BankUnited Inc. Reports Strong 2010 Results

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MIAMI LAKES, Fla., Mar 07, 2011 (BUSINESS WIRE) --

BankUnited, Inc. ("BankUnited" or the "Company") (NYSE:BKU), today announced financial results for the full year and the fourth quarter of 2010.

For the year ended December 31, 2010, net income was $184.7 million, or $1.99 per share, as compared to $119.0 million, or $1.29 per share, for the period from April 28, 2009, (date of inception) through December 31, 2009, (referred to as the "period ended December 31, 2009").

For the fourth quarter of 2010, net income was $27.8 million or $0.30 per share, as compared to $57.4 million, or $0.62 per share for the fourth quarter of 2009.

All earnings per share amounts reflect the 10-for-1 split of the Company's outstanding common shares effective January 10, 2011.

The fourth quarter of 2010 included the following items:

- Pre-tax loss (after reflecting the partially offsetting impact to the FDIC indemnification asset) of $19.0 million on the sale of approximately $272.2 million of Covered Loans (as defined below).
- Pre-tax expense of $17.3 million reflecting the increase in the recorded liability related to the warrant issued to the Federal Deposit Insurance Corporation ("FDIC") to the guaranteed minimum value of $25 million.
- Pre-tax gain of $24.1 million reflecting the settlement reached with the FDIC regarding a dispute over the purchase price assigned to certain investment securities.
- An incremental $10.8 million of compensation expense related to the significant increase in the fair value of the Company's time-based profits interest units ("PIUs") of certain management members as of December 31, 2010. The Company does not receive a tax deduction for these expenses.

The after-tax impact of the above items decreased net income for the fourth quarter of 2010 by approximately $18.3 million, or $0.20 per share.

BankUnited Chairman, President and Chief Executive Officer John Kanas said, "We are pleased with our strong 2010 core earnings. We have continued to transform our deposit base, begun building our commercial business, opened new branches, been approved to pay dividends, and materially strengthened our capital position. Our performance to date, combined with our initial public offering which closed in February 2011, positions BankUnited for growth in 2011 and beyond."

Financial Highlights for 2010

- Core deposits grew $0.8 billion, or 26%, during 2010 to $4.0 billion. At December 31, 2010, core deposits represented 56% of total deposits of $7.2 billion. At December 31, 2009, core deposits represented 41% of total deposits.
- Commercial core deposits, an area of focus for the Company, grew 89% during 2010 to $896.3 million.
- Excluding Covered Loans, loan growth was $413.6 million for 2010, including $353.4 million of commercial and commercial real estate loan growth.
- BankUnited opened nine new branches in 2010, including five relocations and four new sites.
- For 2010, return on average assets was 1.7%, and return on average common stockholder's equity was 15.4%.
- The Company's efficiency ratio for 2010 was 47.0%.
- Book value and tangible book value per common share were $13.48 and $12.74, respectively, at December 31, 2010.

Capital Ratios

BankUnited continues to maintain a robust capital position, with the following capital ratios at December 31, 2010:

Tier 1 leverage	10.34%
Tier 1 risk-based capital	41.30%
Total risk-based capital	42.04%

BankUnited continues to exceed all regulatory guidelines required to be considered well capitalized. As discussed below, the Company closed its initial public offering ("IPO") on February 2, 2011, which will further strengthen its capital position.

Asset Quality

The Company's asset quality remained strong, with credit risk limited by its Loss Sharing Agreements with the FDIC. At December 31, 2010, Covered

Loans represented 86% of the total loan portfolio.

The ratio of non-performing loans to total loans was 0.66% at December 31, 2010. At that date, non-performing assets totaled $232.6 million, including $206.7 million of other real estate owned ("OREO"). All OREO at December 31, 2010, is covered by the Company's Loss Sharing Agreements.

For the year ended December 31, 2010, and the fourth quarter of 2010, the Company recorded a provision for loan losses of $51.4 million and $6.3 million, respectively. Of these amounts, $46.5 million and $4.0 million, respectively related to Covered Loans, and $4.9 million and $2.3 million, respectively, related to loans originated since the Acquisition. The provisions related to Covered Loans were significantly mitigated by increases in non-interest income recorded in "Net gain (loss) on indemnification asset resulting from net recoveries."

