarily due to continued declines in market interest rates. New loans constituted 41.3% of loans, net of unearned discount and deferred fees and costs, at December 31, 2011 as compared to 13.7% at December 31, 2010. The overall increase in the average yield on loans was in part offset by a decrease of $332.2 million in the average balance outstanding. The decrease in the average balance of loans resulted from paydowns and resolutions of covered loans, partially offset by growth in the new loan portfolio. The average balance of acquired loans declined to $2.9 billion for the year ended December 31, 2011 from $3.9 billion for the year ended December 31, 2010, while the average balance of new loans grew to $923.8 million from $274.6 million for the years ended December 31, 2011 and 2010, respectively.

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Interest income from investment securities declined by $1.6 million as a result of a decrease in the average yield to 3.36% from 4.30%, almost wholly offset by a $762.6 million increase in the average balance. The decline in average yield is indicative of the addition of securities to the portfolio at lower prevailing market rates of interest.

The decline in interest expense for the year ended December 31, 2011 was primarily driven by a decrease of $32.6 million in interest expense on deposits, partially offset by an increase of $3.4 million in interest expense on FHLB advances. The average rate paid on interest bearing deposits declined by 34 basis points, to 1.20% from 1.54%. Three factors contributed to the decline in the average rate paid on deposits. A decrease in market rates of interest across all deposit product groups and continued runoff of higher cost time deposits were partially offset by a reduction in accretion of acquisition date fair value adjustments. Accretion of fair value adjustments on time deposits totaled $7.0 million for the year ended December 31, 2011 as compared to $21.4 million for the year ended December 31, 2010. Accretion continues to decrease as time deposits outstanding at the date of the Acquisition mature. The average rate paid on time deposits, exclusive of fair value accretion, declined to 1.98% for 2011 from 2.41% for 2010. A decline in the overall average balance of deposits also contributed to reduced interest expense. Consistent with our strategy of replacing more costly time deposits with lower cost deposits, the average balance of time deposits declined by $1.3 billion while the average balance of interest bearing demand, savings and money market deposits increased by $604.1 million. The increase in interest expense on FHLB advances was primarily attributable to a decrease of $4.8 million in accretion of acquisition date fair value adjustments.

The net interest margin increased by 109 basis points to 6.14% for the year ended December 31, 2011 from 5.05% for the year ended December 31, 2010. Similarly, the interest rate spread increased by 81 basis points to 6.23% for 2011 from 5.42% for 2010. Increases in the net interest margin and interest rate spread were driven primarily by the increased yield on loans and the lower cost of interest bearing deposits discussed above.

Year ended December 31, 2010 compared to period from May 22, 2009 to December 31, 2009

Net interest income was $389.5 million for the year ended December 31, 2010 and $251.7 million for the period ended December 31, 2009, for an increase of $137.8 million. The increase in net interest income was comprised of an increase in interest income of $222.1 million partially offset by an increase in interest expense of $84.3 million.

On an annualized basis, net interest income was $389.5 million and $414.9 million for the year ended December 31, 2010 and period ended December 31, 2009, respectively. The decline of $25.4 million, or 6.1%, in annualized net interest income was comprised of an increase of $31.6 million in annualized interest expense partly offset by an increase of $6.2 million in annualized interest income.

The increase in interest income on an annualized basis reflected increased interest income from investment securities partially offset by a decline in interest income from loans. The increase in interest income from investment securities resulted from an increase in average volume significantly mitigated by a decline in the average yield. The average yield on investment securities declined to 4.30% for the year ended December 31, 2010 from 7.73% for the period ended December 31, 2009. The decrease in average yield resulted primarily from new purchases reflecting lower general market rates of interest as well as the continued impact of a shift since the Acquisition in the type of securities purchased, including $1.2 billion of U.S. Government agency floating rate securities and $0.4 billion of non-mortgage asset-backed securities purchased as of December 31, 2010. The decline in interest income from loans is indicative of a decline in average volume resulting from pay-downs and resolutions, partially offset by an increase in the average yield to 10.32% for the year ended December 31, 2010 as compared to 9.92% for the period ended December 31, 2009. The increased yield reflects an increased yield on covered loans partially offset by the origination and purchase of new

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loans at lower prevailing market rates of interest. The average yield on new loans was 5.46% and 6.35% for the year ended December 31, 2010 and period ended December 31, 2009, respectively. The yield on covered loans increased to 10.66% for the year ended December 31, 2010 from 9.93% for the period ending December 31, 2009 due to an increase in projected cash flows from the covered ACI Loans.

Interest expense on deposits increased on an annualized basis by $14.1 million for the year ended December 31, 2010 due to lower accretion of fair market value adjustments on time deposits, partially mitigated by a shift in deposit mix toward lower rate products and a decline in market rates. Accretion of fair value adjustments on time deposits totaled $21.4 million for the year ended December 31, 2010 as compared to $79.9 million for the period ended December 31, 2009. The decline in accretion of fair value adjustments on time deposits is attributable to the maturity and continued run-off of acquired time deposits. The average rate paid on time deposits excluding the impact of accretion was 2.41% for the year ended December 31, 2010 and 3.32% for the period ended December 31, 2009. The decline in the adjusted average rate is attributable to lower prevailing rates. Interest expense on FHLB advances and other borrowings increased by $17.4 million on an annualized basis, primarily as a result of lower accretion of fair value adjustments. Accretion of fair value adjustments on FHLB advances totaled $23.9 million for the year ended December 31, 2010 as compared to $25.1 million for the period ended December 31, 2009. Accretion decreased the average rate paid on FHLB advances by 115 and 228 basis points for the year ended December 31, 2010 and period ended December 31, 2009, respectively. The decline in accretion is due to the maturity and repayment of a portion of the advances outstanding at the Acquisition date, offset by the difference in the number of days in the comparative periods.

The net interest margin for the year ended December 31, 2010 was 5.05% as compared to 5.58% for the period ending December 31, 2009, a decline of 53 basis points. The average yield on interest earning assets declined by 19 basis points for the year ended December 31, 2010 as compared to the period ended December 31, 2009 while the average rate paid on interest bearing liabilities increased by 42 basis points, for a decline in the interest rate spread of 61 basis points. The decline in both net interest margin and interest rate spread resulted primarily from lower accretion of fair value adjustments, particularly on interest bearing liabilities, the origination and purchase of loans and investment securities at lower prevailing market rates of interest, and a shift in the composition of interest earning assets from loans to investment securities 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. generally accepted accounting principles. The determination of the amount of the allowance 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 various segments of the loan portfolio and of individually significant credits, levels of non-performing loans and charge-offs, statistical trends and economic and other relevant factors. See "Analysis of the Allowance for Loan and Lease Losses" below for more information about how we determine the appropriate level of the allowance.

Because the determination of fair value at which the loans acquired from the Failed Bank were initially recorded as of May 21, 2009 encompassed assumptions about expected future cash flows and credit risk, no ALLL was recorded at the date of acquisition. Fair value adjustments to the carrying amount of acquired loans totaled $6.2 billion. Subsequent to the Acquisition, an allowance for loan losses related to the ACI loans is recorded only when estimates of future cash flows related to these loans are revised downward, indicating further deterioration in credit quality. An allowance for loan

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losses for non-ACI loans may be established if factors considered relevant by management indicate that the credit quality of the non-ACI loans has deteriorated.

Since the recognition of a provision for loan losses on covered loans represents an increase in the amount of reimbursement we ultimately expect to receive from the FDIC, we also record an increase in the FDIC indemnification asset for the present value of the projected increase in reimbursement, with a corresponding increase in non-interest income, recorded in "Net gain (loss) on indemnification asset" as discussed below in the section entitled "Non-interest income." Therefore, the impact on our results of operations of any provision for loan losses on covered loans is significantly mitigated by an increase in non-interest income. For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, we recorded provisions for (recoveries of) loan losses on covered loans of $(7.7) million, $46.5 million and $21.3 million, respectively. For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, the impact on earnings from these provisions was significantly mitigated by recording non-interest income of $(6.3) million, $29.3 million and $14.4 million, respectively.

For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, we recorded provisions for loan losses of $21.5 million, $4.9 million and $1.3 million, respectively, for new loans. These loans are not protected by the Loss Sharing Agreements and as such, these provisions are not offset by an increase in non-interest income.

Non-Interest Income

The Company reported non-interest income of $163.2 million, $297.8 million and $253.6 million for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. The majority of our non-interest income resulted from the resolution of assets covered by our Loss Sharing Agreements with the FDIC and accretion of discount on the FDIC indemnification asset. Non-interest income related to transactions in covered assets represented 71%, 76% and 83% of total non-interest income for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. Typically, the primary components of non-interest income of financial institutions are service charges and fees and gains or losses related to the sale or valuation of investment securities, loans and other assets. Thus, it is difficult to compare the amount and composition of our non-interest income with that of other financial institutions of our size.

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The following table presents a comparison of the categories of non-interest income for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 *(in thousands)*:

	2011	2010	2009
Accretion of discount on FDIC indemnification asset	$ 55,901	$ 134,703	$ 149,544
Income from resolution of covered assets, net	18,776	121,462	120,954
Net gain (loss) on indemnification asset	79,812	17,736	(21,761)
FDIC reimbursement of costs of resolution of covered assets	31,528	29,762	8,095
Loss on sale of loans, net	(69,714)	(76,310)	(47,078)
Non-interest income from covered assets	116,303	227,353	209,754
Service charges on deposits and other fee income	7,971	8,606	4,923
Service charges on loans	3,157	1,961	1,840
Gain (loss) on sale or exchange of investment securities available for sale	1,136	(998)	(337)
Mortgage insurance income	16,904	18,441	1,338
Settlement with the FDIC		24,055	
Investment services income	7,496	6,226	830
Gain on extinguishment of debt			31,303
Other non-interest income	10,250	12,135	3,985
	$ 163,217	$ 297,779	$ 253,636

Non-interest income related to transactions in the covered assets

Accretion of discount on the FDIC indemnification asset totaled $55.9 million, $134.7 million and $149.5 million for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. Accretion is a result of discounting and may also increase or decrease from period to period due to changes in expected cash flows from the ACI loans.

The FDIC indemnification asset was recorded at Acquisition 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, up to 90 days of past due interest, excluding interest related to loans on nonaccrual at Acquisition, and reimbursement of certain expenses. A discount rate of 7.10%, determined using a risk-free yield curve plus a premium reflecting uncertainty related to the collection, amount and timing of cash flows and liquidity concerns, was used in the initial calculation of fair value. If projected cash flows from the ACI loans increase, the yield on the loans will increase accordingly and the discount rate of accretion on the FDIC indemnification asset will decrease as less cash flow is expected to be recovered from the indemnification asset. For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, the average rate at which discount was accreted on the FDIC indemnification asset was 2.48%, 4.69% and 7.10%, respectively.

The decrease in total accretion for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and for the year ended December 31, 2010 as compared to the period ended December 31, 2009 related both to the decrease in the average discount rate and to the decrease in the average balance of the indemnification asset. The average balance of the indemnification asset decreased primarily as a result of the submission of claims and receipt of cash from the FDIC under the terms of the Loss Sharing Agreements. We expect the amount of accretion to continue to decline in future periods because our projected cash flows from ACI loans have continued to increase, and as a result we expect to collect less cash flow from the indemnification asset. Additionally, as we continue to

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submit claims under the Loss Sharing Agreements, the remaining balance of the indemnification asset will continue to decline.

The balance of the FDIC indemnification asset is also reduced or increased as a result of decreases or increases in estimated cash flows 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 income statement line item "Net gain (loss) on indemnification asset." 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 the sale of OREO; and
- impairment of OREO.

Each of these types of transactions is discussed further below.

A rollforward of the FDIC indemnification asset from May 21, 2009 to December 31, 2011 follows *(in thousands)*:

Balance, May 21, 2009	$ 3,442,890
Accretion	149,544
Reduction for claims filed	(291,508)
Net gain (loss) on indemnification asset	(21,761)
Balance, December 31, 2009	3,279,165
Accretion	134,703
Reduction for claims filed	(764,203)
Net gain (loss) on indemnification asset	17,736
Balance, December 31, 2010	2,667,401
Accretion	55,901
Reduction for claims filed	(753,963)
Net gain (loss) on indemnification asset	79,812
Balance, December 31, 2011	$ 2,049,151

Covered loans may be resolved through repayment, short sale of the underlying collateral, foreclosure, or, for the non-residential portfolio, charge-off. The difference between consideration received in resolution of covered loans and the amount of projected losses from resolution of those loans is recorded in the income statement line item "Income from resolution of covered assets, net." Both gains and losses on individual resolutions are included in this line item. Losses from the resolution of covered loans increase the amount recoverable from the FDIC under the Loss Sharing Agreements. Gains from the resolution of covered loans reduce the amount recoverable from the FDIC under the Loss Sharing Agreements. These additions to or reductions in amounts recoverable from the FDIC related to the resolution of covered loans are recorded in non-interest income in the line item "Net gain (loss) on indemnification asset" and reflected as corresponding increases or decreases in the FDIC indemnification asset.

The amount of income recorded in any period will be impacted by the number and UPB of ACI loans resolved, the amount of consideration received, and our ability to accurately project cash flows

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from ACI loans in future periods. As history of the performance and resolution of ACI loans has grown and we have updated our projections of cash flows from the ACI loans, gains or losses recorded on resolution of covered loans have declined in overall significance. As our projections of cash flows from the ACI loans have been updated, these cash flows have increasingly been reflected in interest income, through increased yields and higher accretion, rather than in income from resolution of covered assets. This decline is particularly apparent when comparing "Income from resolution of covered assets, net" for the year ended December 31, 2011 to that for the year ended December 31, 2010. For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, ACI loans with a UPB of $1.7 billion, $1.9 billion and $1.4 billion were resolved, resulting in income of $18.8 million, $121.5 million and $121.0 million, respectively. Income from the resolution of non-ACI loans is not significant.

The following table provides further detail of the components of income from resolution of covered assets, net for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 *(in thousands)*:

	2011	2010	2009
Payments in full	$ 90,773	$ 142,172	$ 76,428
Foreclosures	(46,726)	(15,691)	30,489
Short sales	(25,185)	7,801	28,610
Modifications		(2,424)	
Charge-offs	(6,917)	(14,303)	(14,573)
Recoveries	6,831	3,907	
Income from resolution of covered assets, net	$ 18,776	$ 121,462	$ 120,954

As expected, the impact of payments in full on the results of operations declined for the year ended December 31, 2011 as compared to the year ended December 31, 2010 as additional history with the performance of covered loans has been reflected in our updated cash flow forecasts and the number of paid in full resolutions has declined. In contrast, the volume of loan resolutions resulting from payments in full increased for the year ended December 31, 2010 compared to the period ended December 31, 2009 as we augmented and enhanced our mortgage servicing and workout and recovery departments and our efforts to work with borrowers to effect resolution of outstanding loans. We expect the impact on non-interest income of resolutions from payments in full to decline further in the future as we continue to update our cash flow forecasts and the number of loans in the portfolio likely to be resolved in this manner decreases. Continuing home price depreciation in our primary market areas led to increased losses, or declines in net gains, from short sales and foreclosures for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and for the year ended December 31, 2010 as compared to the period ended December 31, 2009.

