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**

OR

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

For the fiscal year ended December 31, 2020

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)

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

Securities registered pursuant to Section 12(b) of the Act:

Class	Trading Symbol	Name of Exchange on Which Registered
Common Stock, $0.01 Par Value	BKU	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 ☒ No ☐

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 ☐ No ☒

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 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. ☒

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

Large accelerated filer	☒	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2020 was $1,852,385,492

The number of outstanding shares of the registrant common stock, $0.01 par value, as of February 24, 2021 was 92,862,055.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2021 annual meeting of stockholders are incorporated by reference in this Annual Report on Form 10-K in response to Part II. Item 5 and Part III. Items 10, 11, 12, 13 and 14.

BANKUNITED, INC.
Form 10-K
For the Year Ended December 31, 2020
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GLOSSARY OF DEFINED TERMS

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

ACI	Loans acquired with evidence of deterioration in credit quality since origination (Acquired Credit Impaired)
ACL	Allowance for credit losses
AFS	Available for sale
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCI	Accumulated other comprehensive income
APY	Annual Percentage Yield
ARM	Adjustable rate mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel Committee	International Basel Committee on Banking Supervision
BHC Act	Bank Holding Company Act of 1956
BHC	Bank holding company
BKU	BankUnited, Inc.
BankUnited	BankUnited, National Association
The Bank	BankUnited, National Association
Bridge	Bridge Funding Group, Inc.
Buyout loans	FHA and VA insured mortgages from third party servicers who have exercised their right to purchase these loans out of GNMA securitizations
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CCA	Cloud Computing Arrangements
CECL	Current expected credit losses
CET1	Common Equity Tier 1 capital
CFPB	Consumer Financial Protection Bureau
C&I	Commercial and Industrial
CLO	Collateralized loan obligations
CMBS	Commercial mortgage-backed securities
CME	Chicago Mercantile Exchange
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 loans	Loans covered under the Loss Sharing Agreements
COVID-19	Coronavirus disease of 2019
CRA	Community Reinvestment Act
CRE	Commercial real estate
DFAST	Dodd-Frank Act Stress Test
DIF	Deposit insurance fund
DSCR	Debt Service Coverage Ratio
EPS	Earnings per common share
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
ExIm Bank	Export–Import Bank of the United States
FDIA	Federal Deposit Insurance Act

FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit score)
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
GLB Act	The Gramm-Leach-Bliley Financial Modernization Act of 1999
GNMA	Government National Mortgage Association
HPI	Home price indices
HTM	Held to maturity
IPO	Initial public offering
ISDA	International Swaps and Derivatives Association
LGD	Loss Given Default
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
MSLF	Federal Reserve Main Street Lending Facility
MSRs	Mortgage servicing rights
NRSRO	Nationally recognized statistical rating organization
NYSE	New York Stock Exchange
OFAC	U.S. Department of the Treasury's Office of Foreign Assets Control
OREO	Other real estate owned
OTTI	Other than temporary impairment
PCD	Purchased credit-deteriorated
PD	Probability of default
Pinnacle	Pinnacle Public Finance, Inc.
PPNR	Pre-tax, pre-provision net revenue
PPP	Small Business Administration’s Paycheck Protection Program
PPPLF	FRB Paycheck Protection Program Liquidity Facility
Proxy Statement	Definitive proxy statement for the Company's 2021 annual meeting of stockholders
PSU	Performance Share Unit
ROU Asset	Right-of-use Asset
RSU	Restricted Share Unit
SAR	Share Appreciation Right
SBA	U.S. Small Business Administration
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
SOFR	Secured Overnight Financing Rate
S&P 500	Standard & Poor's 500 Index
TDR	Troubled-debt restructuring

Tri-State	New York, New Jersey and Connecticut
UPB	Unpaid principal balance
USDA	U.S. Department of Agriculture
VA loan	Loan guaranteed by the U.S. Department of Veterans Affairs
VIEs	Variable interest entities
VIX	CBOE Volatility Index
WARM	Weighted-average remaining maturity
2010 Plan	2010 Omnibus Equity Incentive Plan
2014 Plan	2014 Omnibus Equity Incentive Plan
401(k) Plan	BankUnited 401(k) Plan

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, including as impacted by the COVID-19 pandemic. 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:

- impacts of the COVID-19 pandemic on the Company's business operations, financial condition and results of operations;
- strategic risk:
    - an inability to successfully execute our core business strategy;
    - competition;
    - natural or man-made disasters, social or health care crises or political unrest;
    - loss of executive officers or key personnel;
    - climate change or societal responses thereto;
- credit risk inherent in the business of making loans and embedded in our securities portfolio:
    - inadequate allowance for credit losses:
    - the accuracy and completeness of information about counterparties and borrowers;
    - real estate market conditions, real estate valuations and other risks related to holding loans secured by real estate or real estate received in satisfaction of loans;
    - geographic concentration of the Company's markets in Florida and the New York tri-state area;
    - fluctuations in demand for and valuation of equipment under operating lease;
- interest rate risk, including risks related to reference rate reform;
- liquidity risk;
    - an inability to maintain adequate liquidity
    - restrictions on the ability of BankUnited, N.A. to pay dividends to BankUnited, Inc.;
- risks related to the regulation of our industry;
- operational risk:
    - inadequate or inaccurate forecasting tools and models;
    - inability to successfully launch new products, services, or business initiatives;
    - susceptibility to fraud, risk or errors;
    - dependence on information technology and third party service providers and the risk of systems failures, interruptions or breaches of security or inability to keep pace with technological change;

- reputational risk;
- a variety of compliance and legal risks;
- the impact of conditions in the financial markets and economic conditions generally;
- ineffective risk management or internal controls; and
- the selection and application of accounting policies and methods and related assumptions and estimates.

Additional factors are set forth in the Company's filings with 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, except as required by law.

As used herein, the terms the "Company," "we," "us," and "our" refer to BankUnited, Inc. and its subsidiaries unless the context otherwise requires.

PART I - FINANCIAL INFORMATION

Item 1. Business

Overview

BankUnited, Inc., with total consolidated assets of $35.0 billion at December 31, 2020, is a bank holding company with one direct wholly-owned subsidiary, BankUnited, collectively, the Company. BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of commercial lending and both commercial and consumer deposit services through banking centers located in Florida and the New York metropolitan area. The Bank also provides certain commercial lending and deposit products through national platforms and certain consumer deposit products through an online channel. Our core business strategy is to continue to build a leading regional commercial and small business bank, with a distinctive value proposition based on strong service-oriented relationships, robust digital enabled customer experiences and operational excellence, with an entrepreneurial work environment that empowers employees to deliver their best. To date, we have executed our strategy primarily through organic growth.

The Company was formed in 2009, when BankUnited entered into a Purchase and Assumption Agreement with the FDIC and acquired substantially all of the assets and assumed all of the non-brokered deposits and substantially all of the other liabilities of BankUnited FSB from the FDIC in the FSB Acquisition. Concurrently, BankUnited entered into the Single Family Shared-Loss Agreement and the Commercial Shared-Loss Agreement with the FDIC. The Commercial Shared-Loss Agreement terminated in 2014, and the Single Family Shared-Loss Agreement terminated in February, 2019. The Shared-Loss Agreements, assets formerly covered under the terms of those agreements, and transactions involving those assets have not had a material impact on the Company's financial condition or results of operations since the year ended December 31, 2018.

Our Products and Services

Lending and Leasing

General—Our primary lending focus is to serve small, middle-market and larger corporate businesses with a variety of financial products and services, while maintaining a disciplined credit culture. We offer a full array of lending products that cater to our customers' needs and have attracted and invested in experienced relationship management teams in our primary lending markets.

Commercial loans—Our commercial loans, which are generally made to growing small business, middle-market and larger corporate entities and non-profit organizations, include secured and unsecured lines of credit, formula-based lines of credit, equipment loans, owner-occupied commercial real estate term loans and lines of credit, mortgage warehouse lines, letters of credit, commercial credit cards, SBA and USDA product offerings, Export-Import Bank financing products, trade finance and business acquisition finance credit facilities. The Bank is also supporting its customers through participation in government programs such as the Small Business Administration's PPP and the Federal Reserve's MSLF.

Through the Bank's two commercial lending subsidiaries, Pinnacle and Bridge, we provide municipal, equipment and franchise financing on a national basis. Pinnacle, headquartered in Scottsdale, Arizona, provides financing to state and local governmental entities directly and through vendor programs and alliances. Pinnacle offers a full array of financing structures including essential use equipment lease purchase and loan agreements and direct (private placement) bond refundings. Bridge, headquartered in Baltimore, Maryland, offers large corporate and middle market businesses equipment loans and leases including finance lease and operating lease structures through its equipment finance division. Bridge offers franchise equipment, acquisition and expansion financing through its franchise division.

Commercial real estate loans—We offer term financing for the acquisition or refinancing of properties, primarily rental apartments, mixed-use commercial properties, industrial properties, warehouses, retail shopping centers, free-standing single-tenant buildings, office buildings and hotels. Other products that we provide include real estate secured lines of credit, lending to REITs and institutional asset owners, subscription lines of credit to real estate funds, and, to a limited extent, acquisition, development and construction loan facilities and construction financing.

Residential mortgages—We do not originate residential loans, but do invest in residential loans originated through correspondent channels and community partners. Our residential loan portfolio is primarily comprised of loans purchased on a national basis through select correspondent channels. This national purchase program allows us to diversify our loan portfolio, both by product type and geography. Residential loans purchased are primarily closed-end, first lien jumbo mortgages for the purchase or re-finance of owner occupied property. A limited portion of the portfolio is secured by investor-owned properties. We do not originate or purchase negatively amortizing or sub-prime residential loans. We also acquire non-performing FHA and VA insured mortgages from third party servicers who have exercised their right to purchase these loans out of GNMA securitizations. Such loans that re-perform, either through modification or self-cure, may be eligible for re-securitization. The Company and the servicer share in the economics of the sale of these loans into new securitizations.

Other consumer loans— We do not originate, or currently intend to originate a significant amount of consumer loans. Home equity loans and lines of credit and other consumer loans are not significant components of our loan portfolio or of our lending strategy.

Credit risk management - Credit is analyzed, approved and managed through our line of defense framework as prescribed in our credit policies and procedures as follows. Credit is:

- Analyzed within our first line of defense in accordance with our credit procedures;
- Approved within our second line of defense in accordance with our risk-based delegated credit approval framework; and
- Managed by our first and second lines of defense based upon the credit's risk and performance characteristics.

Asset oversight committees meet at least quarterly and provide oversight of key credit governance, transactional, and credit management functions. These committees include:

- Credit Risk Management Committee with responsibilities including credit governance policies and procedures and changes thereto and establishing and maintaining the delegated credit approval framework;
- Executive Credit Committee with responsibilities including transactional credit approval for large and/or complex credit exposures as well as the approval of periodic asset monitoring reports for large and/or complex credit exposures;
- Criticized Asset Committee with responsibilities including the evaluation and oversight of higher risk assets and oversight of workout and recovery functions; and
- Residential Credit Risk Management Committee with responsibilities including residential and consumer portfolio performance monitoring and certain bulk purchase transactional authorities.

Our In-house Lending Limits ranging from $75 million to $150 million, are based upon loan type and are further limited by our risk-based Hold Limits that incorporate our assessment of the borrower's financial condition and industry exposure. These limits are significantly below our legal lending limit. These limits are reviewed periodically by the Credit Risk Management Committee and approved annually by the Board of Directors.

Deposit and Treasury Solutions Products

We offer traditional deposit products including commercial and consumer checking accounts, money market deposit accounts, savings accounts and certificates of deposit with a variety of terms and rates as well as a robust suite of treasury, commercial payments and cash management services. We offer commercial and retail deposit products across our primary geographic footprint and certain commercial deposit, payments and treasury management products and services nationally. For our consumers, we also offer competitive money market and time deposit products through our online channel. Demand deposit balances are concentrated in commercial and small business accounts and our deposit growth strategy is focused on small business and middle market companies generally, as well as select industry verticals. Our service fee schedule and rates are competitive with other financial institutions in our markets.

Our Markets

Our primary banking markets are Florida and the Tri-State market of New York, New Jersey and Connecticut, concentrated in the New York Metropolitan area. We believe both represent long-term attractive banking markets. In Florida, our largest concentration is in the Miami metropolitan statistical area; however, we are also focused on growth in other urban Florida markets in which we have a presence, such as the Broward, Palm Beach, Tampa, Orlando and Jacksonville markets. According to estimates from the United States Census Bureau and S&P Global Market Intelligence, from 2017 to 2020, Florida added approximately 800 thousand new residents, the second most of any U.S. state and had a total population of 21.9 million. According to the FDIC, at June 30, 2020, the Tri-State area had approximately $2.7 trillion in deposits, with the majority of the market concentrated in the New York metropolitan area. The Tri-State area had a total population of 31.8 million. We recently launched lending operations in Atlanta, which are not currently material to our business operations.

Pinnacle and Bridge offer lending products and the Bank provides mortgage warehouse financing on a national basis. We also offer a suite of commercial deposit, treasury solutions and cash management products nationally, primarily focused on select industry verticals. We have historically engaged in SBA lending on a national basis, selling the government guaranteed portion of our SBA and USDA loans on a servicing retained basis, and retaining the unguaranteed portion in portfolio. We have recently shifted our SBA lending strategy to an in-footprint strategy executed in partnership with our small business bankers and may retain the guaranteed portion of more of these loans in portfolio in the future.

Competition

Our markets are highly competitive, containing not only a large number of community and regional banks, but also a significant presence of the country's largest commercial banks. We compete with other state, national and international banks as well as savings associations, savings banks and credit unions with physical presence in our market areas or targeting our market areas digitally for deposits and loans. In addition, we compete with financial intermediaries such as FinTech companies, consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. Our largest banking competitors in the Florida market include Truist, JPMorgan Chase, PNC, Regions Bank, TD Bank, Wells Fargo, Bank of America, First Horizon, Synovus and a number of community banks. In the Tri-State market, we also compete with, in addition to the national and international financial institutions listed, Capital One, Signature Bank, New York Community Bank, Valley National Bank, M&T Bank and numerous community banks.

Interest rates on both loans and deposits and prices of fee-based services are significant competitive factors among financial institutions generally. Other important competitive factors include convenience, quality of customer service, availability and quality of digital offerings, 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 small and middle-market businesses, offering them a broad range of personalized services and sophisticated cash management tools tailored to their businesses.

Regulation and Supervision

The U.S. banking industry is highly regulated under federal and state law. These regulations have a material effect on the operations of BankUnited, Inc. and its direct and indirect subsidiaries.

Statutes, regulations and policies limit the activities in which we may engage and the conduct of our permitted activities and establish capital requirements with which we must comply. The regulatory framework is intended primarily for the protection of depositors, borrowers, customers and clients, the FDIC insurance funds and the banking system as a whole, and not for the protection of our stockholders or creditors. In many cases, the applicable regulatory authorities have broad enforcement power over bank holding companies, banks and their subsidiaries, including the power to impose substantial fines and other penalties for violations of laws and regulations. Further, the regulatory system imposes reporting and information collection obligations. We incur significant costs related 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 impact on our business.

The material statutory and regulatory requirements that are applicable to us are summarized below. The description below is not intended to summarize all laws and regulations applicable to us.

Bank and Bank Holding Company Regulation

BankUnited is a national bank. As a national bank organized under the National Bank Act, BankUnited is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the OCC.

Any entity that directly or indirectly controls a bank must be approved by the Federal Reserve Board under the BHC Act to become a BHC. BHCs are subject to regulation, inspection, examination, supervision and enforcement by the Federal Reserve Board under the BHC Act. The Federal Reserve Board's jurisdiction also extends to any company that is directly or indirectly controlled by a BHC.

BankUnited, Inc., which controls BankUnited, is a BHC and, as such, is subject to ongoing and comprehensive supervision, regulation, examination and enforcement by the Federal Reserve Board.

Broad Supervision, Examination and Enforcement Powers

A principal objective of the U.S. bank regulatory system is to protect depositors by ensuring the financial safety and soundness of banking organizations. To that end, the banking regulators have broad regulatory, examination and enforcement authority. The regulators regularly examine the operations of banking organizations. In addition, banking organizations are subject to periodic reporting requirements.

The regulators have various remedies available if they determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of a banking organization's operations are unsatisfactory. The regulators may also take action if they determine that the banking organization or its management is violating or has violated any law or regulation. The regulators have the power to, among other things:

- enjoin "unsafe or unsound" practices;
- 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 BankUnited, Inc., the Bank and their subsidiaries or their officers, directors and institution-affiliated parties to the remedies described above and other sanctions.

Notice and Approval Requirements Related to Control

Banking laws impose notice, approval, and ongoing regulatory requirements on any stockholder or other party that seeks to acquire direct or indirect "control" of an FDIC-insured depository institution. These laws include the BHC Act and the Change in Bank Control Act. Among other things, these laws require regulatory filings by individuals or companies that seek to acquire direct or indirect "control" of an FDIC-insured depository institution. The determination of whether an investor "controls" a depository institution is based on all of the facts and circumstances surrounding the investment. As a general matter, a party is deemed to control a depository institution or other company if the 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. Except under limited circumstances, BHCs are prohibited from acquiring, without prior approval, control of any other bank or BHC or substantially all the assets thereof or more than 5% of the voting shares of a bank or BHC which is not already a subsidiary.

Permissible Activities and Investments

Banking laws generally restrict the ability of BankUnited, Inc. to engage 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 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. BankUnited, Inc. is not a financial holding company.

In addition, as a general matter, the establishment or acquisition by BankUnited, Inc. of a non-bank entity, or the initiation of a non-banking activity, requires prior regulatory approval. In approving acquisitions or the addition of activities, the Federal Reserve Board considers, among other things, whether the acquisition or the additional activities can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition or gains in efficiency, that outweigh such possible adverse effects as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

Regulatory Capital Requirements and Capital Adequacy

The federal bank regulators view capital levels as important indicators of an institution's financial soundness. As a general matter, FDIC-insured depository institutions and their holding companies are required to maintain minimum capital relative to the amount and types of assets they hold. The final supervisory determination on an institution's capital adequacy is based on the regulator's assessment of numerous factors. Both BankUnited, Inc. and BankUnited are subject to regulatory capital requirements.

The Federal Reserve Board has established risk-based and leverage capital guidelines for BHCs, including BankUnited, Inc. The OCC has established substantially similar risk-based and leverage capital guidelines applicable to national banks, including BankUnited. BankUnited, Inc. and BankUnited are subject to capital rules implemented under the framework promulgated by the International Basel Committee on Banking Supervision (the "Basel III Capital Rules"). While some provisions of the rules are tailored to larger institutions, the Basel III Capital Rules generally apply to all U.S. banking organizations, including BankUnited, Inc. and BankUnited.

The Basel III Capital Rules provide for the following minimum capital to risk-weighted assets ratios to be considered adequately capitalized:

(i) 4.5% based upon CET1;

(ii) 6.0% based upon tier 1 capital; and

(iii) 8.0% based upon total regulatory capital.

The Basel III Capital Rules require institutions to retain a capital conservation buffer of 2.5% above these required minimum capital ratio levels. A minimum leverage ratio (tier 1 capital as a percentage of average total assets) of 4.0% is also required under the Basel III Capital Rules. Banking organizations that fail to maintain the minimum required capital conservation buffer could face restrictions on capital distributions or discretionary bonus payments to executive officers, with distributions and discretionary bonus payments being completely prohibited if no capital conservation buffer exists, or in the event of the following: (i) the banking organization's capital conservation buffer was below 2.5% at the beginning of a quarter; and (ii) its cumulative net income for the most recent quarterly period plus the preceding four calendar quarters is less than its cumulative capital distributions (as well as associated tax effects not already reflected in net income) during the same measurement period.

Prompt Corrective Action

Under the FDIA, the federal bank regulatory agencies must take "prompt corrective action" against undercapitalized U.S. depository institutions. U.S. depository institutions are assigned one of five capital categories: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized," and are subjected to differential regulation corresponding to the capital category within which the institution falls. As of December 31, 2020, a depository institution was deemed to be "well capitalized" if the banking institution had a total risk-based capital ratio of 10.0% or greater, a tier 1 risk-based capital ratio of 8.0% or greater, a CET1 risk-based capital ratio of 6.5% and a leverage ratio of 5.0% or greater, and the institution was not subject to an order, written agreement, capital directive, or prompt corrective action directive to meet and maintain a specific level for any capital measure. Under certain circumstances, a well-capitalized, adequately-capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A banking institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject the institution to a variety of enforcement remedies by federal bank regulatory agencies, including: termination of deposit insurance by the FDIC, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver. As of December 31, 2020, BankUnited, Inc. and BankUnited were well capitalized.

Source of strength

All companies, including BHCs, that directly or indirectly control an insured depository institution, are required to serve as a source of strength for the institution. Under this requirement, BankUnited, Inc. in the future could be required to provide financial assistance to BankUnited should it experience financial distress. Such support may be required at times when, absent this statutory and Federal Reserve Policy requirement, a BHC may not be inclined to provide it.

Regulatory Limits on Dividends and Distributions

Federal law currently imposes limitations upon certain capital distributions by national banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash-out merger and other distributions charged against capital. The Federal Reserve Board and OCC regulate all capital distributions by BankUnited directly or indirectly to BankUnited, Inc., including dividend payments.

BankUnited may not pay dividends to BankUnited, Inc. if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage capital ratio requirements, or in the event the OCC notified BankUnited that it was in need of more than normal supervision. Under the FDIA, an insured depository institution such as BankUnited is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized." Payment of dividends by BankUnited also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

BankUnited is subject to supervisory limits on its ability to declare or pay a dividend or reduce its capital unless certain conditions are satisfied.

In addition, it is the policy of the Federal Reserve Board that BHCs should pay cash dividends on common stock only out of income available over the past year and only if prospective earnings retention is consistent with the organization’s expected future needs and financial condition. The policy provides that BHCs should not maintain a level of cash dividends that undermines the BHC’s ability to serve as a source of strength to its banking subsidiaries.

Limits on Transactions with Affiliates and Insiders

Insured depository institutions are subject to restrictions on their ability to conduct transactions with affiliates and other related parties. Section 23A of the Federal Reserve Act imposes quantitative limits, qualitative requirements, and collateral requirements on certain transactions by an insured depository institution with, or for the benefit of, its affiliates. Transactions covered by Section 23A include loans, extensions of credit, investment in securities issued by an affiliate, and acquisitions of assets from an affiliate. Section 23B of the Federal Reserve Act requires that most types of transactions by an insured depository institution with, or for the benefit of, an affiliate be on terms at least as favorable to the insured depository institution as if the transaction were conducted with an unaffiliated third party.

The Federal Reserve Board's Regulation O and OCC regulations impose restrictions and procedural requirements in connection with the extension of credit by an insured depository institution to directors, executive officers, principal stockholders and their related interests.

Examination Fees

The OCC currently charges fees to recover the costs of examining national banks, processing applications and other filings, and covering direct and indirect expenses in regulating national banks. Various regulatory agencies have the authority to assess additional supervision fees.

FDIC Deposit Insurance

The FDIC is an independent federal agency that insures the deposits of federally insured depository institutions up to applicable limits. The FDIC also has certain regulatory, examination and enforcement powers with respect to FDIC-insured institutions. The deposits of BankUnited are insured by the FDIC up to applicable limits. As a general matter, the maximum deposit insurance amount is $250,000 per depositor.

Additionally, 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.

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. Insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including BankUnited, Inc., with respect to any extensions of credit they have made to such insured depository institution.

Federal Reserve System and Federal Home Loan Bank System

As a national bank, BankUnited is required to hold shares of capital stock in a Federal Reserve Bank. BankUnited holds capital stock in the Federal Reserve Bank of Atlanta. As a member of the Federal Reserve System, BankUnited has access to the Federal Reserve discount window lending and payment clearing systems.

BankUnited is a member of the Federal Home Loan Bank of Atlanta. Each FHLB provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a FHLB must be secured by specified types of collateral. As a member of the FHLB, BankUnited is required to acquire and hold shares of capital stock in the FHLB of Atlanta. BankUnited is in compliance with this requirement.

Anti-Money Laundering and OFAC

Under federal law, financial institutions must maintain anti-money laundering programs that include established internal policies, procedures, and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with non-U.S. financial institutions and non-U.S. customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by financial institutions. Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for banking mergers and acquisitions. The regulatory authorities have imposed "cease and desist" orders and civil money penalty sanctions against institutions found to be violating these obligations.

The U.S. Department of the Treasury's 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 BankUnited, Inc. or BankUnited finds a name on any transaction, account or wire transfer that is on an OFAC list, BankUnited, Inc. 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;
- Gramm-Leach-Bliley Act;
- Home Mortgage Disclosure Act;
- Right to Financial Privacy Act;
- Real Estate Settlement Procedures Act;
- laws regarding unfair and deceptive acts and practices; and
- usury laws.

Many states and local jurisdictions have consumer protection laws analogous, and in addition to, those listed above. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans, or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general, and civil or criminal liability.

Privacy and Information Security

Banking organizations are subject to many federal and state laws and regulations governing the collection, use and protection of customer information. For example, the Gramm-Leach-Bliley Act requires BankUnited to periodically disclose its privacy policies and practices relating to sharing nonpublic customer information and enables retail customers to opt out of our ability to share information with unaffiliated third parties under certain circumstances. Other federal and state laws and regulations impact our ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes, or to contact customers with marketing offers. The Gramm-Leach-Bliley Act also requires BankUnited to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information.

CFPB

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, such as BankUnited, Inc. and the Bank, the CFPB has exclusive rule making and examination, and primary enforcement authority under certain federal consumer protection financial laws. In addition, states are permitted to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB.

