

BankUnited, Inc.
Form 10-Q
May 06, 2016

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

FORM 10-Q

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

For the quarterly period ended March 31, 2016
OR

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

For the transition period from _____ to _____
Commission File Number: 001-35039

BankUnited, Inc.
(Exact name of registrant as specified in its charter)
Delaware 27-0162450
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

14817 Oak Lane, Miami Lakes, FL 33016
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (305) 569-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

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

Class	May 4, 2016
Common Stock, \$0.01 Par Value	104,136,900

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GLOSSARY OF DEFINED TERMS

The following acronyms and terms may be used throughout this Form 10-Q, including the consolidated financial statements and related notes.

ACI	Loans acquired with evidence of deterioration in credit quality since origination (Acquired Credit Impaired)
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCI	Accumulated other comprehensive income
ARM	Adjustable rate mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BKU	BankUnited, Inc.
BankUnited	BankUnited, National Association
The Bank	BankUnited, National Association
Bridge	Bridge Funding Group, Inc.
CET1	Common Equity Tier 1 risk-based capital
CMOs	Collateralized mortgage obligations
Commercial Shared-Loss Agreement	A commercial and other loans shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
Covered assets	Assets covered under the Loss Sharing Agreements
Covered loans	Loans covered under the Loss Sharing Agreements
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank
FSB Acquisition	Acquisition of substantially all of the assets and assumption of all of the non-brokered deposits and substantially all of the other liabilities of BankUnited, FSB from the FDIC on May 21, 2009
GAAP	U.S. generally accepted accounting principles
GDP	Gross Domestic Product
HAMP	Home Affordable Modification Program
IPO	Initial public offering
ISDA	International Swaps and Derivatives Association
LIBOR	London InterBank Offered Rate
Loss Sharing Agreements	Two loss sharing agreements entered into with the FDIC in connection with the FSB Acquisition
LTV	Loan-to-value
MBS	Mortgage-backed securities
MSA	Metropolitan Statistical Area
MSRs	Mortgage servicing rights
New Loans	Loans originated or purchased since the FSB Acquisition
Non-ACI	Loans acquired without evidence of deterioration in credit quality since origination
OCC	Office of the Comptroller of the Currency
OREO	Other real estate owned
OTTI	Other-than-temporary impairment

PSU	Performance Unit
Pinnacle	Pinnacle Public Finance, Inc.
Re-Remics	Resecuritized real estate mortgage investment conduits
RSU	Restricted Share Unit
SBA	Small Business Administration
SBF	Small Business Finance Unit
SEC	Securities and Exchange Commission
Single Family Shared-Loss Agreement	A single-family loan shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
TDR	Troubled-debt restructuring
UCBL	United Capital Business Lending, Inc.
UPB	Unpaid principal balance
VIEs	Variable interest entities
2010 Plan	2010 Omnibus Equity Incentive Plan
2014 Plan	2014 Omnibus Equity Incentive Plan

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BANKUNITED, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except share and per share data)

	March 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks:		
Non-interest bearing	\$33,256	\$31,515
Interest bearing	73,874	39,613
Interest bearing deposits at Federal Reserve Bank	130,208	192,366
Federal funds sold	8,473	4,006
Cash and cash equivalents	245,811	267,500
Investment securities available for sale, at fair value	5,350,825	4,859,539
Investment securities held to maturity	10,000	10,000
Non-marketable equity securities	242,622	219,997
Loans held for sale	50,849	47,410
Loans (including covered loans of \$766,262 and \$809,540)	17,115,107	16,636,603
Allowance for loan and lease losses	(125,644)	(125,828)
Loans, net	16,989,463	16,510,775
FDIC indemnification asset	683,867	739,880
Bank owned life insurance	226,624	225,867
Equipment under operating lease, net	479,490	483,518
Deferred tax asset, net	101,987	105,577
Goodwill and other intangible assets	78,255	78,330
Other assets	359,695	335,074
Total assets	\$24,819,488	\$23,883,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	\$2,950,979	\$2,874,533
Interest bearing	1,373,146	1,167,537
Savings and money market	8,167,252	8,288,340
Time	5,022,957	4,608,091
Total deposits	17,514,334	16,938,501
Federal Home Loan Bank advances	4,258,683	4,008,464
Notes and other borrowings	402,737	402,545
Other liabilities	379,482	290,059
Total liabilities	22,555,236	21,639,569
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 104,149,115 and 103,626,255 shares issued and outstanding	1,041	1,036
Paid-in capital	1,411,295	1,406,786
Retained earnings	846,288	813,894