Under the Purchase and Assumption Agreement, we are permitted to sell on an annual basis up to 2.5% of the covered loans, based upon the UPB at Acquisition, or approximately $280.0 million, without prior consent of the FDIC. Any losses incurred from such loan sales are covered under the Loss Sharing Agreements. The significantly mitigating amounts recoverable from the FDIC related to these losses are recorded as increases in the FDIC indemnification asset and corresponding increases in the non-interest income line item "Net gain (loss) on indemnification asset." Sales of covered loans for

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the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 are summarized as follows *(in thousands):*

	2011	2010	2009
Unpaid principal balance of loans sold	$ 268,588	$ 272,178	$ 274,989
Gross cash proceeds	$ 76,422	$ 68,099	$ 84,562
Carrying value of loans sold	146,148	143,526	129,813
Transaction costs incurred	(640)	(933)	(1,827)
Loss on sale of covered loans	$ (70,366)	$ (76,360)	$ (47,078)
Related gain on indemnification asset	$ 56,053	$ 57,747	$ 37,600

Loans were sold on a non-recourse basis to third parties. We may continue to exercise our right to sell covered loans in future periods.

In addition to the losses on sales of covered loans reflected in the table above, the income statement line item "Loss on sale of loans, net" for the years ended December 31, 2011 and 2010 includes approximately $651.7 thousand and $50 thousand of gains on the sale of loans held for sale. These transactions are not subject to the Loss Sharing Agreements.

Additional impairment arising since the 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 gain (loss) on indemnification asset" and reflected as a corresponding increase in the FDIC indemnification asset.

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 gain (loss) on indemnification asset."

Net gain (loss) on indemnification asset of $79.8 million, $17.7 million and $(21.8) million was recorded for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, 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 transactions related to covered assets for the years ended December 31, 2011 and 2010 and the period ended

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December 31, 2009 was $(12.2) million, $(1.9) million and $9.0 million, respectively, as detailed in the following tables *(in thousands):*

	2011		
	Transaction Income (Loss)	**Net Gain (Loss) on Indemnification Asset**	**Net Impact on Pre-tax Earnings**
Recovery of losses on covered loans	$ 7,692	$ (6,327)	$ 1,365
Income from resolution of covered assets, net	18,776	(6,871)	11,905
Net loss on sale of covered loans	(70,366)	56,053	(14,313)
	(51,590)	49,182	(2,408)
Loss on sale of OREO	(23,576)	17,272	(6,304)
Impairment of OREO	(24,569)	19,685	(4,884)
Net OREO gain (loss)	(48,145)	36,957	(11,188)
	$ (92,043)	$ 79,812	$ (12,231)

	2010		
	Transaction Income (Loss)	**Net Gain (Loss) on Indemnification Asset**	**Net Impact on Pre-tax Earnings**
Provision for losses on covered loans	$ (46,481)	$ 29,291	$ (17,190)
Income from resolution of covered assets, net	121,462	(84,138)	37,324
Net loss on sale of covered loans	(76,360)	57,747	(18,613)
	45,102	(26,391)	18,711
Loss on sale of OREO	(2,174)	1,932	(242)
Impairment of OREO	(16,131)	12,904	(3,227)
Net OREO gain (loss)	(18,305)	14,836	(3,469)
	$ (19,684)	$ 17,736	$ (1,948)

	2009		
	Transaction Income (Loss)	**Net Gain (Loss) on Indemnification Asset**	**Net Impact on Pre-tax Earnings**
Provision for losses on covered loans	$ (21,287)	$ 14,433	$ (6,854)
Income from resolution of covered assets, net	120,954	(88,801)	32,153
Net loss on sale of covered loans	(47,078)	37,600	(9,478)
	73,876	(51,201)	22,675
Loss on sale of OREO	(807)		
Impairment of OREO	(21,055)		
Net OREO gain (loss)	(21,862)	15,007	(6,855)
	$ 30,727	$ (21,761)	$ 8,966

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Certain OREO and foreclosure related expenses, 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 with the FDIC. 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 asset. This may result in the expense and the related income from reimbursements being recorded in different periods. For the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 non-interest expense includes approximately $32.0 million, $49.7 million and $26.1 million, respectively, of disbursements subject to reimbursement under the Loss Sharing Agreements. For those same periods, claims of $31.5 million, $29.8 million and $8.1 million, respectively, were submitted to the FDIC for reimbursement. As of December 31, 2011, $21.1 million of disbursements remain to be submitted for reimbursement from the FDIC in future periods.

Other components of non-interest income

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 reimbursable by the FDIC offsets amounts otherwise recoverable from the FDIC. The increase in mortgage insurance income for the years ended December 31, 2011 and 2010 as compared to the period ended December 31, 2009 is a result of increased efforts by the Company to file and collect insurance claims.

Investment services income represents fees earned by BUIS for wealth management services. The increase for the years ended December 31, 2011 and 2010 as compared to the period ended December 31, 2009 reflects an increased level of activity by BUIS.

Non-interest income for the year ended December 31, 2010 includes approximately $24.1 million representing the settlement of a dispute with the FDIC associated with the valuation established on certain investment securities at Acquisition.

The Company prepaid FHLB advances with a principal balance of $2.7 billion during the period ended December 31, 2009. These advances had a carrying amount of $2.8 billion at the time of repayment. The Company recognized a gain of $31.3 million on this transaction.

The increase in other non-interest income for the year ended December 31, 2010 as compared to the period ended December 31, 2009 related primarily to an increase in loan modification incentives received under the U.S. Treasury HAMP program and increases in the cash surrender value of bank owned life insurance.

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Non-Interest Expense

The following table presents the components of non-interest expense for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 *(in thousands)*:

	2011	2010	2009
Employee compensation and benefits	$ 272,991	$ 144,486	$ 62,648
Occupancy and equipment	36,680	28,692	20,121
Impairment of other real estate owned	24,569	16,131	21,055
Foreclosure expense	18,976	30,669	18,042
Loss on sale of other real estate owned	23,576	2,174	807
Other real estate owned expense	13,001	19,003	7,577
Change in value of FDIC warrant		21,832	1,704
Deposit insurance expense	8,480	13,899	11,850
Professional fees	17,330	14,677	14,854
Telecommunications and data processing	12,041	12,321	6,440
Other non-interest expense	28,161	19,436	8,920
Loss on FDIC receivable			69,444
Acquisition related costs			39,800
	$ 455,805	$ 323,320	$ 283,262

Non-interest expense as a percentage of average assets was 4.2%, 2.9% and 4.0%, on an annualized basis, for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. The primary cause of the increase in this ratio for the year ended December 31, 2011 as compared to the year ended December 31, 2010 was higher employee compensation and benefits expense. The largest component of the increase in employee compensation and benefits was the $110.4 million of equity based compensation recorded in conjunction with the IPO. The main reason for the decline in non-interest expense as a percentage of average assets for the year ended December 31, 2010 as compared to the period ended December 31, 2009 on an annualized basis was non-recurring expenses related to the Acquisition incurred during the period ended December 31, 2009.

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 increased by approximately $128.5 million or 88.9% for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and $42.4 million, or 41.5% on an annualized basis for the year ended December 31, 2010 as compared to the period ended December 31, 2009. These increases resulted primarily from increases in equity based compensation. The increases are also attributable to continued enhancement of our management team and other personnel subsequent to the Acquisition. Employee compensation and benefits included $144.8 million, inclusive of the $110.4 million charge recorded in conjunction with the IPO, $37.5 million and $9.0 million for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively, related to equity based compensation. Included in these amounts is $141.0 million, $36.2 million and $8.8 million for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively, related to PIUs and, for 2011, instruments issued in exchange for PIUs, as discussed below.

Prior to the consummation of the IPO, our employee compensation and benefits expense included expense related to PIUs issued to certain members of executive management. The PIUs were divided into two equal types of profits interests. Half of the PIUs, referred to as time-based PIUs, vested with the passage of time following the grant date. Compensation expense related to time-based PIUs was recorded on a straight line basis over the vesting period based on their fair value. Fair value of the

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time-based PIUs was estimated using a Black-Scholes option pricing model incorporating estimates of the per share value of our common stock and assumptions as to expected volatility, dividends, expected term, and risk-free rates. The remaining half of the PIUs, referred to as IRR-based PIUs, vested immediately prior to the consummation of the IPO and compensation expense related to the IRR-based PIUs was recorded at that time. In conjunction with the IPO, the PIUs were exchanged for a combination of vested and unvested common shares and vested and unvested stock options. The equity instruments issued in exchange for PIUs included:

- 3,863,491 vested common shares
- 1,931,745 unvested common shares
- 3,023,314 vested stock options
- 1,511,656 unvested stock options

The unvested instruments corresponded to the unvested time-based PIUs and continue to vest according to the original vesting schedule of such time-based PIUs. The remainder of these instruments will vest in 2012. At the time of the IPO, we recorded additional compensation expense of approximately $110.4 million related to the vesting of the IRR-based PIUs and the adjustment of the fair value of the vested portion of time-based PIUs. Fair value of the PIUs at the date of the IPO was measured based on the fair value of the common shares and options for which they were exchanged. The common shares were valued at the IPO price of $27. The options have an exercise price of $27 and had a weighted average fair value at the date issued of $9.42. Fair value of the options was estimated using a Black-Scholes option pricing model incorporating the following weighted average assumptions:

- Expected volatility of 45%
- Expected dividend yield of 2.07%
- Expected term of 5.1 years
- Risk free interest rate of 1.98%

Occupancy and equipment

Occupancy and equipment expense increased by $8.0 million or 27.8% for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and decreased by approximately $4.1 million, or 12.5% on an annualized basis for the year ended December 31, 2010 as compared to the period ended December 31, 2009. The increase in occupancy and equipment expense for the year ended December 31, 2011 related primarily to the expansion of our branch network. The decline in occupancy and equipment expense for the year ended December 31, 2010 resulted primarily from renegotiation of leases.

OREO and foreclosure related expenses and losses

At December 31, 2011 as well as during the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, all of our OREO properties were covered by the Loss Sharing Agreements with the FDIC. Therefore, OREO losses are substantially offset by non-interest income related to indemnification by the FDIC. Generally, OREO and foreclosure related expenses are also reimbursed under the terms of the Loss Sharing Agreements with the FDIC.

OREO expense, foreclosure expense and impairment of OREO remained at high levels during the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 due to continuing deterioration in home prices in our primary market areas and the high volume of foreclosure activity. Liquidation of OREO properties in a market with deteriorating values contributed to increased losses

on sales of OREO in 2011. At December 31, 2011, approximately 2,200 units were in the foreclosure pipeline, down from approximately 4,700 units at December 31, 2010 and a peak of approximately 7,300 units in November of 2009. Increased foreclosure expense for the year ended December 31, 2010 as compared to the period ended December 31, 2009 reflects the cost of liquidation of the high number of properties in the pipeline at the end of 2009. The decline in foreclosure expense for the year ended December 31, 2011 corresponds to the declining number of units in the pipeline. The number of units in OREO increased from 811 at the end of 2009 to 1,318 at the end of 2010 and then declined to 778 at the end of 2011. These trends are reflected in the decline in OREO expense for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and in the increase in OREO expense for the year ended December 31, 2010 as compared to the period ended December 31, 2009.

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

For the period ended December 31, 2009, non-interest expense included two significant non-recurring items. The first of these was the write-off of a receivable from the FDIC in the amount of $69.4 million, which was established at the date of the Acquisition and related to the disputed valuation of certain acquired investment securities. Given that the disagreement over the valuation extended past December 31, 2009 with the likelihood that no additional consideration would be paid, the receivable was written off in 2009. Subsequently, the Company reached a settlement with the FDIC regarding this dispute. Under the settlement, the Company received $24.1 million, which was reflected in non-interest income in the fourth quarter of 2010. The second of these non-recurring items was $39.8 million in direct costs associated with the Acquisition, consisting primarily of legal and investment banking advisory fees.

Other non-interest expense for the year ended December 31, 2010 and the period ended December 31, 2009 included the increase in value of a warrant issued to the FDIC in conjunction with the Acquisition. Based on its initial terms, the value of the warrant, as defined, was based on the value the Company realized in an IPO or exit event. We utilized third party valuation specialists to assist in the determination of the fair value of the warrant at Acquisition and at each quarter end beginning with September 30, 2009 through September 30, 2010. The warrant was initially recorded with a fair value of $1.5 million at May 21, 2009. In October 2010, the Company and the FDIC amended the warrant to guarantee a minimum value to the FDIC in the amount of $25.0 million. During the year ended December 31, 2010 and the period ended December 31, 2009, we recorded $21.8 million and $1.7 million, respectively, of non-interest expense reflecting the increase in the value of the warrant which, at December 31, 2010, was adjusted to the guaranteed minimum value. In February, 2011, the Company redeemed the FDIC warrant for its agreed upon value of $25.0 million in cash.

Deposit insurance expense declined by $5.4 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010 and by $5.4 million on an annualized basis for the year ended December 31, 2010 as compared to the period ended December 31, 2009. In 2011, the FDIC revised the assessment base for deposit insurance premiums. The change in the assessment base coupled with the relatively low risk rating assigned to the Bank resulted in a reduction of the Bank's premiums. The decline in deposit insurance expense on an annualized basis for the year ended December 31, 2010 as compared to the period ended December 31, 2009 primarily resulted from a decline in deposits.

Professional fees increased by $2.7 million for the year ended December 31, 2011 as compared to the year ended December 31, 2010 primarily due to legal and other professional fees incurred in

conjunction with the acquisition of Herald. Professional fees declined by $9.5 million on an annualized basis for the year ended December 31, 2010 as compared to the period ended December 31, 2009. The period ended December 31, 2009 included non-recurring legal and accounting fees related to certain litigation matters and formation of the Company.

The primary components of other non-interest expense are advertising and promotion, the cost of regulatory examinations, insurance, travel and general office expense. Period over period increases in other non-interest expense relate to general organic growth of our business.

Income Taxes

The provision for income taxes for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 was $129.6 million, $127.8 million and $80.4 million, respectively. The Company's effective tax rate was 67.2%, 40.9% and 40.3% for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. The Company's effective tax rate differed from the statutory federal tax rate of 35.0% primarily due to non-deductible equity based compensation expense, the effect of state income taxes and for the year ended December 31, 2011, the provision for uncertain state tax positions. Non-deductible equity based compensation totaled $134.4 million, $36.2 million and $8.8 million for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009, respectively. Non-deductible expense related primarily to PIUs and the equity instruments for which PIUs were exchanged at the time of the IPO. We expect non-deductible equity based compensation to continue to impact the effective tax rate, but to a lesser extent, in 2012 as unrecognized compensation cost related to these equity instruments continues to decline. Based on the nature of equity instruments currently outstanding, we expect the impact of non-deductible compensation expense on the effective tax rate to be immaterial for periods after 2012.