The Community Reinvestment Act

The 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 requires bank regulators to take into account the 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. If BankUnited, Inc. or BankUnited applies for regulatory approval to make certain investments, the regulators will consider the CRA record of target institutions and BankUnited, Inc.'s depository institution subsidiaries. An unsatisfactory CRA record could substantially delay approval or result in denial of an application. The regulatory agency's assessment of the institution's record is made available to the public. Following its most recent CRA performance evaluation in September 2018, BankUnited received an overall rating of "Satisfactory."

Human Capital Resources

At December 31, 2020, we had 1,465 full-time employees and 30 part-time employees. None of our employees are parties to a collective bargaining agreement. We believe that our employees are our greatest asset and vital to our success. As such, we seek to hire and retain the best candidate for each position, without regard to age, gender, ethnicity, or other protected trait, but with an appreciation for a diversity of perspectives and experience. We have designed a compensation structure including an array of benefit plans and programs that we believe is attractive to our current and prospective employees.

Diversity, Equity and Inclusion

Our mission is to create a safe, diverse and inclusive workplace where individuals are valued for their talents, feel free to express themselves and are empowered to reach their fullest potential. In support of this goal, BankUnited launched iCARE™, which stands for Inclusive Community of Advocacy, Respect and Equality. Through iCARE™, employees are encouraged to participate in interactive events, community forums and multiple volunteer and mentor opportunities. Further, all employees are granted paid time to participate in volunteer opportunities that are meaningful to them within their communities and the communities we serve. The iCARE™ Council consists of 11 employees across different divisions in our organization.

Health, Wellness and Safety

BankUnited prioritizes employee health by focusing on 'person centered' wellness initiatives that incorporate mental, physical, intellectual, occupational, social, emotional, financial and spiritual components of wellness. BankUnited's robust Wellness Program provides employees with on-site health screenings, eye exams, mammograms, and vaccine clinics; nutrition consultations; music and art therapy; meditation sessions; an on-site fitness center; financial literacy courses; live and virtual learning opportunities with area wellness experts; first aid, CPR, and safety courses and much more. BankUnited received the 2020 Healthiest Employer Award from the South Florida Business Journal.

Additionally, in response to the COVID-19 pandemic, we invested heavily to help ensure the health of our employees by successfully transitioning nearly 80% of our workforce to a temporary work-from-home state; procuring and providing necessary personal protective equipment for employees unable to work from home; providing ongoing COVID-19 education and awareness efforts and increased virtual wellness initiatives; and establishing daily health check-in protocols.

Career Growth and Development

At BankUnited, we aim to create an inclusive and diverse team of bold decision makers who are more than just average. In support of this, through the Go for More™ Academy, we provide employees with training and resources that feed an entrepreneurial spirit, increase skillsets and product knowledge, promote collaboration and career development. BankUnited provides employees with challenges and growth opportunities that advance personal and career goals. Examples include our Rising Leaders program and soon-to-be launched EXCELerate career development program.

Communication & Engagement

We strongly believe that communication is a key factor in employee engagement. Toward this end, we utilize a variety of channels to facilitate open and direct dialogue and communication, including: bi-weekly CEO update video calls, weekly newsletters, town halls, social media updates and employee surveys. Managers are encouraged to meet with their employees frequently and to establish an open door policy. Our iCARE™ program implemented affinity groups, mentorship programs and volunteering activities among others. Learning & Development activities include our Rising Leaders Program and a variety of product knowledge and soft skills training opportunities. Wellness activities include group exercise, seminars and a variety of interactive activities. All are designed to foster employee engagement.

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

An investment in our common stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations.

If any of the events described in the risk factors should actually occur, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment.

Strategic Risk

The COVID-19 pandemic

The COVID-19 pandemic has caused substantial disruption to the global and domestic economies which has adversely affected, and is expected to continue to adversely affect, the Company’s business, financial condition and results of operations. The future impact of the COVID-19 pandemic on the global and domestic economies and the Company’s business, financial condition and results of operations remains uncertain.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic has resulted in governmental authorities implementing numerous measures attempting to contain the spread and impact of COVID-19 such as travel bans and restrictions, quarantines, shelter in place orders, and limitations on business activities, including in major markets in which the Company and its clients are located or do business. The COVID-19 pandemic, and governmental responses to the pandemic, have disrupted supply chains, lowered some equity market valuations including those of financial institutions such as the Company, created significant volatility and disruption in financial markets, and increased unemployment levels.

This macroeconomic environment has had, and could continue to have, an adverse effect on the Company’s business and operations as well as on the business and operations of the Company's borrowers, customers and counterparties. The actual, expected or potential impact of the pandemic on the Company's borrowers and their ability to repay their loans resulted in an increase in the Company's provision for credit losses and ACL and a corresponding reduction in the Company's net income for 2020 as well as a reduction in the level of demand for certain of the Company's products and services, particularly lending products. Should economic and social impacts of COVID-19 persist or further deteriorate, this macroeconomic environment could have a continued adverse effect on our business and operations, including, but not limited to, decreased demand for the Company’s products and services, protracted periods of lower interest rates which may negatively impact the Company's net interest margin, loss of income resulting from forbearances, deferrals and fee waivers provided by the Company to its borrowers, increased credit losses due to deterioration in the financial condition of our borrowers including declining asset and collateral values, which may continue to increase our provision for credit losses and net charge-offs and possible constraints on liquidity and capital, including those related to increases in risk-weighted assets related to supporting client activities or to regulatory actions. The business operations of the Company may also be disrupted if significant portions of its workforce or those of vendors or third-party service providers are unable to work effectively, including because of illness, quarantines, government actions, restrictions in connection with the pandemic, and technology limitations and/or disruptions. The Company also faces an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic on market and economic conditions and actions taken by governmental authorities in response to those conditions. The Company may also face a risk of litigation related to participation in government programs such as PPP.

The extent to which the COVID-19 pandemic impacts the Company’s business, financial condition and results of operations, as well as its regulatory capital ratios and liquidity, will depend on future developments, which are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Moreover, the effects of the COVID-19 pandemic may heighten many of the other risks described in this Form 10-K and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K including, but not limited to, financial market conditions, economic conditions, credit risk, interest rate risk, risk of security breaches and technology changes.

We may not be successful in executing our fundamental business strategy.

Optimizing risk adjusted returns, continued organic, diversified growth of our loan and deposit customer base, and improving the deposit mix are essential components of our business strategy. Commercial and consumer banking, for both loan and deposit products, in our primary markets is highly competitive. Our ability to achieve profitable organic growth is also dependent on economic conditions, on the interest rate environment, which is in turn dependent to a large degree on fiscal and monetary policy, and on depositor behavior and preferences. There is no guarantee that we will be able to successfully or profitably execute our fundamental business strategy.

While acquisitions have not historically been a primary component of our business strategy, we opportunistically consider potential acquisitions of financial institutions and complementary non-bank businesses. There are risks that may inhibit our ability to successfully execute such acquisitions, such as competition with other potential acquirers, the ability to obtain the required regulatory approvals in a timely matter or at all, and the successful integration of a consummated acquisition and realization of the expected benefits.

Growth, whether organic or through acquisition is dependent on the availability of capital and funding. Our ability to raise capital through the sale of stock or debt securities may be affected by market conditions, economic conditions or regulatory changes. There is no assurance that sufficient capital or funding to enable growth will be available in the future, upon acceptable terms or at all.

We face significant competition from other financial institutions and financial services providers, which may adversely impact our growth or profitability.

The primary markets we currently serve are Florida and the New York metropolitan area. Commercial and consumer banking in these markets is highly competitive. Our markets contain not only a large number of community and regional banks, but also a significant presence of the country's largest commercial banks. We compete with other state and national banks as well as savings and loan associations, savings banks and credit unions located in Florida, New York and adjoining states as well as those targeting our markets digitally for deposits and loans. In addition, we compete with financial intermediaries, such as FinTech companies, consumer finance companies, marketplace lenders, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of loans and other financial services. The variety of entities providing financial services to businesses and consumers, as well as the technologies and delivery channels through which those services are provided are rapidly evolving.

The financial services industry is likely to become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Increased competition among financial services companies may adversely affect our ability to market our products and services. Technology has lowered barriers to entry and made it possible for banks to compete in our markets without a retail footprint by offering competitive rates, as well as non-banks, including online providers and a growing number of FinTech companies, 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 or particular technology capabilities, many competitors may offer a broader range of products and services or may be able to offer better pricing for certain products and services than we can.

Our ability to compete successfully depends on a number of factors, including:

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe and sound banking practices;
- our ability to pro-actively and quickly respond to technological change;
- 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 well 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.

Crypto-currencies and blockchain technology eventually may be the foundation for greatly enhancing transactional security throughout the banking industry, but also may eventually greatly reduce the need for banks as financial deposit-keepers and intermediaries.

Hurricanes and other weather-related events, social or health-care crises such as pandemics or political unrest, terrorist activity, or other natural or man-made disasters could cause a disruption in our operations or otherwise have an adverse impact on our business and results of operations.

Our geographic markets in Florida and other coastal areas are susceptible to severe weather, including hurricanes, flooding and damaging winds. The occurrence of a hurricane or other natural disaster to which our markets are susceptible, a man-made catastrophe such as terrorist activity, pandemic outbreaks and other global health emergencies, political unrest or other man-made or natural disasters could disrupt our operations or our work-force, result in damage to our facilities, jeopardize our ability to continue to provide essential services to our customers and negatively affect our customers and the local economies in which we operate. These events may lead to a decline in loan originations, an increase in deposit outflows, strain our liquidity position, reduce or destroy the value of collateral for our loans, particularly real estate, negatively impact the business operations of our customers, and cause an increase in delinquencies, foreclosures and loan losses. Our business, financial condition and results of operations may be materially, adversely impacted by these and other negative effects of such events.

We depend on our executive officers and key personnel to execute 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 and other key personnel. We believe our senior management team possesses valuable knowledge about and experience in the banking industry and that their knowledge and relationships could be difficult to replicate. The composition of our senior management team and our other key personnel may change over time. Although our Chairman, President and Chief Executive Officer has entered into an employment agreement with us, he may not complete the term of his employment agreement or renew it upon expiration. Other members of our senior management team are not subject to employment agreements. Our success also depends on the experience of other key personnel and on their relationships with the customers and communities they serve. The loss of service of one or more of our executive officers or key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results.

Climate change or societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts to mitigate those impacts. Consumers and businesses may change their behavior as a result of these concerns. We and our customers may need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. One of our primary market areas is the state of Florida, particularly in coastal areas; as such, we may have an increased vulnerability to the ultimate impacts of climate change as compared to certain of our competitors.

Credit Risk

As a lender, our business is highly susceptible to credit risk.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans, if any, may be insufficient to ensure repayment. Credit losses are inherent in the business of making loans. We are also subject to credit risk that is embedded in our securities portfolio. Our credit risk management framework inclusive of our underwriting standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly if economic or market conditions deteriorate. It is difficult to determine the many ways in which a decline in economic or market conditions may impact the credit quality of our assets.

Our ACL may not be adequate to cover actual credit losses.

We maintain an ACL that represents management's estimate of current expected credit losses, or the amount of amortized cost basis not expected to be collected, on our loan portfolio and the amount of credit loss impairment on our available for sale securities portfolio. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently subjective and uncertain. The measurement of expected credit losses encompasses information about historical events, current conditions and reasonable and supportable economic forecasts. Factors that may be considered in determining the amount of the ACL include but are not necessarily limited to, product or collateral type, industry, geography, internal risk rating, credit characteristics such as credit scores or collateral values, delinquency rates, historical or expected credit loss patterns and other quantitative and qualitative factors considered by management to have an impact on the adequacy of the ACL and the ability of borrowers to repay their loans. The adequacy of the ACL is also dependent on the effectiveness of the underlying models used in determining the estimate.

If management's assumptions and judgments prove to be incorrect, our credit loss models prove to be inaccurate or our processes and controls governing the determination of the amount of the ACL prove ineffective, our ACL may be insufficient and we may be required to increase our ACL. In addition, regulatory authorities periodically review our ACL and may require us to increase our provision for credit losses or recognize further loan charge-offs, based on judgments different than those of our management. Adverse economic conditions could make management's estimate even more complex and difficult to determine. Any increase in our ACL 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 Credit Losses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for Credit Losses."

We depend on the accuracy and completeness of information about clients and counterparties in making credit decisions.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors.

The credit quality of our loan portfolio and results of operations are affected by residential and commercial real estate values and the level of residential and commercial real estate sales and rental activity.

A material portion of our loans are secured by residential or commercial real estate. The ability of our borrowers to repay their obligations and our financial results may therefore be adversely affected by changes in real estate values. Commercial real estate valuations in particular are highly subjective, as they are based on many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, demographic and market trends such as the potential impact of the ongoing shift to on-line shopping on retail properties or the recent trend toward remote work on office properties, occupancy rates, the level of rents, regulatory changes such as recent changes to New York rent regulation, interest rates and, in many cases, the results of operations of businesses and other occupants of the real property. The properties securing income-producing investor real estate loans may not be fully leased at the origination of the loan. A borrower's ability to repay these loans is dependent upon stabilization of the properties and additional leasing through the life of the loan or the borrower's successful operation of a business. Weak economic conditions may impair a borrower's business operations, lead to elevated vacancy rates or lease turnover, slow the execution of new leases or result in falling rents. These factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans. Similarly, residential real estate valuations can be impacted by housing trends, demographic trends, the availability of financing at reasonable interest rates, the level of supply of available housing, governmental policy regarding housing and housing finance and general economic conditions affecting consumers. Real estate values may also be impacted by weather events and other man-made or natural disasters, or ultimately, by the impact of climate change.

We make credit and reserve decisions based on current real estate values, the current conditions of borrowers, properties or projects and our expectations for the future. If real estate values or fundamentals underlying the commercial and residential real estate markets decline, we could experience higher delinquencies and charge-offs beyond that provided for in the ACL.

Since we engage in lending secured by real estate and may be forced to foreclose on the collateral property, we may be subject to risks associated with the ownership of commercial or residential real property, which could have an adverse effect on our business, financial condition or results of operations.

A significant portion of our loan portfolio is secured by residential or commercial real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans, in which case, we are exposed to the risks and costs inherent in the ownership of real estate. The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including:

- general or local economic conditions;
- environmental cleanup liability;
- neighborhood values;
- interest rates;
- commercial real estate rental and vacancy rates;
- real estate tax rates;
- operating expenses of the mortgaged properties;

- supply of and demand for properties;
- ability to obtain and maintain adequate occupancy of the properties;
- zoning laws;
- governmental rules, regulations and fiscal policies;
- hurricanes or other natural or man-made disasters; and
- the impact of social or healthcare crises or political unrest.

These same factors may impact the ability of borrowers to repay their obligations that are secured by real property.

The geographic concentration of our markets in Florida and the New York tri-state area makes our business highly susceptible to local economic conditions.

Unlike some larger financial institutions that are more geographically diversified, our operations are concentrated in Florida and the New York tri-state area. Additionally, a significant portion of our loans secured by real estate are secured by commercial and residential properties in these geographic regions. Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in these regions or by changes in the local real estate markets. Disruption or deterioration in economic conditions in the markets we serve could result in one or more of the following:

- an increase in loan delinquencies;
- 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.

Our portfolio of operating lease equipment is exposed to fluctuations in the demand for and valuation of the underlying assets.

Our equipment leasing business is exposed to asset risk resulting from ownership of the equipment on operating lease. Asset risk arises from fluctuations in supply and demand for the underlying leased equipment. We are exposed to the risk that, at the end of the lease term or in the event of early termination, the value of the asset will be lower than expected, resulting in reduced future lease income over the remaining life of the asset or a lower sale value. Demand for and the valuation of the leased equipment is sensitive to shifts in general and industry specific economic and market trends, governmental regulations and changes in trade flows from specific events such as natural or man-made disasters. A significant portion of our equipment under operating lease consists of railcars used directly or indirectly in oil and gas drilling activities; future lease rates, the demand for this equipment and its valuation are heavily influenced by conditions in the energy industry. Although we regularly monitor the value of the underlying assets and the potential impact of declines in oil and natural gas prices on the value of railcars on operating lease, there is no assurance that the value of these assets will not be adversely impacted by conditions in the energy industry.

Interest Rate Risk

Our business is inherently highly susceptible to interest rate risk.

Our business and financial performance are impacted by market interest rates and movements in those rates. Since a high percentage of our assets and liabilities are interest bearing or otherwise sensitive in value to changes in interest rates, changes in rates, in the shape of the yield curve or in spreads between different types of rates can have a material impact on our financial condition and results of operations and the values of our assets and liabilities. Changes in the value of investment securities available for sale and certain derivatives directly impact equity through adjustments of accumulated other comprehensive income and changes in the values of certain other assets and liabilities may directly or indirectly impact earnings. Interest rates are highly sensitive to many factors over which we have no control and which we may not be able to anticipate adequately, including general economic conditions and the monetary and tax policies of various governmental bodies, particularly the Federal Reserve Board.

Our earnings and cash flows depend to a great extent upon the level of our net interest income. Net interest income is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. The flattening of the yield curve and tightening credit spreads have limited our ability to add higher yielding assets to the balance sheet. If the flat rate environment persists beyond current forecasts, or the curve flattens further or inverts, downward pressure on our net interest margin may be exacerbated, negatively impacting our net interest income in the future. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. When interest bearing liabilities mature or reprice more quickly than interest earning assets in a period of rising rates, an increase in interest rates could reduce net interest income. When interest earning assets mature or reprice more quickly than interest bearing liabilities, falling interest rates could reduce net interest income. An increase in interest rates may, among other things, reduce the demand for loans and lower-priced deposit products, decrease loan repayment rates and negatively affect borrowers' ability to meet their obligations. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on our loan and mortgage-backed securities portfolios. Competitive conditions may also impact the interest rates we are able to earn on new loans or are required to pay on deposits, negatively impacting both our ability to grow deposits and interest earning assets and our net interest income.

We attempt to manage interest rate risk by adjusting the rates, maturity, repricing, mix and balances of the different types of interest-earning assets and interest bearing liabilities and through the use of hedging instruments; however, interest rate risk management techniques are not precise, and we may not be able to successfully manage our interest rate risk. Our ability to manage interest rate risk could be negatively impacted by longer fixed rate terms on loans being added to our portfolio or by unpredictable behavior of depositors in various interest rate environments. A rapid or unanticipated increase or decrease in interest rates, changes in the shape of the yield curve or in spreads between rates could have an adverse effect on our net interest margin and results of operations.

The anticipated discontinuance of the LIBOR benchmark interest rate may have an impact on our business, financial condition and results of operations.

The FCA, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. It is likely that banks will not continue to provide submissions for the calculation of LIBOR after 2021 and possibly prior to then. The discontinuance of LIBOR has resulted in significant uncertainty regarding the transition to suitable alternative reference rates. At this time, no final consensus exists as to what rate or rates may become acceptable alternatives to LIBOR, although alternative reference rates such as SOFR are under consideration. Although the full impact of transition remains unclear, this change may have an adverse impact on the value of, return on and trading markets more globally for a broad array of financial products, including any LIBOR-based securities, loans, borrowings and derivatives that are included in our financial assets and liabilities. If LIBOR is discontinued after 2021 as expected, there may be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments, which may also impact our net interest income. In addition, LIBOR may perform differently during the phase-out period than in the past which could result in lower interest earned on certain assets and a reduction in the value of certain assets. If LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under our loan agreements with our borrowers, we may incur significant expenses in effecting the transition, and may be subject to disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute indices, which could have an adverse effect on our financial condition and results of operations.

Liquidity Risk

A failure to maintain adequate liquidity could adversely affect our financial condition and results of operations.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities and withdrawals and other cash commitments under both normal operating conditions and under extraordinary or unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources at an acceptable price, or at all include, but are not limited to: a downturn in economic conditions in the geographic markets in which our operations are concentrated or in the financial or credit markets in general; increases in interest rates; the availability of sufficient collateral that is acceptable to the FHLB and the Federal Reserve Bank, both of whom provide us with contingent sources of liquidity; fiscal and monetary policy; and regulatory changes. Our access to liquidity in the form of deposits may also be affected by the liquidity needs of our depositors and by competition for deposits in our primary markets. A substantial portion of our liabilities consist of deposit accounts that are payable on demand or upon several days' notice, while by comparison, the majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and borrowings as necessary, we might not be able to replace such funds in the future. A failure to maintain adequate liquidity could materially and adversely affect our business, financial condition or results of operations.

The inability of BankUnited, Inc. to receive dividends from its subsidiary bank could have a material adverse effect on the ability of BankUnited, Inc. to make payments on its debt, pay cash dividends to its shareholders or execute share repurchases.

BankUnited, Inc. is a separate and distinct legal entity from the Bank, and the substantial majority of its revenue consists of dividends from the Bank. These dividends are the primary funding source for the dividends paid by BankUnited, Inc. on its common stock, the interest and principal payments on its debt and any repurchases of outstanding common stock. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company. In addition, our right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary's depositors and other creditors. If the Bank is unable to pay dividends, BankUnited, Inc. might not be able to service its debt, pay its obligations, pay dividends on its common stock or make share repurchases.

Operational Risk

We rely on analytical and forecasting models and tools that may prove to be inadequate or inaccurate, which could adversely impact the effectiveness of our strategic planning, the quality of certain accounting estimates including the ACL, the effectiveness of our risk management framework including but not limited to credit and interest rate risk monitoring and management and thereby our results of operations.

The processes we use to forecast future performance and estimate expected credit losses, the effects of changing interest rates, sources and uses of liquidity, real estate values, and economic indicators such as unemployment on our financial condition and results of operations depend upon the use of analytical and forecasting tools and models. These tools and models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the tools and models that utilize them may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If these tools prove to be inadequate or inaccurate, our strategic planning processes, risk management and monitoring framework, earnings and capital may be adversely impacted.

New lines of business, new products and services or strategic project initiatives may subject us to additional operational risks, and the failure to successfully implement these initiatives could affect our results of operations.

From time to time, we may launch new lines of business or offer new banking products and services, which offerings may significantly increase operational, credit or reputational risks. In mid-2020, we launched a BankUnited, N.A.-branded commercial credit card program. This commercial credit card and any other new offerings may require significant effort and resources to manage and oversee the successful development, implementation, launch and/or scaling of such offerings, which effort and resources may be diverted from other of our products or services. While we invest significant time and resources in developing, marketing and managing new products and services, there are material uncertainties that could adversely impact estimated implementation and operational costs and/or projected adoption, sales, revenues and/or profits, and no assurance can be given that the commercial credit card offering or any or all other new offerings will be successfully developed, implemented, launched and/or scaled. New products and services may require startup costs and operational changes, as well as continued marketing campaigns to bring in new customers and retain existing ones. These new products and services take time to develop and grow and if not successfully implemented may result in unmet profitability targets, increased costs and/or other adverse impacts on our results of operations.

We are subject to the risk of fraud, theft or errors by employees or outsiders, which may adversely affect our business, financial condition and results of operations.

We are exposed to many types of operational risks, including the risk of fraud or theft by employees or outsiders and operational errors, including clerical or record-keeping errors or those resulting from ineffective processes and controls or faulty or disabled technology. The occurrence of any of these events could cause us to suffer financial loss, face regulatory action and suffer damage to our reputation.

Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The occurrence of any of these events could result in a diminished ability to operate our business as well as potential liability to customers and counterparties, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations.

We are dependent on our information technology and telecommunications systems. System failures or interruptions could have an adverse effect on our financial condition and results of operations.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to process new and renewed loans, gather deposits, process customer transactions, provide customer service, facilitate collections, and share data across our organization. The failure of these systems could interrupt our operations. We may be subject to disruptions of our information technology and telecommunications systems arising from events that are wholly or partially beyond our control which may give rise to disruption of service to customers. 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 renewed loans, gather deposits, process customer transactions, 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.

We are dependent on third-party service providers for significant aspects of our business infrastructure, information technology, and telecommunications systems.

We rely on third parties to provide key components of our business infrastructure and major systems including, but not limited to, core banking systems such as loan servicing and deposit transaction processing systems, cloud based data storage, our electronic funds transfer transaction processing, cash management, online banking services, and computer and networking infrastructure. We have migrated a significant portion of our core information technology systems, data storage and customer-facing applications to private and public cloud infrastructure platforms. If we fail to administer these new environments in a well-managed, secure and effective manner, or if these platforms become unavailable or do not meet their service level agreements for any reason, we may experience unplanned service disruption or unforeseen costs which could result in material harm to our business, financial condition and results of operations. We must successfully develop and maintain information, financial reporting, disclosure, data-protection and other controls adapted to our reliance on outside platforms and providers. In addition, service providers could experience system breakdowns or failures, outages, downtime, cyber-attacks, adverse changes to financial condition, bankruptcy, or other adverse conditions, which could have a material adverse effect on our business and reputation. While we have an established third party risk management framework and select and monitor the performance of third-party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, failure of a vendor to provide services for any reason or poor performance of services, or the termination of a third-party software license or service agreement on which any of these systems is based, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. In many cases, our operations rely heavily on the secure processing, storage and transmission of information and the monitoring of a large number of transactions on a minute-by-minute basis, and even a short interruption in service could have significant consequences. Financial or operational difficulties of a third-party vendor could also adversely affect our operations if those difficulties interfere with the vendor's ability to serve us effectively or at all. Replacing these third-party vendors could also create significant delays and expense. Accordingly, use of such third parties creates an unavoidable inherent risk to our business operations.

Failure by us or third parties to detect or prevent a breach in information security or to protect customer information and privacy could have an adverse effect on our business.