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Accumulated other comprehensive income	5,628	22,182
Total stockholders' equity	2,264,252	2,243,898
Total liabilities and stockholders' equity	\$24,819,488	\$23,883,467

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

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

	Three Months Ended March 31,	
	2016	2015
Interest income:		
Loans	\$214,576	\$171,379
Investment securities	33,541	28,220
Other	2,690	2,283
Total interest income	250,807	201,882
Interest expense:		
Deposits	26,626	20,004
Borrowings	17,340	9,150
Total interest expense	43,966	29,154
Net interest income before provision for loan losses	206,841	172,728
Provision for (recovery of) loan losses (including \$(731) and \$(451) for covered loans)	3,708	8,147
Net interest income after provision for loan losses	203,133	164,581
Non-interest income:		
Income from resolution of covered assets, net	7,998	15,154
Net loss on FDIC indemnification	(6,289)	(20,265)
Service charges and fees	4,562	4,451
Gain on sale of loans, net (including gain (loss) related to covered loans of \$(712) and \$10,006)	1,490	10,166
Gain on investment securities available for sale, net	3,199	2,022
Lease financing	10,600	6,237
Other non-interest income	1,638	2,976
Total non-interest income	23,198	20,741
Non-interest expense:		
Employee compensation and benefits	55,460	49,479
Occupancy and equipment	18,991	18,170
Amortization of FDIC indemnification asset	39,694	22,005
Deposit insurance expense	3,692	2,918
Professional fees	2,631	3,298
Telecommunications and data processing	3,333	3,471
Depreciation of equipment under operating lease	6,502	3,438
Other non-interest expense	11,805	11,365
Total non-interest expense	142,108	114,144
Income before income taxes	84,223	71,178
Provision for income taxes	29,349	24,721
Net income	\$54,874	\$46,457
Earnings per common share, basic (see Note 2)	\$0.51	\$0.44
Earnings per common share, diluted (see Note 2)	\$0.51	\$0.44
Cash dividends declared per common share	\$0.21	\$0.21

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

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BANKUNITED, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED
 (In thousands)

	Three Months Ended March 31,	
	2016	2015
Net income	\$54,874	\$46,457
Other comprehensive income (loss), net of tax:		
Unrealized gains on investment securities available for sale:		
Net unrealized holding gain arising during the period	7,719	12,987
Reclassification adjustment for net securities gains realized in income	(1,936)	(1,223)
Net change in unrealized gains on securities available for sale	5,783	11,764
Unrealized losses on derivative instruments:		
Net unrealized holding loss arising during the period	(25,365)	(12,707)
Reclassification adjustment for net losses realized in income	3,028	4,019
Net change in unrealized losses on derivative instruments	(22,337)	(8,688)
Other comprehensive income (loss)	(16,554)	3,076
Comprehensive income	\$38,320	\$49,533