At December 31, 2011 and 2009, the Company had net deferred tax assets of $19.5 million and $22.5 million, respectively. At December 31, 2010, the Company had net deferred tax liabilities of $4.6 million. 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, 2011 includes 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, 2011 is not dependent on the generation of additional future taxable income.

For more information, see Note 13 to the consolidated financial statements.

Analysis of Financial Condition for the Post-Acquisition Periods

Average interest earning assets increased $418.7 million to $8.1 billion for the year ended December 31, 2011 from $7.7 billion for the year ended December 31, 2010. This increase was driven primarily by growth in the average balance of investment securities of $762.6 million resulting from continued deployment of cash generated by loan resolutions and reimbursements under the Loss Sharing Agreements. The average balance of loans declined by $332.2 million, largely due to continued resolution of covered loans, significantly offset by growth in the new loan portfolio. Average non-interest earning assets declined by $647.4 million, primarily because of the reduction in the FDIC indemnification asset for claims paid.

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Average interest bearing liabilities decreased by $705.6 million to $8.6 billion for the year ended December 31, 2011 from $9.3 billion for the year ended December 31, 2010, reflecting primarily a decrease in average interest-bearing deposits of $700.6 million. The reduction in outstanding interest-bearing deposits resulted from a continued shift in emphasis away from rate sensitive time deposits. Average non-interest bearing liabilities increased by $200.3 million, primarily as a result of an increase of $181.7 million in non-interest bearing demand deposits. Average equity increased by $257.4 million. Average equity was impacted by proceeds from the IPO, earnings and equity based compensation, partially offset by dividends paid.

Investment Securities Available for Sale

The following table shows the amortized cost and fair value of our investment securities as of the dates indicated. All of our investment securities are classified available for sale *(in thousands)*:

	December 31, 2011		December 31, 2010		December 31, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury securities	$	$	$	$	$ 10,066	$ 10,072
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	1,952,095	1,985,713	1,282,757	1,290,910	1,288,277	1,288,643
Resecuritized real estate mortgage investment conduits ("Re-Remics")	544,924	546,310	599,682	612,631	478,731	475,003
Private label residential mortgage-backed securities and CMO's	342,999	387,687	320,096	382,920	319,765	366,508
Private label commercial mortgage-backed securities	255,868	262,562				
Non-mortgage asset-backed securities	414,274	410,885	407,158	408,994	30,000	30,000
Mutual funds and preferred stocks	252,087	253,817	136,489	138,535	43,344	43,523
State and municipal obligations	24,994	25,270	22,898	22,960	22,964	23,106
Small Business Administration securities	301,109	303,677	62,831	62,891		
Other debt securities	3,868	6,056	3,695	6,761	3,581	6,288
	$ 4,092,218	$ 4,181,977	$ 2,835,606	$ 2,926,602	$ 2,196,728	$ 2,243,143

Our available for sale securities portfolio consists of both securities acquired in the Acquisition (the "acquired securities") and those purchased by us subsequent to the Acquisition. Investment securities increased by $1.3 billion, to $4.2 billion at December 31, 2011 from $2.9 billion at December 31, 2010 and by $683.5 million to $2.9 billion at December 31, 2010 from $2.2 billion at December 31, 2009. Growth of the investment portfolio has been driven primarily by the deployment of cash generated by loan resolution activity and submission of claims to the FDIC under the Loss Sharing Agreements into higher yielding assets during a period of diminished loan demand. 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 and manage interest rate risk by investing a significant portion of the portfolio in high quality liquid securities consisting primarily of U.S. Government agency floating rate residential mortgage-backed securities. We have also invested in highly rated structured products including private label residential and commercial mortgage-backed securities and Re-Remics, bank preferred stocks, U.S. Small Business Administration securities and non-mortgage asset-backed securities collateralized primarily by auto loans, credit card receivables, student loans, floor plan loans, servicer advances and small balance commercial loans that, while somewhat less liquid, provide us with

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higher yields. A relatively short effective portfolio duration helps mitigate interest rate risk arising from the currently low level of market interest rates.

A summary of activity in the investment portfolio for the year ended December 31, 2011 follows:

Balance, beginning of period	$ 2,926,602
Purchases	2,074,483
Proceeds from repayments	(541,016)
Sales, maturities and calls	(277,498)
Amortization of discounts and premiums, net	643
Unrealized gain (loss), net	(1,237)
Balance, end of period	$ 4,181,977

The following tables show, as of December 31, 2011, 2010 and 2009, the breakdown of covered and non-covered securities in the Company's investment portfolio *(in thousands):*

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

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	December 31, 2010							
	Covered Securities				Non-Covered Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	$	$	$	$	$ 1,282,757	$ 11,411	$ (3,258)	$ 1,290,910
Re-Remics					599,682	14,054	(1,105)	612,631
Private label residential mortgage-backed securities and CMO's	181,337	61,679	(1,726)	241,290	138,759	2,906	(35)	141,630
Non mortgage asset-backed securities					407,158	1,908	(72)	408,994
Mutual funds and preferred stocks	16,382	57	(922)	15,517	120,107	3,402	(491)	123,018
State and municipal obligations					22,898	101	(39)	22,960
Small Business Administration securities					62,831	191	(131)	62,891
Other debt securities	3,695	3,066		6,761				
	$ 201,414	$ 64,802	$ (2,648)	$ 263,568	$ 2,634,192	$ 33,973	$ (5,131)	$ 2,663,034

	December 31, 2009							
	Covered Securities				Non-Covered Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$	$	$	$	$ 10,066	$ 6	$	$ 10,072
U.S. Government agency and sponsored enterprise residential mortgage-backed securities					1,288,277	3,581	(3,215)	1,288,643
Re-Remics					478,731	1,007	(4,735)	475,003
Private label residential mortgage-backed securities and CMO's	201,149	51,285	(480)	251,954	118,616		(4,062)	114,554
Non mortgage asset-backed securities					30,000			30,000
Mutual funds and preferred stocks	18,094	338	(698)	17,734	25,250	661	(122)	25,789
State and municipal obligations					22,964	143	(1)	23,106
Other debt securities	3,331	2,707		6,038	250			250
	$ 222,574	$ 54,330	$ (1,178)	$ 275,726	$ 1,974,154	$ 5,398	$ (12,135)	$ 1,967,417

Covered securities include private label mortgage-backed securities, mortgage-backed security mutual funds, trust preferred collateralized debt obligations, U.S. Government sponsored enterprise preferred stocks, and corporate debt securities covered under the Commercial Shared-Loss Agreement. BankUnited will be reimbursed 80%, or 95% if cumulative losses exceed the $4.0 billion stated threshold, of realized losses, other than temporary impairments, and reimbursable expenses associated with the covered securities. BankUnited must pay the FDIC 80%, or 95% if cumulative losses are

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greater than the stated threshold, of realized gains and other-than-temporary impairment recoveries. Unrealized losses recognized in accumulated other comprehensive income do not qualify for loss sharing. BankUnited cannot sell securities covered under the Loss Sharing Agreements without prior approval of the FDIC. To date, the Company has not submitted any claims for reimbursement related to the covered securities. As the investment portfolio has grown, covered securities have represented a declining percentage of the total portfolio. Covered securities represented 5.6%, 9.0% and 12.3% of the fair value of the investment portfolio at December 31, 2011, 2010 and 2009, respectively. We expect this declining trend to continue.

The following table shows the scheduled maturities adjusted for anticipated prepayments of mortgage-backed and other pass through securities, carrying values and current yields for our investment portfolio as of December 31, 2011. Yields on tax-exempt securities have been calculated on a pre-tax 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. Government agency and sponsored enterprise residential mortgage-backed securities	$ 290,528	1.88%	$ 850,635	2.15%	$ 613,067	2.57%	$ 231,483	1.90%	$ 1,985,713	2.21%
Re-Remics	94,326	4.33%	267,023	3.49%	150,836	3.39%	34,125	3.41%	546,310	3.60%
Private label residential mortgage-backed securities and CMO's	90,729	6.49%	179,419	7.09%	77,329	8.09%	40,210	8.91%	387,687	7.34%
Private label commercial mortgage-backed securities			168,052	2.98%	94,510	4.18%			262,562	3.41%
Non mortgage asset-backed securities	55,314	3.17%	214,776	3.08%	115,378	3.16%	25,417	2.65%	410,885	3.09%
State and municipal obligations	7,179	1.40%	14,202	2.10%	2,403	3.08%	1,486	1.13%	25,270	1.94%
Small Business Administration securities	60,735	1.88%	143,433	1.87%	69,991	1.85%	29,518	1.80%	303,677	1.86%
Other debt securities							6,056	4.49%	6,056	4.49%
Total investment portfolio	$ 598,811	3.03%	$ 1,837,540	2.95%	$ 1,123,514	3.18%	$ 368,295	2.81%	$ 3,928,160	3.01%
Mutual funds and preferred stocks with no scheduled maturity									253,817	5.69%
Total investment securities available for sale									$ 4,181,977	3.18%

The weighted average life of the investment portfolio as of December 31, 2011 was 4.7 years and the effective duration was 1.7 years.

The credit quality of the investment portfolio remained strong at December 31, 2011. As of December 31, 2011, 89.0% of the non-covered securities were backed by U.S. Government agencies or sponsored enterprises or were rated AAA. There were two non-covered securities with a fair value of $29.4 million that were unrated; the remaining non-covered securities were investment grade. The investment portfolio was in a net unrealized gain position of $89.8 million at December 31, 2011 with aggregate fair value equal to 102% of amortized cost. Net unrealized gains included $103.4 million of gross unrealized gains and $13.6 million of gross unrealized losses. Securities in unrealized loss positions for 12 months or more had an aggregate fair value of $119.8 million, representing only 2.9% of the fair value of the portfolio, with total unrealized losses of $1.3 million at December 31, 2011.

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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 before 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;
- available information about the value and performance of underlying collateral;
- the payment structure of the security, including levels of subordination or over-collateralization;
- the general market condition of the geographic area or industry of the issuer;
- the issuer's financial condition, performance and business prospects; and
- credit ratings of issuers and individual securities.

No securities were determined to be other-than-temporarily impaired during the years ended December 31, 2011 or 2010 or the period ended December 31, 2009.

The majority of the unrealized losses in the portfolio at December 31, 2011 were driven by widening spreads on private label Re-remics and non-mortgage asset-backed securities, particularly student loan backed securities, in the fourth quarter of 2011. To a lesser extent, unrealized losses resulted from widening spreads on GNMA HECM securities and private label mortgage-backed securities as well as market conditions impacting the value of financial institution preferred stocks. We believe all of these factors to be consistent with temporary impairment.

We do not intend to sell securities in unrealized loss positions, and have not sold any such securities subsequent to December 31, 2011. 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 unrealized loss positions prior to recovery of amortized cost basis. The severity and duration of impairment of individual securities in the portfolio is generally not material. The timely repayment of principal and interest on U.S. Government agency securities in unrealized loss positions is explicitly guaranteed by the full faith and credit of the U.S. Government. Management engaged a third party to perform projected cash flow analyses of the private label mortgage-backed securities, Re-remics and non-mortgage asset-backed securities, 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 limited duration and severity of impairment, we concluded that none of the debt securities were other-than-temporarily impaired. Given the results of our analysis of the financial condition and business prospects of the underlying issuers and the limited duration and severity of impairment, we considered the impairment of the equity securities to be temporary.

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

We use third party pricing services to assist us in estimating the fair value of investment securities. We perform a variety of procedures to insure 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, performing on-site walkthroughs 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 propriety 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. Certain preferred stocks are classified within level 1 of the hierarchy. At December 31, 2011, 11.3% of our investment securities were classified within level 3 of the fair value hierarchy as compared to 38.6% of the portfolio at December 31, 2010. Securities classified within level 3 of the hierarchy at December 31, 2011 included primarily private label residential mortgage-backed securities and certain non-mortgage asset-backed securities. The non-mortgage asset-backed securities consist of securities backed by servicer advances, small balance commercial loans, older vintage student loans and franchise product sub tranches. These securities were classified within level 3 of the hierarchy because proprietary credit related assumptions related to default probabilities and loss severities were considered significant to the valuation. At December 31, 2010, Re-remics were also classified within level 3 of the hierarchy. These securities were classified within level 2 of the hierarchy at December 31, 2011. Market activity for these securities has increased; valuation at December 31, 2011 was primarily spread driven and proprietary credit related assumptions no longer had a significant impact on pricing.

For additional discussion of the fair values of investment securities, see Note 19 to the consolidated financial statements.

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Loans

The loan portfolio comprises the Company's primary interest-earning asset. At December 31, 2011, 2010 and 2009, respectively, 58.6%, 86.3% and 97.3% of loans, net of discount 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 increase. This trend is expected to continue. Covered loans may be further broken out into two broad categories: (i) ACI loans and (ii) non-ACI loans. The following table shows the composition of the loan portfolio and the breakdown of the portfolio between covered ACI loans, covered non-ACI loans, non-covered ACI loans and new loans at the dates indicated *(dollars in thousands)*:

	December 31, 2011						December 31, 2010					December 31, 2009				
	Covered Loans		Non-Covered Loans				Covered Loans		Non-Covered Loans			Covered Loans		Non-Covered Loans		
	ACI	Non-ACI	ACI	New Loans	Total	Percent of Total	ACI	Non-ACI	New Loans	Total	Percent of Total	ACI	Non-ACI	New Loans	Total	Per of
ntial:																
ngle tial	$1,681,866	$117,992	$	$ 461,431	$2,261,289	53.8%	$2,421,016	$151,945	$113,439	$2,686,400	67.5%	$3,306,306	$184,669	$ 43,110	$3,534,085	
equity nd f credit	71,565	182,745		2,037	256,347	6.1%	98,599	206,797	2,255	307,651	7.7%	113,578	215,591	1,615	330,784	
	1,753,431	300,737		463,468	2,517,636	59.9%	2,519,615	358,742	115,694	2,994,051	75.2%	3,419,884	400,260	44,725	3,864,869	
ercial:																
Family	61,710	791		108,178	170,679	4.1%	73,015	5,548	34,271	112,834	2.8%	71,321	4,971	700	76,992	
ercial ate	219,136	32,678	4,220	311,434	567,468	13.5%	299,068	33,938	118,857	451,863	11.4%	363,965	39,733	24,460	428,158	
uction	4,102			23,252	27,354	0.7%	8,267		8,582	16,849	0.4%	44,812	377		45,189	
	33,018	163		7,469	40,650	1.0%	48,251	170	1,873	50,294	1.3%	43,903	173		44,076	
ercial nd	24,007	20,382		817,274	861,663	20.6%	49,731	30,139	266,586	346,456	8.7%	81,765	48,635	51,565	181,965	
	341,973	54,014	4,220	1,267,607	1,667,814	39.9%	478,332	69,795	430,169	978,296	24.6%	605,766	93,889	76,725	776,380	
mer:	2,937			3,372	6,309	0.2%	4,403		3,056	7,459	0.2%	7,065		3,151	10,216	
oans	2,098,341	354,751	4,220	1,734,447	4,191,759	100.0%	3,002,350	428,537	548,919	3,979,806	100.0%	4,032,715	494,149	124,601	4,651,465	1
ned nt and d fees sts, net		(30,281)		(24,420)	(54,701)			(34,840)	(10,749)	(45,589)			(39,986)	40	(39,946)	
net of nt and d fees sts	2,098,341	324,470	4,220	1,710,027	4,137,058		3,002,350	393,697	538,170	3,934,217		4,032,715	454,163	124,641	4,611,519	
ance for sses	(16,332)	(7,742)		(24,328)	(48,402)		(39,925)	(12,284)	(6,151)	(58,360)		(20,021)	(1,266)	(1,334)	(22,621)	
net	$2,082,009	$316,728	$4,220	$1,685,699	$4,088,656		$2,962,425	$381,413	$532,019	$3,875,857		$4,012,694	$452,897	$123,307	$4,588,898	

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Residential Mortgages

Residential mortgages, including 1-4 single family residential mortgages and home equity loans and lines of credit, have historically represented the majority of the total loan portfolio, although, consistent with our strategy of emphasizing commercial loan production, this portfolio segment is declining as a percentage of total loans. Residential mortgages constituted 26.7% of total new loans and 83.6% of total acquired loans at December 31, 2011. Residential mortgages totaled $2.5 billion, or 59.9% of total loans and $3.0 billion, or 75.2% of total loans at December 31, 2011 and 2010, respectively. The decline in this portfolio segment, both in total and as a percentage of loans, is primarily a result of the resolution of covered loans, including transfers to OREO. We expect residential loans to continue to decline as a percentage of total loans.