In the normal course of our business, we collect, process, and retain sensitive and confidential client and customer information. Despite the security measures we have in place, our facilities and systems may be vulnerable to cyber attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events, especially because, in the case of any intentional breaches, the techniques used change frequently or are not recognized until launched, and cyber attacks can originate from a wide variety of sources, including third parties.

We provide our customers the ability to bank remotely, including online, via mobile devices and over the telephone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. In addition to cyber attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, designed to disrupt key business services such as customer-facing websites. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Any cyber attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business.

In addition, we interact with and rely on financial counterparties for whom we process transactions and who process transactions for us and rely on other third parties, as discussed above. Each of these third parties may be targets of the same types of fraudulent activity, computer break-ins, and other cyber security breaches described above. The cyber security measures that they maintain to mitigate the risk of such activity may be different from our own and, in many cases, we do not have any control over the types of security measures they may choose to implement. We may also incur costs as a result of data or security breaches of third parties with whom we do not have a significant direct relationship. As a result of financial entities and technology systems becoming more interdependent and complex, a cyber incident, information breach or loss, or technology failure that compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us.

Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues.

We have taken measures to implement safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact. We have a comprehensive set of information security policies and protocols and a dedicated information security division that reports to the Chief Information Officer, with oversight by the Risk Committee of the Board of Directors. The Risk Committee receives regular reporting related to information security risks and the monitoring and management of those risks.

Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations.

Financial products and services have become increasingly technology driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on our ability to keep pace with and pro-actively and quickly respond to technological advances and to invest in new technology as it becomes available. Many of our larger competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services. The widespread adoption of new technologies, including, but not limited to, digitally-enabled products and delivery channels and payment systems, could require us to incur substantial expenditures to modify or adapt our existing products and services. Our failure to respond to the impact of technological change could have a material adverse impact on our business, financial condition and results of operations.

The soundness of other financial institutions, particularly our financial institution counterparties, could adversely affect us.

Our ability to engage in routine funding and other transactions could be adversely affected by the stability and actions of other financial services institutions. Financial services institutions are interrelated as a result of trading, clearing, servicing, counterparty, and other relationships. We have exposure to an increasing number of financial institutions and counterparties. These counterparties include institutions that may be exposed to various risks over which we have little or no control.

Adverse developments affecting the overall strength and soundness of the financial services industry as a whole and third parties with whom we have important relationships could have a negative impact on our business even if we are not subject to the same adverse developments.

Regulatory, Legal and Compliance Risk

As a BHC, we and BankUnited operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and other matters, or changes in them, or our failure to comply with them, may adversely affect us.

We operate in a highly regulated environment, and are subject to comprehensive statutory, legal and regulatory regimes, see Item 1 "Business—Regulation and Supervision." 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 BankUnited, Inc., restrict the ability of institutions to guarantee our debt, and impose specific accounting requirements on us. Banking regulators may also from time to time focus on issues that may impact the pace of growth of our business, our ability to execute our business strategy and our operations. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. In addition, federal banking agencies, including the OCC, Federal Reserve Board and CFPB, periodically conduct examinations of our business, including compliance with laws and regulations. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines, remedial actions, administrative orders and other penalties, any of which could adversely affect our results of operations and capital base.

Further, federal, state and local legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, their holding companies and other financial institutions. Changes in laws, regulations or regulatory policies could adversely affect the operating environment for the Company in substantial and unpredictable ways, increase our cost of doing business, impose new restrictions on the way in which we conduct our operations or add significant operational constraints that might impair our profitability. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on our business, financial condition or results of operations.

Changes in political administrations are likely to introduce new or modified regulations and related regulatory guidance and supervisory oversight. Newly enacted laws may significantly impact the regulatory framework in which we operate and may require material changes to our business processes in short timeframes. Inability to meet new statutory requirements within the prescribed periods could adversely affect our business, financial condition and results of operations, as well as impact our reputation.

Our ability to expand through acquisition or de novo branching requires regulatory approvals, and failure to obtain them may restrict our growth.

We may identify opportunities to complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. We must generally receive federal regulatory approval before we can acquire an institution or business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, our financial condition, our future prospects, and the impact of the proposal on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience, and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the CRA) and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell or close branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise, we may continue *de novo* branching as a part of our organic 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 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 Financial Crimes Enforcement Network, established by the U.S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control.

In order to comply with regulations, guidelines and examination procedures in this area, we dedicate significant resources to the ongoing execution of our anti-money laundering program, continuously monitor and enhance as necessary our policies and procedures and maintain a robust automated anti-money laundering software solution. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of financial institutions that we may acquire in the future are deemed deficient, we could be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our expansion plans.

We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation.

The FDIC's restoration plan and any future related increased assessments could adversely affect our earnings.

Insured depository institutions such as BankUnited are required to pay deposit insurance premiums to the FDIC, which maintains a DIF. In 2020, the DIF fell below the statutory minimum reserve ratio and the FDIC adopted a Restoration Plan to restore the reserve ratio within 8 years. While the Restoration Plan did not provide for an immediate increase in deposit insurance premiums, if the current level of deposit premiums is insufficient for the DIF to meet its funding requirements in the future, special assessments or increases in deposit insurance premiums may be required. A change in BankUnited's risk classification within the FDIC's risk-based assessment framework could also result in increased deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures in the future, we may be required to pay FDIC premiums higher than current levels. Any future additional assessments or increases in FDIC insurance premiums may adversely affect our financial condition or results of operations.

We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with non-affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with non-affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations increases our costs. Furthermore, we may not be able to ensure that all of our customers, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused, we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition.

General Risk Factors

Damage to our reputation could adversely affect our operating results.

Our ability to originate new business and maintain existing customer relationships is highly dependent upon customer and other external perceptions of our business practices. Adverse perceptions regarding our business practices could damage our reputation in the customer, funding and capital markets, leading to difficulties in generating and maintaining business as well as obtaining financing. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, employee relations, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Adverse developments with respect to external perceptions regarding the practices of our competitors, or our industry as a whole, or the general economic climate may also adversely impact our reputation. These perceptions about us could cause our business to be negatively affected and exacerbate the other risks that we face. In addition, adverse reputational impacts on third parties with whom we have important relationships may adversely impact our reputation. Adverse reputational impacts or events may also increase our litigation risk.

Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject, or in reducing the potential for losses in connection with such risks.

Our enterprise risk management framework is designed to identify and minimize or mitigate the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited in their ability to anticipate the existence or development of risks that are currently unknown and unanticipated. The ineffectiveness of our enterprise risk management framework in mitigating the impact of known risks or the emergence of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations.

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

Deterioration in business or economic conditions generally, or more specifically in the principal markets in which we do business, could have one or more of the following adverse effects on our business, financial condition and results of operations:

- A decrease in demand for our loan and deposit products;
- An increase in delinquencies and defaults by borrowers or counterparties;
- A decrease in the value of our assets;
- A decrease in our earnings;
- A decrease in liquidity; and
- A decrease in our ability to access the capital markets.

Our reported financial results depend on management's selection and application of accounting policies and methods and related assumptions and estimates.

Our accounting policies and estimates are fundamental to our reported financial condition and results of operations. Management is required to make difficult, complex or subjective judgments in selecting and applying many of these accounting policies. In some cases, management must select an accounting policy or method from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in us reporting materially different results than would have been reported under a different alternative.

From time to time, the FASB and SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in a restatement of prior period financial statements. See Note 1 to the consolidated financial statements for more information about recent accounting pronouncements that may have a material impact on our reported financial results.

Changes in taxes and other assessments may adversely affect us.

The legislatures and taxing authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. The effects of these changes and any other changes that result from interpreting and implementing regulations or enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business.

Tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense, filing returns and establishing the value of deferred tax assets and liabilities for purposes of its financial statements, the Company must make judgments and interpretations about the application of these inherently complex tax laws. If the judgments, estimates and assumptions the Company uses in establishing provisions, preparing its tax returns or establishing the value of deferred tax assets and liabilities for purposes of its financial statements are subsequently found to be incorrect, there could be a material effect on our financial condition and results of operations.

Our internal controls may be ineffective.

Management regularly monitors, evaluates and updates our internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our financial condition and results of operations.

Share Price Volatility

The price of our common stock may be volatile or may decline. The price of our common stock may fluctuate as a result of a number of factors, many of which are outside of management's control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies, including BankUnited, Inc. Among the factors that could affect our stock price include but are not limited to::

- actual or anticipated quarterly fluctuations in the Company's operating results and financial condition;
- changes in interest rates;
- failure to meet analysts' revenue or earnings estimates;
- changes in expectations as to our future financial performance, including financial estimates or recommendations by securities analysts and investors;
- actual or forecasted deterioration in economic conditions in our market areas or more generally;
- changes in the competitive or regulatory environment;
- actions by institutional shareholders and
- stock market volatility caused by the COVID-19 pandemic or other external events.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

BankUnited's corporate headquarters is located in leased office space in Miami Lakes, Florida. We also lease office space in Manhattan and in Melville, Long Island. At December 31, 2020, we provided banking services at 74 banking centers located in Florida and New York. In Florida, we had 70 banking centers in 14 counties. Of the 70 Florida banking centers, we leased 69 locations and owned 1 location. In New York, we leased 4 banking centers, including 2 banking centers in New York City, 1 banking center in Brooklyn and 1 banking center in Melville, Long Island.

We lease office and operations space in Hunt Valley, Maryland to house Bridge and office and operations space in Scottsdale, Arizona to house Pinnacle.

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.

PART II - FINANCIAL INFORMATION

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 trade on the NYSE under the symbol "BKU". The last sale price of our common stock on the NYSE on February 24, 2021 was $42.80 per share. As of February 24, 2021, there were 571 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 2021 annual meeting of stockholders (the "Proxy Statement") is incorporated herein by reference.

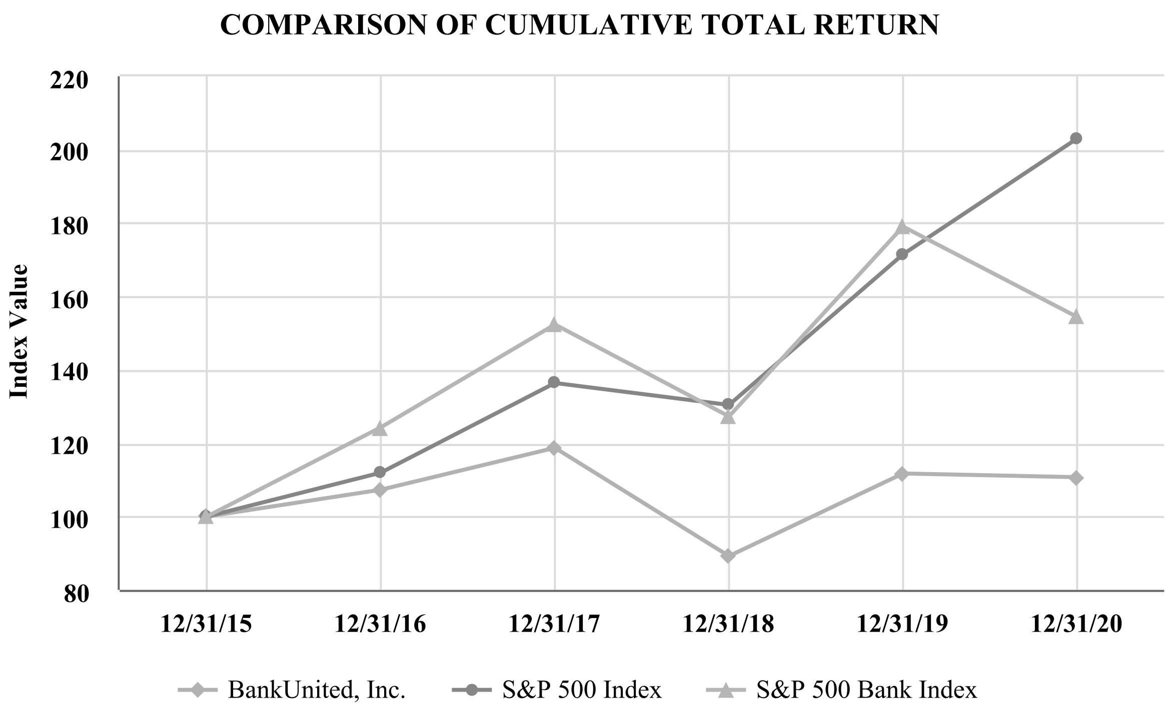
Dividend Policy

The Company declared a quarterly dividend of $0.23 per share on its common stock for each of the four quarters of 2020 and $0.21 per share for each of the four quarters of 2019, resulting in total dividends for 2020 and 2019 of $88.1 million and $83.2 million, respectively; or $0.92 and $0.84 per common share for each of the years ended December 31, 2020 and 2019. Dividends from the Bank are the principal source of funds for the payment of dividends on our common stock. The Bank is subject to certain restrictions that may limit its ability to pay dividends to us. See "Business—Regulation and Supervision—Regulatory Limits on Dividends and Distributions". The quarterly dividends on our common stock are subject to the discretion of our board of directors and dependent on, among other things, our financial condition, results of operations, capital requirements, restrictions contained in financing instruments and other factors that our board of directors may deem relevant.

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 December 31, 2015 and December 31, 2020, with the comparative cumulative total return of such amount on the S&P 500 Index and the S&P 500 Bank Index over the same period. Reinvestment of all dividends is assumed to have been made in our common stock.

The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.



Index	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
BankUnited, Inc.	100.00	107.31	118.73	89.23	111.74	110.73
S&P 500 Index	100.00	111.96	136.40	130.42	171.49	203.04
S&P 500 Bank Index	100.00	124.31	152.35	127.30	179.03	154.41

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company temporarily suspended its share repurchase program on March 16, 2020; and on January 20, 2021, the Company's Board of Directors reinstated the share repurchase program. Authorization to repurchase up to approximately $44.9 million in shares of its outstanding common stock remained under the share repurchase program at the date of the reinstatement.

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 is derived from our audited consolidated financial statements.

	At December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 397,716	$ 214,673	$ 382,073	$ 194,582	$ 448,313
Investment securities	$ 9,176,683	$ 7,769,237	$ 8,166,878	$ 6,690,832	$ 6,073,584
Loans, net	$ 23,608,719	$ 23,046,317	$ 21,867,077	$ 21,271,709	$ 19,242,441
FDIC indemnification asset	$ —	$ —	$ —	$ 295,635	$ 515,933
Operating lease equipment, net	$ 663,517	$ 698,153	$ 702,354	$ 599,502	$ 539,914
Total assets	$ 35,010,493	$ 32,871,293	$ 32,164,326	$ 30,346,986	$ 27,880,151
Deposits	$ 27,495,816	$ 24,394,591	$ 23,474,223	$ 21,878,479	$ 19,490,890
FHLB advances	$ 3,122,999	$ 4,480,501	$ 4,796,000	$ 4,771,000	$ 5,239,348
Notes and other borrowings	$ 722,495	$ 429,338	$ 402,749	$ 402,830	$ 402,809
Total liabilities	$ 32,027,481	$ 29,890,514	$ 29,240,493	$ 27,320,924	$ 25,461,722
Total stockholders' equity	$ 2,983,012	$ 2,980,779	$ 2,923,833	$ 3,026,062	$ 2,418,429

	Years Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands, except per share data)				
Consolidated Income Statement Data:					
Interest income	$1,067,609	$1,281,870	$1,449,144	$1,204,461	$1,059,217
Interest expense	315,851	529,085	399,051	254,189	188,832
Net interest income	751,758	752,785	1,050,093	950,272	870,385
Provision for credit losses	178,431	8,904	25,925	68,747	50,911
Net interest income after provision for credit losses	573,327	743,881	1,024,168	881,525	819,474
Non-interest income	133,221	147,204	132,022	157,904	106,417
Non-interest expense	457,189	487,089	740,540	634,968	590,447
Income before income taxes	249,359	403,996	415,650	404,461	335,444
Provision (benefit) for income taxes [(1)]	51,506	90,898	90,784	(209,812)	109,703
Net income	$ 197,853	$ 313,098	$ 324,866	$ 614,273	$ 225,741
Share Data:					
Earnings per common share, basic	$ 2.06	$ 3.14	$ 3.01	$ 5.60	$ 2.11
Earnings per common share, diluted	$ 2.06	$ 3.13	$ 2.99	$ 5.58	$ 2.09
Cash dividends declared per common share	$ 0.92	$ 0.84	$ 0.84	$ 0.84	$ 0.84
Dividend payout ratio	44.65 %	26.75 %	27.95 %	14.99 %	39.85 %

	As of or for the Years Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands, except per share data)				
Other Data (unaudited):					
Financial ratios					
Return on average assets	0.57 %	0.95 %	1.05 %	2.13 %	0.87 %
Return on average common equity	6.90 %	10.63 %	10.57 %	23.36 %	9.64 %
Yield on earning assets (2)	3.31 %	4.16 %	5.04 %	4.58 %	4.51 %
Cost of interest bearing liabilities	1.26 %	2.09 %	1.66 %	1.12 %	0.93 %
Tangible common equity to tangible assets	8.32 %	8.85 %	8.87 %	9.74 %	8.42 %
Net interest margin (2)	2.35 %	2.47 %	3.67 %	3.65 %	3.73 %
Loan to deposit ratio	86.89 %	95.07 %	93.78 %	98.04 %	99.72 %
Tangible book value per common share	$ 31.22	$ 30.52	$ 28.71	$ 27.59	$ 22.47
Asset quality ratios					
Non-performing loans to total loans (3)	1.02 %	0.88 %	0.59 %	0.81 %	0.70 %
Non-performing assets to total assets (3)	0.71 %	0.63 %	0.43 %	0.61 %	0.53 %
ACL to total loans	1.08 %	0.47 %	0.50 %	0.68 %	0.79 %
ACL to non-performing loans (3)	105.26 %	53.07 %	84.63 %	83.53 %	112.55 %
Net charge-offs to average loans(4)	0.26 %	0.05 %	0.28 %	0.38 %	0.13 %

	At December 31,				
	2020	2019	2018	2017	2016
Capital ratios					
Tier 1 leverage	8.63 %	8.90 %	8.99 %	9.72 %	8.41 %
CET1 risk-based capital	12.57 %	12.32 %	12.57 %	13.11 %	11.63 %
Tier 1 risk-based capital	12.57 %	12.32 %	12.57 %	13.11 %	11.63 %
Total risk-based capital	14.66 %	12.79 %	13.08 %	13.78 %	12.45 %

(1) Includes a discrete income tax benefit of $327.9 million during the year ended December 31, 2017.

(2) On a tax-equivalent basis, at a federal income tax rate of 21% for 2020, 2019 and 2018, and 35% for years 2017 and 2016.

(3) We define non-performing loans to include non-accrual loans, and loans, other than PCD loans (or ACI loans prior to 2020) and government insured residential loans that are past due 90 days or more and still accruing. Contractually delinquent PCD and government insured residential loans on which interest continues to be accrued are excluded from non-performing loans.

(3) Non-performing assets include non-performing loans, OREO and other repossessed assets.

(4) The ratio of charge-offs of taxi medallion loans to average total loans was 0.18%, 0.28% and 0.06% for the years ended December 31, 2018, 2017 and 2016, respectively.

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 subsidiary (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.

Impact of the COVID-19 Pandemic and Our Response

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Governmental authorities implemented a number of measures attempting to contain the spread and impact of COVID-19 such as travel bans and restrictions, quarantines, shelter in place orders, and limitations on business activities. While many of these restrictions are beginning to ease and economic activity has started to resume, the pandemic and these precautionary measures have negatively impacted the global and domestic economies, including in the Company's primary market areas. Certain sectors to which the

Company has credit exposure, such as travel and hospitality and retail have been particularly impacted. The response of the U.S. Government to the economic impact of the crisis was swift and broad-based. The government has taken a series of actions to support individuals, households and businesses that have been negatively impacted by the economic disruption caused by the pandemic including enactment and subsequent extension of the CARES Act. The Federal Reserve also enacted a suite of facilities using its emergency lending powers designed to support liquidity and the flow of credit. Banking regulators reduced reserve requirements and enacted rules designed to support financial institutions in their efforts to work with customers during this time. While development of vaccines and improvements in treatments for the virus are positive signs and economic indicators have shown improvement over the latter half of 2020, there remains a high level of uncertainty about the future trajectory of the virus and its ultimate impact on the economy and on our financial condition and results of operations.

A summary of the effects the COVID-19 pandemic has had on our Company and of our expectations about how our Company may be impacted in the future follows. These matters are discussed in further detail throughout this Form 10-K.

Our results of operations and financial condition at and for the year ended December 31, 2020 were impacted by the COVID-19 pandemic.

- Deterioration in economic conditions led to a higher provision for credit losses and ACL during the year ended December 31, 2020. There continues to be significant uncertainty as to the impact of the COVID-19 crisis on future credit loss expense and future levels of the ACL, but they may be more volatile and may change materially from current levels. Future levels of the ACL could be significantly impacted, in either direction, by changes in the economic outlook and by the evolving impact of COVID-19 on individual borrowers in the portfolio.
- Levels of criticized and classified assets have increased, largely as a result of the COVID-19 pandemic and its impact or potential impact on our borrowers. Additionally, a significant number of borrowers requested and were granted relief in the form of temporary payment deferrals or modifications. Risk ratings were re-evaluated for a substantial portion of the commercial portfolio during 2020, with a particular focus on portfolio segments we identified for enhanced monitoring and loans for which we granted temporary payment deferrals or modifications in light of the COVID-19 pandemic. At December 31, 2020, non-performing assets had increased to $247.6 million from $208.7 million at December 31, 2019. It is difficult to predict whether or to what extent levels of non-performing assets and delinquencies will further increase as a result of the pandemic, although they may do so. Similarly, charge-offs increased during the year ended December 31, 2020 compared to the prior year and may increase further. These impacts may manifest in a delayed fashion due to temporary payment deferrals and modifications and various forms of government assistance that our borrowers may receive.
- The level of commercial loan origination activity, outside of our participation in the PPP, was lower in 2020 as a result of the pandemic.

Volatility in our share price increased in 2020 as a result of the COVID-19 crisis. We temporarily suspended our share repurchase program in March 2020 and in June 2020 we issued $300 million in subordinated debt to strengthen our capital position during this challenging economic environment. In January 2021 our Board of Directors authorized the resumption of our suspended share repurchase program.

Although we took significant measures to prepare for possible disruptions in liquidity, we have not experienced such disruptions to date and continue to have sufficient levels of available liquidity.

The pandemic has impacted our operations. Currently, the substantial majority of our non-branch employees are working remotely. We did not experience any significant operational difficulties, technology failures or outages, or customer service disruptions in our transition to a remote work environment. 86% of our branches remain open to serve customers via drive-through or lobby appointments, in some cases operating with reduced hours. Generally, branch locations without drive-through facilities are temporarily closed. We have focused on ensuring that our technology systems and internal controls continue to operate effectively in a remote work environment. We have put mechanisms in place to allow us to evaluate all significant modifications to processes and procedures to insure continued effectiveness of our control environment. We have not identified any instances in which our control environment has failed to operate effectively.

Customer demand for our products and services, particularly lending products, has been and may continue to be negatively affected by the impact of the pandemic on their businesses or by social distancing measures. Potential borrowers impacted by the pandemic may no longer meet our underwriting criteria. Loan production in many portfolio segments may continue to be muted, at least over the first half of 2021. While we currently expect loan production to begin to grow by the second half of 2021, our ability to increase production will depend on the future trajectory of the pandemic and on the pace and timing of economic recovery.

In response to the pandemic, we have prioritized risk management and implemented a number of measures to support our customers, employees and communities. Specifically, we have:

- Activated and continue to operate under our business continuity plan under the leadership of executive management.
- Enhanced liquidity monitoring and management protocols.
- Maintained a regular cadence of Board of Directors update calls.
- Enhanced the level and frequency of pro-active outreach to borrowers and our portfolio management activities.
- Segregated certain segments of the loan portfolio for enhanced monitoring.
- Enhanced our workout and recovery staffing and processes.
- Enhanced our stress testing framework. Results of internal stress testing indicate that we have sufficient capital to withstand an increase in credit losses materially beyond levels currently expected, and to withstand a severe downturn.
- Proactively reached out to our critical third party service providers and evaluated their ability to continue to provide support in the current environment. We have experienced no significant service disruptions.
- Expanded certain employee benefits and launched a number of programs to keep our employees healthy and engaged.
- Enhanced personal protective measures for employees working at our corporate locations and begun planning for the eventual return to office of a larger percentage of our workforce, when conditions permit.
- Supported our clients through participating in the Small Business Administration’s PPP, the Federal Reserve's MSLF program and granting payment deferrals, loan modifications and fee waivers on a case-by-case basis.
- Temporarily halted new residential foreclosure actions.
- Disbursed over 150 grants to nonprofit organizations across our footprint, including an end of year donation of $100,000 to local food banks.
- Continued helping to meet the various needs of our community partners through over 1,500 employee "virtual" volunteer hours during the pandemic.

We remain confident in our long-term underlying strength and stability, and our ability to navigate these challenging conditions.

Overview

The following discussion and analysis presents the more significant factors that affected our financial condition as of December 31, 2020 and 2019 and results of operations for each of the years then ended. Refer to Item 7 "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed with the SEC on February 28, 2020 for a discussion and analysis of the more significant factors that affected periods prior to 2019.