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 54,874	\$ 46,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion, net	(29,895)	(43,497)
Provision for loan losses	3,708	8,147
Income from resolution of covered assets, net	(7,998)	(15,154)
Net loss on FDIC indemnification	6,289	20,265
Gain on sale of loans, net	(1,490)	(10,166)
Increase in cash surrender value of bank owned life insurance	(757)	(865)
Gain on investment securities available for sale, net	(3,199)	(2,022)
Equity based compensation	4,215	3,151
Depreciation and amortization	13,219	9,296
Deferred income taxes	14,398	20,731
Proceeds from sale of loans held for sale	41,104	6,995
Loans originated for sale, net of repayments	(43,150)	(7,311)
Realized tax (benefits) deficiency from dividend equivalents and equity based compensation	(243)	235
Other:		
Increase in other assets	(8,364)	(9,855)
Increase in other liabilities	15,112	1,723
Net cash provided by operating activities	57,823	28,130
Cash flows from investing activities:		
Purchase of investment securities	(810,983)	(367,175)
Proceeds from repayments and calls of investment securities available for sale	112,742	135,214
Proceeds from sale of investment securities available for sale	221,347	334,917
Purchase of non-marketable equity securities	(63,000)	(17,363)
Proceeds from redemption of non-marketable equity securities	40,375	25,088
Purchases of loans	(254,016)	(169,380)
Loan originations, repayments and resolutions, net	(196,868)	(616,078)
Proceeds from sale of loans, net	42,536	47,695
Decrease in FDIC indemnification asset for claims filed	10,029	21,902
Purchase of premises and equipment, net	(2,630)	(2,241)
Acquisition of equipment under operating lease, net	(2,474)	(54,913)
Proceeds from sale of OREO and repossessed assets	5,906	4,360
Other investing activities	(12,066)	(7,700)
Net cash used in investing activities	(909,102)	(665,674)

(Continued)

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

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BANKUNITED, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 (In thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from financing activities:		
Net increase in deposits	575,833	749,487
Additions to Federal Home Loan Bank advances	4,120,000	1,045,000
Repayments of Federal Home Loan Bank advances	(3,870,000)	(1,070,000)
Dividends paid	(22,380)	(21,968)
Realized tax benefits (deficiency) from dividend equivalents and equity based compensation	243	(235)
Exercise of stock options	56	32,955
Other financing activities	25,838	19,276
Net cash provided by financing activities	829,590	754,515
Net increase (decrease) in cash and cash equivalents	(21,689)	116,971
Cash and cash equivalents, beginning of period	267,500	187,517
Cash and cash equivalents, end of period	\$245,811	\$304,488
Supplemental disclosure of cash flow information:		
Interest paid	\$38,112	\$27,226
Income taxes received, net	\$(306)	\$(350)
Supplemental schedule of non-cash investing and financing activities:		
Transfers from loans to other real estate owned and other repossessed assets	\$6,804	\$2,254
Dividends declared, not paid	\$22,480	\$22,321
Unsettled purchases of investment securities available for sale	\$5,855	\$75,000

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

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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED
(In thousands, except share data)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2015	103,626,255	\$ 1,036	\$ 1,406,786	\$ 813,894	\$ 22,182	\$ 2,243,898
Comprehensive income	—	—	—	54,874	(16,554)	38,320
Dividends	—	—	—	(22,480)	—	(22,480)
Equity based compensation	572,205	6	4,209	—	—	4,215
Forfeiture of unvested shares	(51,845)	(1)	1	—	—	—
Exercise of stock options	2,500	—	56	—	—	56
Tax benefits from dividend equivalents and equity based compensation	—	—	243	—	—	243
Balance at March 31, 2016	104,149,115	\$ 1,041	\$ 1,411,295	\$ 846,288	\$ 5,628	\$ 2,264,252
Balance at December 31, 2014	101,656,702	\$ 1,017	\$ 1,353,538	\$ 651,627	\$ 46,352	\$ 2,052,534
Comprehensive income	—	—	—	46,457	3,076	49,533
Dividends	—	—	—	(22,321)	—	(22,321)
Equity based compensation	545,455	5	3,146	—	—	3,151
Forfeiture of unvested shares	(26,108)	—	—	—	—	—
Exercise of stock options	1,237,965	12	32,943	—	—	32,955
Tax deficiency from dividend equivalents and equity based compensation	—	—	(235)	—	—	(235)
Balance at March 31, 2015	103,414,014	\$ 1,034	\$ 1,389,392	\$ 675,763	\$ 49,428	\$ 2,115,617

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

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BANKUNITED, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

March 31, 2016

Note 1 Basis of Presentation and Summary of Significant Accounting Policies

BankUnited, Inc. is a national bank holding company with one wholly-owned subsidiary, BankUnited, collectively, the Company. BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of banking and related services to individual and corporate c