The new residential loan portfolio includes both loans originated and purchased since the Acquisition. We currently originate 1-4 single family residential mortgage loans with terms ranging from 10 to 40 years, with either fixed or adjustable interest rates, primarily to customers in the state of Florida. New residential mortgage loans are primarily closed-end first lien loans for the purchase or re-finance of owner occupied property. At December 31, 2011 and 2010, $58.2 million or 12.6% and $28.9 million or 25.6%, respectively of our new 1-4 single family residential loans were originated loans; $403.2 million or 87.4% and $84.5 million or 74.4% of our new 1-4 single family residential loans were purchased loans. We have purchased loans to supplement our mortgage origination platform and to geographically diversify our loan portfolio given the current credit environment and limited demand for non-agency mortgage product in Florida. The number of newly originated residential mortgage loans that are refinancings of covered loans is not significant.

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

The residential portfolio contains option adjustable rate mortgage, ("ARM"), "no-doc" or "reduced-doc" and wholesale production loans originated by the Failed Bank prior to the Acquisition. Subsequent to the Acquisition, we shut down the broker origination channel of the Failed Bank and are no longer originating or purchasing these types of products. All of these loans are covered loans; therefore, the Company's exposure to future losses on these mortgage loans is mitigated by the Loss Sharing Agreements as well as by the fair value basis recorded in these loans resulting from the application of acquisition accounting. The covered loan portfolio includes loans which have been modified by us under the U.S. Treasury Department's Home Affordable Modification Program, or HAMP.

The following table presents a breakdown of the 1-4 single family residential mortgage portfolio categorized between fixed rate and adjustable rate mortgages at the dates indicated *(dollars in thousands)*:

	December 31, 2011				December 31, 2010			
	Covered Loans	New Loans	Total	Percent of Total	Covered Loans	New Loans	Total	Percent of Total
Fixed rate loans(1)	$ 534,552	$ 311,131	$ 845,683	37.4%	$ 653,814	$ 72,067	$ 725,881	27.0%
ARM Loans(1)	1,265,306	150,300	1,415,606	62.6%	1,919,147	41,372	1,960,519	73.0%
	$ 1,799,858	$ 461,431	$ 2,261,289	100.0%	$ 2,572,961	$ 113,439	$ 2,686,400	100.0%

(1) Before deferred fees and costs, unearned discounts, premiums and the ALLL.

Included in ARM loans above are payment option ARMs representing 37.2% and 32.1% of total ARM loans outstanding as of December 31, 2011 and 2010, respectively. All of the option ARMs are

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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 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, 2011 and 2010, based on UPB, the majority of the 1 - 4 single family residential loans outstanding were to customers domiciled in the following states *(dollars in thousands):*

	December 31, 2011		December 31, 2010	
	Amount	**%**	**Amount**	**%**
Florida	$ 2,819,813	53.9%	$ 3,772,764	57.9%
California	496,165	9.5%	451,578	6.9%
Illinois	300,500	5.7%	377,975	5.8%
New Jersey	241,455	4.6%	381,198	5.8%
All others	1,372,000	26.3%	1,537,358	23.6%
	$ 5,229,933	100.0%	$ 6,520,873	100.0%

No other state represented borrowers with more than 3% of 1-4 single family residential loans outstanding at December 31, 2011.

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, land and commercial and industrial loans and leases.

Commercial real estate loans include term loans secured by owner and non-owner occupied income producing properties including rental apartments, industrial properties, retail shopping centers, office buildings, warehouses 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. The Company's underwriting standards generally provide for loan terms of five years, with amortization schedules of no more than twenty-five years. Loan to value, or LTV, ratios are typically limited to no more than 80%. In addition, the Company usually obtains personal guarantees of the principals as additional security for most commercial real estate loans.

Commercial loans are typically made to growing companies and middle market businesses and include equipment loans, working capital lines of credit, asset-backed loans, acquisition finance credit facilities, lease financing and Small Business Administration product offerings. These loans may be structured as term loans, typically with maturities of five years or less, or revolving lines of credit which typically mature annually. Lease financing consists primarily of municipal equipment leases originated by Pinnacle Public Finance.

Since the Acquisition, management's loan origination strategy has been heavily focused on the commercial portfolio segment, which comprised 73.1% and 78.4% of new loans as of December 31, 2011 and 2010, respectively. New commercial loans that represent refinancings of covered loans are not significant.

Consumer Loans

Consumer loans include loans secured by certificates of deposit, auto loans, demand deposit account overdrafts and unsecured personal lines of credit and are not material.

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Loan Maturities

The following table sets forth, as of December 31, 2011, the anticipated repayments of our loan portfolio by category, based on UPB. Anticipated repayments are based on contractual maturities adjusted for an estimated rate of prepayments and defaults based on historical trends, current interest rates, types of loans and refinance patterns *(in thousands)*:

	One Year or Less	Due in After One Through Five Years	After Five Years	Total
Residential:				
1 - 4 single family residential	$ 968,438	$ 2,825,292	$ 1,436,203	$ 5,229,933
Home equity loans and lines of credit	50,272	164,921	142,190	357,383
	1,018,710	2,990,213	1,578,393	5,587,316
Commercial:				
Multi-family	18,057	114,663	10,362	143,082
Commercial real estate	114,335	523,730	91,027	729,092
Construction	3,899	26,943	5,483	36,325
Land	29,290	22,858		52,148
Commercial loans and leases	293,804	519,223	51,956	864,983
	459,385	1,207,417	158,828	1,825,630
Consumer:	1,555	4,538	1,002	7,095
	$ 1,479,650	$ 4,202,168	$ 1,738,223	$ 7,420,041

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, 2011 *(in thousands)*:

	Interest Rate Type		
	Fixed	Adjustable	Total
Residential:			
1 - 4 single family residential	$ 1,344,964	$ 2,916,531	$ 4,261,495
Home equity loans and lines of credit	30,981	276,130	307,111
	1,375,945	3,192,661	4,568,606
Commercial:			
Multi-family	49,612	75,413	125,025
Commercial real estate	288,288	326,469	614,757
Construction		32,426	32,426
Land	5,608	17,250	22,858
Commercial loans and leases	210,473	360,706	571,179
	553,981	812,264	1,366,245
Consumer:	3,985	1,555	5,540
	$ 1,933,911	$ 4,006,480	$ 5,940,391

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Asset Quality

In discussing asset quality, a distinction must be made between covered loans and new loans. New loans were underwritten under significantly different and generally more conservative standards than the covered loans. 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 covered loans is higher than that of new loans, our exposure to loss related to the covered loans is significantly mitigated by the Loss Sharing Agreements and by the fair value basis recorded in these loans resulting from the application of acquisition accounting.

We recognize that developing and maintaining a strong credit culture is paramount to our success. We have established a robust credit risk management framework and put in place an experienced team to lead the workout and recovery process for the commercial and commercial real estate portfolios. We have also implemented a dedicated internal loan review function that reports directly to our Audit 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, workout and recovery and loan review departments. Commercial loans are regularly reviewed by our internal loan review department. Relationships with committed balances greater than $250,000 are reviewed at least annually. The Company utilizes an internal asset risk classification system as part of its efforts to monitor and improve 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, insufficient cash flows, operating losses, negative financial trends, or declining collateral values. 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 risk ratings of doubtful.

Residential mortgage loans are not individually risk rated. Delinquency status is the primary measure we use to monitor the credit quality of these loans.

Non-covered loans

At December 31, 2011, forty-seven non-covered commercial loans with an aggregate balance of $7.7 million were rated special mention and forty-three non-covered commercial loans totaling $13.7 million were classified substandard or doubtful. At December 31, 2010, twenty non-covered commercial loans aggregating $9.0 million were rated special mention and twelve non-covered commercial loans aggregating $5.9 million were classified substandard.

At December 31, 2011, no new 1-4 single family residential loans were 90 days or more past due. New 1-4 single family residential loans past due less than 90 days totaled $15.9 million at December 31, 2011; this population consisted primarily of eighteen purchased loans with missed payments due on December 1, 2011. Home equity loans and lines of credit in the new loan portfolio that were 90 days or more past due totaled $27 thousand. Substantially all of the home equity loans and lines of credit in the new portfolio are first liens. There were no delinquencies in the new residential mortgage or home equity loan portfolios as of December 31, 2010.

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The majority of our new residential mortgage portfolio consists of purchased loans. 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 pools which have average FICO scores above 700, primarily are owner-occupied and full documentation, and have a current LTV less than 80%. We perform due diligence on the purchased loans for credit, compliance, counterparty, payment history and property valuation.

At December 31, 2011, the purchased loan portfolio had the following characteristics: 69.2% were fixed rate loans, 100% were full documentation and had an average FICO score of 765 and average LTV of 68.5%. The majority of this portfolio was owner-occupied, with 82.1% primary residence and 17.9% second homes or investment properties. In terms of vintage, 6.0% of the portfolio was originated pre 2007, 0.9% in 2007, 5.0% in 2008, 2.3% in 2009, 7.0% in 2010 and 78.8% in 2011.

Similarly, the originated loan portfolio had the following characteristics at December 31, 2011: 68.5% were fixed rate loans, 100% were full documentation and had an average FICO score of 771 and average LTV of 63.9%. The majority of this portfolio was owner-occupied, with 95.1% primary residence and 4.9% second home. In terms of vintage, 8.2% of the portfolio was originated in 2009, 37.5% in 2010 and 54.3% in 2011.

Delinquent consumer loans in the new portfolio were insignificant as of December 31, 2011 and 2010.

Covered loans

Covered loans consist of both ACI loans and non-ACI loans. At December 31, 2011, covered ACI loans totaled $2.1 billion and covered non-ACI loans totaled $324.5 million, net of unearned discounts and deferred fees and costs.

Residential

Covered residential loans were placed into homogenous pools at Acquisition and the ongoing credit quality and performance of these loans is monitored 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. 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 as we gain greater experience. Generally, commercial and commercial real estate loans are monitored individually due to their size and other unique characteristics.

Residential mortgage loans, including home equity loans, comprised 87.8% of the UPB of the acquired loan portfolio at the Acquisition date. We performed a detailed analysis of the portfolio to determine the key loan characteristics influencing performance. Key characteristics influencing the performance of the residential portfolio 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

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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, 2011, the carrying value of 1-4 single family residential non-ACI loans was $92.7 million; $9.6 million or 10.4% of these loans were 30 days or more past due and $6.6 million or 7.1% were 90 days or more past due. At December 31, 2011, ACI 1-4 single family residential loans totaled $1.7 billion. $403.0 million or 24.0% of these loans were delinquent by 30 days or more and $310.8 million or 18.5% were delinquent by 90 days or more.

At December 31, 2011, non-ACI home equity loans and lines of credit had an aggregate carrying value of $179.0 million; $14.6 million or 8.2% of these loans were 30 days or more past due and $7.8 million or 4.4% were 90 days or more past due. ACI home equity loans and lines of credit had a carrying amount of $71.6 million at December 31, 2011. At December 31, 2011, $14.3 million or 19.9% of ACI home equity loans and lines of credit were 30 days or more contractually delinquent and $10.9 million or 15.3% were delinquent by 90 days or more. At December 31, 2011 4.5% and 5.8%, respectively, of the non-ACI and ACI home equity loans and lines of credit are first liens while 95.5% and 94.2%, respectively, of the non-ACI and ACI home equity loans and lines of credit are second or third liens. Expected loss severity given default is significantly higher for home equity loans that are not first liens.

Although delinquencies in the covered residential portfolio are high, potential future losses to the Company related to these loans are significantly mitigated by the Loss Sharing Agreements.

Commercial

The ongoing asset quality of significant commercial and commercial real estate 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, 2011, non-ACI commercial loans had an aggregate UPB of $54.0 million and a carrying value, net of discounts of $52.8 million; 82% of these loans were rated "pass" and this portfolio segment has limited delinquency history. At December 31, 2011, eleven loans with a carrying value totaling $2.0 million were rated special mention, forty-six loans with a carrying value totaling $7.1 million were rated substandard and 4 loans with a carrying value of $0.2 million were rated doubtful.

At December 31, 2011, ACI commercial loans had a carrying value of $346.2 million, of which $342.0 million are covered under the Loss Sharing Agreements. At December 31, 2011, loans with carrying values of $13.1 million, $140.1 million and $1.4 million were internally risk rated special mention, substandard and doubtful, respectively.

Potential future losses to the Company related to the covered ACI loans are significantly mitigated by the Loss Sharing Agreements.

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Impaired Loans and Non-Performing Assets

Non-performing assets consist of (i) non-accrual loans, including loans that have been restructured in troubled debt restructurings ("TDRs") and placed on nonaccrual status or that have not yet exhibited a consistent six month payment history since modification, (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 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. Because of discount accretion, these ACI loans have not been classified as nonaccrual loans and we do not consider them to be non-performing assets. As of December 31, 2011, 2010 and 2009, substantially all of the non-performing loans and all of the OREO were covered assets. The Company's exposure to loss related to covered assets is significantly mitigated by the Loss Sharing Agreements with the FDIC and by the fair value basis recorded in these assets resulting from the application of acquisition accounting.