Performance Highlights

In evaluating our financial performance, we consider the level of and trends in net interest income, the net interest margin, the cost of deposits, levels and composition of non-interest income and non-interest expense, performance ratios such as the return on average equity and return on average assets and asset quality ratios, including the ratio of non-performing loans to total loans, non-performing assets to total assets, trends in criticized and classified assets and portfolio delinquency and charge-off trends. We consider growth in earning assets and deposits, particularly non-interest bearing deposits, trends in funding mix and cost of funds. We analyze these ratios and trends against our own historical performance, our budgeted performance and the financial condition and performance of comparable financial institutions.

Performance highlights include:

- Net income for the year ended December 31, 2020 was $197.9 million, or $2.06 per diluted share, compared to $313.1 million, or $3.13 per diluted share, for the year ended December 31, 2019. For the year ended December 31, 2020, the return on average stockholders' equity was 6.9% and the return on average assets was 0.57%. Results for the year ended December 31, 2020 were negatively impacted by the application of CECL, including the impact of COVID-19 on the provision for credit losses.

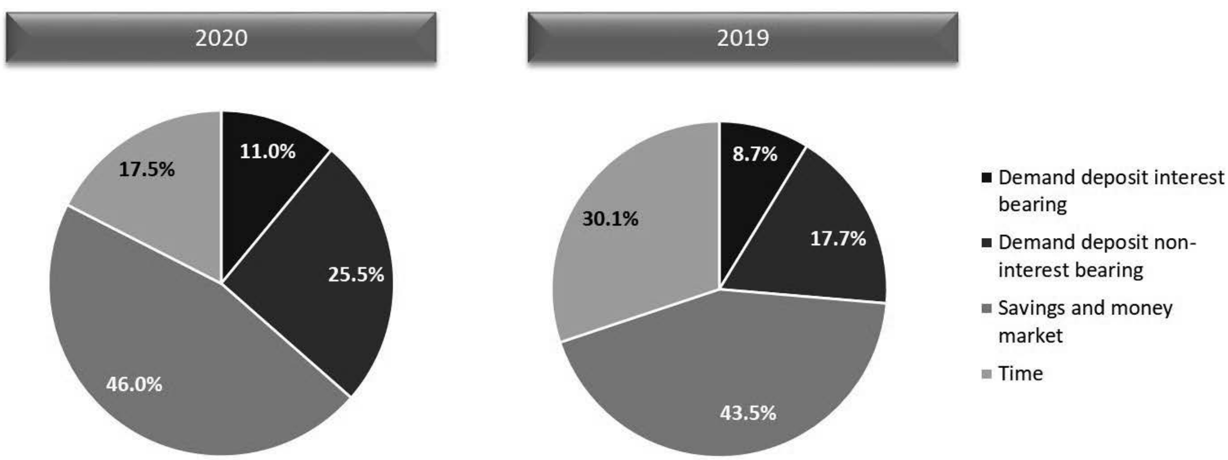
- PPNR improved to $427.8 million for the year ended December 31, 2020 from $412.9 million for the year ended December 31, 2019.

- Net interest income for the year ended December 31, 2020 was $751.8 million, essentially flat to the prior year. The net interest margin, calculated on a tax-equivalent basis, was 2.35% for the year ended December 31, 2020 compared to 2.47% for the year ended December 31, 2019.

- The provision for credit losses totaled $178.4 million for the year ended December 31, 2020. At December 31, 2020, the ACL was $257 million, or 1.08% of loans compared to $109 million or 0.47% of loans at December 31, 2019. For the year ended December 31, 2019, the Company recorded a provision for loan losses, under the incurred loss model, of $8.9 million. The increase in the provision for credit losses and the ACL resulted from the application of the CECL methodology and the impact on expected credit losses of the COVID-19 pandemic.

- The average cost of total deposits decreased to 0.77% for the year ended December 31, 2020 from 1.63% for 2019. On a spot basis, the average APY on total deposits declined to 0.36% at December 31, 2020 from 1.42% at December 31, 2019. This decline in the cost of deposits reflects both our ongoing strategy to increase non-interest bearing deposits as a percentage of total deposits and to reduce rates paid on interest-bearing deposits, as well as declines in market interest rates generally.

- Total deposits increased by $3.1 billion for the year ended December 31, 2020, of which $2.7 billion or 88% was non-interest bearing demand deposits. Non-interest bearing demand deposits increased by 63% in 2020, to 25% of total deposits at December 31, 2020. The following charts illustrate the composition of deposits at December 31, 2020 and 2019:



- Interest earning assets grew by $2.2 billion during the year ended December 31, 2020. Loans grew by $711 million; we saw growth in PPP loans and the residential and mortgage warehouse portfolio sub-segments while other portfolio sub-segments declined. Investment securities grew by $1.4 billion as liquidity was deployed into the securities portfolio in a challenging credit environment.

- Loans on deferral totaled $207 million or less than 1% of total loans at December 31, 2020. Loans modified under the CARES Act totaled $587 million at December 31, 2020. In the aggregate, this represents $794 million or 3% of the total loan portfolio at December 31, 2020, down from $3.6 billion or 15% of total loans that were granted an initial 90 day deferral as reported at the end of the second quarter. See section entitled "Asset Quality—Payment Deferrals and Modifications" for further details.

- During the second quarter of 2020, the Company completed an underwritten public offering of $300 million aggregate principal amount of its 5.125% subordinated notes, augmenting Tier 2 capital.

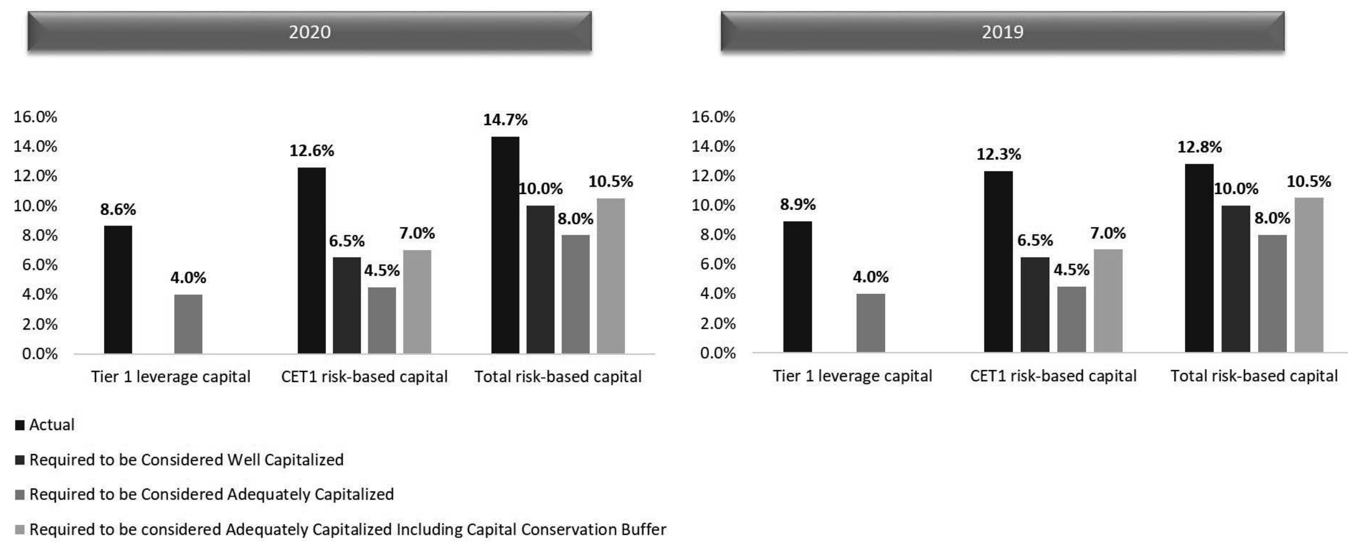
- During the year ended December 31, 2020, the Company repurchased approximately 3.3 million shares of its common stock for an aggregate purchase price of $101 million, at a weighted average price of $30.36. The Company temporarily suspended its share repurchase program on March 16, 2020. On January 20, 2021, the Company's Board of Directors reinstated the share repurchase program. Authorization to repurchase up to approximately $44.9 million in shares of its outstanding common stock remains under the program.

- In the first quarter of 2020, the Company increased its quarterly cash dividend by $0.02 to $0.23 per share, reflecting a 10% increase from the previous quarterly cash dividend of $0.21 per share and has maintained that quarterly dividend level throughout 2020.

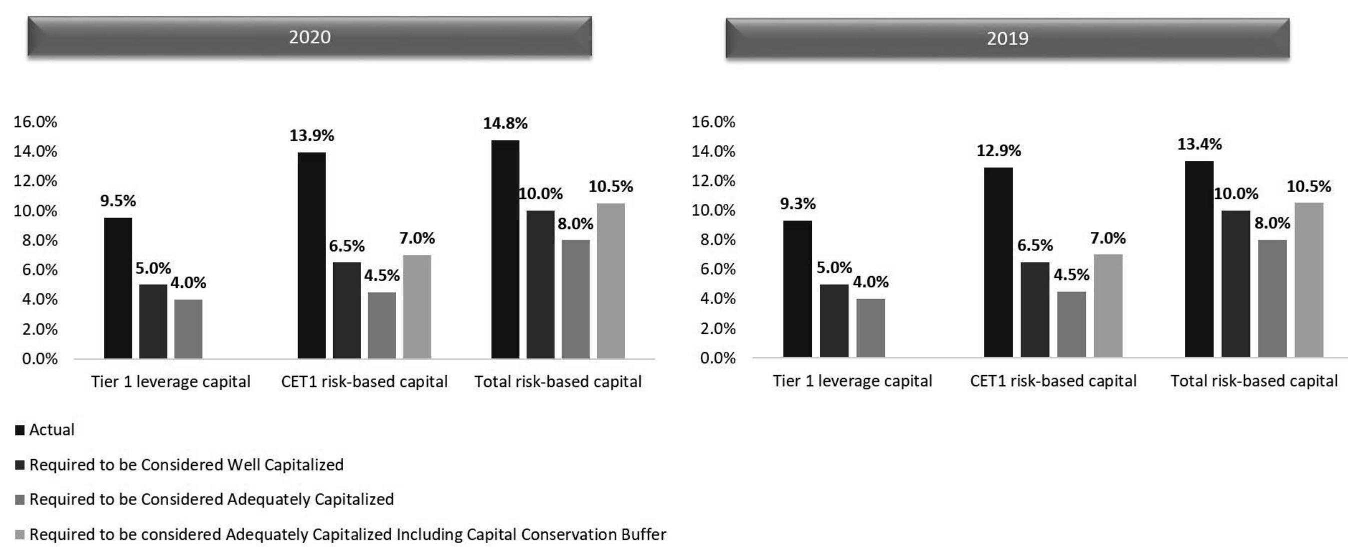
- Book value per common share grew to $32.05 at December 31, 2020 from $31.33 at December 31, 2019 while tangible book value per common share increased to $31.22 from $30.52 over the same period.

- The Company's and the Bank's capital ratios exceeded all regulatory "well capitalized" guidelines. The charts below present the Company's and the Bank's regulatory capital ratios compared to regulatory guidelines at December 31, 2020 and 2019:

BankUnited, Inc.



BankUnited, N.A.:



Strategic Priorities

Management has identified the following strategic priorities for our Company:

- Maximizing risk adjusted returns through a combination of sustainable, diversified and prudently managed organic growth and capital optimization.
- Growing core deposit relationships.
- Building a foundational and scalable small business and middle-market franchise.
- Emphasizing growth in areas where our delivery model is a differentiator.
- Continuing to execute on our BankUnited 2.0 revenue generating initiatives.
- Investing in digital capabilities, automation and data analytics.
- Maintaining an efficient, effective and scalable support model through operational excellence.
- Monitoring the M&A landscape while growing organically.

Some of the challenges confronting our Company, which may also impact the banking industry more broadly, include:

- The current interest rate environment, characterized by generally low interest rates, and relatively tight spreads, may impact our ability to achieve margin expansion.
- The impact of the ongoing COVID-19 crisis on the economy, our borrowers, our employees and the work environment and demand for our products and services.
- Regulatory changes and other policy implications that may follow the recent change in the political landscape.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP and follow general practices within the banking industry. Application of these principles requires management to make complex and subjective estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable and appropriate under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. We believe that the critical accounting policies and estimates discussed below involve a heightened level of management judgment due to the complexity, subjectivity and sensitivity involved in their application.

Note 1 to the consolidated financial statements contains a further discussion of our significant accounting policies.

ACL

The ACL represents management's estimate of current expected credit losses, or the amount of amortized cost basis not expected to be collected, on our loan portfolio and the amount of credit loss impairment on our AFS securities portfolio. Determining the amount of the ACL is considered a critical accounting estimate because of its complexity and because it requires extensive judgment and estimation. Estimates that are particularly susceptible to change that may have a material impact on the amount of the ACL include:

- our evaluation of current conditions;
- our determination of a reasonable and supportable economic forecast;
- our evaluation of historical loss experience;
- our evaluation of changes in composition and characteristic of the loan portfolio, including internal risk ratings;
- our estimate of expected prepayments;
- the value of underlying collateral, which may impact loss severity and certain cash flow assumptions for collateral-dependent, criticized and classified loans;
- our selection and evaluation of qualitative factors;
- the amount and timing of expected future cash flows from PCD loans; and
- our estimate of expected cash flows on AFS debt securities in unrealized loss positions.

Note 1 to the consolidated financial statements describes the methodology used to determine the ACL.

Recent Accounting Pronouncements

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

Results of Operations

Net Interest Income

Net interest income is the difference between interest earned on interest earning assets and interest incurred on interest bearing liabilities and is the primary driver of core earnings. Net interest income is impacted by the mix of interest earning assets and interest bearing liabilities, the ratio of interest earning assets to total assets and of interest bearing liabilities to total funding sources, movements in market interest rates, the shape of the yield curve, levels of non-performing assets and pricing pressure from competitors.

The mix of interest earning assets is influenced by loan demand, market and competitive conditions in our primary lending markets, by management's continual assessment of the rate of return and relative risk associated with various classes of earning assets and liquidity considerations. The mix of interest bearing liabilities is influenced by the Company's liquidity profile, management's assessment of the desire for lower cost funding sources weighed against relationships with customers and growth expectations, our ability to attract and retain core deposit relationships, competition for deposits in the Company's markets and the availability and pricing of other sources of funds.

The following table presents, for the years ended December 31, 2020, 2019 and 2018, information about (i) average balances, the total dollar amount of taxable equivalent interest income from earning assets and the resultant average yields; (ii) average balances, the total dollar amount of interest expense on interest bearing liabilities and the resultant average rates; (iii) net interest income; (iv) the interest rate spread; and (v) the net interest margin. Non-accrual and restructured loans are included in the average balances presented in this table; however, interest income foregone on non-accrual loans is not included. Interest income, yields, spread and margin have been calculated on a tax-equivalent basis for loans and investment securities that are exempt from federal income taxes, at a federal tax rate of 21% (dollars in thousands):

	2020			2019			2018		
	Average Balance	Interest (1)	Yield/ Rate (1)	Average Balance	Interest (1)	Yield/ Rate (1)	Average Balance	Interest(1)	Yield/ Rate(1)
Assets:									
Interest earning assets:									
Loans	$23,385,832	$ 879,082	3.76 %	$22,553,250	$ 998,130	4.43 %	21,597,142	1,215,749	5.63 %
Investment securities (2)	8,739,023	196,954	2.25 %	8,231,858	284,849	3.46 %	7,124,372	238,602	3.35 %
Other interest earning assets	672,634	9,578	1.42 %	555,992	19,902	3.58 %	506,154	17,812	3.52 %
Total interest earning assets	32,797,489	1,085,614	3.31 %	31,341,100	1,302,881	4.16 %	29,227,668	1,472,163	5.04 %
Allowance for credit losses	(236,704)			(112,890)			(136,758)		
Non-interest earning assets	1,860,322			1,625,579			1,878,284		
Total assets	$34,421,107			$32,853,789			$30,969,194		
Liabilities and Stockholders' Equity:									
Interest bearing liabilities:									
Interest bearing demand deposits	$ 2,582,951	19,445	0.75 %	$ 1,824,803	25,054	1.37 %	$ 1,627,828	18,391	1.13 %
Savings and money market deposits	10,843,894	85,572	0.79 %	10,922,819	197,942	1.81 %	10,634,970	146,324	1.38 %
Time deposits	6,617,939	94,963	1.43 %	6,928,499	162,184	2.34 %	6,617,006	119,848	1.81 %
Total interest bearing deposits	20,044,784	199,980	1.00 %	19,676,121	385,180	1.96 %	18,879,804	284,563	1.51 %
Federal funds purchased	71,858	418	0.58 %	124,888	2,802	2.24 %	48,940	1,035	2.11 %
FHLB and PPPLF borrowings	4,295,882	85,491	1.99 %	5,089,524	119,901	2.36 %	4,637,247	92,234	1.99 %
Notes and other borrowings	592,521	29,962	5.06 %	403,704	21,202	5.25 %	402,795	21,219	5.27 %
Total interest bearing liabilities	25,005,045	315,851	1.26 %	25,294,237	529,085	2.09 %	23,968,786	399,051	1.66 %
Non-interest bearing demand deposits	5,760,309			3,950,612			3,389,191		
Other non-interest bearing liabilities	786,337			662,590			538,575		
Total liabilities	31,551,691			29,907,439			27,896,552		
Stockholders' equity	2,869,416			2,946,350			3,072,642		
Total liabilities and stockholders' equity	$34,421,107			$32,853,789			$30,969,194		
Net interest income		$ 769,763			$ 773,796			$ 1,073,112	
Interest rate spread			2.05 %			2.07 %			3.38 %
Net interest margin			2.35 %			2.47 %			3.67 %

(1) On a tax-equivalent basis where applicable. The tax-equivalent adjustment for tax-exempt loans was $14.9 million, $16.7 million, and $17.5 million and the tax-equivalent adjustment for tax-exempt investment securities was $3.1 million, $4.3 million and $5.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

(2) At fair value except for securities held to maturity.

Increases and decreases in interest income, calculated on a tax-equivalent basis, and interest expense result from changes in average balances (volume) of interest earning assets and liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest earning assets and the interest incurred on our interest bearing liabilities for the years indicated. The effect of changes in volume is determined by multiplying the change in volume by the previous year's average rate. Similarly, the effect of rate changes is calculated by multiplying the change in average rate by the previous year's volume. Changes applicable to both volume and rate have been allocated to volume (in thousands):

	2020 Compared to 2019			2019 Compared to 2018		
	Change Due to Volume	Change Due to Rate	Increase (Decrease)	Change Due to Volume	Change Due to Rate	Increase (Decrease)
Interest Income Attributable to:						
Loans	$ 32,059	$ (151,107)	$ (119,048)	$ 41,547	$ (259,166)	$ (217,619)
Investment securities	11,710	(99,605)	(87,895)	38,410	7,837	46,247
Other interest earning assets	1,685	(12,009)	(10,324)	1,786	304	2,090
Total interest earning assets	45,454	(262,721)	(217,267)	81,743	(251,025)	(169,282)
Interest Expense Attributable to:						
Interest bearing demand deposits	5,705	(11,314)	(5,609)	2,756	3,907	6,663
Savings and money market deposits	(957)	(111,413)	(112,370)	5,888	45,730	51,618
Time deposits	(4,172)	(63,049)	(67,221)	7,266	35,070	42,336
Total interest bearing deposits	576	(185,776)	(185,200)	15,910	84,707	100,617
Federal funds purchased	(311)	(2,073)	(2,384)	1,703	64	1,767
FHLB and PPPLF borrowings	(15,579)	(18,831)	(34,410)	10,509	17,158	27,667
Notes and other borrowings	9,527	(767)	8,760	64	(81)	(17)
Total interest expense	(5,787)	(207,447)	(213,234)	28,186	101,848	130,034
Increase (decrease) in net interest income	$ 51,241	$ (55,274)	$ (4,033)	$ 53,557	$ (352,873)	$ (299,316)

Net interest income, calculated on a tax-equivalent basis, was $769.8 million for the year ended December 31, 2020 compared to $773.8 million for the year ended December 31, 2019, a decrease of $4.0 million. The decrease in net interest income was comprised of decreases in tax-equivalent interest income and in interest expense of $217.3 million and $213.2 million, respectively, for the year ended December 31, 2020, compared to the year ended December 31, 2019. The decrease in tax-equivalent interest income was driven primarily by decreases in interest income from loans and investment securities of $119.0 million and $87.9 million, respectively, for the year ended December 31, 2020 compared to the year ended December 31, 2019. These decreases resulted from declines in market interest rates including the impact of repayment of assets originated in a higher rate environment, partially offset by increases in average interest earning assets. The decline in interest expense on deposits was the largest component of the overall decline in interest expense and reflected decreases in the level of market interest rates as well as the impact of our strategy focused on improving the deposit mix and reducing the rates paid on deposits.

The net interest margin, calculated on a tax-equivalent basis, was 2.35% for the year ended December 31, 2020, compared to 2.47% for the year ended December 31, 2019. The decline in the yield on interest earning assets outpaced the reduction in cost of interest bearing liabilities for the year.

Offsetting factors contributing to the decrease in the net interest margin for the year ended December 31, 2020 compared to the year ended December 31, 2019 included:

- The tax-equivalent yield on investment securities decreased to 2.25% for the year ended December 31, 2020, from 3.46% for the year ended December 31, 2019. This decrease resulted from the impact of purchases of lower-yielding securities, prepayments of higher yielding mortgage-backed securities and decreases in coupon interest rates on existing floating rate assets.

- The tax-equivalent yield on loans decreased to 3.76% for the year ended December 31, 2020, from 4.43% for the year ended December 31, 2019. Factors contributing to this decrease included the decline in benchmark interest rates which impacted the rates earned on both existing floating rate assets and new production, the addition of lower yielding PPP loans, and the runoff of loans originated in a higher rate environment..

- The average rate paid on interest bearing deposits decreased to 1.00% for the year ended December 31, 2020, from 1.96% for the year ended December 31, 2019. This decline reflected continued initiatives taken to lower rates paid on deposits in response to declines in general market interest rates and the re-pricing of term deposits. We expect the cost of interest bearing deposits to continue to decline.

- The average rate paid on FHLB and PPPLF borrowings declined to 1.99% for the year ended December 31, 2020 from 2.36% for the year ended December 31, 2019, reflecting declines in market interest rates and the impact of PPPLF borrowings priced at rates lower than the average paid on FHLB advances.
- The increase in average non-interest bearing demand deposits as a percentage of average total deposits positively impacted the cost of total deposits and the net interest margin.

Provision for Credit Losses

The provision for credit losses is a charge to earnings required to maintain the ACL at a level consistent with management's estimate of expected credit losses on financial assets carried at amortized cost at the balance sheet date. The amount of the provision is impacted by changes in current economic conditions as well as in management's reasonable and supportable economic forecast, loan originations and runoff, changes in portfolio mix, risk rating migration and portfolio seasoning, changes in specific reserves, changes in expected prepayment speeds and other assumptions. The provision for credit losses also includes amounts related to off-balance sheet credit exposures, accrued interest receivable and AFS debt securities.

The following table presents the components of the provision for credit losses for the year ended December 31, 2020 (in thousands):

Amount related to funded portion of loans	$	182,339
Amount related to off-balance sheet credit exposures		(5,572)
Amount related to accrued interest receivable		1,300
Provision for credit losses - AFS debt securities		364
Total provision for credit losses	$	178,431

The provision for credit losses for the year ended December 31, 2020 was determined using the CECL methodology and included management's estimate of the expected negative economic impact of the COVID-19 pandemic. For the year ended December 31, 2019, the Company recorded a provision for loan losses, under the incurred loss methodology of $8.9 million. The increase in the provision for credit losses for the year ended December 31, 2020 compared to the provision for loan losses for the year ended December 31, 2019 resulted from both the adoption of the CECL methodology and the impact of COVID-19.

The evolving COVID-19 situation may lead to increased volatility in the provision for credit losses and if economic conditions or forecasts deteriorate further as a result of COVID-19, the provision for credit losses and the ACL will likely increase.

The determination of the amount of the ACL is complex and involves a high degree of judgment and subjectivity. See "Analysis of the Allowance for Credit Losses" below and Note 1 to the Consolidated Financial Statements for more information about how we determine the appropriate level of the ACL.

Non-Interest Income

The following table presents a comparison of the categories of non-interest income for the years ended December 31, 2020, 2019, and 2018 (in thousands):

	2020	2019	2018
Deposit service charges and fees	$ 16,496	$ 16,539	$ 14,412
Gain on sale of loans:			
Gain on sale of covered loans	—	—	5,732
Guaranteed portions of SBA loans	1,880	4,756	8,634
GNMA early buyout loans	11,274	4,751	1,156
Other	16	2,612	342
Gain on sale of loans, net	13,170	12,119	15,864
Gain on investment securities:			
Net realized gains on sale of securities AFS	14,001	18,537	6,103
Net unrealized gains (losses) on marketable equity securities	3,766	2,637	(2,944)
Gain on investment securities, net	17,767	21,174	3,159
Lease financing	59,112	66,631	61,685
Other non-interest income	26,676	30,741	36,902
	$ 133,221	$ 147,204	$ 132,022

Deposit service charges for the year ended December 31, 2020 were impacted by fee waivers and lower levels of activity related to COVID-19.

The increase in gain on sale of GNMA early buyout loans for the year ended December 31, 2020 compared to 2019 resulted from an increase in the volume of activity.

The decrease in gains on guaranteed portions of SBA loans for the year ended December 31, 2020 compared to 2019 was a result of declining origination volume of SBA loans as resources were re-directed to the PPP. The gain on sale of other loans in 2019 was primarily related to a gain on sale of Pinnacle loans totaling $2.4 million.