Loans

Total loans declined to $3.9 billion at December 31, 2010, from $4.6 billion at December 31, 2009, reflecting continued resolution of Covered Loans. Non-Covered Loans, or those originated and purchased by the Company since the Acquisition, increased by $413.6 million or 332%, to $538.2 million at December 31, 2010, from $124.6 million at December 31, 2009. Covered Loans declined to $3.4 billion at December 31, 2010, from $4.5 billion at December 31, 2009. The composition of the loan portfolio at December 31, 2010, reflects BankUnited's continued emphasis on commercial lending. A comparison of portfolio composition at December 31, 2010, and December 31, 2009, follows:

	Non-Covered Loans		Total Loans	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Single-family residential and home equity	21.08%	35.89%	75.23%	83.09%
Commercial Real Estate	29.80%	20.19%	15.88%	12.78%
Commercial	48.57%	41.38%	8.71%	3.91%
Consumer	0.56%	2.53%	0.19%	0.22%

Investment Securities

Investment securities grew to $2.9 billion at December 31, 2010, from $2.2 billion at December 31, 2009. Growth in the investment portfolio continues to be driven by the deployment of cash generated by loan resolution activity into investment securities during a period of diminished loan demand. The average yield on investment securities was 4.30% for the year ended December 31, 2010, as compared to 7.73% for the period ended December 31, 2009. The decline in yield reflects the impact of purchases of securities at lower prevailing market rates of interest.

Deposits

At December 31, 2010, core deposits, which we define as total deposits minus certificates of deposit, totaled $4.0 billion as compared to $3.1 billion at December 31, 2009. Core deposits comprised 56% of total deposits at December 31, 2010, and 41% of total deposits at December 31, 2009. Total deposits declined to $7.2 billion at December 31, 2010, as compared to $7.7 billion at December 31, 2009, primarily as a result of continued run-off of time deposits assumed in the Acquisition. The average cost of interest bearing deposits was 1.54% for the year ended December 31, 2010, as compared to 1.20% for the period ended December 31, 2009. The increase in the average cost of deposits is primarily attributable to lower accretion of purchase accounting fair value adjustments.

Net interest income

Net interest income for 2010 totaled $389.5 million, as compared to $251.7 million for the period ended December 31, 2009. For the fourth quarter of 2010 and 2009, net interest income was $102.0 million and $104.6 million, respectively.

The Company's net interest margin for 2010 was 5.05%, as compared to 5.58% for the period ended December 31, 2009. For the fourth quarter of 2010 and 2009, the Company's net interest margin was 5.35% and 5.55%, respectively.

The Company's net interest margin for the full year and the fourth quarter of 2010 was impacted by reclassification from non-accretable difference to accretable yield on ACI loans (defined as Covered Loans acquired with evidence of credit impairment). Non- accretable difference at the 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 represents the amount by which undiscounted expected future cash flows exceed the carrying value of the loans. As the Company's expected cash flows from ACI loans have increased since the Acquisition, the Company reclassified amounts from non-accretable difference to accretable yield.

Changes in accretable yield on ACI loans for 2010 and the period ended December 31, 2009, were as follows (in thousands):

	2010	2009
Balance at beginning of period	$1,734,233	$2,004,337
Reclassification from non-accretable difference	487,718	--
Accretion during the period	(387,977)	(270,104)
Balance at end of period	$1,833,974	$1,734,233

Non-interest income

Non-interest income for the year ended December 31, 2010, was $297.8 million, as compared to $253.6 million for the period ended December 30, 2009. For the fourth quarter of 2010 and 2009, non-interest income was $60.3 million and $94.6 million respectively.

In addition to the $24.1 million in income from the settlement with the FDIC as discussed above, non-interest income for the year and fourth quarter of 2010 was impacted by lower accretion of discount on the FDIC indemnification asset. As the expected cash flows from ACI loans have increased as discussed above, the Company expects reduced cash flows from the FDIC indemnification asset, resulting in lowered accretion.

As discussed above, the Company completed a sale of Covered Loans in the fourth quarter of 2010, resulting in a pre-tax loss of approximately $19.0

million, after reflecting the partially offsetting impact to the FDIC indemnification asset. The Company also completed a sale in the fourth quarter of 2009, resulting in a pre-tax loss of approximately $9.5 million, also after reflecting the partially offsetting impact to the FDIC indemnification asset.

Non-interest expense

Non-interest expense totaled $323.3 million for 2010, as compared to $283.3 million for the period ended December 31, 2009. For the fourth quarter of 2010 and 2009 non-interest expense totaled $103.3 million and $82.3 million respectively. The period ended December 31, 2009, included approximately $109.2 million of expenses associated with the Acquisition.

The fourth quarter of 2010 was impacted by $17.3 million of expenses related to the FDIC warrant and the additional $10.8 million of compensation expense associated with the fair value of the Company's time-based PIUs as discussed above.

BankUnited's efficiency ratio was 47.0% and 56.1% for the year ended December 31, 2010, and the period ended December 31, 2009, respectively.