Non-performing loans at December 31, 2011 included twenty-seven new commercial loans with an aggregate balance of $2.8 million and new residential loans totaling $27 thousand. At December 31, 2010 non-performing loans included five new commercial loans with balances totaling $3.2 million. There were no non-performing new commercial loans at December 31, 2009. At December 31, 2010 and 2009, there were no non-performing new residential loans.

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The following table summarizes the Company's impaired loans and other non-performing assets at the dates indicated *(in thousands):*

	December 31, 2011	December 31, 2010	December 31, 2009
Nonaccrual loans:			
Residential:			
1 - 4 single family residential	$ 7,410	$ 9,585	$ 14,495
Home equity loans and lines of credit	10,478	10,817	2,726
Total residential loans	17,888	20,402	17,221
Commercial:			
Multi-family		200	
Commercial real estate	295	75	
Construction	3		
Land	332		
Commercial loans and leases	9,164	5,097	150
Total commercial loans	9,794	5,372	150
Total nonaccrual loans	27,682	25,774	17,371
Non-ACI and new loans past due 90 days and still accruing	375		
TDRs	824		
Total non-performing loans	28,881	25,774	17,371
Other real estate owned	123,737	206,680	120,110
Total non-performing assets	152,618	232,454	137,481
Impaired ACI loans on accrual status	94,536	262,130	567,253
TDRs in compliance with their modified terms	583		
Total impaired loans and non-performing assets	$ 247,737	$ 494,584	$ 704,734
Non-performing loans to total loans(1)	0.70%	0.66%	0.38%
Non-performing assets to total assets	1.35%	2.14%	1.24%
ALLL to total loans(1)	1.17%	1.48%	0.49%
ALLL to non-performing loans	167.59%	226.35%	130.22%
Net charge-offs to average loans	0.62%	0.37%	0.00%

(1) Total loans for purposes of calculating these ratios is net of unearned discounts and deferred fees and costs.

At December 31, 2011, 2010 and 2009, substantially all of the nonaccrual loans are non-ACI loans. Contractually delinquent ACI loans are not reflected as nonaccrual loans because discount continues to be accreted. Discount accretion continues to be recorded as there continues to be 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 still accruing was $361.2 million, $717.7 million and $1.2 billion at December 31, 2011, 2010 and 2009, respectively.

The decline in the ratio of non-performing assets to total assets at December 31, 2011 as compared to December 31, 2010 is primarily attributable to the decrease in OREO. The decline in the ratio of the ALLL to total loans and to non-performing loans resulted from the recovery of provision for ACI loans attributable to improvements in expected cash flows from those loans.

Non-performing assets reported for the post-Acquisition periods are substantially lower than non-performing assets for the pre-Acquisition periods primarily due to the recording of these assets at their fair values in conjunction with the application of acquisition accounting and the fact that ACI

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loans are no longer reflected as nonaccrual loans as discussed above. The lower ratio of the ALLL to total loans at dates subsequent to the Acquisition is a direct result of the fact that no allowance was initially recorded with respect to the acquired loans. Rather, the estimated fair value at which these loans were initially recorded incorporated significant assumptions related to credit quality and default probabilities. Due to the foregoing factors, the ratios presented in the table above may lack comparability to those of our peers.

Except for ACI loans, commercial loans are placed on nonaccrual status when (i) management has determined that full payment of all contractual principal and interest is in doubt, or (ii) the loan is past due 90 days or more as to principal and/or interest, unless the loan is well-secured and in the process of collection. Residential loans are placed on nonaccrual status when there is 90 days of interest due and uncollected. Residential loans are returned to accrual status when less than 90 days of interest is due and unpaid. Commercial loans are returned to accruing status only after all past due principal and interest has been collected. Except for ACI loans accounted for in pools, loans that are the subject of troubled debt restructurings are generally placed on nonaccrual 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, extensions of maturity, or in some cases, partial forgiveness of principal. Under generally accepted accounting principles, modified ACI loans accounted for in pools are not accounted for as troubled debt restructurings and are not separated from their respective pools when modified. As of December 31, 2011 there were five non-ACI commercial relationships with a total carrying value of $366 thousand and one new commercial relationship with a balance of $231 thousand that had been modified in TDRs. Additionally, at December 31, 2011 there were eleven non-ACI residential loans with a total carrying value of $1.5 million that were the subject of HAMP modifications and classified as TDRs. No non-ACI or new loans were modified in TDRs during the year ended December 31, 2010 or the period ended December 31, 2009.

At December 31, 2011, there were four ACI commercial relationships with an aggregate carrying value of $1.4 million that had been modified in TDRs. As of December 31, 2010, there were three commercial ACI relationships with a total carrying value of $2.4 million that were the subject of TDRs.

Additional interest income that would have been recognized on nonaccrual loans and TDRs had they performed in accordance with their original contractual terms is not material.

Loss Mitigation Strategies

Although our exposure to loss on covered assets is mitigated by the Loss Sharing Agreements, we have implemented strategies designed to minimize losses on these assets. We have increased the quality and experience level of our workout and recovery and mortgage servicing departments. We evaluate each loan in default to determine the most effective loss mitigation strategy, which may be modification, short sale, or foreclosure. In 2009, we began loan modifications under HAMP for 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, 2011, 11,278 borrowers had been counseled regarding their participation in HAMP; 7,946 of those borrowers were initially determined to be potentially eligible for loan modifications under the program. As of December 31, 2011, 1,507 borrowers who did not elect to participate in the program had been sent termination letters and 2,574 borrowers had been denied due to ineligibility. At December 31, 2011, there were 3,078 permanent loan modifications and 121 active trial modifications.

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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 Acquisition, and (iii) additional 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 such as 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

Based on an analysis of historical performance of the non-ACI residential mortgage and home equity portfolio, OREO and short sale losses and recent trending data, we have concluded that LTV ratio is the leading predictive indicator of loss severity for this portfolio. The non-ACI residential mortgage and home equity portfolios have therefore been divided into homogenous groups and stratified based on LTV for purposes of calculating the ALLL. Calculated frequency of roll to loss and severity percentages are applied to the dollar value of loans in each group to calculate an overall loss allowance. LTV ratios at the individual loan level are updated quarterly using the appropriate Case-Shiller quarterly MSA Home Price Index to adjust the original appraised value of the underlying collateral. Frequency is calculated for each pool using a four month roll to loss percentage, based on the assumption that if an event has occurred with a borrower that will ultimately result in a loss, this will manifest itself as a loan in default and in process of foreclosure within four months. 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 at 120 days delinquency.

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 Failed Bank's residential mortgage portfolio as a basis for calculating the ALLL applicable to new loans. The new loan portfolio is not seasoned and has not yet developed an observable loss trend. Therefore, the ALLL for new residential loans is based primarily on peer group average historical loss rates as discussed further below.

Since the new loan portfolio is not yet seasoned enough to exhibit a loss trend and the non-ACI portfolio has limited delinquency history, the ALLL for new and non-ACI commercial loans is based primarily on the Bank's internal credit risk rating system and peer group average historical loss rates by loan class. The allowance is comprised of specific reserves for significant classified 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 nonaccrual status with committed credit facilities greater than or equal to $500,000 are individually evaluated for impairment. A quarterly net realizable value analysis is prepared for each of these relationships. This analysis forms the basis for establishing specific reserves. 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. We group these loans by product type and performance status and establish general reserve percentages based on our analysis of the risks characterizing each group. Factors that impact our judgment as to the appropriate loss percentage to assign may include the underwriting criteria applied

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to a particular product type, whether the loans are secured or unsecured, the type of collateral, and delinquency status.

The peer group used to calculate the average historical loss rates that form the basis for our general reserve calculations is a group of 20 banks in the southeast region determined by management to be the most comparable to BankUnited. Factors that impacted the selection of the peer group included asset size, composition of the loan portfolio and credit quality ratios including net charge-offs to average loans, ALLL to total loans, ALLL to noncurrent loans and noncurrent loans to total loans. Peer bank data was obtained from the Statistics on Depository Institutions Report published by the FDIC for the most recent quarter available. For new loans, a six quarter average of peer group historical loss rates was used as this period corresponds to the vintage of the majority of loans in this portfolio segment. For the non-ACI portfolio, a twelve quarter average of peer group historical loss rates was used as this period is considered more representative of expected loss experience for the more seasoned loans in this segment.

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 average historical loss rates are adjusted upward for loans rated special mention or assigned a lower "pass" rating. Peer group average historical loss rates are adjusted downward for loans assigned the highest "pass" grades.

In addition to the quantitative calculations described above, adjustments are made to the allowance for relevant qualitative factors when there is a material observable trend in those factors not already taken into account in the quantitative calculations. Qualitative factors that may result in an adjustment to the allowance have been grouped into four categories:

- portfolio trends,
- policy and credit guidelines,
- economic factors, and
- credit concentrations.

At December 31, 2011, qualitative adjustments were made to historical loss percentages related to the current economic climate, portfolio trends and for certain classes of small business commercial loans, policy and credit guidelines. Adjustments related to the current economic climate were driven by uncertainty about general economic conditions including unemployment rates and real estate prices. Adjustments for portfolio trends related to the rapid growth rate of the new loan portfolio. Adjustments related to policy and credit guidelines impacted certain small business commercial loan products and related to the underwriting criteria applied to those particular products. Qualitative adjustments did not have a material impact on the ALLL as of December 31, 2011.

Prior to the fourth quarter of 2011, we used the OTS "Thrift Industry Charge-Off Rates by Asset Type, annualized Net Charge-Off Rates Twelve Quarter Average" for the southeast region (the "OTS Charge-Off Rates") rather than peer group historical loss rates in our determination of general reserve percentages. Particularly as the new loan portfolio has grown, we believe the peer group average loss rates are more representative of expected loss experience from our portfolio. The transition to use of peer group historical loss rates did not have a material impact on the determination of the amount of the ALLL as of December 31, 2011.

For non-ACI 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.

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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.

The analysis of expected cash flows for residential ACI pools incorporates updated pool level expected prepayment rates, default rates, and delinquency levels, and loan level loss severity given default assumptions. Prepayment, delinquency and default curves used for this purpose are derived from roll rates generated from the historical performance of the ACI residential loan portfolio observed over the immediately preceding four quarters. Given the static nature of the pools and unique characteristics of the loans, we believe that regularly updated historical information from the Company's own portfolio is the best available indicator of future performance. Estimates of default probability and severity of loss given default also incorporate updated LTV ratios. Historic and projected values for the Case-Shiller Home Price Index for the relevant MSA are utilized at the individual loan level to project current and future property values. 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.

Our analysis at December 31, 2009 indicated a decrease in expected cash flows due to credit related assumptions related to two ACI residential mortgage pools; therefore, a provision for loan losses of $20.0 million was recorded, along with a corresponding increase in the FDIC indemnification asset of $14.4 million. As of December 31, 2010, our analysis evidenced a significant improvement in expected cash flows related to these two ACI residential pools and an offsetting decrease in expected cash flows due to credit related assumptions related to the ACI home equity loan pool. As a result, the $20.0 million allowance established at December 31, 2009 related to ACI residential pools, along with the increase in the FDIC indemnification asset of $14.4 million, was reversed, and a provision for loan losses of $18.5 million, along with a corresponding increase in the FDIC indemnification asset of $14.0 million, was recorded related to the pooled home equity ACI loans during the year ended December 31, 2010. Due to improved performance of and projected cash flows from the home equity ACI pool during 2011, the allowance established related to this pool in 2010, along with the corresponding increase in the FDIC indemnification asset, were reversed in 2011. As a result, there is no valuation allowance related to ACI residential and home equity pools at December 31, 2011.

The primary assumptions underlying estimates of expected cash flows for ACI commercial loans are default probability and severity of loss given default. Updated assumptions for large balance and delinquent loans in the commercial ACI portfolio are based on net realizable value analyses prepared at the individual loan level by the Company's workout and recovery department. Updated assumptions for smaller balance commercial loans are based on a combination of the Company's own historical delinquency and severity data and industry level data. Delinquency data is used as a proxy for defaults as the Company's experience has been that few of these loans return to performing status after being delinquent greater than 60 days. An additional multiplier is also applied in developing assumptions for loans rated special mention, substandard, or doubtful based on the Company's historical loss experience with classified loans.

For the period ended December 31, 2009, there were no decreases in expected cash flows for commercial ACI loans; therefore, no ALLL was provided related to these loans. For the year ended December 31, 2010, our analysis indicated a decrease in expected cash flows from certain ACI commercial loans evaluated individually for credit impairment, resulting in a provision for loan losses of $35.5 million related to these ACI loans. An increase in the FDIC indemnification asset of $19.9 million was recorded related to this provision. Based on our loan level analysis of commercial ACI loans for the year ended December 31, 2011 an additional provision for loan losses related to commercial ACI loans of $7.2 million was recorded. An increase in the FDIC indemnification asset of $6.2 million was recorded related to this provision.

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The following table provides an analysis of the ALLL, provision for loan losses and net charge-offs for the periods indicated *(in thousands)*:

	Years Ended		Period from May 22, 2009 to December 31, 2009
	December 31, 2011	December 31, 2010	
ALLL, beginning of period	$ 58,360	$ 22,621	$
Provision for loan losses:			
ACI loans			
Residential loans	(18,488)	(1,533)	20,021
Commercial loans	7,210	35,461	
Total provision for loan losses on ACI loans	(11,278)	33,928	20,021
Non-ACI loans			
Residential loans	(1,491)	10,985	130
Commercial loans	5,077	1,353	1,136
Consumer loans		215	
Total provision for losses on non-ACI loans	3,586	12,553	1,266
New loans			
Residential loans	3,862	102	69
Commercial loans	17,662	4,815	1,219
Consumer loans	(4)	9	46
Total provision for losses on new loans	21,520	4,926	1,334
Total provision for loan losses	13,828	51,407	22,621
Charge-offs:			
ACI loans	(13,527)	(14,024)	
Non-ACI loans	(8,489)	(1,535)	
New loans	(3,367)	(109)	
Total charge-offs	(25,383)	(15,668)	
Recoveries:			
ACI loans	1,212		
Non-ACI loans	361		
New loans	24		
Total recoveries	1,597		
ALLL, end of period	$ 48,402	$ 58,360	$ 22,621

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The following table shows the distribution of the ALLL, broken out between Covered and non-Covered loans, as of December 31, 2011, 2010 and 2009 *(in thousands)*:

	December 31, 2011					December 31, 2010					December 31, 2009				
	Covered					Covered					Covered				
	ACI	Non-ACI	New Loans	Total	%(1)	ACI	Non-ACI	New Loans	Total	%(1)	ACI	Non-ACI	New Loans	Total	%(1)
Residential:															
1-4 single family residential	$	$ 593	$ 4,015	$ 4,608	53.8%	$	$ 761	$ 168	$ 929	67.5%	$ 20,021	$ 119	$ 65	$ 20,205	76.0%
Home equity loans and lines of credit		5,549	18	5,567	6.1%	18,488	9,229	3	27,720	7.7%		11	4	15	7.1%
Total		6,142	4,033	10,175	59.9%	18,488	9,990	171	28,649	75.2%	20,021	130	69	20,220	83.1%
Commercial:															
Multi-family	1,063	5	929	1,997	4.1%	5,701	633	772	7,106	2.8%		60	11	71	1.7%
Commercial real estate	10,672	284	4,529	15,485	13.5%	5,795	418	1,189	7,402	11.4%		465	303	768	9.2%
Construction	991		266	1,257	0.7%	1,017	1	118	1,136	0.4%		5		5	1.0%
Land	1,319	62	71	1,452	1.0%	3,874	26	102	4,002	1.3%		2		2	0.9%
Commercial loans and leases	2,287	1,249	14,449	17,985	20.6%	5,050	1,216	3,744	10,010	8.7%		604	905	1,509	3.9%
Total	16,332	1,600	20,244	38,176	39.9%	21,437	2,294	5,925	29,656	24.6%		1,136	1,219	2,355	16.7%
Consumer			51	51	0.2%			55	55	0.2%			46	46	0.2%
Total ALLL	$ 16,332	$ 7,742	$ 24,328	$ 48,402	100.0%	$ 39,925	$ 12,284	$ 6,151	$ 58,360	100.0%	$ 20,021	$ 1,266	$ 1,334	$ 22,621	100.0%

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

Other Real Estate Owned

All of the OREO properties owned by the Company are covered assets. The following table presents the changes in OREO for the years ended December 31, 2011 and 2010 and the period ending December 31, 2009 *(in thousands):*

	2011	2010	2009
Balance, beginning of period	$ 206,680	$ 120,110	$ 177,679
Transfers from loan portfolio	338,256	401,763	115,192
(Decrease) increase from resolution of covered loans	(25,298)	(9,530)	25,702
Sales	(371,332)	(289,532)	(177,408)
Impairment	(24,569)	(16,131)	(21,055)
Balance, end of period	$ 123,737	$ 206,680	$ 120,110

The majority of our OREO properties are located in the State of Florida. At December 31, 2011, 57.3% of properties were located in Florida, 10.0%, in Illinois, 8.9% in California, 4.0% in New Jersey and 3.1% in Massachusetts. At December 31, 2011, 94.3% of OREO consisted of residential properties and 5.7% consisted of commercial properties.