The decrease in income from lease financing for the year ended December 31, 2020 compared to the year ended December 31, 2019 was primarily attributed to the increase in operating lease equipment off-lease and re-leasing of assets at lower rates.

The most significant factor leading to the decrease in other non-interest income for the year ended December 31, 2020 compared to the year ended December 31, 2019 was lower revenue from interest rate derivative contracts with our commercial borrowers.

Non-Interest Expense

The following table presents the components of non-interest expense for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Employee compensation and benefits	$ 217,156	$ 235,330	$ 254,997
Occupancy and equipment	48,237	56,174	55,899
Amortization of FDIC indemnification asset	—	—	261,763
Deposit insurance expense	21,854	16,991	18,984
Professional fees	11,708	20,352	16,539
Technology and telecommunications	58,108	47,509	35,136
Depreciation of operating lease equipment	49,407	48,493	40,025
Loss on debt extinguishment	—	3,796	—
Other non-interest expense	50,719	58,444	57,197
Total non-interest expense	$ 457,189	$ 487,089	740,540
Less:			
Amortization of FDIC indemnification	—	—	(261,763)
Depreciation of operating lease equipment	(49,407)	(48,493)	(40,025)
Loss on debt extinguishment	—	(3,796)	—
Costs incurred directly related to implementation of BankUnited 2.0	(1,188)	(14,802)	(1,899)
COVID-19 expenses	(4,758)	—	—
Recurring operating expenses (1)	$ 401,836	$ 419,998	$ 436,853

(1) Recurring operating expenses is a non-GAAP measure. See section entitled "Non-GAAP Financial Measures" below for reconciliation of non-GAAP financial measurements to their comparable GAAP financial measurements.

Employee compensation and benefits

Employee compensation and benefits declined by $18.2 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to a reduction in headcount related to our BankUnited 2.0 initiative. Lower variable compensation costs and the impact of a declining stock price on liability-classified awards also contributed to reduced expense levels.

Occupancy and equipment

Occupancy and equipment decreased by $7.9 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decreases were a result of cost reductions stemming from our BankUnited 2.0 initiative.

Deposit insurance expense

Deposit insurance expense increased by $4.9 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, reflecting an increase in the assessment rate.

Professional fees

Professional fees decreased by $8.6 million for the year ended December 31, 2020 as compared to the year ended year ended December 31, 2019. The decrease was primarily due to the consulting services in 2019 related to our BankUnited 2.0 initiative.

Technology and telecommunications

Technology and telecommunications increased by $10.6 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019. This increase is reflective of investments in digital and data analytics capabilities and in the infrastructure to support cloud migration as well as some costs directly related to the COVID-19 pandemic.

Other non-interest expense

The most significant components of other non-interest expense are advertising, promotion and business development, costs related to lending activities, loan servicing and deposit generation, insurance, expenses related to workouts and foreclosures, regulatory examination assessments, travel and general office expense. Decreases are related to our BankUnited 2.0 initiative, and in some cases, reduced levels of activity stemming from the COVID pandemic.

Expenses related directly to COVID-19 for year ended December 31, 2020 included technology and consulting costs related to our participation in the PPP; laptops and other equipment to facilitate employees working remotely; costs related to cleaning, sanitizing and personal protective equipment; other facilities expenses related to preparation for an eventual return of more employees to our offices; and an accrual for rollover vacation days provided to employees.

Income Taxes

The provision for income taxes for the years ended December 31, 2020 and 2019 was $51.5 million and $90.9 million, respectively. The Company's effective income tax rate was 20.7% and 22.5% for the years ended December 31, 2020 and 2019, respectively.

See Note 9 to the consolidated financial statements for information about income taxes.

Analysis of Financial Condition

Average interest-earning assets increased $1.5 billion to $32.8 billion for the year ended December 31, 2020 from $31.3 billion for the year ended December 31, 2019. This increase was driven by an $833 million increase in the average balance of outstanding loans, related in part to PPP loans originated in 2020. Average interest bearing liabilities declined by $289 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, while average non-interest bearing deposits increased by $1.8 billion to $5.8 billion for the year ended December 31, 2020.

Total deposits increased by $3.1 billion at December 31, 2020 compared to December 31, 2019, while total borrowings declined by $1.0 billion. Investment securities increased by $1.4 billion and total loans increased by $711 million. Investment securities represented 26% of total assets at December 31, 2020 compared to 24% of total assets at December 31, 2019. This is reflective of the deployment of liquidity into the securities portfolio in the challenging lending environment predicated by the COVID-19 pandemic.

Investment Securities

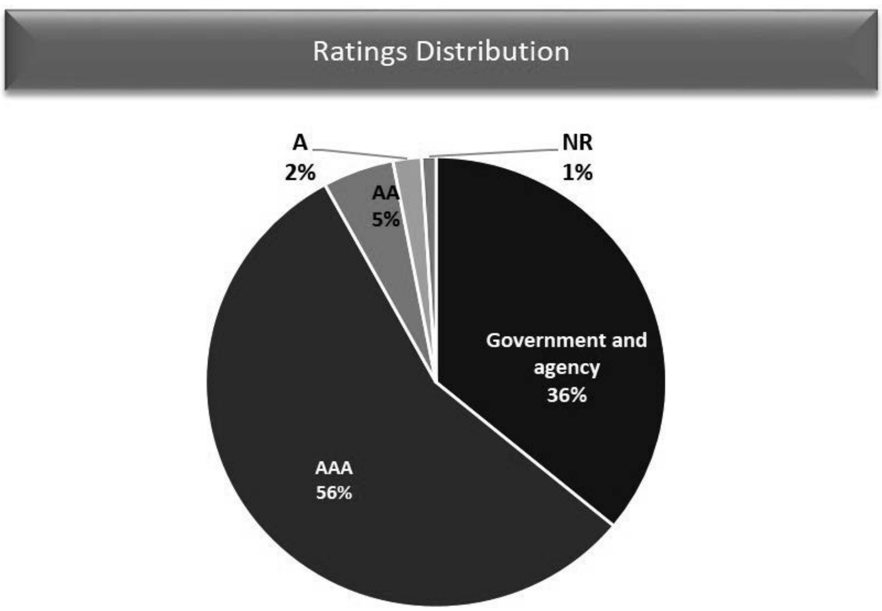
The following table shows the amortized cost and carrying value, which, with the exception of investment securities held to maturity, is fair value, of investment securities at December 31, 2020 and 2019:

	2020		2019	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
U.S. Treasury securities	$ 79,919	$ 80,851	$ 70,243	$ 70,325
U.S. Government agency and sponsored enterprise residential MBS	2,389,450	2,405,570	2,018,853	2,022,175
U.S. Government agency and sponsored enterprise commercial MBS	531,724	539,354	366,787	370,976
Private label residential MBS and CMOs	982,890	998,603	1,001,337	1,012,177
Private label commercial MBS[(1)]	2,514,271	2,526,354	1,719,228	1,724,684
Single family rental real estate-backed securities	636,069	650,888	467,459	470,025
Collateralized loan obligations	1,148,724	1,140,274	1,204,905	1,197,366
Non-mortgage asset-backed securities	246,597	253,261	194,171	194,904
State and municipal obligations	213,743	235,709	257,528	273,302
SBA securities	233,387	231,545	359,808	362,731
Investment securities held to maturity	10,000	10,000	10,000	10,000
	$ 8,986,774	9,072,409	$ 7,670,319	7,708,665
Marketable equity securities		104,274		60,572
		$ 9,176,683		$ 7,769,237

(1) Amortized cost is net of ACL totaling $0.4 million at December 31, 2020.

Our investment strategy has focused on insuring adequate liquidity, maintaining a suitable balance of high credit quality, diverse assets, managing interest rate risk, and generating acceptable returns given our established risk parameters. We have sought to maintain liquidity by investing a significant portion of the portfolio in high quality liquid securities including U.S. Treasury and U.S. Government Agency and sponsored enterprise securities. Investment grade municipal securities provide liquidity and attractive tax-equivalent yields. We have also invested in highly rated structured products, including private-label commercial and residential MBS, collateralized loan obligations, single family rental real estate-backed securities and non-mortgage asset-backed securities that, while somewhat less liquid, provide us with attractive yields. Relatively short effective portfolio duration helps mitigate interest rate risk. Based on the Company's assumptions, the estimated weighted average life of the investment portfolio as of December 31, 2020 was 4.8 years. The effective duration of the investment portfolio as of December 31, 2020 was 1.5 years. The model results are based on assumptions that may differ from actual results.

The investment securities available for sale portfolio was in a net unrealized gain position of $85.6 million at December 31, 2020, with aggregate fair value equal to 101% of amortized cost. The portfolio has recovered in value from a net realized loss position of $249.8 million at March 31, 2020 that resulted from uncertainty and volatility in the markets immediately following the onset of the COVID-19 pandemic. Unrealized losses at March 31, 2020 were primarily concentrated in the CLO and Private Label CMBS asset classes. Net unrealized gains at December 31, 2020 included $117.1 million of gross unrealized gains and $31.4 million of gross unrealized losses. Investment securities available for sale in an unrealized loss position at December 31, 2020 had an aggregate fair value of $3.3 billion. The majority of the unrealized losses at December 31, 2020 related to the private label CMBS and CLO portfolio segments. The ratings distribution of our AFS securities portfolio at December 31, 2020 is depicted in the chart below:



We evaluate the credit quality of individual securities in the portfolio quarterly to determine whether we expect to recover the amortized cost basis of the investments in unrealized loss positions. 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:

- Whether we intend to sell the security prior to recovery of its amortized cost basis;
- Whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis;
- The extent to which fair value is less than amortized cost;
- Adverse conditions specifically related to the security, an industry or geographic area;
- Changes in the financial condition of the issuer or underlying loan obligors;
- The payment structure and remaining payment terms of the security, including levels of subordination or over-collateralization;

- Failure of the issuer to make scheduled payments;
- Changes in credit ratings;
- Relevant market data;
- Estimated prepayments, defaults, and the value and performance of underlying collateral at the individual security level.

An ACL of $0.4 million was recorded related to one private label CMBS security during the year ended December 31, 2020. This security is not projected to sustain credit losses and management does not intend to sell the security at the balance sheet date. However, due to negative underlying collateral performance trends the security is being closely monitored and management may determine not to hold the security until full recovery of its amortized cost basis. No securities were determined to be other than temporarily impaired during the year ended December 31, 2019. We do not intend to sell securities in significant unrealized loss positions at December 31, 2020. Based on an assessment of our liquidity position and internal and regulatory guidelines for permissible investments and concentrations, it is not more likely than not that we will be required to sell securities in significant unrealized loss positions prior to recovery of amortized cost basis, which may be at maturity.

The timely payment of principal and interest on securities issued by the U.S. government, U.S. government agencies and U.S. government sponsored enterprises is explicitly or implicitly guaranteed by the U.S. Government. As such, there is an assumption of zero credit loss and the Company expects to recover the entire amortized cost basis of these securities.

None of our private label securities in unrealized loss positions had missed principal or interest payments or had been downgraded by a NRSRO at December 31, 2020. The Company performed an analysis comparing the present value of cash flows expected to be collected to the amortized cost basis of impaired securities. This analysis was based on a scenario that we believe to be generally more severe than our reasonable and supportable economic forecast at December 31, 2020, and incorporated assumptions about voluntary prepayment rates, collateral defaults, delinquencies, severity and other relevant factors. Our analysis also considered the structural characteristics of each security and the level of credit enhancement provided by that structure. Based on the results of this analysis, none of the private label AFS securities in unrealized loss positions were projected to sustain credit losses at December 31, 2020. Further information about the portfolio segments evidencing the largest unrealized losses at December 31, 2020, the private label CMBS and CLO portfolio segments, follows.

For private label CMBS, our analysis of cash flows expected to be collected incorporated assumptions about collateral default rates, voluntary prepayment rates, loss severity, delinquencies and recovery lag. In developing those assumptions, we took into account collateral quality and type, loan size, loan purpose and other qualitative factors. We also regularly monitor collateral watchlists, bankruptcy data, special servicing trends, delinquency and other economic data which would indicate further stress in the sector.

For CLOs, our analysis of cash flows expected to be collected incorporated assumptions about collateral default rates, loss severity, and delinquencies, calibrated to take into account idiosyncratic risks associated with the underlying collateral. In developing those assumptions, we took into account each sector's performance pre, during and post the 2008 financial crisis. We regularly engage with bond managers to monitor trends in underlying collateral including potential downgrades and subsequent cash flow diversions, liquidity, ratings migration, and any other relevant developments.

The following table presents the distribution of third-party ratings and subordination levels compared to average stress scenario losses based on our credit loss impairment analysis of the private label CMBS and CLOs at December 31, 2020:

			Subordination			
	Rating	**Percent of Total**	**Minimum**	**Maximum**	**Average**	**Weighted Average Stress Scenario Loss**
Private label CMBS	AAA	89.5 %	27.9 %	96.3 %	41.9 %	12.0 %
	AA	7.0 %	19.1 %	52.2 %	34.5 %	11.2 %
	A	3.5 %	21.5 %	80.9 %	38.0 %	10.9 %
Weighted average		100.0 %	27.1 %	92.7 %	41.3 %	11.9 %
CLOs	AAA	83.6 %	36.0 %	48.4 %	43.3 %	20.4 %
	AA	12.9 %	26.9 %	40.7 %	32.5 %	23.0 %
	A	3.5 %	24.5 %	29.9 %	26.5 %	23.0 %
Weighted average		100.0 %	34.5 %	46.8 %	41.3 %	20.8 %

For further discussion of our analysis of impaired investment securities AFS for credit loss impairment see Note 3 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 ensure that we have a thorough understanding of the methodologies and assumptions used by the pricing services including obtaining and reviewing written documentation of the methods and assumptions employed, conducting interviews with valuation desk personnel and reviewing model results and detailed assumptions used to value selected securities as considered necessary. Our classification of prices within the fair value hierarchy is based on an evaluation of the nature of the significant assumptions impacting the valuation of each type of security in the portfolio. We have established a robust price challenge process that includes a review by our treasury front office of all prices provided on a monthly basis. Any price evidencing unexpected month over month fluctuations or deviations from our expectations based on recent observed trading activity and other information available in the marketplace that would impact the value of the security is challenged. Responses to the price challenges, which generally include specific information about inputs and assumptions incorporated in the valuation and their sources, are reviewed in detail. If considered necessary to resolve any discrepancies, a price will be obtained from additional independent valuation sources. We do not typically adjust the prices provided, other than through this established challenge process. Our primary pricing services utilize observable inputs when available, and employ unobservable inputs and proprietary models only when observable inputs are not available. As a matter of course, the services validate prices by comparison to recent trading activity whenever such activity exists. Quotes obtained from the pricing services are typically non-binding.

We also have a quarterly price validation process to assess the propriety of the pricing methodologies utilized by our primary pricing services by independently verifying the prices of 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. 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 source to price the security in question. Pricing issues identified through this evaluation are addressed with the applicable pricing service and methodologies or inputs are revised as determined necessary. Depending on the results of the validation process, sample sizes may be extended for particular classes of securities. Results of the validation process are reviewed by the treasury front office and by senior management.

The majority of our investment securities are classified within level 2 of the fair value hierarchy. U.S. Treasury securities and marketable equity securities are classified within level 1 of the hierarchy. We continue to monitor the impact of the COVID-19 pandemic on markets, and on our ability to price securities in our portfolio. While, particularly at the onset of the pandemic, we observed increased volatility and dislocation, we believe the fiscal and monetary response to the crisis has been effective in supporting liquidity and stabilizing markets. To date, circumstances have not led to a change in the categorization of our fair value estimates within the fair value hierarchy.

For additional discussion of the fair values of investment securities, see Note 14 to the consolidated financial statements.

The following table shows the weighted average prospective yields, categorized by scheduled maturity, for AFS investment securities as of December 31, 2020. Scheduled maturities have been adjusted for anticipated prepayments when applicable. Yields on tax-exempt securities have been calculated on a tax-equivalent basis, based on a federal income tax rate of 21%:

	Within One Year	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
U.S. Treasury securities	1.28 %	— %	— %	— %	1.28 %
U.S. Government agency and sponsored enterprise residential MBS	0.91 %	0.85 %	0.80 %	0.76 %	0.83 %
U.S. Government agency and sponsored enterprise commercial MBS	1.68 %	1.75 %	1.13 %	1.30 %	1.22 %
Private label residential MBS and CMOs	3.07 %	2.72 %	2.51 %	2.35 %	2.79 %
Private label commercial MBS	2.42 %	1.96 %	2.27 %	2.68 %	2.04 %
Single family rental real estate-backed securities	2.72 %	2.38 %	2.03 %	— %	2.30 %
Collateralized loan obligations	1.43 %	1.87 %	2.18 %	— %	1.87 %
Non-mortgage asset-backed securities	2.62 %	2.46 %	2.04 %	— %	2.45 %
State and municipal obligations	2.53 %	3.77 %	3.99 %	4.08 %	3.99 %
SBA securities	1.31 %	1.27 %	1.20 %	1.10 %	1.25 %
	2.11 %	1.83 %	1.59 %	1.45 %	1.78 %

Loans Held for Sale

Loans held for sale at December 31, 2020 included $4 million of the guaranteed portion of SBA loans held for sale in the secondary market and $21 million of other commercial loans transferred to held for sale. At December 31, 2019, loans held for sale included $28.6 million of the SBA loans held for sale and $9.3 million of other commercial loans. SBA loans are generally sold with servicing retained. Due in large part to the focus on PPP lending by our internal resources and the SBA during the year, the origination volume of traditional SBA loans declined.

Loans

The loan portfolio comprises the Company's primary interest-earning asset. The following tables show the composition of the loan portfolio at December 31, 2020 and 2019 (dollars in thousands):

	2020		2019	
	Total	Percent of Total	Total	Percent of Total
Residential and other consumer loans	$ 6,348,222	26.6 %	$ 5,661,119	24.5 %
Multi-family	1,639,201	6.9 %	2,217,705	9.6 %
Non-owner occupied commercial real estate	4,963,273	20.8 %	5,030,904	21.7 %
Construction and land	293,307	1.2 %	243,925	1.1 %
Owner occupied commercial real estate	2,000,770	8.4 %	2,062,808	8.9 %
Commercial and industrial	4,447,383	18.6 %	4,655,349	20.1 %
PPP	781,811	3.3 %	—	— %
Pinnacle	1,107,386	4.6 %	1,202,430	5.2 %
Bridge - franchise finance	549,733	2.3 %	627,482	2.6 %
Bridge - equipment finance	475,548	2.0 %	684,794	3.0 %
Mortgage warehouse lending	1,259,408	5.3 %	768,472	3.3 %
Total loans	23,866,042	100.0 %	23,154,988	100.0 %
Allowance for credit losses	(257,323)		(108,671)	
Loans, net	$ 23,608,719		$ 23,046,317	

For the year ended December 31, 2020, total loans grew by $711 million. Loan growth for the year was driven by $782 million in PPP loans and a $491 million increase in mortgage warehouse outstandings, due to growth in commitments and increased utilization, as well as growth in GNMA early buyout loans. Growth in these portfolio sub-segments was offset by net runoff in other commercial and commercial real estate segments. The decline in multi-family balances was driven primarily by continued runoff of the New York portfolio. Residential and other consumer loans grew by $687 million due to growth of $723 million in GNMA early buyout loans. The residential portfolio excluding GNMA early buyout loans experienced a net decline of approximately $35 million driven by higher prepayment speeds in the current rate environment.

Residential mortgages and other consumer loans

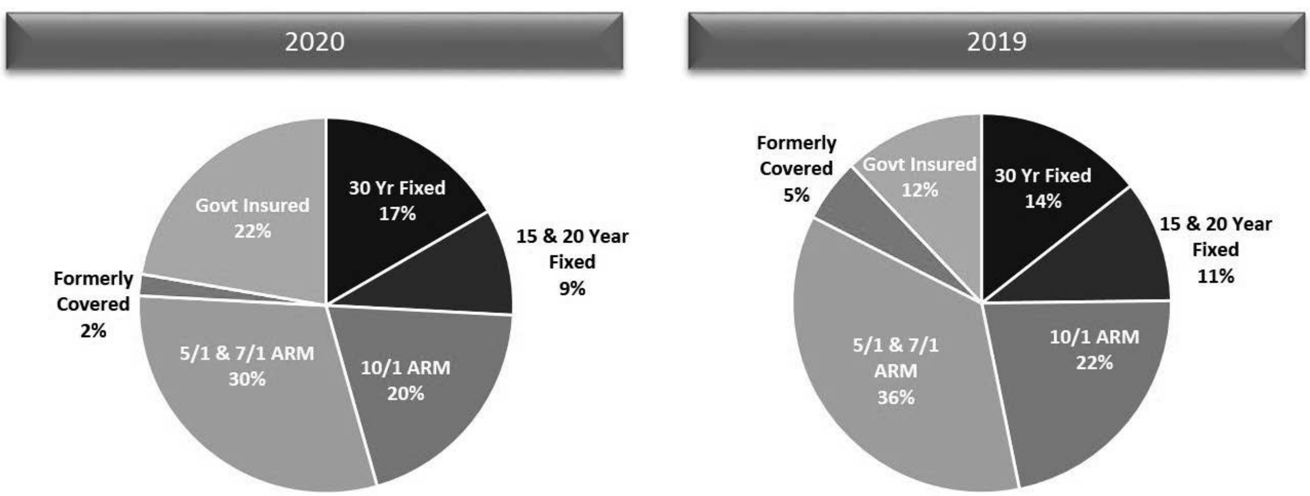
The following table shows the composition of residential and other consumer loans at December 31, 2020 and 2019 (in thousands):

	2020	2019
1-4 single family residential	$ 4,922,836	$ 4,953,936
Government insured residential	1,419,074	698,644
Other consumer loans	6,312	8,539
	$ 6,348,222	$ 5,661,119

The 1-4 single family residential loan portfolio, excluding government insured residential loans, is primarily comprised of loans purchased through established correspondent channels. 1-4 single family residential mortgage loans are primarily closed-end, first lien jumbo mortgages for the purchase or re-finance of owner occupied property. The loans have terms ranging from 10 to 30 years, with either fixed or adjustable interest rates. At December 31, 2020, $541 million or 11% were secured by investor-owned properties.

The Company acquires non-performing FHA and VA insured mortgages from third party servicers who have exercised their right to purchase these loans out of GNMA securitizations (collectively, "government insured pool buyout loans" or "buyout loans"). Buyout loans that re-perform, either through modification or self-cure, may be eligible for re-securitization. The Company and the servicer share in the economics of the sale of these loans into new securitizations. The balance of buyout loans totaled $1.4 billion at December 31, 2020. The Company is not the servicer of these loans.

The following charts present the distribution of the 1-4 single family residential mortgage portfolio at December 31, 2020 and 2019:



See Note 4 to the consolidated financial statements for information about geographic concentrations in the 1-4 single family residential portfolio.

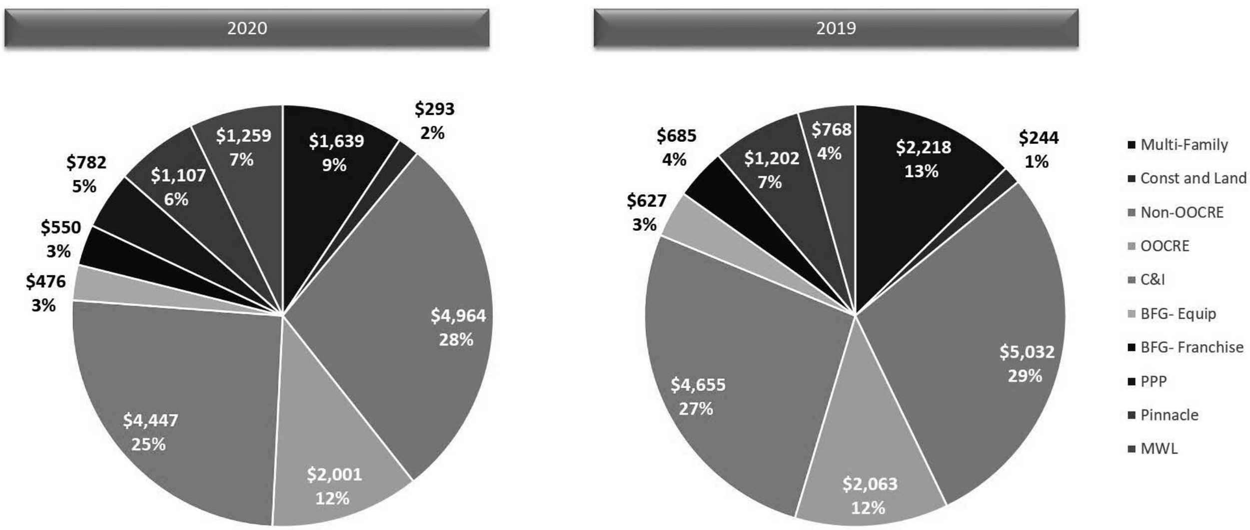
The following table presents a breakdown of the 1-4 single family residential mortgage portfolio, excluding government insured residential loans, categorized between fixed rate loans and ARMs at December 31, 2020 and 2019 (dollars in thousands):

	2020		2019	
	Total	Percent of Total	Total	Percent of Total
Fixed rate loans	$ 1,807,071	36.7 %	$ 1,460,439	29.5 %
ARM loans	3,115,765	63.3 %	3,493,497	70.5 %
	$ 4,922,836	100.0 %	$ 4,953,936	100.0 %

Commercial loans and leases

Commercial loans include commercial and industrial loans and leases, loans secured by owner-occupied commercial real-estate, multi-family properties and other income-producing non-owner occupied commercial real estate, a limited amount of construction and land loans, SBA loans, mortgage warehouse lines of credit, PPP loans, municipal loans and leases originated by Pinnacle and franchise and equipment finance loans and leases originated by Bridge.

