

BankUnited, Inc.  
Form 8-K  
October 28, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **October 28, 2013 (October 22, 2013)**

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**BankUnited, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**001-35039**  
(Commission File Number)

**27-0162450**  
(I.R.S. Employer Identification No.)

**14817 Oak Lane**

**Miami Lakes, FL 33016**

(Address of principal executive offices) (Zip Code)

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(305) 569-2000

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 8.01**

**Other Events.**

On October 22, 2013, BankUnited, Inc. (the Company) reported its results for the quarter ended September 30, 2013:

For the quarter ended September 30, 2013, the Company reported net income of \$54.3 million, or \$0.52 per diluted share, as compared to \$49.6 million, or \$0.48 per diluted share, for the quarter ended September 30, 2012.

For the nine months ended September 30, 2013, the Company reported net income of \$156.5 million, or \$1.51 per diluted share, generating an annualized return on average stockholders' equity of 11.27% and an annualized return on average assets of 1.61%. The Company reported net income of \$148.8 million, or \$1.44 per diluted share, for the nine months ended September 30, 2012.

**Performance Highlights**

- New loans grew by \$1.1 billion during the third quarter of 2013. For the nine months ended September 30, 2013, new loans increased by \$2.5 billion to \$6.2 billion.
- Total deposits increased by \$817 million for the quarter ended September 30, 2013 to \$9.8 billion, reflecting growth across all deposit categories. For the nine months ended September 30, 2013, total deposits grew by \$1.3 billion.
- The net interest margin, calculated on a tax-equivalent basis, was 5.70% for the quarter ended September 30, 2013.
- Earnings for the quarter ended September 30, 2013 benefited from a reduction in the effective income tax rate, primarily due to a \$3.6 million release of reserves for uncertain tax liabilities.
- Book value and tangible book value per common share were \$18.70 and \$18.01, respectively, at September 30, 2013.

**Capital**

The Company and its banking subsidiary continue to exceed all regulatory guidelines required to be considered well capitalized. The Company's regulatory capital ratios at September 30, 2013 were as follows:

Tier 1 leverage	13.1%
Tier 1 risk-based capital	24.1%
Total risk-based capital	25.0%

**Loans and Leases**

Loans, net of premiums, discounts and deferred fees and costs, increased to \$7.8 billion at September 30, 2013 from \$5.6 billion at December 31, 2012. New loans grew by \$2.5 billion to \$6.2 billion at September 30, 2013 from \$3.7 billion at December 31, 2012. Covered loans declined to \$1.6 billion at September 30, 2013 from \$1.9 billion at December 31, 2012.

For the quarter ended September 30, 2013, new commercial loans, including commercial loans, commercial real estate loans and leases, grew \$762 million to \$4.5 billion, reflecting the continued success of lending operations in New York, further expansion of market share in Florida and growth of the lending subsidiaries. New residential loans grew by \$270 million to \$1.6 billion during the third quarter of 2013, primarily as a result of the continuation of the Company's residential loan purchase program.

A comparison of portfolio composition at September 30, 2013 and December 31, 2012 follows:

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	New Loans		Total Loans	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Single family residential and home equity	25.9%	25.0%	38.0%	45.3%
Commercial real estate	35.0%	31.8%	30.6%	25.6%
Commercial	36.7%	42.3%	29.5%	28.5%
Consumer	2.4%	0.9%	1.9%	0.6%
	100.0%	100.0%	100.0%	100.0%

The Company's portfolio of equipment under operating lease grew by \$99.7 million for the quarter ended September 30, 2013 to \$185.0 million.

### Asset Quality

Asset quality remained strong. Credit risk continues to be limited, though to a declining extent, by the Loss Sharing Agreements with the FDIC. At September 30, 2013, covered loans represented 19.9% of the total loan portfolio, as compared to 33.5% at December 31, 2012.

The ratio of non-performing new loans to total new loans was 0.39% at September 30, 2013 and 0.43% at December 31, 2012. The ratio of total non-performing loans to total loans was 0.50% at September 30, 2013 as compared to 0.62% at December 31, 2012. At September 30, 2013, non-performing assets totaled \$87.2 million, including \$48.5 million of other real estate owned (OREO), as compared to \$110.6 million, including \$76.0 million of OREO, at December 31, 2012. At September 30, 2013, 71% of total non-performing assets were covered assets.

For the quarters ended September 30, 2013 and 2012, the Company recorded provisions for loan losses of \$2.6 million and \$6.4 million, respectively. Of these amounts, \$(2.8) million and \$1.0 million, respectively, related to provisions for (recoveries of) covered loans, and \$5.4 million and \$5.4 million, respectively, related to provisions for new loans.

For the nine months ended September 30, 2013 and 2012, the Company recorded provisions for loan losses of \$19.5 million and \$17.9 million, respectively. Of these amounts, \$(1.0) million and \$1.1 million, respectively, related to provisions for (recoveries of) covered loans, and \$20.4 million and \$16.7 million, respectively, related to provisions for new loans.

The provisions related to new loans reflect growth in the new loan portfolio offset in part by reductions in general loss factors. For the nine months ended September 30, 2013, the provision for new loans was also impacted by specific reserves recognized on impaired loans, particularly related to one commercial relationship.

The provisions (recoveries) related to covered loans were significantly mitigated by offsetting increases or decreases in non-interest income recorded in Net loss on indemnification asset.