Goodwill and Other Intangible Assets

In conjunction with the Acquisition, we recognized approximately $59.4 million of goodwill and a $1.8 million core deposit intangible. In conjunction with the acquisition of a small business lending company and a municipal leasing company in the fourth quarter of 2010, we recorded customer relationship intangible assets of $0.4 million and additional goodwill of $7.9 million.

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The Company has a single reporting unit. We perform goodwill impairment testing in the third quarter of each fiscal year or more frequently if events or circumstances indicate that impairment may exist. As of the 2011 impairment testing date, the estimated fair value of the reporting unit substantially exceeded its carrying amount; therefore, no impairment was indicated. Estimated fair value was based on the market capitalization of the Company's common stock.

Other Assets

During the year ended December 31, 2011, $70.4 million of FHLB stock was redeemed at par.

The most significant components of other assets are FHLB stock, bank owned life insurance, premises and equipment, accrued interest receivable and prepaid expenses. The increase in other assets at December 31, 2011 as compared to December 31, 2010 resulted primarily from an increase in premises and equipment of approximately $35.0 million related to improvements to new and existing branch facilities and increased investment in our technology platforms, partially offset by the satisfaction of a receivable of $20.8 million related to the surrender of bank owned life insurance.

Deposits

The following table presents information about our deposits for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 *(dollars in thousands)*:

	2011		2010		2009	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Demand deposits:						
Non-interest bearing	$ 622,377		$ 440,673		$ 303,810	
Interest bearing	382,329	0.65%	273,897	0.72%	183,416	0.79%
Money market	2,165,230	0.88%	1,667,277	1.20%	1,205,446	1.93%
Savings	1,201,236	0.83%	1,203,491	1.18%	948,000	1.94%
Time	2,585,201	1.71%	3,889,961	1.85%	5,506,320	0.93%
	$ 6,956,373	1.09%	$ 7,475,299	1.45%	$ 8,146,992	1.16%

Excluding the impact of accretion from fair value adjustments due to acquisition accounting, the average rate paid on interest bearing deposits for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 was 1.31%, 1.85% and 2.77%, respectively.

The distribution of deposits reflected in the table reflects the continued run-off of time deposits and increases in lower-rate deposit products, consistent with management's business strategy.

The following table shows scheduled maturities of certificates of deposit with denominations equal to or greater than $100,000 as of December 31, 2011 *(in thousands)*:

Three months or less	$ 126,699
Over three through six months	68,141
Over six through twelve months	438,052
Over twelve months	695,615
	$ 1,328,507

Borrowed Funds

The following table sets forth information regarding our short-term borrowings, consisting of securities sold under agreements to repurchase and federal funds purchased, as of December 31, 2011,

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2010 and 2009 and for the years ended December 31, 2011 and 2010 and the period ended December 31, 2009 *(dollars in thousands)*:

	2011	2010	2009
Maximum outstanding at any month-end	$ 2,165	$ 17,459	$ 2,972
Balance outstanding at end of year	$ 206	$ 492	$ 2,972
Average outstanding during the year	$ 1,333	$ 7,812	$ 2,091
Average interest rate during the year	0.48%	0.92%	0.02%
Average interest rate at end of year	0.50%	0.43%	0.01%

The Company also utilizes FHLB advances to finance its operations. FHLB advances are secured by stock in the FHLB required to be purchased in proportion to outstanding advances and qualifying first mortgage, commercial real estate, and home equity loans and mortgage-backed securities. The following table provides information about outstanding FHLB advances at December 31, 2011 *(in thousands)*:

Maturing in:	
2012	$ 1,145,000
2013	565,000
2014	505,000
2015	350
Total contractual balance outstanding	2,215,350
Acquisition accounting fair value adjustment	20,781
Carrying value	$ 2,236,131

The change in carrying value of outstanding FHLB advances from December 31, 2010 to December 31, 2011 was attributable to accretion of fair value adjustments recorded in connection with the Acquisition.

Results of Operations for the Pre-Acquisition Periods

The Failed Bank reported net losses of $(1.2) billion and $(858.4) million for the period from October 1, 2008 through May 21, 2009 and for the fiscal year ending September 30, 2008, or fiscal 2008, respectively. The net losses for the period ending May 21, 2009 and the fiscal year ending September 30, 2008 resulted primarily from severe deterioration in the Failed Bank's asset quality and the resultant reduction in net interest income, increase in the provision for loan losses, and impairment charges related to investment securities, OREO and mortgage servicing rights.

Net Interest Income

The following table presents, for the periods indicated, information about: (i) average balances, the total dollar amount of 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. Average balance information is based on daily average balances for the periods indicated. Nonaccrual and restructured loans are included in the average balances presented in this table; however, interest

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income foregone on nonaccrual loans is not included. Yields have been calculated on a pre-tax basis *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009			**Fiscal Year Ended September 30, 2008**		
	Average Balance	**Interest**	**Yield/ Rate(1)**	**Average Balance**	**Interest**	**Yield/ Rate**
Assets:						
Interest earning assets:						
Investment securities available for sale	$ 88,655	$ 1,685	2.97%	$ 141,935	$ 7,417	5.23%
Mortgage-backed securities	576,131	20,722	5.63%	780,279	43,017	5.51%
Total investment securities available for sale	664,786	22,407	5.28%	922,214	50,434	5.47%
Other interest earning assets	1,325,075	3,667	0.43%	630,204	21,856	3.47%
Loans receivable	11,596,788	312,994	4.22%	12,564,903	762,170	6.07%
Total interest earning assets	13,586,649	339,068	3.91%	14,117,321	834,460	5.91%
Allowance for loan losses	(905,440)			(184,884)		
Noninterest earning assets	869,381			510,000		
Total assets	$ 13,550,590			$ 14,442,437		
Liabilities and Equity:						
Interest bearing liabilities:						
Interest bearing deposits:						
Interest bearing demand	$ 164,669	$ 895	0.85%	$ 199,942	$ 2,145	1.07%
Savings and money market accounts	1,485,455	28,009	2.95%	1,873,728	67,600	3.61%
Time deposits	6,611,919	170,666	4.04%	4,929,198	223,110	4.53%
Total interest bearing deposits	8,262,043	199,570	3.78%	7,002,868	292,855	4.18%
Borrowings:						
FHLB advances	4,965,251	133,764	4.22%	5,605,211	259,000	4.62%
Repurchase agreements	22,732	58	0.40%	124,564	3,739	3.00%
Total interest bearing liabilities	13,250,026	333,392	3.94%	12,732,643	555,594	4.36%
Non-interest bearing demand deposits	282,215			441,570		
Other non-interest bearing liabilities	113,006			130,225		
Total liabilities	13,645,247			13,304,438		
Equity	(94,657)			1,137,999		
Total liabilities and equity	$ 13,550,590			$ 14,442,437		
Net interest income		$ 5,676			$ 278,866	
Interest rate spread			(0.03)%			1.55%
Net interest margin			0.06%			1.98%

(1) Annualized.

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Increases and decreases in interest income 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 comparison of total interest income and total interest expense for the period ending May 21, 2009 to the fiscal year ending September 30, 2008 is also impacted by the different number of days in the comparative periods. The following table shows the effect that these factors had on the interest earned on the interest earning assets and the interest incurred on the interest bearing liabilities for the periods indicated. The effect of changes in volume is determined by multiplying the change in volume by the previous period's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous period's volume. Changes applicable to both volume and rate have been allocated to volume *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009 Compared to the Fiscal Year Ended September 30, 2008 Increase (Decrease) Due To			
	Changes in Volume	Changes in Rate	Change due to Number of Days	Total Increase (Decrease)
Interest Income Attributable to				
Investment securities available for sale	$ (1,002)	$ (2,049)	$ (2,681)	$ (5,732)
Mortgage-backed securities	(7,368)	598	(15,525)	(22,295)
Total investment securities available for sale	(8,370)	(1,451)	(18,206)	(28,027)
Other interest earning assets	1,949	(12,230)	(7,908)	(18,189)
Loans receivable	(25,250)	(148,510)	(275,416)	(449,176)
Total interest earning assets	(31,671)	(162,191)	(301,530)	(495,392)
Interest Expense Attributable to				
Interest bearing demand deposits	$ (196)	$ (281)	$ (773)	$ (1,250)
Savings and money market deposit accounts	(7,235)	(7,894)	(24,462)	(39,591)
Time deposits	43,727	(15,418)	(80,753)	(52,444)
Total interest bearing deposits	36,296	(23,593)	(105,988)	(93,285)
FHLB advances	(17,272)	(14,312)	(93,652)	(125,236)
Repurchase agreements	(262)	(2,067)	(1,352)	(3,681)
Total interest bearing liabilities	18,762	(39,972)	(200,992)	(222,202)
Decrease in net interest income	$ (50,433)	$ (122,219)	$ (100,538)	$ (273,190)

Period from October 1, 2008 through May 21, 2009 compared to the fiscal year ending September 30, 2008

Net interest income was $5.7 million for the period ended May 21, 2009 as compared to $278.9 million for the fiscal year ended September 30, 2008, for a decline of $273.2 million. The decline in net interest income was comprised of a decline in interest income of $495.4 million and a decline in interest expense of $222.2 million. On an annualized basis, net interest income for the period from October 1, 2008 through May 21, 2009 decreased by $270.0 million or 96.8% as compared with the year ending September 30, 2008. The decrease in net interest income was comprised of a decline in annualized interest income of $303.3 million partially offset by a decline in annualized interest expense of $33.3 million.

The decrease in interest income resulted primarily from an increase in non-performing assets, evidenced by a decrease in the average yield on loans of 185 basis points from 6.07% for the year ending September 30, 2008 to 4.22% for the period ending May 21, 2009. Nonaccrual loans grew from $1.2 billion at September 30, 2008 to $2.4 billion at May 21, 2009. Decreases in the average volume of

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both investment securities and loans outstanding and a decline in market rates on variable rate investment securities also contributed to the decline in interest income. The decline in average volume of loans and investment securities resulted from the reduction in the scope of the Failed Bank's residential mortgage business and the size of the balance sheet in response to capital requirements and growth restrictions imposed by the OTS.

The decline in interest expense resulted from lower rates paid on both deposits and FHLB advances, reflective of continued repricing of liabilities at lower market rates, partly offset by an increase in the average volume of outstanding interest bearing liabilities.

The net interest margin decreased by 192 basis points from 1.98% for the fiscal year ending September 30, 2008 to 0.06% for the period ending May 21, 2009 while the interest rate spread declined by 158 basis points from 1.55% to (0.03)%. The primary driver of the decline in net interest margin and interest rate spread was the increase in non-performing assets.

Provision for Loan Losses

The provision for loan losses recorded by the Failed Bank was $919.1 million and $856.4 million for the period from October 1, 2008 through May 21, 2009 and the fiscal year ending September 30, 2008, respectively. The increases in the provision for the period ending May 21, 2009 and the fiscal year ending September 30, 2008 largely reflected severe deterioration in the residential housing market, particularly in Florida and California. Total non-performing loans were $2.7 billion, or 24.6%, of total loans at May 21, 2009. Net charge-offs totaled $407.9 million for the period from October 1, 2008 to May 21, 2009 and $199.1 million for the fiscal year ending September 30, 2008. The majority of charge-offs were concentrated in the 1-4 single family residential portfolio.

Non-Interest Income (Loss)

The Failed Bank reported a non-interest loss of $81.4 million for the period from October 1, 2008 to May 21, 2009 and a non-interest loss of $128.9 million for the fiscal year ending September 30, 2008.

The following table presents a comparison of the categories of non-interest income (loss) for the periods indicated *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009	Fiscal Year Ended September 30, 2008
Service charges on deposits and other fee income	$ 5,357	$ 9,712
Service charges on loans	2,072	4,630
Loan servicing fees	2,543	5,601
Impairment and amortization of mortgage servicing rights	(26,595)	(8,434)
Net gain (loss) on sale of investment securities	39	(1,465)
Net gain (loss) on sale and writedown of loans held for sale	196	(9,784)
Other-than-temporary impairment of securities available for sale	(68,609)	(142,035)
Fees received from BankUnited Financial Corporation	1,824	5,193
Other non-interest income	1,742	7,723
Total non-interest income (loss)	$ (81,431)	$ (128,859)

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Period from October 1, 2008 to May 21, 2009 compared to the fiscal year ending September 30, 2008

The non-interest loss for the period from October 1, 2008 to May 21, 2009 was largely driven by additional impairment charges on securities available for sale and mortgage servicing rights. See the section entitled " Investment Securities Available for Sale" below for further discussion of impairment charges related to investment securities. The impairment of mortgage servicing assets resulted primarily from termination of the Failed Bank's rights to service loans for the Federal National Mortgage Association (Fannie Mae), or FNMA, and the Federal Home Loan Mortgage Corporation (Freddie Mac), or FHLMC, during the period ending May 21, 2009. A continued decline in secondary market mortgage activity led to a reduced gain (loss) on sale of loans for the period ending May 21, 2009. The reduction in other non-interest income resulted primarily from an adjustment to outstanding mortgage insurance claims receivable.