The following charts present the distribution of the commercial loan portfolio at December 31, 2020 and 2019 (dollars in millions):



Commercial real estate loans include term loans secured by non-owner occupied income producing properties including rental apartments, mixed-use properties, industrial properties, retail shopping centers, free-standing single-tenant buildings, office buildings, warehouse facilities, hotels, real estate secured lines of credit, as well as credit facilities to institutional real estate entities such as REITs and commercial real estate investment funds.

The following table presents the distribution of commercial real estate loans by property type along with weighted average DSCRs and LTVs at December 31, 2020 (dollars in thousands):

	Amortized Cost	Percent of Total	FL	NY	Other	Weighted Average DSCR	Weighted Average LTV
Office	$ 2,117,291	31 %	60 %	24 %	16 %	2.24	58.7 %
Multifamily	1,799,915	26 %	31 %	62 %	7 %	1.62	57.5 %
Retail	1,368,969	20 %	52 %	40 %	8 %	1.39	61.0 %
Warehouse/ Industrial	840,982	12 %	64 %	19 %	17 %	2.34	56.4 %
Hotel	621,592	9 %	74 %	16 %	10 %	1.13	64.5 %
Other	147,032	2 %	82 %	11 %	7 %	1.79	54.1 %
	$ 6,895,781	100 %	53 %	36 %	11 %	1.81	59.0 %

DSCRs and LTVs in the table above are based on the most recent information available, which may not be fully reflective of the ultimate impact of the COVID-19 pandemic on borrowers' financial condition or property values.

The Company’s commercial real estate underwriting standards generally provide for loan terms of five to seven years, with amortization schedules of no more than thirty years. LTV ratios are typically limited to no more than 75%. Construction and land loans, included by property type in the table above, represented only 1.2% of the total loan portfolio at December 31, 2020. Construction loans are generally made for projects expected to stabilize within eighteen months of completion in sub-markets with strong fundamentals and, to a lesser extent, for-sale residential projects to experienced developers with a strong cushion between market prices and loan basis. 74% of the commercial real estate portfolio, including 79% and 55% of the retail and hotel segments, respectively, had LTVs less than 65% at December 31, 2020.

Included in the table above are approximately $264 million of mixed-use properties in New York, consisting of $194 million categorized as multi-family, $51 million categorized as retail and $19 million categorized as office.

The New York legislature has enacted a number of rent regulation reform measures that generally have the impact of limiting landlords' ability to increase rents on stabilized units and to convert stabilized units to market rate units. The New York multi-family portfolio included $866 million of loans collateralized by properties with some or all of the units subject to rent regulation at December 31, 2020, substantially all of which were stabilized properties.

The following tables present the distribution of stabilized rent-regulated multi-family loans, by DSCR and LTV at December 31, 2020 (in thousands):

DSCR		
Less than 1.11	$	256,974
1.11 - 1.24		152,825
1.25 - 1.50		217,833
1.51 or greater		217,859
	$	845,491

LTV		
Less than 50%	$	243,740
50% - 65%		449,665
66% - 75%		69,998
More than 75%		82,088
	$	845,491

The LTVs in the table above are based on the most recent appraisal obtained, which may not be fully reflective of changes in valuations that may result from the impact of the rent regulation reforms, or of the COVID-19 pandemic. Loans with DSCR less than 1.11 may be those with temporary vacancies, those for which expenses, particularly real estate taxes, have increased more rapidly than rents, or those with rent reductions.

Commercial and industrial loans are typically made to small, middle market and larger corporate businesses and not-for-profit entities and include equipment loans, secured and unsecured working capital facilities, formula-based loans, trade finance, SBA product offerings and business acquisition finance credit facilities. These loans may be structured as term loans, typically with maturities of five to seven years, or revolving lines of credit which may have multi-year maturities. The Bank also provides financing to state and local governmental entities generally within our geographic markets. Commercial loans included shared national credits totaling $2.7 billion at December 31, 2020, the majority of which were relationship based loans to borrowers in Florida and New York. The Bank makes loans secured by owner-occupied commercial real estate that typically have risk profiles more closely aligned with that of commercial and industrial loans than with other types of commercial real estate loans.

The following table presents the exposure in the commercial and industrial portfolio, including $2.0 billion of owner-occupied commercial real estate loans, by industry at December 31, 2020 (in thousands):

	Amortized Cost	Percent of Total
Finance and Insurance	$ 1,054,271	16.4 %
Educational Services	654,068	10.1 %
Wholesale Trade	652,126	10.1 %
Transportation and Warehousing	471,926	7.3 %
Health Care and Social Assistance	442,713	6.9 %
Manufacturing	342,568	5.3 %
Information	330,366	5.1 %
Real Estate and Rental and Leasing	309,299	4.8 %
Accommodation and Food Services	299,927	4.7 %
Retail Trade	297,991	4.6 %
Professional, Scientific, and Technical Services	273,071	4.2 %
Construction	251,585	3.9 %
Public Administration	238,344	3.7 %
Other Services (except Public Administration)	229,651	3.6 %
Administrative and Support and Waste Management	199,421	3.1 %
Arts, Entertainment, and Recreation	186,072	2.9 %
Utilities	173,870	2.7 %
Other	40,884	0.6 %
	$ 6,448,153	100.0 %

Through its commercial lending subsidiaries, Pinnacle and Bridge, the Bank provides equipment and franchise financing on a national basis using both loan and lease structures. Pinnacle provides essential-use equipment financing to state and local governmental entities directly and through vendor programs and alliances. Pinnacle offers a full array of financing structures including equipment lease purchase agreements and direct (private placement) bond re-fundings and loan agreements. Bridge has two operating divisions. The franchise finance division offers franchise acquisition, expansion and equipment financing, typically to experienced operators in well-established concepts. The franchise finance portfolio is made up primarily of quick service restaurant and fitness concepts comprising 60% and 33% of the portfolio, respectively. The equipment finance division provides primarily transportation equipment financing through a variety of loan and lease structures. The Bank also engages in mortgage warehouse lending on a national basis.

The Company originated over 3,500 SBA PPP loans totaling $876 million during the second quarter 2020. These loans bear interest at 1% and are guaranteed as to principal and interest by the SBA. They have terms of 2 years, and are eligible for earlier forgiveness under the terms of the PPP in prescribed circumstances. During the fourth quarter 2020, the Company began processing forgiveness applications with the SBA, resulting in a $48 million reduction in PPP loans. The Company recognized $1.3 million of interest income related to accelerated amortization of origination fees for PPP loans that were partially or fully forgiven during the fourth quarter. As of December 31, 2020, $12 million of PPP origination fees remain to be recognized in income. The Company expects PPP forgiveness to continue during the first and second quarters of 2021. We will be participating in the PPP Second Draw Program to provide funding to eligible businesses who were given PPP First Draw loans.

Geographic Concentrations

The Company's commercial and commercial real estate portfolios are concentrated in Florida and the Tri-state area. 53% and 39% of commercial real estate loans were secured by collateral located in Florida and the Tri-state area, respectively; while 38% and 24% of all other commercial loans were to borrowers in Florida and the Tri-state area, respectively.

The following table presents the five states with the largest concentration of commercial loans and leases originated through Bridge, Pinnacle and our mortgage warehouse finance unit at the dates indicated (dollars in thousands):

	2020		2019	
	Total	Percent of Total	Total	Percent of Total
California	$ 609,419	18.0 %	$ 578,150	17.6 %
NY Tri State Area	545,458	16.1 %	337,736	10.3 %
Florida	330,587	9.7 %	389,371	11.8 %
Ohio	194,558	5.7 %	34,778	1.1 %
Virginia	186,443	5.5 %	133,829	4.1 %
All Others	1,525,610	45.0 %	1,809,314	55.1 %
	$ 3,392,075	100.0 %	$ 3,283,178	100.0 %

Loan Maturities

The following table sets forth, as of December 31, 2020, the maturity distribution of our loan portfolio by category, excluding government insured residential loans. Commercial and other consumer loans are presented by contractual maturity, including scheduled payments for amortizing loans. Contractual maturities of residential loans have been adjusted for an estimated rate of voluntary prepayments, based on historical trends, current interest rates, types of loans and refinance patterns (in thousands):

	One Year or Less	After One Through Five Years	After Five Years Through Fifteen Years	After Fifteen Years	Total
Residential and other consumer:					
1-4 single family residential	$ 1,626,725	$ 2,422,387	$ 803,285	$ 70,439	$ 4,922,836
Other consumer loans	1,882	3,527	331	572	6,312
	1,628,607	2,425,914	803,616	71,011	4,929,148
Commercial:					
Multi-family	445,096	741,904	447,152	5,049	1,639,201
Non-owner occupied commercial real estate	668,015	2,763,881	1,480,542	50,835	4,963,273
Construction and land	29,790	78,125	157,003	28,389	293,307
Owner occupied commercial real estate	57,110	665,320	1,129,977	148,363	2,000,770
Commercial and industrial	803,518	2,813,607	726,145	104,113	4,447,383
SBA Paycheck Protection Program	—	781,811	—	—	781,811
Pinnacle	38,927	265,688	730,122	72,649	1,107,386
Bridge - franchise finance	23,410	222,083	304,240	—	549,733
Bridge - equipment finance	31,194	283,201	161,153	—	475,548
Mortgage warehouse lending	1,259,408	—	—	—	1,259,408
	3,356,468	8,615,620	5,136,334	409,398	17,517,820
	$ 4,985,075	$ 11,041,534	$ 5,939,950	$ 480,409	$ 22,446,968

The following table shows the distribution of those loans that mature in more than one year between fixed and adjustable interest rate loans as of December 31, 2020 (in thousands):

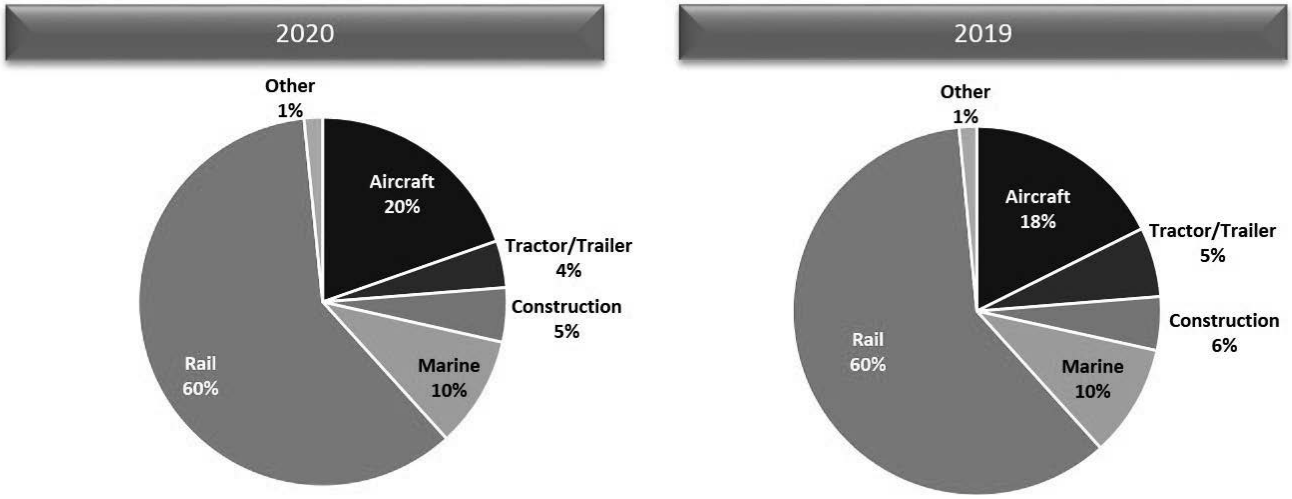
	Interest Rate Type		
	Fixed	Adjustable	Total
Residential and other consumer:			
1-4 single family residential	$ 1,214,921	$ 2,081,190	$ 3,296,111
Other consumer loans	2,773	1,657	4,430
	1,217,694	2,082,847	3,300,541
Commercial:			
Multi-family	840,147	353,958	1,194,105
Non-owner occupied commercial real estate	2,504,273	1,790,985	4,295,258
Construction and land	144,554	118,963	263,517
Owner occupied commercial real estate	1,290,051	653,609	1,943,660
Commercial and industrial	1,337,206	2,306,659	3,643,865
SBA Paycheck Protection Program	781,811	—	781,811
Pinnacle	1,068,459	—	1,068,459
Bridge - franchise finance	426,623	99,700	526,323
Bridge - equipment finance	389,680	54,674	444,354
	8,782,804	5,378,548	14,161,352
	$ 10,000,498	$ 7,461,395	$ 17,461,893

Excluded from the tables above are government insured residential loans. Resolution of these loans is generally accomplished through the re-securitization and sale of the loans after they re-perform, either through modification or self-cure, or through pursuit of the applicable guarantee.

Operating lease equipment, net

Operating lease equipment, net of accumulated depreciation totaled $664 million at December 31, 2020, including off-lease equipment, net of accumulated depreciation totaling $111 million. The portfolio consists primarily of railcars, non-commercial aircraft and other transport equipment. Our operating lease customers are North American commercial end users. We have a total of 5,299 railcars with a carrying value of $399 million at December 31, 2020, including hoppers, tank cars, boxcars, auto carriers, center beams and gondolas. The largest concentrations of rail cars were 2,407 hopper cars and 1,594 tank cars, primarily used to ship sand and petroleum products, respectively, for the energy industry.

The chart below presents operating lease equipment by type at December 31, 2020 and 2019:



At December 31, 2020, the breakdown of carrying values of operating lease equipment, excluding equipment off-lease, by the year leases are scheduled to expire was as follows (in thousands):

Years Ending December 31:	
2021	$ 96,843
2022	44,537
2023	46,764
2024	26,700
2025	103,401
Thereafter through 2034	234,374
	$ 552,619

Asset Quality

Commercial Loans

We have a robust credit risk management framework, an experienced team to lead the workout and recovery process for the commercial and commercial real estate portfolios and a dedicated internal credit review function. In response to the COVID-19 pandemic, we have further enhanced our workout and recovery staffing and processes. Loan performance is monitored by our credit administration, portfolio management and workout and recovery departments. Generally, commercial relationships with balances in excess of defined thresholds are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. The defined thresholds range from $1 million to $3 million. Homogenous groups of smaller balance commercial loans may be monitored collectively. The credit quality and risk rating of commercial loans as well as our underwriting and portfolio management practices are regularly reviewed by our internal credit review department.

We believe internal risk rating is the best indicator of the credit quality of commercial loans. The Company utilizes a 16 grade internal asset risk classification system as part of its efforts to monitor and maintain commercial asset quality. The special mention rating is considered a transitional rating for loans exhibiting potential credit weaknesses that could result in deterioration of repayment prospects at some future date if not checked or corrected and that deserve management's close attention. These borrowers may exhibit declining cash flows or revenues or increasing leverage. Loans with well-defined credit weaknesses that may result in a loss if the deficiencies are not corrected are assigned a risk rating of substandard. These borrowers may exhibit payment defaults, inadequate cash flows, operating losses, increasing balance sheet leverage, project cost overruns, unreasonable construction delays, exhausted interest reserves, declining collateral values, frequent overdrafts or past due real estate taxes. Loans with weaknesses so severe that collection in full is highly questionable or improbable, but because of certain reasonably specific pending factors have not been charged off, are assigned an internal risk rating of doubtful. During 2020, risk ratings were re-evaluated for a substantial portion of the commercial portfolio, with a particular focus on portfolio segments we identified for enhanced monitoring and loans for which we granted temporary payment deferrals or modifications in light of the COVID-19 pandemic.

The following table summarizes the Company's commercial credit exposure, based on internal risk rating, at the dates indicated (dollars in thousands):

	December 31, 2020		September 30, 2020		June 30, 2020		December 31, 2019	
	Amortized Cost	**Percent of Commercial Loans**	**Amortized Cost**	**Percent of Commercial Loans**	**Amortized Cost**	**Percent of Commercial Loans**	**Amortized Cost**	**Percent of Commercial Loans**
Pass	$ 14,832,025	84.6 %	$ 15,321,531	85.9 %	$ 16,169,767	88.6 %	$ 17,054,702	97.5 %
Special mention	711,516	4.1 %	951,981	5.3 %	1,338,232	7.3 %	72,881	0.4 %
Substandard accruing	1,758,654	10.0 %	1,376,718	7.7 %	560,624	3.1 %	180,380	1.0 %
Substandard non-accruing	203,758	1.2 %	187,247	1.0 %	187,510	1.0 %	185,906	1.1 %
Doubtful	11,867	0.1 %	938	0.1 %	949	— %	—	— %
	$ 17,517,820	100.0 %	$ 17,838,415	100.0 %	$ 18,257,082	100.0 %	$ 17,493,869	100.0 %

Our internal risk ratings at December 31, 2020 were heavily influenced by the impact of the COVID-19 pandemic and the measures and restrictions employed to contain the spread of the virus on the economy, our borrowers and the sectors in which they operate. Management has taken what we believe to be a proactive and objective approach to risk rating the commercial loan portfolio since the onset of the pandemic. The increase in levels of criticized and classified loans and migration within the criticized and classified categories over the course of 2020 is directly related to the impact of the COVID-19 pandemic. Significant uncertainty remains around the future trajectory of the COVID-19 pandemic, the roll-out of vaccines and related economic and social impacts. If economic conditions or the circumstances of individual borrowers deteriorate further, the amount of criticized and classified assets could continue to increase. It is also possible that an increasing trend in non-accrual loans may emerge in the future as temporary payment deferrals and modifications granted to some borrowers expire. If, on the other hand, the pace of economic recovery continues or accelerates over the course of 2021, we may see declines in the level of criticized and classified assets.

The following table provides additional information about special mention and substandard accruing loans, at the dates indicated (dollars in thousands). Non-performing loans are discussed further in the section entitled "Non-performing Assets" below.

	December 31, 2020		September 30, 2020		June 30, 2020		December 31, 2019	
	Amortized Cost	% of Loan Segment	Amortized Cost	% of Loan Segment	Amortized Cost	% of Loan Segment	Amortized Cost	% of Loan Segment
Special mention:								
CRE								
Hotel	$ 68,413	11 %	$ 202,929	33 %	$ 273,877	44 %	$ 4,227	1 %
Retail	86,935	6 %	85,640	6 %	172,364	12 %	—	— %
Multi-family	66,336	4 %	28,876	2 %	54,623	3 %	115	— %
Office	37,943	2 %	38,213	2 %	29,735	1 %	—	— %
Industrial	9,440	1 %	13,221	2 %	12,968	2 %	1,489	— %
Other	8,009	5 %	8,083	6 %	1,393	1 %	—	— %
	277,076		376,962		544,960		5,831	
Owner occupied commercial real estate	156,837	8 %	193,867	9 %	179,305	9 %	27,870	1 %
Commercial and industrial	169,605	4 %	196,488	4 %	243,398	5 %	28,498	1 %
Bridge - franchise finance	71,593	13 %	139,638	23 %	327,375	53 %	10,682	2 %
Bridge - equipment finance	36,405	8 %	45,026	9 %	43,194	7 %	—	— %
	$ 711,516		$ 951,981		$1,338,232		$ 72,881	
Substandard accruing:								
CRE								
Hotel	$ 400,468	64 %	$ 249,646	40 %	$ 92,066	15 %	$ 34,645	5 %
Retail	284,638	21 %	238,910	17 %	63,957	4 %	—	— %
Multi-family	237,159	13 %	143,857	7 %	67,896	3 %	26,797	2 %
Office	40,477	2 %	60,556	3 %	28,994	1 %	8,299	— %
Industrial	13,902	2 %	19,714	3 %	19,814	3 %	9,753	1 %
Other	1,389	1 %	1,422	1 %	—	— %	—	— %
	978,033		714,105		272,727		79,494	
Owner occupied commercial real estate	177,575	9 %	135,165	7 %	38,332	2 %	16,241	1 %
Commercial and industrial	285,925	6 %	273,448	6 %	185,201	4 %	43,518	1 %
Bridge - franchise finance	242,234	44 %	213,532	35 %	56,628	9 %	41,127	7 %
Bridge - equipment finance	74,887	16 %	40,468	8 %	7,736	1 %	—	— %
	$1,758,654		$1,376,718		$ 560,624		$ 180,380	

Payment Deferrals and Modifications

We believe, in the current environment, information about loans that are on temporary payment deferral or have been modified as a result of the COVID-19 pandemic provides additional insight into segments or sub-segments of the portfolio that are experiencing some level of stress related to the pandemic The following table summarizes deferral and modification activity in the commercial portfolio, as of December 31, 2020 (dollars in thousands):

	Currently Under Short-Term Deferral	CARES Act Modifications	Total	% of Portfolio
CRE - Property Type:				
Retail	$ 28,542	$ 18,526	$ 47,068	4 %
Hotel	1,055	343,492	344,547	55 %
Office	—	47,949	47,949	2 %
Multifamily	—	15,776	15,776	1 %
Other	1,789	—	1,789	1 %
Total CRE	31,386	425,743	457,129	7 %
C&I - Industry				
Accommodation and Food Services	—	14,737	14,737	5 %
Retail Trade	1,147	17,114	18,261	6 %
Manufacturing	2,917	10,969	13,886	4 %
Transportation and Warehousing (cruise lines)	—	47,500	47,500	10 %
Finance and Insurance	—	17,550	17,550	2 %
Other	6,558	16,163	22,721	1 %
Total C&I	10,622	124,033	134,655	2 %
Bridge - franchise finance	20,797	24,816	45,613	8 %
Total Commercial	$ 62,805	$ 574,592	$ 637,397	4 %

For commercial borrowers, payment deferrals were generally deferrals of principal and/or interest payments for up to two periods of 90 days each. The deferred payments along with interest accrued during the deferral period are generally due and payable on the maturity date. CARES Act modifications represent longer-term modifications and most commonly have taken the form of 9 to 12 month interest only periods. The majority of loan modifications or deferrals and payment deferrals that took place after the onset of the COVID-19 pandemic have not been categorized as TDRs, in accordance with interagency and authoritative guidance and the provisions of the CARES Act.

The following table presents additional information, as of December 31, 2020, about loan portfolio sub-segments that, in light of the COVID-19 pandemic, were identified for enhanced monitoring (dollars in thousands):

	December 31, 2020				
	Amortized Cost	Percent of Total Loans	Non-Performing	Special Mention	Substandard Accruing
Retail - CRE	$ 1,368,969	5.7 %	$ 16,566	$ 86,935	$ 284,638
Retail - C&I	297,991	1.2 %	8,445	11,434	42,565
Bridge - franchise finance	549,733	2.3 %	45,028	71,593	242,234
Hotel	621,592	2.6 %	35,390	68,413	400,468
Airlines and aviation authorities	119,926	0.5 %	—	34,508	42,755
Cruise line	70,811	0.3 %	—	—	70,811
	$ 3,029,022	12.6 %	$ 105,429	$ 272,883	$ 1,083,471

At December 31, 2020, 79% of commercial loans on deferral or modified due to the COVID-19 pandemic and 55% of criticized and classified assets were in the above portfolio sub-segments.

Retail Exposure in the CRE Portfolio

The predominant collateral types supporting this sub-segment include both anchored and unanchored suburban and urban retail properties, some single tenant properties as well as some mixed-use properties in New York City with a significant retail component. We have no significant large shopping mall or "big box" exposure. The weighted average LTV for this sub-segment is 61% and 79% has LTVs less than 65%, based on the most recently available information.

Retail Exposure in the C&I Portfolio

This is a well-diversified sub-segment by industry. The largest exposure is to gas stations, generally with convenience stores, representing $87 million, or 29% of the sub-segment. 68% of loans in this sub-segment are collateralized by owner-occupied real estate.

Bridge - Franchise Finance

The following table presents the franchise portfolio by concept at December 31, 2020:

	Amortized Cost	Percent of Bridge - Franchise Finance
Restaurant concepts:		
Burger King	$ 62,795	11.4 %
Dunkin' Donuts	28,272	5.1 %
Popeyes	27,854	5.1 %
Jimmy John's	19,899	3.6 %
Domino's	18,218	3.3 %
Other	169,320	30.9 %
	326,358	59.4 %
Non-restaurant concepts:		
Planet Fitness	$ 98,057	17.8 %
Orange Theory Fitness	85,015	15.5 %
Other	40,303	7.3 %
	223,375	40.6 %
	$ 549,733	100.0 %

Hotel

Many hotels are experiencing significant disruption in revenue due to social distancing measures arising from the pandemic. The weighted average LTV for this sub-segment is 65% and 55% has LTVs less than 65%, based on the most recent information available. The majority of our hotel exposure is in Florida at 74%, followed by 16% in New York. This sub-segment includes $62 million in SBA loans. All but one of our hotel collateral properties have now re-opened for business.

Airlines and Aviation Authorities

These borrowers have directly benefited from government relief programs enacted in response to the COVID-19 pandemic.

Operating Lease Equipment, net

Six operating leases with a carrying value of assets under lease totaling $40 million, all of which were exposures to the energy industry, were internally risk rated substandard at December 31, 2020. On a quarterly basis, management performs an impairment analysis on assets with indicators of potential impairment. Potential impairment indicators include evidence of changes in residual value, macro-economic conditions, an extended period of time off-lease, criticized or classified status, or management's intention to sell the asset at an amount potentially below its carrying value. During the years ended December 31, 2020 and 2019,impairment charges recognized related to operating lease equipment were not material.