About BankUnited and the Acquisition

BankUnited, Inc., is a savings and loan holding company with two wholly owned subsidiaries: BankUnited, which is one of the largest independent depository institutions headquartered in Florida by assets, and BankUnited Investment Services, Inc., or BankUnited Investment Services, a Florida insurance agency which provides comprehensive wealth management products and financial planning services. BankUnited is a federally chartered, federally insured savings association headquartered in Miami Lakes, Florida, with $10.9 billion of assets, more than 1,200 professionals and 81 branches in 13 counties at December 31, 2010.

The Company was organized by a management team led by its 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, from the FDIC, in a transaction referred as the "Acquisition." Concurrently with the Acquisition, BankUnited entered into two loss sharing agreements, or the "Loss Sharing Agreements," which cover certain legacy assets, including the entire legacy loan portfolio and OREO, and certain purchased investment securities, including private-label mortgage-backed securities and non-investment grade securities. Assets covered by the Loss Sharing Agreements are referred to as "Covered Assets" (or, in certain cases, "Covered Loans"). The Loss Sharing Agreements do not apply to subsequently acquired, purchased, or originated assets.

The Acquisition consisted of assets with a fair value of $10.9 billion, including $5.0 billion of loans (with a corresponding unpaid principal balance, or "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, or FHLB, stock and $347.4 million of other assets. Liabilities with a fair value of $13.1 billion were also assumed, including $8.3 billion of non-brokered deposits, $4.6 billion of FHLB advances, and $112.2 million of other liabilities.

Pursuant to the terms of the Loss Sharing Agreements, the Covered Assets are subject to a stated loss threshold whereby the FDIC will reimburse BankUnited for 80% of losses up to the $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 investments securities, unamortized cost basis) plus certain interest and expenses. The Company's current estimate of cumulative losses on the Covered Assets is approximately $4.8 billion. The carrying value of the FDIC indemnification asset at December 31, 2010, was $2.7 billion. BankUnited 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. The Company has received $1.2 billion from the FDIC in reimbursements under the Loss Sharing Agreements for claims filed for incurred losses as of December 31, 2010.

On February 2, 2011, the Company closed its IPO of 33,350,000 shares of common stock at $27.00 per share. In the offering, BankUnited, Inc., sold 4,000,000 shares, while selling stockholders sold 29,350,000 shares, including 4,350,000 shares sold pursuant to the over-allotment option exercised in full by the underwriters of the IPO.

In conjunction with the IPO, in the first quarter of 2011 the Company recorded approximately $110.4 million in compensation expense related to the exchange of PIUs for a combination of common stock and options immediately prior to the completion of the IPO. This expense, which is not deductible for tax purposes, resulted in an offsetting increase in paid-in capital, and thus did not affect the Company's capital position.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views with respect to, among other things, future events and financial performance. We generally identify forward-looking statements by terminology such as "outlook", "believes," "expects," "potential," "continues," "may," "will," "could," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of those words or other comparable words. Any forward-looking statements contained in this press release are based on the historical performance of us and our subsidiaries or on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our 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 our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements.

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

	Unaudited December 31, 2010	December 31, 2009

ASSETS		
Cash and due from banks:		
Non-interest bearing	$ 44,860	$ 57,788
Interest bearing	12,523	2,805
Due from Federal Reserve Bank	502,828	290,192
Federal funds sold	4,563	5,430
Cash and cash equivalents	564,774	356,215
Investment securities available for sale	2,926,602	2,243,143
Federal Home Loan Bank stock	217,408	243,334
Loans held for sale	2,659	-
Loans	3,934,217	4,611,519
Allowance for loan losses	(58,360)	(22,621)
Loans, net	3,875,857	4,588,898
FDIC indemnification asset	2,667,401	3,279,165
Bank owned life insurance	207,061	132,330
Other real estate owned	206,680	120,110
Deferred tax asset, net	-	22,533
Income tax receivable	10,862	-
Goodwill and other intangible assets	69,011	60,981
Other assets	121,245	83,252
Total assets	$ 10,869,560	$ 11,129,961
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 494,499	$ 332,941
Interest bearing	349,985	222,052
Savings and money market	3,134,884	2,592,642
Time	3,184,360	4,519,140
Total deposits	7,163,728	7,666,775
Securities sold under agreements to repurchase	492	2,972
Federal Home Loan Bank advances	2,255,200	2,079,051
Due to FDIC	-	114,006
Income taxes payable	-	82,701
Deferred tax liability, net	4,618	-
Advance payments by borrowers for taxes and insurance	22,563	31,237
Other liabilities	169,451	58,959
Total liabilities	9,616,052	10,035,701
Commitments and contingencies		
Stockholder's equity:		
Common stock	930	928
Paid-in capital	949,320	946,822
Paid-in capital from stock-based compensation	1,511	210
Retained earnings	269,781	119,046
Accumulated other comprehensive income	31,966	27,254
Total stockholder's equity	1,253,508	1,094,260
Total liabilities and stockholder's equity	$ 10,869,560	$ 11,129,961