Non-Interest Expense

The following table presents the components of non-interest expense for the periods indicated *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009	Fiscal Year Ended September 30, 2008
Employee compensation and benefits	$ 51,695	$ 88,893
Occupancy and equipment	25,247	46,743
OREO expense	34,697	17,901
Impairment of OREO	38,742	22,749
Professional fees	10,062	8,910
Foreclosure expense	4,907	6,007
Deposit insurance expense	38,299	6,147
Telecommunications and data processing	9,573	13,536
Other non-interest expense	25,181	35,594
Total non-interest expense	$ 238,403	$ 246,480

Non-interest expense as a percentage of average assets increased to 2.8% (annualized) for the period ended May 21, 2009 from 1.7% for the fiscal year ending September 30, 2008. The primary drivers of increasing non-interest expense over this period were increased impairment of OREO, higher OREO expense, foreclosure expense and the deposit insurance expense.

Period from October 1, 2008 to May 21, 2009 compared to the fiscal year ending September 30, 2008

On an annualized basis, employee compensation and benefits as a percentage of average assets remained consistent over the period ending May 21, 2009 and the fiscal year ending September 30, 2008. The total decline in employee compensation and benefits expense of $7.9 million or approximately 9% on an annualized basis was primarily a result of an approximate 70% reduction in the Failed Bank's wholesale residential lending staff and other reductions in the workforce.

OREO expense, foreclosure expense and impairment of OREO continued to increase during the period ending May 21, 2009 due to further deterioration in home prices and the increasing volume of foreclosures. As of May 21, 2009, there were slightly over 6,000 units in the foreclosure process as compared to approximately 3,000 units at September 30, 2008.

Deposit insurance expense was significantly impacted by additional assessments by the FDIC during the period ending May 21, 2009.

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Income Taxes

For the period ending May 21, 2009 and the fiscal year ending September 30, 2008, the Failed Bank recorded an income tax provision (benefit) of $0.0 and $(94.5) million, respectively. The Failed Bank's effective tax rate for the period ending May 21, 2009 and the fiscal year ending September 30, 2008 was 0.1% and 9.9%, respectively. The effective tax rate varied from the federal statutory tax rate of 35.0% primarily due to state income taxes and the valuation allowance established related to deferred tax assets. The Failed Bank had net deferred tax assets, prior to any valuation allowance, of $730.0 million at May 21, 2009.

Balance Sheet Analysis for the Pre-Acquisition Periods

Average total assets of the Failed Bank declined by $891.8 million to $13.6 billion for the period ending May 21, 2009 from $14.4 billion for the fiscal year ended September 30, 2008. This decline related primarily to the decline in average loans, which was fueled by increased impairments and foreclosures during the period combined with normal paydowns and a curtailment in lending activity. Average total liabilities increased by $340.8 million to $13.6 billion for the period ending May 21, 2009 from $13.3 billion for the fiscal year ending September 30, 2008. Average deposits increased by $1.1 billion, offset by a $741.8 million decline in average outstanding borrowings.

Investment Securities Available for Sale

The following table shows the amortized cost and fair value of the investment securities as of the dates indicated. All of the investment securities were classified available for sale *(dollars in thousands)*:

	At May 21, 2009	
	Amortized Cost	Fair Value
U.S. Treasury securities	$ 35,167	$ 35,423
U.S. Government agency and sponsored enterprise residential mortgage-backed securities	224,587	227,879
Other residential collateralized mortgage obligations	3,371	1,785
Residential mortgage pass-through certificates	323,829	230,091
Mutual funds and preferred stocks	18,241	18,094
State and Municipal obligations	22,671	22,696
Other debt securities	4,317	2,976
Total investment securities available for sale	$ 632,183	$ 538,944

Investment securities decreased by $216.3 million from September 30, 2008 to May 21, 2009 primarily due to impairment charges of $68.6 million coupled with paydowns and sales of $106.3 million, offset by purchases of $10.4 million.

During the period from October 1, 2008 through May 21, 2009, the Failed Bank recognized other-than-temporary impairment charges of $68.6 million, consisting of $39.4 million related to subordinate tranches of the Failed Bank's 2005 mortgage securitization (the "2005 securities"), $16.1 million related to private-label collateralized mortgage obligations ("CMOs"), $6.4 million related to trust preferred securities, $1.5 million related to FNMA and FHLMC preferred stock and $5.2 million related to a mutual fund. The majority of the impairment charges recorded during the period ending May 21, 2009 represented further deterioration in value of securities for which other-than-temporary impairment charges were initially recorded in fiscal 2008 as discussed below. Additional impairment of the 2005 securities and private-label CMOs was reflective of further deterioration in projected cash flows from the underlying collateral resulting from increasing frequency and severity of defaults. Recognition of other-than-temporary impairment of pooled trust preferred

securities was based on a third party discounted cash flow analysis incorporating proprietary collateral default rate assumptions that indicated less than full recovery of principal, as well as consideration of the severity and duration of impairment. Other-than-temporary impairment of FNMA and FHLMC preferred stock was based on further deterioration in the market price of these securities coupled with lack of evidence of improvement in the financial condition of the issuers. Cash flow analysis incorporating updated underlying collateral default assumptions led to further other-than-temporary impairment of the mutual fund investment.

During the fiscal year ending September 30, 2008, the Failed Bank recorded other-than-temporary impairment charges totaling $142.0 million, including $89.3 million relating to the 2005 securities, $5.8 million relating to private-label CMOs, $37.8 million relating to FNMA and FHLMC preferred stocks, $8.1 million relating to a mutual fund, and $1.0 million relating to other debt securities. The determination that unrealized losses on the 2005 securities were other-than-temporary was based on an analysis of discounted expected future cash flows using third party developed models that incorporated proprietary behavioral assumptions about collateral default rates, loss severity levels and voluntary annual prepayment rates. Cash flow projections for the underlying mortgages, given current loss trends, indicated that projected losses could completely erode the value of certain subordinate classes and significantly erode the value of several other subordinate classes of the 2005 securitization, leading to the determination that these securities were other-than-temporarily impaired. Management's determination that certain other private-label CMOs were other-than-temporarily impaired was also based on the analysis of discounted expected future cash flows. The magnitude and duration of unrealized losses was considered in these determinations as well. As a result of significant declines in value of FNMA and FHLMC preferred stock after these entities were placed into conservatorship on September 7, 2008, the cost basis of these investments was well in excess of the market price of the stock at September 30, 2008. The determination that impairment of these securities was other-than-temporary was based on the severity of impairment and uncertainty about the potential for market recovery of the issuers. The mutual fund determined to be other-than-temporarily impaired was a fund that invested primarily in mortgage related investments, the majority of which were subordinate securities with increasing levels of underlying collateral delinquencies and defaults. The severity of impairment combined with the high probability of significant principal loss of the underlying collateral led to the conclusion that the security was other-than-temporarily impaired. The other debt securities consisted of pooled trust preferred securities, collateralized by subordinated debt issued by financial institutions. Management's determination that these securities were other-than-temporarily impaired was based on an analysis of projected collateral cash flows.

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Loan Portfolio

The following table presents the composition of the loan portfolio as of the dates indicated *(dollars in thousands)*:

	At May 21, 2009		At September 30, 2008		2007	
	Balance	**%**	**Balance**	**%**	**Balance**	**%**
Real estate loans:						
1 - 4 single family residential	$ 8,993,077	83.1%	$ 9,916,696	84.4%	$ 10,693,832	86.3%
Home equity loans and lines of credit	505,642	4.7%	486,467	4.1%	420,386	3.4%
Multi-family	129,481	1.2%	144,324	1.2%	120,058	1.0%
Commercial real estate	594,877	5.5%	600,261	5.1%	496,556	4.0%
Construction	187,333	1.7%	171,213	1.5%	146,557	1.2%
Land	219,736	2.0%	224,723	1.9%	303,294	2.5%
Total real estate loans	10,630,146	98.2%	11,543,684	98.2%	12,180,683	98.4%
Other loans:						
Commercial	181,484	1.7%	197,985	1.7%	187,951	1.5%
Consumer	12,179	0.1%	12,740	0.1%	16,228	0.1%
Total other loans	193,663	1.8%	210,725	1.8%	204,179	1.6%
Total loans	10,823,809	100.0%	11,754,409	100.0%	12,384,862	100.0%
Unearned discount, premiums and deferred costs, net	190,406		210,875		235,454	
Loans held in portfolio, net of discount premiums and deferred costs	11,014,215		11,965,284		12,620,316	
Allowance for loan losses	(1,227,173)		(715,917)		(58,623)	
Total loans held in portfolio, net	$ 9,787,042		$ 11,249,367		$ 12,561,693	
Loans held for sale	$ 788		$ 10,050		$ 174,868	

Net loans held in portfolio decreased to $9.8 billion at May 21, 2009 from $11.2 billion at September 30, 2008 and $12.6 billion at September 30, 2007. This decrease was driven by the decline in the Failed Bank's 1-4 single family residential portfolio as discussed below.

Residential Mortgages

1-4 single family residential loans amounted to $9.0 billion or 83.1% of total loans at May 21, 2009. Beginning in fiscal 2008, the Failed Bank curtailed growth of the 1-4 single family residential portfolio. Total originations of residential loans were $22.8 million for the period ending May 21, 2009.

The Failed Bank also terminated its option ARM and reduced documentation loan programs during fiscal 2008. Originations of option ARM loans totaled $187.0 million for fiscal 2008 and $3.1 billion for fiscal 2007, representing 11.9% and 77.5%, respectively, of total residential loan originations. Option ARM loans generally started with a below market incentive interest rate that adjusted to an applicable index rate plus a defined margin after a specified period of time. Each month, the borrower had the option to make one of several payments, including a minimum payment that may not have covered the interest accrued on the loan for the month, resulting in the deferred

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interest being added to the loan balance. The contractual terms of Option ARM loans limited the amount of the increase in the loan balance to 115% of the original balance. At the earlier of 5 years from origination or reaching the 115% cap, the loan was contractually reset to be repaid on a fully amortizing basis over its remaining term. Some residential mortgage loans were also originated under "reduced-doc" and "no-doc" programs requiring reduced or no verification of the borrowers' income, employment and assets.

The following table presents a breakdown of the 1-4 single family residential mortgage portfolio categorized between fixed rate, option adjustable rate mortgages and non-option adjustable rate mortgages at the dates indicated *(dollars in thousands)*:

	At May 21, 2009	
	Total Loans	**% of Total**
1 - 4 single family residential loans		
Fixed rate loans	$ 1,774,598	19.7%
Adjustable rate loans		
Option adjustable rate mortgages(1)	4,685,090	52.1%
Non-option adjustable rate mortgages	2,533,389	28.2%
Total	$ 8,993,077	100.0%

(1) Payment option loans with balances of $3.8 billion representing 78.9% of the payment option portfolio were negatively amortizing at May 21, 2009. As of May 21, 2009, negative amortization included in the payment option portfolio totaled $265.3 million or 5.6% of the portfolio.

A breakdown of 1-4 single family residential loans by state as of the dates indicated follows *(dollars in millions):*

	At May 21, 2009	
	Amount	**%**
Florida	$ 5,076	56.4%
California	721	8.0%
Illinois	501	5.6%
Arizona	500	5.6%
New Jersey	480	5.3%
Virginia	348	3.9%
States with less than 4%	1,367	15.2%
Total	$ 8,993	100.0%

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Asset Quality

Impaired Loans and Non-performing Assets

The following table summarizes the Company's impaired loans, including troubled debt restructurings, and other non-performing assets as of the dates indicated *(dollars in thousands):*

	At May 21, 2009	At September 30, 2008	At September 30, 2007
Nonaccrual loans			
Real estate loans:			
1 - 4 single family residential			
Payment option	$ 1,674,325	$ 968,647	$ 149,749
Non-payment option	453,743	153,125	22,894
Total 1 - 4 single family residential	2,128,068	1,121,772	172,643
Home equity loans and lines of credit	27,263	8,866	2,251
Multi-family	21,544	10,028	
Commercial real estate	2,888		5,593
Construction	78,403	58,549	
Land	94,493	38,465	
Total real estate loans	2,352,659	1,237,680	180,487
Other loans:			
Commercial	763	65	232
Consumer	23	30	91
Total other loans	786	95	323
Total nonaccrual loans	2,353,445	1,237,775	180,810
Accruing loans 90 days or more past due		71	493
Other impaired loans still accruing	353,903	195,073	19,771
Total non-performing loans	2,707,348	1,432,919	201,074
OREO	177,679	135,324	27,732
Total non-performing assets	2,885,027	1,568,243	228,806
Troubled debt restructurings in compliance with modified terms(1)	651,236	68,033	
Total impaired loans and non-performing assets	$ 3,536,263	$ 1,636,276	$ 228,806
Non-performing loans to total loans	24.58%	11.98%	1.59%
Non-performing assets to total assets	23.53%	11.13%	1.51%
Non-performing loans and troubled debt restructurings to total loans	30.49%	12.54%	1.59%
Allowance for loan losses to total loans	11.14%	5.98%	0.46%
Allowance for loan losses to non-performing loans	45.33%	49.96%	29.15%

(1) Consists of only 1 - 4 single family residential loans.

The increase in total non-performing assets to $2.9 billion at May 21, 2009 resulted directly from the economic downturn, both nationally and in the Failed Bank's primary geographic markets, particularly the precipitous decline in housing prices. Non-performing loans were concentrated in the option ARM portfolio, and a significant percentage of the non-performing loans were those with higher LTV ratios, originated during periods of historically high housing prices.

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Interest income foregone on nonaccrual loans amounted to $88.9 million for the period ending May 21, 2009. Interest income reversed due to loans being placed on nonaccrual status amounted to $20.1 million for the period ending May 21, 2009.

Nonaccrual loans include troubled debt restructured loans of $177.3 million at May 21, 2009. Additional interest income that would have been recognized on troubled debt restructured loans not on nonaccrual status if they had been current based on their original contractual terms was $3.3 million and $0.5 million for the period ended May 21, 2009 and the fiscal year ending September 30, 2008, respectively. Interest income recognized on these loans for the period ended May 21, 2009 and the fiscal year ended September 30, 2008 was $14.6 million and $2.9 million, respectively.