The primary risks inherent in the equipment leasing business are asset risk resulting from ownership of the equipment on lease and credit risk. Asset risk arises from fluctuations in supply and demand for the underlying leased equipment. The equipment is leased to commercial end users with original lease terms generally ranging from three to ten years. We are exposed to the risk that, at the end of the lease term, the value of the asset will be lower than expected, potentially resulting in reduced future lease income over the remaining life of the asset or a lower sale value. Asset risk may also lead to changes in depreciation as a result of changes in the residual values of the leased assets or through impairment of asset carrying values.

Asset risk is evaluated and managed by a dedicated internal staff of asset managers, managed by seasoned equipment finance professionals with a broad depth and breadth of experience in the leasing business. Additionally, we have partnered with an industry leading, experienced service provider who provides fleet management and servicing relating to the railcar fleet, including lease administration and reporting, a Regulation Y compliant full service maintenance program and railcar re-marketing. Risk is managed by setting appropriate residual values at inception and systematic reviews of residual values based on independent appraisals, performed at least annually. Additionally, our internal management team and our external service provider closely follow the rail markets, monitoring traffic flows, supply and demand trends and the impact of new technologies and regulatory requirements. Demand for railcars is sensitive to shifts in general and industry specific economic and market trends and shifts in trade flows from specific events such as natural or man-made disasters, including events such as the COVID-19 pandemic. We seek to mitigate these risks by leasing to a stable end user base, by maintaining a relatively young and diversified fleet of assets that are expected to maintain stronger and more stable utilization rates despite impacts from unexpected events or cyclical trends and by staggering lease maturities. We regularly monitor the impact of oil prices on the estimated residual value of rail cars being used in the petroleum/natural gas extraction sector.

Credit risk in the leased equipment portfolio results from the potential default of lessees, possibly driven by obligor specific or industry-wide conditions, and is economically less significant than asset risk, because in the operating lease business, there is no extension of credit to the obligor. Instead, the lessor deploys a portion of the useful life of the asset. Credit losses, if any, will manifest through reduced rental income due to missed payments, time off lease, or lower rental payments due either to a restructuring or re-leasing of the asset to another obligor. Credit risk in the operating lease portfolio is managed and monitored utilizing credit administration infrastructure, processes and procedures similar to those used to manage and monitor credit risk in the commercial loan portfolio. We also mitigate credit risk in this portfolio by leasing to high credit quality obligors.

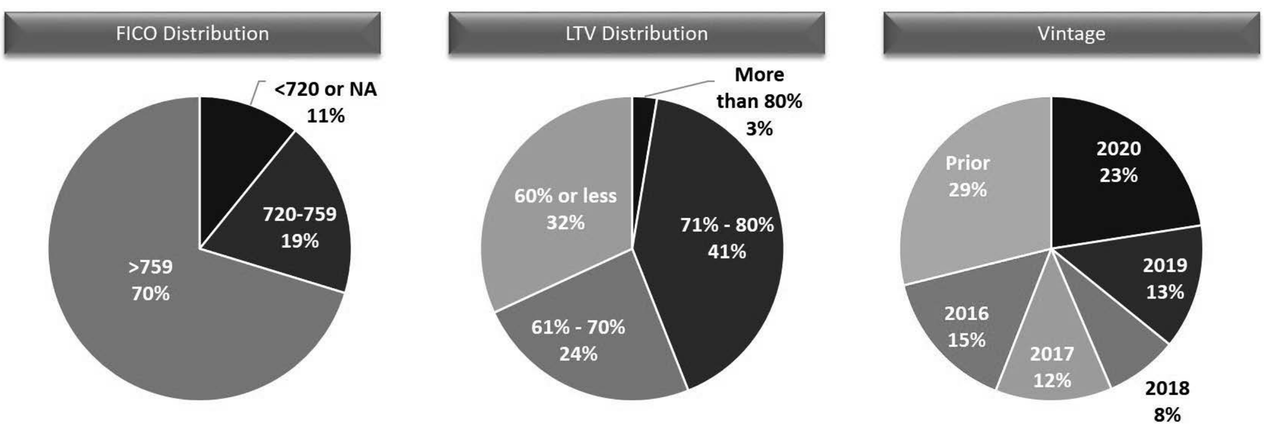
Bridge had exposure to the energy industry of $329 million at December 31, 2020. The majority of the energy exposure was in the operating lease equipment portfolio where energy exposure totaled $279 million. The remaining energy exposure, totaling approximately $50 million was comprised of loans and direct or sales type finance leases.

Residential and Other Consumer Loans

Our residential mortgage portfolio, excluding GNMA buyout loans, consists primarily of loans purchased through established correspondent channels. Most of our purchases are of performing jumbo mortgage loans which have FICO scores above 700, primarily are owner-occupied and full documentation, and have a current LTV of 80% or less although loans with LTVs higher than 80% may be extended to selected credit-worthy borrowers. We perform due diligence on the purchased loans for credit, compliance, counterparty, payment history and property valuation.

We have a dedicated residential credit risk management function, and the residential portfolio is monitored by our internal credit review function. Residential mortgage loans and consumer loans are not individually risk rated. Delinquency status is the primary measure we use to monitor the credit quality of these loans. We also consider original LTV and most recently available FICO score to be significant indicators of credit quality for the 1-4 single family residential portfolio, excluding government insured residential loans.

The following charts present information about the 1-4 single family residential portfolio, excluding government insured loans, by FICO distribution, LTV distribution and vintage at December 31, 2020:



FICO scores are generally updated at least annually, and were most recently updated in the third quarter of 2020. LTVs are typically based on valuation at origination since we do not routinely update residential appraisals.

At December 31, 2020, the majority of the 1-4 single family residential loan portfolio, excluding government insured residential loans, was owner-occupied, with 81% primary residence, 8% second homes and 11% investment properties.

1-4 single family residential loans, excluding government insured residential loans, past due more than 30 days totaled $66 million at both December 31, 2020 and 2019. The amount of these loans 90 days or more past due was $9.2 million and $11.1 million at December 31, 2020 and 2019, respectively. Delinquency statistics as of December 31, 2020 may not be fully reflective of the impact of the COVID-19 pandemic on residential borrowers due to payment deferral programs. Loans on deferral that are in compliance with the terms of the deferral program are not reported as delinquent.

At December 31, 2020, $525 million of residential loans, excluding government insured loans, had been granted an initial short term payment deferral. At December 31, 2020, $156 million or 2% of the 1-4 single family residential loans, excluding government insured residential loans, were under short-term deferral or modified due to the COVID-19 pandemic. The following table presents information about residential loans granted payment deferrals as a result of the COVID-19 pandemic as of December 31, 2020, excluding government insured residential loans (dollars in thousands):

Loans Still Under Short-Term Deferral		Loans That Have Rolled Off of Short-Term Deferral			
		Paying as Agreed		Not Resumed Regular Payments	
Balance	% of Loans Initially Granted Short-Term Deferral[1]	Balance	% of Loans Rolled Off Short-Term Deferral	Balance	% of Loans Rolled Off Short-Term Deferral
$ 144,189	27%	$ 362,376	95%	$ 18,949	5%

(1) Includes $23 million of loans continuing to make payments

For residential borrowers, relief has typically initially taken the form of 90 day payment deferrals, with deferred payments due at the end of the 90 day period. At the end of the initial 90 day deferral period, residential borrowers may either (i) make all payments due, (ii) be granted an additional deferral period or (iii) enter into a modification or repayment plan.

Note 4 to the consolidated financial statements presents additional information about key credit quality indicators and delinquency status of the loan portfolio.

Non-Performing Assets

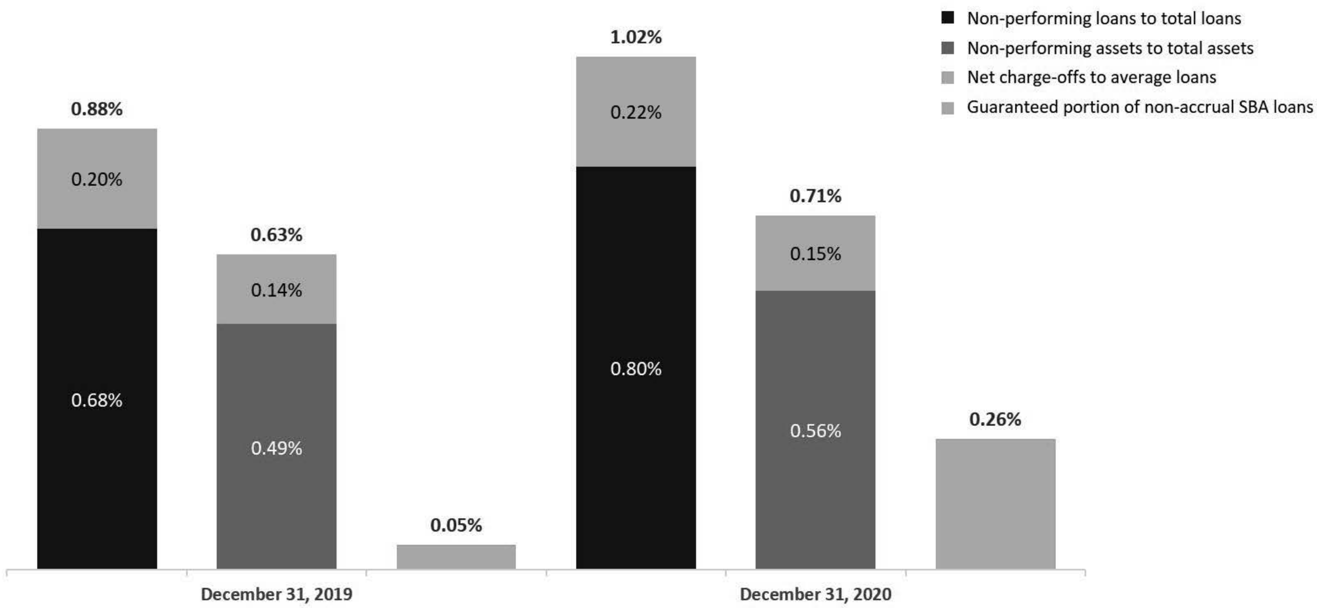
Non-performing assets generally consist of (i) non-accrual loans, including loans that have been modified in TDRs or CARES Act modifications and placed on non-accrual status, (ii) accruing loans that are more than 90 days contractually past due as to interest or principal, excluding PCD loans for which management has a reasonable basis for an expectation about future cash flows and government insured residential loans, and (iii) OREO and repossessed assets.

The following table and charts summarize the Company's non-performing loans and non-performing assets at December 31, 2020 and 2019 (dollars in thousands):

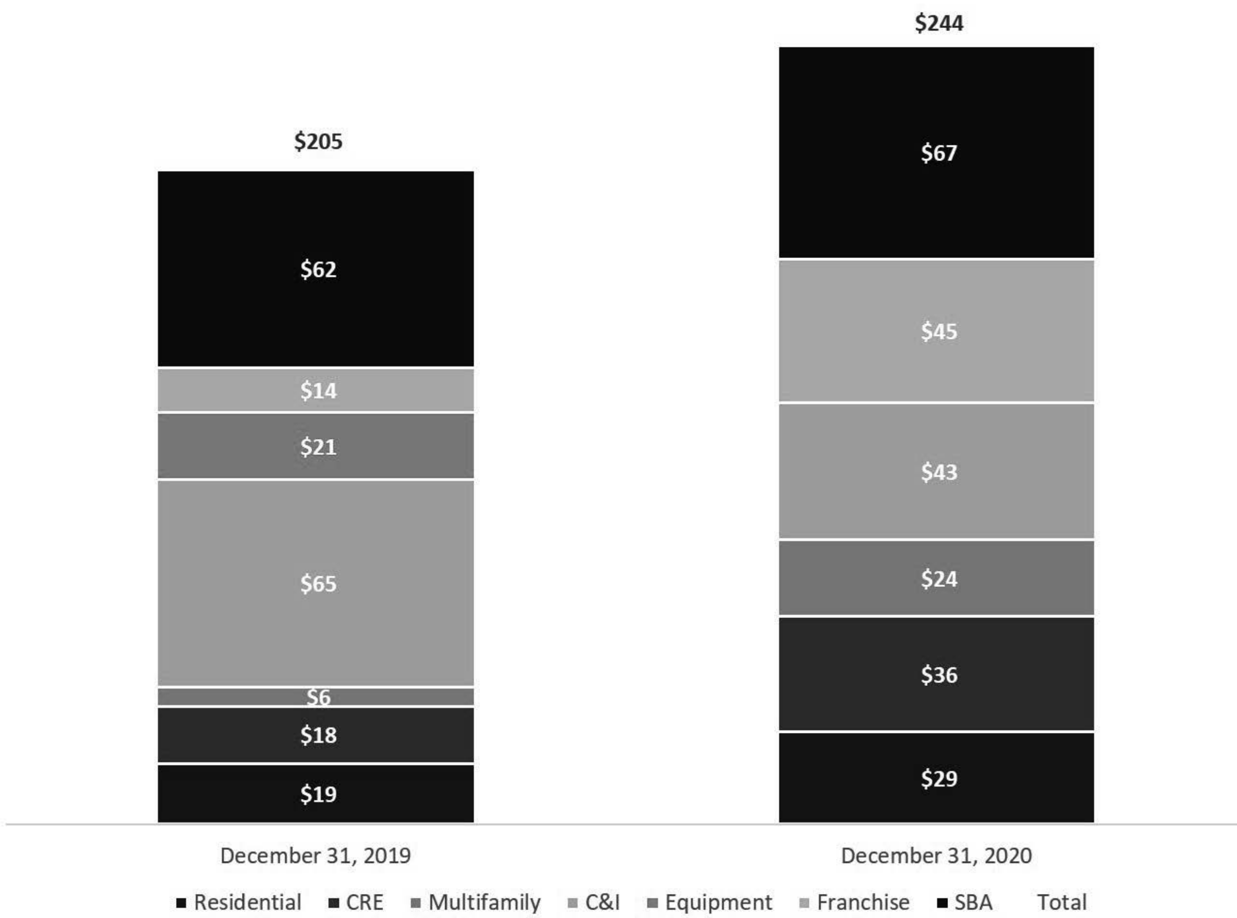
	2020	2019
Non-accrual loans:		
Residential and other consumer:		
1-4 single family residential	$ 26,842	$ 18,877
Other consumer loans	1,986	17
Total residential and other consumer loans	28,828	18,894
Commercial:		
Multi-family	24,090	6,138
Non-owner occupied commercial real estate	64,017	40,097
Construction and land	4,754	3,191
Owner occupied commercial real estate	23,152	27,141
Commercial and industrial	54,584	74,757
Bridge - franchise finance	45,028	13,631
Bridge - equipment finance	—	20,939
Total commercial loans	215,625	185,894
Total non-perfoming loans	244,453	204,788
OREO and repossessed assets	3,138	3,897
Total non-performing assets	$ 247,591	$ 208,685
Non-performing loans to total loans [1]	1.02 %	0.88 %
Non-performing assets to total assets [1]	0.71 %	0.63 %
ACL to total loans	1.08 %	0.47 %
ACL to non-performing loans	105.26 %	53.07 %
Net charge-offs to average loans	0.26 %	0.05 %

(1) Non-performing loans and assets include the guaranteed portion of non-accrual SBA loans totaling $51.3 million or 0.22% of total loans and 0.15% of total assets, at December 31, 2020; compared to $45.7 million or 0.20% of total loans and 0.14% of total assets, at December 31, 2019.

The following chart presents trends in non-performing loans and non-performing assets:



The following chart presents trends in non-performing loans by portfolio sub-segment (in millions):



The ultimate impact of the COVID-19 pandemic on non-performing asset levels may be delayed in the near-term due to government assistance and loan deferral programs.

Contractually delinquent government insured residential loans are excluded from non-performing loans as defined in the table above due to their government guarantee. The carrying value of such loans contractually delinquent by more than 90 days was $562 million and $529 million at December 31, 2020 and 2019, respectively. Increases in the ratios of the ACL to total loans and the ACL to non-performing loans at December 31, 2020 compared to December 31, 2019 are attributable to the adoption of CECL effective January 1, 2020 and the impact on the provision for credit losses recorded during the year ended December 31, 2020 of changes in economic conditions, our economic forecast and borrower financial performance related to COVID-19.

Commercial loans are placed on non-accrual status when (i) management has determined that full repayment of all contractual principal and interest is in doubt, or (ii) the loan is past due 90 days or more as to principal or interest unless the loan is well secured and in the process of collection. Residential and consumer loans, other than government insured pool buyout loans, are generally placed on non-accrual status when they are 90 days past due. When a loan is placed on non-accrual status, uncollected interest accrued is reversed and charged to interest income. Commercial loans are returned to accrual status only after all past due principal and interest has been collected and full repayment of remaining contractual principal and interest is reasonably assured. Residential loans are generally returned to accrual status when less than 90 days past due. Past due status of loans is determined based on the contractual next payment due date. Loans less than 30 days past due are reported as current.

TDRs

A loan modification is considered a TDR if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that the Company would not otherwise grant. These concessions may take the form of temporarily or permanently reduced interest rates, payment abatement periods, restructuring of payment terms, extensions of maturity at below market terms, or in some cases, partial forgiveness of principal. Included in TDRs are residential loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy.

Under recently issued inter-agency and authoritative guidance and consistent with the CARES Act, short-term (generally periods of six months or less) deferrals or modifications related to COVID-19 will typically not be categorized as TDRs. Additionally, section 4013 of the CARES Act, as amended by the Consolidated Appropriations Act on December 27, 2020, effectively suspended the guidance related to TDRs codified in ASC 310-40 until the earlier of January 1, 2022 or sixty days after the date of the suspension of the declared state of emergency related to the COVID-19 pandemic. All of the COVID-19 related deferrals the Company has granted to date that fall under these provisions have not been categorized as TDRs. See the sections entitled "Asset Quality - Commercial Loans - Payment Deferrals" and "Asset Quality - Residential and Other Consumer Loans" for further discussion.

The following table summarizes loans that had been modified in TDRs at December 31, 2020 and 2019 (dollars in thousands):

	2020			2019		
	Number of TDRs	**Amortized Cost**	**Related Specific Allowance**	**Number of TDRs**	**Amortized Cost**	**Related Specific Allowance**
Residential and other consumer (1)	342	$ 57,017	$ 94	361	$ 57,117	$ 12
Commercial	25	55,515	15,630	25	56,736	6,311
	367	$ 112,532	$ 15,724	386	$ 113,853	$ 6,323

(1) Includes 326 government insured residential loans modified in TDRs totaling $52.8 million at December 31, 2020; and 346 government insured residential loans modified in TDRs totaling $53.4 million at December 31, 2019.

See Note 4 to the consolidated financial statements for additional information about TDRs.

Loss Mitigation Strategies

Criticized or classified commercial loans in excess of certain thresholds are reviewed quarterly by the Criticized Asset Committee, which evaluates the appropriate strategy for collection to mitigate the amount of credit losses and considers the appropriate risk rating for these loans. Criticized asset reports for each relationship are presented by the assigned relationship manager and credit officer to the Criticized Asset Committee until such time as the relationships are returned to a satisfactory credit risk rating or otherwise resolved. The Criticized Asset Committee may require the transfer of a loan to our workout and recovery department, which is tasked to effectively manage the loan with the goal of minimizing losses and expenses associated with restructure, collection and/or liquidation of collateral. Commercial loans with a risk rating of substandard, loans on non-accrual status, loans modified as TDRs or CARES Act modifications and assets classified as OREO or repossessed assets are usually transferred to workout and recovery. Oversight of the workout and recovery department is provided by the Criticized Asset Committee.

Our servicers evaluate each residential loan in default to determine the most effective loss mitigation strategy, which may be modification, short sale, or foreclosure, and pursue the alternative most suitable to the consumer and to mitigate losses to the bank. In response to the COVID-19 pandemic, we have temporarily suspended new residential foreclosure actions.

In response to the COVID-19 pandemic and its potential economic impact to our customers, we implemented a short-term program that complies with interagency guidance and the CARES Act under which we have provided temporary relief, and in some cases longer term modifications, on a case by case basis to borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. See the sections entitled "Asset Quality - Commercial Loans - Payment Deferrals" and "Asset Quality - Residential and Other Consumer Loans" for further details about COVID-19 related payment deferrals. Under the inter-agency guidance and consistent with the CARES Act, deferrals or modifications related to COVID-19 will generally not be categorized as TDRs. Loans subject to these temporary deferrals or modifications, if in compliance with the contractual terms of the deferral or modification agreements, will typically not be reported as past due or classified as non-accrual during the deferral period.

Analysis of the Allowance for Credit Losses

The ACL is management's estimate of the amount of expected credit losses over the life of the loan portfolio, or the amount of amortized cost basis not expected to be collected, at the balance sheet date. This estimate encompasses information about historical events, current conditions and reasonable and supportable forecasts. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently uncertain. There remains a high level of uncertainty around the impact the COVID-19 crisis will have on the economy broadly, and on our borrowers specifically. In light of this uncertainty, we believe it is possible that the ACL estimate could change, potentially materially, in future periods. Changes in the ACL may result from changes in current economic conditions, our economic forecast, and in loan portfolio composition, as well as circumstances not currently known to us that may impact the financial condition and operations of our borrowers, among other factors.

For the substantial majority of the loan portfolio, expected losses are estimated using econometric models that employ a factor based methodology to estimate PD and LGD, determined based on pool level characteristics. Projected PDs and LGDs are applied to estimated exposure at default to generate estimates of expected loss. Qualitative adjustments may also be applied to incorporate factors that management does not believe have been adequately considered in the quantitative estimate. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans and TDRs, expected credit losses are estimated on an individual basis. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments.

See Note 1 to the consolidated financial statements for more detailed information about our ACL methodology and related accounting policies.

The following table provides an analysis of the ACL, provision for credit losses related to the funded portion of loans and net charge-offs by loan segment for the periods indicated (in thousands). For the years ended December 31, 2020, the ACL was estimated using the CECL methodology. For the years ended December 31, 2019 and 2018, prior to the adoption of ASU 2016-13, an incurred loss methodology was used.

	Residential and Other Consumer Loans	Multi-family	Non-owner Occupied Commercial Real Estate	Construction and Land	Owner Occupied Commercial Real Estate	Commercial and Industrial	Pinnacle	Bridge - Franchise Finance	Bridge - Equipment Finance	Total
Balance at December 31, 2017	$ 10,720	$ 23,994	$ 40,622	$ 3,004	$ 13,611	$ 41,912	$ 572	$ 3,305	$ 7,055	$ 144,795
Provision for (recovery of) credit losses	1,032	(16,595)	(10,331)	(1,547)	(22)	48,505	303	2,077	2,503	25,925
Charge-offs	(1,465)	—	(184)	(79)	(6,472)	(58,884)	—	—	—	(67,084)
Recoveries	501	—	151	—	2,682	2,783	—	178	—	6,295
Balance at December 31, 2018	10,788	7,399	30,258	1,378	9,799	34,316	875	5,560	9,558	109,931
Provision for (recovery of) credit losses	154	(2,375)	(4,402)	(538)	(1,770)	15,130	(155)	5,367	(2,507)	8,904
Charge-offs	—	—	(2,762)	(76)	(827)	(12,112)	—	(1,764)	—	(17,541)
Recoveries	212	—	146	—	864	6,151	—	—	4	7,377
Balance at December 31, 2019	11,154	5,024	23,240	764	8,066	43,485	720	9,163	7,055	108,671
Impact of adoption of ASU 2016-13	8,098	(780)	(13,442)	1,854	23,240	8,841	(309)	(133)	(64)	27,305
Balance at January 1, 2020	19,252	4,244	9,798	2,618	31,306	52,326	411	9,030	6,991	135,976
Provision for (recovery of) credit losses	(556)	38,225	59,200	667	(1,463)	35,390	(107)	44,976	6,009	182,339
Charge-offs	(31)	(2,643)	(7,681)	—	(1,178)	(33,188)	—	(18,125)	(6,756)	(69,602)
Recoveries	54	2	190	—	132	7,669	—	450	113	8,610
Balance at December 31, 2020	$ 18,719	$ 39,827	$ 61,507	$ 3,284	$ 28,797	$ 62,197	$ 304	$ 36,331	$ 6,357	$ 257,323
Net Charge-offs to Average Loans										
2018	0.02 %	— %	— %	0.03 %	0.19 %	1.29 %	— %	(0.04)%	— %	0.28 %
2019	— %	— %	0.05 %	0.03 %	— %	0.12 %	— %	0.31 %	— %	0.05 %
2020	— %	0.14 %	0.15 %	— %	0.05 %	0.42 %	— %	2.86 %	1.13 %	0.26 %

The following table shows the distribution of the ACL at the dates indicated (dollars in thousands):

	December 31, 2020		January 1, 2020 [1]		December 31, 2019	
	Total	%[2]	Total	%[2]	Total	%[2]
Residential portfolio segment	$ 18,719	26.6 %	$ 19,252	24.5 %	$ 11,154	24.5 %
Multi-family	39,827	6.9 %	4,244	9.6 %	5,024	9.6 %
Non-owner occupied commercial real estate	61,507	20.8 %	9,798	21.7 %	23,240	21.7 %
Construction and land	3,284	1.2 %	2,618	1.1 %	764	1.1 %
CRE portfolio sub-segment	104,618		16,660		29,028	
Owner occupied commercial real estate	28,797	8.4 %	31,306	8.9 %	8,066	8.9 %
Commercial and industrial	62,197	27.2 %	52,326	23.4 %	43,485	23.4 %
Pinnacle	304	4.6 %	411	5.2 %	720	5.2 %
Bridge - franchise finance	36,331	2.3 %	9,030	2.6 %	9,163	2.6 %
Bridge - equipment finance	6,357	2.0 %	6,991	3.0 %	7,055	3.0 %
Commercial portfolio sub-segment	133,986		100,064		68,489	
	$ 257,323	100.0 %	$ 135,976	100.0 %	$ 108,671	100.0 %

(1) Adoption date of ASU 2016-13.