The following tables summarize the activity in the allowance for loan and lease losses for the three and nine months ended September 30, 2013 and 2012 (in thousands):

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	Three Months Ended September 30, 2013				Three Months Ended September 30, 2012			
	ACI Loans	Non-ACI Loans	New Loans	Total	ACI Loans	Non-ACI Loans	New Loans	Total
Balance at beginning of period	\$ 4,304	\$ 13,908	\$ 40,219	\$ 58,431	\$ 11,085	\$ 9,878	\$ 34,672	\$ 55,635
Provision	(842)	(1,995)	5,441	2,604	(867)	1,888	5,353	6,374
Charge-offs	(117)	(1,317)	(586)	(2,020)	(296)	(1,032)	(578)	(1,906)
Recoveries		147	457	604		131	182	313
Balance at end of period	\$ 3,345	\$ 10,743	\$ 45,531	\$ 59,619	\$ 9,922	\$ 10,865	\$ 39,629	\$ 60,416

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	Nine Months Ended September 30, 2013				Nine Months Ended September 30, 2012			
	ACI Loans	Non-ACI Loans	New Loans	Total	ACI Loans	Non-ACI Loans	New Loans	Total
Balance at beginning of period	\$ 8,019	\$ 9,874	\$ 41,228	\$ 59,121	\$ 16,332	\$ 7,742	\$ 24,328	\$ 48,402
Provision	(2,440)	1,452	20,440	19,452	(3,649)	4,786	16,729	17,866
Charge-offs	(2,234)	(3,223)	(16,837)	(22,294)	(2,761)	(3,072)	(1,694)	(7,527)
Recoveries		2,640	700	3,340		1,409	266	1,675
Balance at end of period	\$ 3,345	\$ 10,743	\$ 45,531	\$ 59,619	\$ 9,922	\$ 10,865	\$ 39,629	\$ 60,416

**Deposits**

At September 30, 2013, deposits totaled \$9.8 billion compared to \$8.5 billion at December 31, 2012. Demand deposits, including non-interest bearing and interest bearing deposits, comprised 23% of total deposits at September 30, 2013. The average cost of deposits was 0.64% for the quarter ended September 30, 2013 as compared to 0.78% for the quarter ended September 30, 2012 and 0.66% for the nine months ended September 30, 2013 as compared to 0.84% for the nine months ended September 30, 2012. The decrease in the average cost of deposits was attributable to both the growth in non-interest bearing deposits as a percentage of average total deposits and a decline in market rates of interest. Excluding the impact of hedge accounting and accretion of fair value adjustments, the average cost of deposits was 0.59% and 0.61%, respectively, for the three and nine months ended September 30, 2013.

**Net interest income**

Net interest income for the quarter ended September 30, 2013 grew to \$164.1 million from \$139.4 million for the quarter ended September 30, 2012. Net interest income for the nine months ended September 30, 2013 was \$482.0 million as compared to \$423.0 million for the nine months ended September 30, 2012.

The Company's net interest margin, calculated on a tax-equivalent basis, was 5.70% for the quarter ended September 30, 2013 as compared to 5.47% for the quarter ended September 30, 2012. Net interest margin, calculated on a tax-equivalent basis, was 5.92% for the nine months ended September 30, 2013 as compared to 5.82% for the nine months ended September 30, 2012. Significant factors impacting the trend in net interest margin for the three and nine months ended September 30, 2013 included:

- The tax-equivalent yield on loans declined to 8.83% and 9.79%, respectively, for the three and nine months ended September 30, 2013 compared to 10.79% and 11.80% for the corresponding periods in 2012, primarily because new loans, originated at yields lower than those on the covered loan portfolio, comprised a greater percentage of total loans.
- The yield on new loans decreased to 3.71% and 3.85%, respectively, for the quarter and nine months ended September 30, 2013 from 4.29% and 4.44% for the quarter and nine months ended September 30, 2012, primarily reflecting lower market interest rates.
- The yield on covered loans increased to 26.91% and 25.93%, respectively, for the quarter and nine months ended September 30, 2013 from 20.07% and 20.02% for the quarter and nine months ended September 30, 2012. The increase in the yield on covered loans was impacted

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by (i) improvements in expected cash flows and (ii) the inclusion in interest income for the quarter and nine months ended September 30, 2013 of proceeds of \$13.2 million and \$39.0 million, respectively, from the sale of ACI residential loans from a pool with a carrying value of zero.

- Loans, which are higher yielding than other types of interest earning assets, comprised a higher percentage of average interest earning assets for the three and nine months ended September 30, 2013 as compared to the corresponding periods in 2012.
- The average rate on interest bearing liabilities declined to 0.93% and 0.96%, respectively, for the quarter and nine months ended September 30, 2013 from 1.31% and 1.38% for the corresponding periods in 2012, primarily due to declining market interest rates.



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As anticipated, the net interest margin for the quarter ended September 30, 2013 declined by 0.44% in comparison to the immediately preceding quarter, largely due to a decline in the average yield on loans. This decline resulted primarily from continued growth of new loans as a percentage of the total loan portfolio. The cost of interest bearing liabilities remained relatively stable quarter over quarter.

The Company's net interest margin has been impacted by reclassifications from non-accretable difference to accretable yield on ACI loans. Non-accretable difference at acquisition represented the difference between the total contractual payments due and the cash flows expected to be received on these loans. The accretable yield on ACI loans represented the amount by which undiscounted expected future cash flows exceeded the carrying value of the loans. As the Company's expected cash flows from ACI loans have increased since the FSB Acquisition (as defined below), the Company has reclassified amounts from non-accretable difference to accretable yield.

Changes in accretable yield on ACI loans for the nine months ended September 30, 2013 and the year ended December 31, 2012 were as follows (in thousands):