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

	Unaudited		Unaudited	Unaudited
	Year Ended December 31, 2010	Period From April 28, 2009 Through December 31, 2009	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Interest income:				
Interest and fees on loans	$ 431,468	$ 287,460	$ 111,376	$ 115,457
Interest and dividends on investment securities available for sale	124,262	45,142	30,880	23,491

Other	1,958	2,922	473	960
Total interest income	557,688	335,524	142,729	139,908
Interest expense:				
Interest on deposits	108,344	57,829	24,713	24,320
Interest on borrowings	59,856	26,027	15,992	11,026
Total interest expense	168,200	83,856	40,705	35,346
Net interest income before provision for loan losses	389,488	251,668	102,024	104,562
Provision for loan losses	51,407	22,621	6,250	20,333
Net interest income after provision for loan losses	338,081	229,047	95,774	84,229
Non-interest income:				
Accretion of discount on FDIC indemnification asset	134,703	149,544	17,788	60,095
Income from resolution of covered assets, net	121,462	120,954	8,685	41,394
Net gain (loss) on indemnification asset resulting from net recoveries	17,736	(21,761)	62,668	29,362
FDIC reimbursement of costs of resolution of covered assets	29,762	8,095	7,369	5,606
Service Charges	10,567	6,763	2,668	2,814
Loss on sale of loans, net	(76,310)	(47,078)	(76,310)	(47,078)
Gain (loss) on sale or exchange of investment securities available for sale	(998)	(337)	1,294	(337)
Mortgage insurance income	18,441	1,338	6,344	708
Gain on extinguishment of debt	-	31,303	-	-
Other non-interest income	42,416	4,815	29,753	2,080
Total non-interest income	297,779	253,636	60,259	94,644
Non-interest expense:				
Employee compensation and benefits	144,486	62,648	44,152	26,835
Occupancy and equipment	28,692	20,121	8,548	8,353
Impairment of other real estate owned	16,131	21,055	3,967	12,339
Foreclosure expense	30,669	18,042	2,285	8,794
Other real estate owned expense	21,177	8,384	10,274	4,714
Change in value of FDIC warrant	21,832	1,704	17,330	1,006
Deposit insurance expense	13,899	11,850	3,479	2,977
Professional fees	14,677	14,854	7,009	10,164
Telecommunications and data processing	12,321	6,440	3,549	2,794
Other non-interest expense	19,436	8,920	2,679	4,203
Loss on FDIC receivable	-	69,444	-	-
Acquisition related costs	-	39,800	-	115
Total non-interest expense	323,320	283,262	103,272	82,294
Income before income taxes	312,540	199,421	52,761	96,579
Provision for income taxes	127,805	80,375	24,948	39,184
Net income	$ 184,735	$ 119,046	$ 27,813	$ 57,395
Basic Earnings per common share	$ 1.99	$ 1.29	$ 0.30	$ 0.62
Weighted average number of common shares outstanding	92,950,735	92,664,910	92,971,851	92,758,046

Financial ratios	**Year Ended December 31, 2010**	**Period Ended December 31, 2009**	**Three Months Ended December 31, 2010**	**Three Months Ended December 31, 2009**
Return on average assets	1.65%	1.69%	1.01%	2.00%
Return on average stockholder's equity	15.43%	18.98%	8.93%	21.38%
Net interest margin	5.05%	5.58%	5.35%	5.55%

Capital ratios	**At December 31, 2010**	**At December 31, 2009**
Tier 1 risk-based capital	41.30%	40.42%
Total risk-based capital	42.04%	40.55%
Tier 1 leverage	10.34%	8.78%

Asset quality ratios	**December 31, 2010**	**December 31, 2009**
Non-performing loans to total loans (1) (3)	0.66%	0.38%
Non-performing assets to total assets (2)	2.14%	1.24%

Allowance for loan losses to total loans (3)	1.48%	0.49%
Allowance for loan losses to non-performing loans (1)	224.90%	130.22%
Net charge-offs to average loans	0.37%	0.00%

(1) We define non-performing loans to include nonaccrual loans and loans, other than ACI loans, that are past due 90 days or more and still accruing. 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 $774.9 million and $1.2 billion at December 31, 2010 and 2009, respectively.

(2) Non-performing assets include non-performing loans and other real estate owned.

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

SOURCE: BankUnited, Inc.

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