Analysis of the Allowance for Loan Losses

The following table provides an analysis of the allowance for loan losses and net charge-offs for the periods indicated *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009	Fiscal Years Ended September 30, 2008	2007
Allowance for loan losses, beginning of period	$ 715,917	$ 58,623	$ 36,378
Provision for loan losses	919,139	856,374	31,500
Charge-offs:			
1 - 4 single family residential	(434,391)	(211,323)	(5,347)
Home equity loans and lines of credit	(12,676)	(9,396)	(620)
Multi-family			
Commercial real estate			
Construction		(1,218)	
Land		(6,647)	(2,651)
Commercial	(879)	(1,468)	(2,425)
Consumer	(1,064)	(257)	(7)
Total charge-offs	(449,010)	(230,309)	(11,050)
Recoveries:			
1 - 4 single family residential	40,825	31,079	1,407
Home equity loans and lines of credit	111	34	73
Multi-family			
Commercial real estate			
Construction			
Land			
Commercial	189	115	306
Consumer	2	1	9
Total recoveries	41,127	31,229	1,795
Net charge-offs	(407,883)	(199,080)	(9,255)
Allowance for loan losses, end of period	$ 1,227,173	$ 715,917	$ 58,623
Ratio of net charge-offs to average loans receivable outstanding during the period	5.51%(1)	1.58%	0.08%

(1) Annualized.

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The following table allocates the allowance for loan losses by loan category as of the dates indicated *(dollars in thousands)*:

	At May 21, 2009		At September 30, 2008		At September 30, 2007	
	Amount	%(1)	Amount	%(1)	Amount	%(1)
1 - 4 single family residential	$ 890,551	83.1%	$ 616,486	84.4%	$ 33,911	86.3%
Home equity loans and lines of credit	41,638	4.7%	16,055	4.1%	6,850	3.4%
Multi-family	1,461	1.2%	836	1.2%	960	1.0%
Commercial real estate	186,130	5.5%	891	5.1%	8,092	4.0%
Construction	53,452	1.7%	47,495	1.5%	1,173	1.2%
Land	47,986	2.0%	30,699	1.9%	2,426	2.5%
Commercial	5,102	1.7%	2,860	1.7%	4,331	1.5%
Consumer	853	0.1%	595	0.1%	880	0.1%
Total allowance for loan losses	$ 1,227,173	100.0%	$ 715,917	100.0%	$ 58,623	100.0%

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

Other Assets

Goodwill and Other Intangible Assets

Goodwill of $28.4 million at May 21, 2009 arose from previous business combinations entered into by the Failed Bank. Goodwill impairment tests were performed as of May 21, 2009. As of May 21, 2009, the carrying value of the reporting unit to which goodwill was assigned was negative, therefore, the first phase of the goodwill impairment test was passed and no impairment of goodwill was recorded. Based on this comparison, the implied fair value of goodwill exceeded its carrying amount; therefore, no impairment was indicated.

Other Assets

Other assets totaled $212.3 million at May 21, 2009. The most significant components of the decrease in other assets from September 30, 2008 to May 21, 2009 were a $25.9 million decline in mortgage servicing rights arising from impairment charges, and a $18.5 million decline in accrued interest receivable attributable primarily to the decline in total loans outstanding and the increase in non-performing loans.

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Deposits

The following table presents information about deposits for the periods indicated *(dollars in thousands)*:

	Period from October 1, 2008 to May 21, 2009		Fiscal Years Ended September 30, 2008	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand deposits:				
Non-interest bearing	$ 282,215	%	$ 441,570	%
Interest bearing	164,669	0.85%	199,942	1.07%
Savings and money market accounts	1,485,455	2.95%	1,873,728	3.61%
Time deposits	6,611,919	4.04%	4,929,198	4.53%
Total deposits	$ 8,544,258	3.66%	$ 7,444,438	3.93%

Borrowed Funds

The following table sets forth information regarding the short-term borrowings, consisting of securities sold under agreements to repurchase and federal funds purchased, as of the dates, and for the periods, indicated *(dollars in thousands)*:

	Ending Balance	Weighted-Average Rate	Maximum Amount At Month-End	Yearly Weighted Averages	
				Balance	Rate
For the period from October 1, 2008 to May 21, 2009:	$ 1,310	0.00%	$ 48,114	$ 22,732	0.40%
For the fiscal year ended September 30, 2008:	$ 56,930	0.99%	$ 227,218	$ 124,564	3.00%

Liquidity and Capital Resources

Since inception, the Company's stockholders' equity has been impacted primarily by the retention of earnings, and to a lesser extent, proceeds from the common shares issued in the Company's IPO in February of 2011, equity compensation, changes in unrealized gains, net of taxes, on investment securities available for sale, changes in unrealized losses, net of taxes, on cash flow hedges, and the payment of dividends. Stockholders' equity increased $281.8 million, or 22.5%, from $1.3 billion at December 31, 2010 to $1.5 billion at December 31, 2011. The increase resulted primarily from the retention of earnings of $63.2 million, proceeds from the issuance of stock of $98.6 million, and equity based compensation (including the reclassification of $45.0 million previously recorded as a liability) of $189.7 million, offset by dividends of $56.7 million.

BankUnited must get approval by the Federal Reserve Bank to pay dividends to its parent. Applications have been filed with the Federal Reserve Bank (and, previously the OTS) since the third quarter of 2010. All quarterly dividend requests have been approved.

Pursuant to FDICIA, the OCC and FDIC have adopted regulations setting forth a five-tier system for measuring the capital adequacy of the financial institutions they supervise. At December 31, 2011 and December 31, 2010, BankUnited had capital levels that exceeded the well-capitalized guidelines. In addition, a condition of approval of BankUnited's application for Federal Deposit Insurance requires BankUnited to maintain a tier 1 leverage ratio at no less than eight percent throughout the first three years of operation. To date, BankUnited has exceeded that requirement.

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Liquidity involves the Company's ability to raise funds to support asset growth or reduce assets to meet deposit withdrawals and other borrowing needs, to maintain reserve requirements and to otherwise operate the Company on an ongoing basis. The Company's liquidity needs are primarily met by growth in transaction deposit accounts, its cash position and cash flow from its amortizing investment and loan portfolios and reimbursements under the Shared Loss Agreements. If necessary, the Bank has the ability to raise liquidity through collateralized borrowings, FHLB advances, or the sale of its available for sale investment portfolio. The Company's ALCO policy has established several measures of liquidity which are reviewed monthly by ALCO and quarterly by the Company's Board of Directors. The primary measurement of liquidity used by the Company is liquid assets (defined as cash and cash equivalents, and pledgeable securities) to total assets. The Company's liquidity is considered acceptable if liquid assets divided by total assets exceeds 2.5%. At December 31, 2011, the Company's liquid assets divided by total assets was 12.1%. In addition, the Company monitors a One Year Liquidity Ratio, defined as cash and cash equivalents, pledegeable securities, unused borrowing capacity at the FHLB, and loans and non-agency securities maturing within one year, divided by deposits and borrowing maturing within one year. The maturity of deposits (excluding certificate of deposits) is based on retention rates derived from the most recent external core deposit analysis obtained by the Company. This ratio allows the Company to monitor liquidity over a longer time horizon. At December 31, 2011, the Company exceeds the acceptable limit established by ALCO for this ratio.

As a holding company, BankUnited, Inc. is a corporation separate and apart from our subsidiary BankUnited, and therefore, provides for its own liquidity. BankUnited, Inc.'s main sources of funding include management fees and dividends paid by its subsidiaries, and access to capital markets. There are regulatory limitations that affect the ability of BankUnited to pay dividends to BankUnited, Inc. Management believes that such limitations will not impact our ability to meet our on-going short-term cash obligations.

We expect that our cash and liquidity requirements will continue to be generated by operations, including reimbursements under the Loss Sharing Agreements, and we intend to satisfy our capital requirements over the next 12 months through these sources of liquidity.

Interest Rate Sensitivity

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

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

The Company's income simulation model analyzes interest rate sensitivity by projecting net interest income over the next twenty four months in a most likely rate scenario based on forward interest rate curves versus net interest income in alternative rate scenarios. Management continually reviews and refines its interest rate risk management process in response to the changing economic climate.

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Currently, the Company's model projects a plus 100, plus 200, and plus 300 basis point change (with rates increasing 25 basis points per month until the applicable limit is reached) as well as a modified flat scenario incorporating a more flattened yield curve. We did not simulate a decrease in interest rates at December 31, 2011 due to the extremely low rate environment.

The Company's ALCO policy has established that interest income sensitivity will be considered acceptable if forecasted net interest income in the plus 200 basis point scenario is within 5% of forecasted net interest income in the most likely rate scenario over the next twelve months and within 10% in the second year. The following table illustrates the impact on forecasted net interest income of a plus 200 basis points scenario at December 31, 2011 and 2010:

	Plus 200
December 31, 2011:	
Twelve Months	2.0%
Twenty Four Months	9.3
December 31, 2010	
Twelve Months	1.8
Twenty Four Months	9.0

These forecasts are within an acceptable level of interest rate risk per the policies established by ALCO. In the event the model indicates an unacceptable level of risk, the Company could undertake a number of actions that would reduce this risk, including the sale of a portion of its available for sale investment portfolio or the use of risk management strategies such as interest rate swaps and caps.

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

Off-Balance Sheet Arrangements

Commitments

We routinely enter into commitments to extend credit to our customers, including commitments to fund loans or lines of credit and commercial and standby letters of credit. The credit risk associated with these commitments is essentially the same as that involved in extending loans to customers and they are subject to our normal credit policies and approval processes. While these commitments represent contractual cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. The following table details our outstanding commitments to extend credit as of December 31, 2011 *(in thousands)*:

	Covered	Non-Covered	Total
Commitments to fund loans	$	$ 112,019	$ 112,019
Commitments to purchase loans		44,359	44,359
Unfunded commitments under lines of credit	87,256	380,494	467,750
Commercial and standby letters of credit		27,859	27,859
	$ 87,256	$ 564,731	$ 651,987

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Derivative Financial Instruments

Interest rate swaps are one of the tools we use to manage interest rate risk. These derivative instruments are used to mitigate exposure to changes in interest rates on FHLB advances and time deposits. These interest rate swaps are designated as cash flow hedging instruments. The fair value of these instruments is included in other assets or other liabilities in our consolidated balance sheets and changes in fair value are reported in accumulated other comprehensive income. At December 31, 2011, outstanding interest rate swaps designated as cash flow hedges had an aggregate notional amount of $630.0 million. The aggregate fair value of interest rate swaps designated as cash flow hedges included in other liabilities at December 31, 2011 was $63.4 million.

Interest rate swaps not designated as cash flow hedges had an aggregate notional amount of $106.0 million at December 31, 2011. The aggregate fair value of these interest rate swaps included in other assets was $3.7 million and the aggregate fair value included in other liabilities was $3.7 million.

Contractual Obligations

The following table contains supplemental information regarding our outstanding contractual obligations as of December 31, 2011 *(in thousands)* :

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt obligations	$ 2,309,536	$ 1,205,694	$ 1,103,492	$ 350	$
Operating lease obligations	132,344	14,512	27,899	21,022	68,911
Service contracts and purchase obligations					
Certificates of deposits	2,431,705	1,158,972	996,008	274,733	1,992
Other long-term liabilities reflected on the balance sheet					
	$ 4,873,585	$ 2,379,178	$ 2,127,399	$ 296,105	$ 70,903

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See the section entitled "Interest Rate Sensitivity" included in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BankUnited, Inc.:

We have audited the accompanying consolidated balance sheets of BankUnited, Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended and for the period from April 28, 2009 (date of inception) through December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BankUnited, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended and for the period from April 28, 2009 (date of inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Miami, Florida
February 28, 2012
Certified Public Accountants

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BankUnited, Inc.:

We have audited BankUnited, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended and for the period from April 28, 2009 (date of inception) through December 31, 2009, and our report dated February 28, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Miami, Florida
February 28, 2012
Certified Public Accountants

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	December 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks:		
Non-interest bearing	$ 39,894	$ 44,860
Interest bearing	13,160	12,523
Due from Federal Reserve Bank	247,488	502,828
Federal funds sold	3,200	4,563
Cash and cash equivalents	303,742	564,774
Investment securities available for sale, at fair value (including covered securities of $232,194 and $263,568)	4,181,977	2,926,602
Federal Home Loan Bank stock	147,055	217,408
Loans held for sale	3,952	2,659
Loans (including covered loans of $2,422,811 and $3,396,047)	4,137,058	3,934,217
Allowance for loan and lease losses	(48,402)	(58,360)
Loans, net	4,088,656	3,875,857
FDIC indemnification asset	2,049,151	2,667,401
Bank owned life insurance	204,077	207,061
Other real estate owned, covered by loss sharing agreements	123,737	206,680
Deferred tax asset, net	19,485	
Income tax receivable		10,862
Goodwill and other intangible assets	68,667	69,011
Other assets	131,539	121,245
Total assets	$ 11,322,038	$ 10,869,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 770,846	$ 494,499
Interest bearing	453,666	349,985
Savings and money market	3,553,018	3,134,884
Time	2,587,184	3,184,360
Total deposits	7,364,714	7,163,728
Securities sold under agreements to repurchase	206	492
Federal Home Loan Bank advances	2,236,131	2,255,200
Income taxes payable	53,171	
Deferred tax liability, net		4,618
Advance payments by borrowers for taxes and insurance	21,838	22,563
Other liabilities	110,698	169,451
Total liabilities	9,786,758	9,616,052
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share 400,000,000 and 110,000,000 shares authorized; 97,700,829 and 92,971,850 shares issued and outstanding	977	930
Paid-in capital	1,240,068	950,831

Retained earnings	276,216	269,781
Accumulated other comprehensive income	18,019	31,966
Total stockholders' equity	1,535,280	1,253,508
Total liabilities and stockholders' equity	$ 11,322,038	$ 10,869,560

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

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BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

	Years Ended December 31,		Period from April 28, 2009 Through December 31,
	2011	2010	2009
Interest income:			
Interest and fees on loans	$ 512,728	$ 431,468	$ 287,460
Interest and dividends on investment securities available for sale	122,626	124,262	45,142
Other	2,743	1,958	2,922
Total interest income	638,097	557,688	335,524
Interest expense:			
Interest on deposits	75,773	108,344	57,829
Interest on borrowings	63,164	59,856	26,027
Total interest expense	138,937	168,200	83,856
Net interest income before provision for loan losses	499,160	389,488	251,668
Provision for loan losses (including provision (recovery) for covered loans of $(7,692), $46,481 and $21,287)	13,828	51,407	22,621
Net interest income after provision for loan losses	485,332	338,081	229,047
Non-interest income:			
Accretion of discount on FDIC indemnification asset	55,901	134,703	149,544
Income from resolution of covered assets, net	18,776	121,462	120,954
Net gain (loss) on indemnification asset	79,812	17,736	(21,761)
FDIC reimbursement of costs of resolution of covered assets	31,528	29,762	8,095
Service charges and fees	11,128	10,567	6,763
Loss on sale of loans, net (including loss related to covered loans of $70,366, $76,360, and $47,078)	(69,714)	(76,310)	(47,078)
Gain (loss) on sale or exchange of investment securities available for sale	1,136	(998)	(337)
Mortgage insurance income	16,904	18,441	1,338
Settlement with the FDIC		24,055	
Investment services income	7,496	6,226	830
Gain on extinguishment of debt			31,303
Other non-interest income	10,250	12,135	3,985