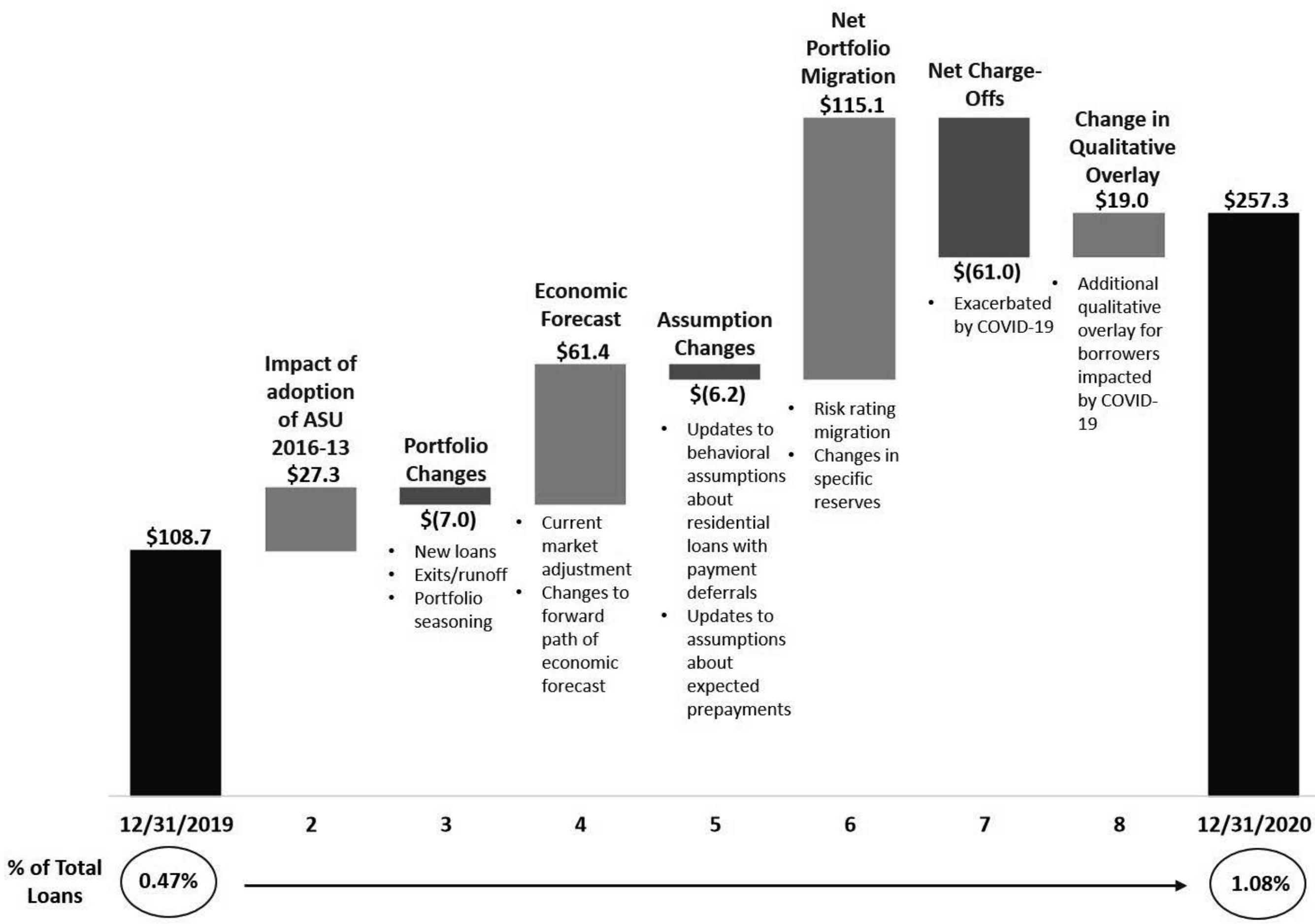
(2) Represents percentage of loans receivable in each category to total loans receivable.

The following table shows the distribution of the ACL as a percentage of loans at the dates indicated:

	December 31, 2020	January 1, 2020 [(1)]	December 31, 2019
Residential portfolio segment	0.29 %	0.34 %	0.20 %
Commercial:			
Commercial real estate	1.52 %	0.22 %	0.39 %
Commercial and industrial	1.07 %	1.12 %	0.69 %
Pinnacle	0.03 %	0.03 %	0.06 %
Bridge - franchise finance	6.62 %	1.44 %	1.46 %
Bridge - equipment finance	1.34 %	1.02 %	1.03 %
Total commercial	1.36 %	0.67 %	0.56 %
	1.08 %	0.59 %	0.47 %

(1) Adoption date of ASU 2016-13.

Significant offsetting factors contributing to the change in the ACL during the year ended December 31, 2020 are depicted in the chart below (in millions):



Changes in the ACL upon initial adoption of ASU 2016-13

ASU 2016-13 was adopted effective January 1, 2020, increasing the ACL by $27.3 million. Overall, the change in methodology resulted in increased reserves due to the transition to a lifetime expected loss model from an incurred loss model. However, as noted in the table above, there are certain portfolio segments, most notably CRE, where the reserve decreased. This was mainly driven by the use of quantitative models to estimate the ACL using a methodology tailored more specifically to loans in the Company's portfolio under CECL, instead of the peer group historical loss rates utilized under the prior incurred loss model. Certain qualitative factors were also removed, as their impact was captured in the quantitative estimate under CECL.

Changes in the ACL subsequent to the adoption of ASU 2016-13

The increase in the ACL from the date of adoption of CECL to December 31, 2020 is a direct result of the impact of the COVID-19 pandemic on current and forecasted economic conditions and on our borrowers specifically, as evidenced in risk rating migration of the portfolio.

In the aggregate, the ACL for the CRE portfolio sub-segment, including multi-family, non-owner occupied CRE and construction and land, increased by $88.0 million since the adoption of ASU 2016-13, from 0.22% to 1.52% of loans, and the ACL on the franchise portfolio increased by $27.3 million, from 1.44% of loans to 6.62% of loans. These increases were driven primarily by changes in the economic forecast and risk rating migration reflecting the impact of the COVID-19 pandemic. The ACL for owner occupied commercial real estate and commercial and industrial loans, in the aggregate, increased by $7.4 million since the adoption of ASU 2016-13, while the ACL as a percentage of this segment decreased from 1.12% to 1.07%. This decrease was driven primarily by a larger concentration in loan classes that carry zero or nominal reserves such as PPP and mortgage warehouse loans. The ACL for the residential portfolio segment decreased by $0.5 million since the adoption of ASU 2016-13, from 0.34% to 0.29% of loans in the segment. This decrease was impacted by the increase in government insured residential loans, that carry zero reserves, and updates to certain assumptions.

The econometric models we use to estimate expected credit losses ingest a wide array of national, regional and MSA level economic variables and data points. Variables with the most significant impact on the commercial real estate model include unemployment, the CRE property forecast by property type, 10 year treasury yield, Baa corporate yield and real GDP growth. Those with the most significant impact on the commercial model results include a stock market volatility index, the S&P 500 index, unemployment and a variety of interest rates and spreads while those with the most significant impact on the residential model include HPI, unemployment, real GDP growth, and a 30 year mortgage rate.

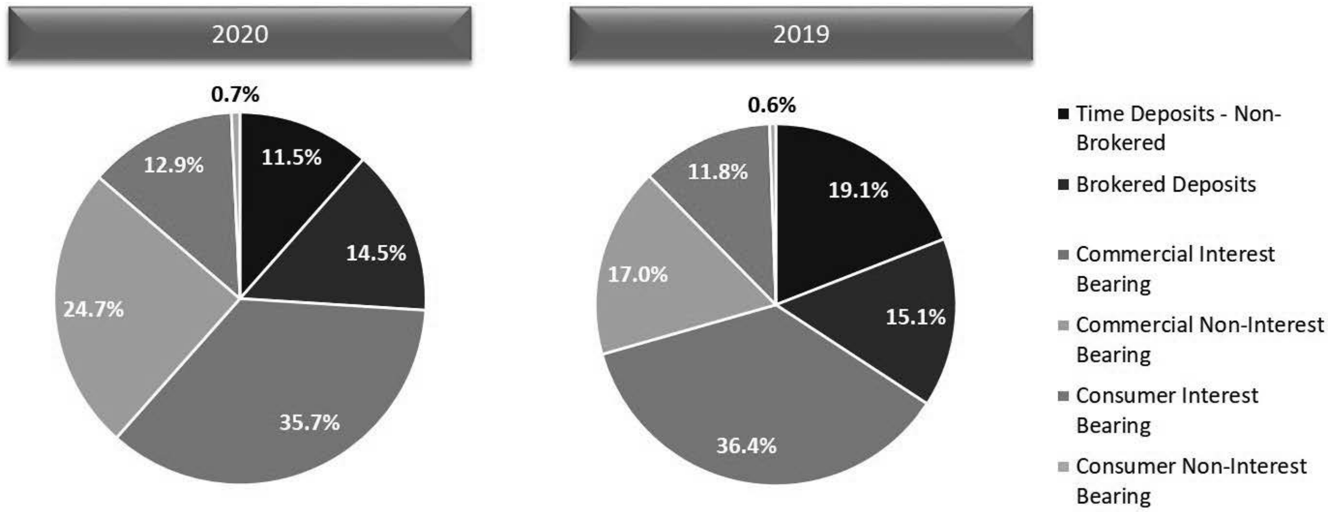
Some of the data points informing the reasonable and supportable economic forecast used in estimating the ACL at December 31, 2020 were:

- National unemployment at 6.7% for the first quarter of 2021, stable through the end of 2021, and declining to 5.4% by the end of 2022;
- Annualized growth in GDP at 4% for the first quarter of 2021, increasing to 4.1% by the end of 2021, and 4.7% by the end of 2022;
- VIX trending down to stabilized levels through the forecast horizon; and
- S&P 500 stable near 3,500 through the reasonable and supportable forecast period.

For additional information about the ACL, see Note 4 to the consolidated financial statements.

Deposits

A further breakdown of deposits as of December 31, 2020 and 2019 is shown below:



The total amount of estimated uninsured deposits at December 31, 2020 and 2019, totaled $17.4 billion and $14.0 billion, respectively. Time deposit accounts with balances of $250,000 or more totaled $1.1 billion and $1.9 billion at December 31, 2020 and 2019, respectively. The following table shows scheduled maturities of uninsured time deposits as of December 31, 2020 (in thousands):

Three months or less	$ 483,904
Over three through six months	309,398
Over six through twelve months	329,135
Over twelve months	107,252
	$ 1,229,689

See Note 6 to the consolidated financial statements for more information about the Company's deposits.

Borrowings

In addition to deposits, we utilize FHLB advances as a funding source; the advances provide us with additional flexibility in managing both term and cost of funding and in managing interest rate risk. FHLB advances are secured by qualifying residential first mortgage and commercial real estate loans, and MBS. The following table presents information about the contractual balance of outstanding FHLB advances as of December 31, 2020 (dollars in thousands):

	Amount	Weighted Average Rate
Maturing in:		
2021 - One month or less	$ 795,000	0.25 %
2021 - Over one month	2,226,000	0.54 %
Thereafter	100,000	0.41 %
	$ 3,121,000	

The table above reflects contractual maturities of outstanding advances and does not incorporate the impact that interest rate swaps designated as cash flow and fair value hedges have on the duration of borrowings.

The table below presents information about outstanding interest rate swaps hedging the variability of interest cash flows on or the fair value of FHLB advances included in the table above, as of December 31, 2020 (dollars in thousands):

	Notional Amount	Weighted Average Rate
Cash flow hedges maturing in:		
2021	$ 1,465,000	2.22 %
2022	210,000	2.48 %
2023	255,000	2.35 %
2024	110,000	2.54 %
2025	175,000	2.39 %
Thereafter	556,000	2.90 %
Cash flow hedges	2,771,000	2.41 %
Fair value hedges maturing in 2021	250,000	
Total interest rate swaps designated as cash flow or fair value hedges	$ 3,021,000	

The Bank utilizes federal funds purchased to manage the daily cash position.

See Note 7 to the consolidated financial statements for more information about the Company's FHLB advances and notes. Additionally, see Note 10 to the consolidated financial statements for more information about derivative instruments the Company uses to manage interest rate risk.

Capital Resources

Pursuant to the FDIA, the federal banking agencies have adopted regulations setting forth a five-tier system for measuring the capital adequacy of the financial institutions they supervise. At December 31, 2020 and 2019, BankUnited and the Company had capital levels that exceeded both the regulatory well-capitalized guidelines and all internal capital ratio targets. The Company has elected the option to temporarily delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period. See Note 13 to the consolidated financial statements for more information about the Company's and the Bank's regulatory capital ratios.

We believe we are well positioned, from a capital perspective, to withstand a severe downturn in the economy. In light of the COVID-19 crisis, uncertainty around its ultimate impact on the economy and, by extension, on our financial condition and results of operations, we have enhanced our stress testing framework. We have increased both the frequency of stress testing and the spectrum of scenarios utilized. One exercise we completed was to stress our March 31, 2020 loan portfolio using both the 2018 DFAST severely adverse scenario and the 2020 DFAST severely adverse scenario. The results of each of these stress tests projected regulatory capital ratios in excess of all well capitalized thresholds.

We have an active shelf registration statement on file with the SEC that allows the Company to periodically offer and sell in one or more offerings, individually or in any combination, our common stock, preferred stock and other non-equity securities. The shelf registration provides us with flexibility in issuing capital instruments and enables us to more readily access the capital markets as needed to pursue future growth opportunities and to ensure continued compliance with regulatory capital requirements. Our ability to issue securities pursuant to the shelf registration is subject to market conditions. We demonstrated our ability to successfully access the capital markets during a period of stress when, in the second quarter of 2020, we augmented our regulatory Tier 2 capital with a $300 million issuance of subordinated notes.

In 2020, the Company repurchased approximately 3.3 million shares of its common stock for an aggregate purchase price of $101 million, at a weighted average price of $30.36 per share. The Company temporarily suspended the share repurchase program on March 16, 2020; and on January 20, 2021, the Company’s Board of Directors reinstated the share repurchase program. Authorization to repurchase up to approximately $44.9 million in shares of its outstanding common stock remained under the share repurchase program at the date of the reinstatement. Any repurchases under the program will be made in accordance with applicable securities laws from time to time in open market or private transactions. The extent to which the Company repurchases shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, the economic environment and level of economic uncertainty including as related to the COVID-19 pandemic, the Company’s capital position and amount of retained earnings, regulatory requirements, stress testing results, and other considerations. No time limit was set for the completion of the share repurchase program, and the program may be suspended or discontinued at any time.

Liquidity

Liquidity involves our ability to generate adequate funds to support planned interest earning asset growth, meet deposit withdrawal and credit line usage requests, maintain reserve requirements, conduct routine operations, pay dividends, service outstanding debt and meet other contractual obligations.

BankUnited's ongoing liquidity needs have been and continue to be met primarily by cash flows from operations, deposit growth, the investment portfolio and FHLB advances. For the years ended December 31, 2020, 2019 and 2018 net cash provided by operating activities was $864 million, $636 million, and $824 million respectively.

The onset of the COVID-19 pandemic led to dislocation and volatility in funding and capital markets and evoked widespread concerns about the ongoing functioning of those markets, the availability of liquidity and the economy generally. In response, the Federal Reserve reduced its benchmark interest rate to a target level of 0 - 0.25% and has maintained it at that level to date, actively adjusted the size of its overnight and term repurchase agreement operations, reduced reserve requirements to zero and the cost of discount window borrowings, encouraged banks to utilize the discount window and committed to purchasing large amounts of U.S. Treasury securities and MBS. The U.S. government has announced an unprecedented variety of additional stimulus and measures to support markets, the flow of credit, and systemic liquidity. These include the Primary Market Corporate Credit Facility, the Secondary Market Corporate Credit Facility, the Term Asset-Backed Securities Loan Facility, the Municipal Liquidity Facility, the Main Street New Loan Facility, the Main Street Expanded Loan Facility, Paycheck Protection Program loans, the PPPLF, the Commercial Paper Funding Facility, the Primary Dealer Credit Facility, and the Money Market Mutual Fund Liquidity Facility. These actions appear to have been effective in stabilizing market liquidity.

In response to the onset of COVID-19 and potential concerns that might arise about the stability of liquidity, we initially took a number of precautionary measures to ensure adequacy of liquidity. We took steps to optimize available same day liquidity. We increased the level of cash held on balance sheet, to be prepared to meet potential increased demand for deposit withdrawals and line usage, which to date have not materialized. While we took proactive steps to be prepared for disruptions in liquidity, the COVID-19 pandemic has not been a liquidity event; we have not experienced unusual volatility or stress on our liquidity position to date.

Available liquidity includes cash, borrowing capacity at the Federal Home Loan Bank of Atlanta and the Federal Reserve Discount Window, Federal Funds lines of credit and unpledged agency securities. Additional sources of liquidity include cash flows from operations, wholesale deposits, and cash flow from the Bank's amortizing securities and loan portfolios. In the near-term, cash flows from the loan portfolio may be reduced as a result of temporary payment deferrals granted to borrowers. This has not to date and we do not currently expect it to materially impact our liquidity position. Management also has the ability to exert substantial control over the rate and timing of loan production, and resultant requirements for liquidity to fund new loans. Since the onset of the COVID-19 pandemic, we have not experienced unusual deposit outflows or volatility; we have, in fact experienced growth in deposits. Credit line usage, which we have monitored regularly since the onset of COVID-19, never significantly exceeded and is currently below our trailing three year average. Our available liquidity may also change as the FHLB and Federal Reserve Bank reprice our collateral in the normal course of business based on ongoing quarterly valuations. Based on our internal analysis, we do not expect the impact to be material to our overall liquidity position.

The ALCO policy has established several measures of liquidity which are typically monitored monthly by the ALCO and quarterly by the Board of Directors. In light of the COVID-19 situation, we have enhanced the frequency and extent of liquidity monitoring and reporting.

The ALCO policy establishes limits for the ratio of available liquidity to volatile liabilities, the ratio of wholesale funding to total assets, the ratio of brokered deposits to total deposits and a government backed securities holding ratio, measured as the ratio of U.S. Government backed securities to total securities. At December 31, 2020 BankUnited was in compliance with all of these ALCO policy limits.

An additional primary measure of liquidity monitored by management is the 30-day total liquidity ratio, defined as (a) the sum of cash and cash equivalents, pledgeable securities and a measure of funds expected to be generated by operations over the next 30 days; divided by (b) the sum of potential deposit runoff, liabilities maturing within the 30 day time frame and a measure of funds expected to be used in operations over the next 30 days. ALCO policy thresholds stipulate that BankUnited’s liquidity is considered acceptable if the 30-day total liquidity ratio exceeds 100%. At December 31, 2020, BankUnited’s 30-day total liquidity ratio was 234%. Management also monitors a one-year liquidity ratio, defined as (a) cash and cash equivalents, pledgeable securities, unused borrowing capacity at the FHLB, and loans and non-agency securities maturing within one year; divided by (b) forecasted deposit outflows and borrowings maturing within one year. This ratio allows management to monitor liquidity over a longer time horizon. The acceptable threshold established by the ALCO for this liquidity measure is 100%. At December 31, 2020, BankUnited’s one-year liquidity ratio was 312%. Additional measures of liquidity regularly monitored by the ALCO include the ratio of FHLB advances to total funding, concentrations of large deposits, a measure of on balance sheet available liquidity and the ratio of non-interest bearing deposits to total deposits, which is reflective of the quality and cost, rather than the quantity, of available liquidity. The Company also has a comprehensive contingency liquidity funding plan and conducts a quarterly liquidity stress test, the results of which are reported to the risk committee of the Board of Directors.

As a holding company, BankUnited, Inc. is a corporation separate and apart from its banking subsidiary, and therefore, provides for its own liquidity. BankUnited, Inc.'s main sources of funds include management fees and dividends from the Bank, access to capital markets and its own securities portfolio. There are regulatory limitations that may affect the ability of the Bank to pay dividends to BankUnited, Inc. Management believes that such limitations will not impact our ability to meet our ongoing near-term cash obligations.

We expect that our liquidity requirements will continue to be satisfied over the next 12 months through the sources of funds described above.

Interest Rate Risk

A 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 re-pricing characteristics may not reprice at the same time or to the same degree. A 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 thresholds established by the ALCO are approved at least annually by the Board of Directors or its Risk Committee.

Management believes that the simulation of net interest income in different interest rate environments provides the most meaningful measure of 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 income simulation model analyzes interest rate sensitivity by projecting net interest income over twelve and twenty-four month periods in a most likely rate scenario based on consensus 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 changes in the interest rate environment, the economic climate and observed customer behavior. Currently, we are modeling instantaneous rate shocks of plus 100, plus 200, plus 300 and plus 400 basis point shifts as well as a variety of yield curve slope, negative rate and dynamic balance sheet scenarios. We continually evaluate the scenarios being modeled with a view toward adapting them to changing economic conditions, expectations and trends.

The Company's ALCO policy provides that net interest income sensitivity will be considered acceptable if decreases in forecast net interest income in specified parallel rate shock scenarios, generally by policy plus and minus 100, 200, 300 and 400 basis points, are within specified percentages of forecast net interest income in the most likely rate scenario over the next twelve months and in the second year. At December 31, 2020, the most likely rate scenario assumes that all indices are floored at 0%. We did not apply the falling rate scenarios at December 31, 2020 due to the low level of current interest rates. The following table illustrates the thresholds set forth in the ALCO policy and the impact on forecasted net interest income in the indicated simulated scenarios at December 31, 2020 and 2019:

	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Policy Thresholds:					
In year 1	(6.0)%	(6.0)%	(10.0)%	(14.0)%	(18.0)%
In year 2	(9.0)%	(9.0)%	(13.0)%	(17.0)%	(21.0)%
Model Results at December 31, 2020 - increase:					
In year 1	N/A	2.9 %	3.9 %	3.2 %	1.9 %
In year 2	N/A	5.0 %	7.8 %	9.0 %	9.5 %
Model Results at December 31, 2019 - increase (decrease):					
In year 1	(1.1)%	1.0 %	0.1 %	(2.1)%	(5.1)%
In year 2	(4.8)%	4.6 %	7.2 %	8.7 %	9.4 %

Management also simulates changes in EVE in various interest rate environments. The ALCO policy has established parameters of acceptable risk that are defined in terms of the percentage change in EVE from a base scenario under eight rate scenarios, derived by implementing immediate parallel movements of plus and down 100, 200, 300 and 400 basis points from current rates. We did not simulate decreases in interest rates at December 31, 2020 due to the currently low level of market interest rates. The following table illustrates the acceptable thresholds as established by ALCO and the modeled change in EVE in the indicated scenarios at December 31, 2020 and 2019:

	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Policy Thresholds	(9.0)%	(9.0)%	(18.0)%	(27.0)%	(36.0)%
Model Results at December 31, 2020 - increase (decrease):	N/A	0.8 %	(2.0)%	(6.1)%	(10.0)%
Model Results at December 31, 2019 - decrease:	(1.5)%	(0.7)%	(3.1)%	(6.2)%	(9.7)%

These measures fall within an acceptable level of interest rate risk per the thresholds established in the ALCO policy.

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, changes in depositor behavior and loan prepayment speeds and the shape of the yield curve. Actual results may also differ due to the Company's actions, if any, in response to changing rates and conditions.

Derivative Financial Instruments

Interest rate swaps and caps designated as cash flow or fair value hedging instruments are one of the tools we use to manage interest rate risk. These derivative instruments are used to mitigate exposure to changes in interest cash flows on variable rate borrowings and to changes in the fair value of fixed rate borrowings, in each case caused by fluctuations in benchmark interest rates, as well as to manage duration of liabilities. The fair value of derivative instruments designated as hedges is included in other assets and other liabilities in our consolidated balance sheets. Changes in fair value of derivative instruments designated as cash flow hedges are reported in accumulated other comprehensive income. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings, as is the offsetting gain or loss on the hedged item. At December 31, 2020, outstanding interest rate swaps and caps designated as cash flow hedges had an aggregate notional amount of $2.9 billion and outstanding interest rate swaps designated as fair value hedges had an aggregate notional amount of $250 million. At December 31, 2020, the aggregate fair value of interest rate swaps and caps designated as cash flow hedges included in other assets and other liabilities was $0.5 million and $6.0 million respectively.

Interest rate swaps and caps not designated as hedges had an aggregate notional amount of $3.3 billion at December 31, 2020. The aggregate fair value of these interest rate swaps and caps included in other assets was $123.3 million and the aggregate fair value included in other liabilities was $38.5 million. These interest rate swaps and caps were entered into as accommodations to certain of our commercial borrowers. To mitigate interest rate risk associated with these derivatives, the Company enters into offsetting derivative positions with primary dealers.

See Note 10 to the consolidated financial statements for additional information about derivative financial instruments.

Off-Balance Sheet Arrangements

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

For more information on commitments, see Note 15 to the consolidated financial statements.

Contractual Obligations

The following table contains supplemental information regarding our significant outstanding contractual obligations, including interest to be paid on FHLB advances, long-term borrowings and time deposits, as of December 31, 2020 (in thousands):

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Certificates of deposits	$ 4,820,580	$ 4,668,023	$ 135,746	$ 16,811	$ —
FHLB Advances	3,137,079	3,033,773	810	810	101,686
4.875% Senior Notes due 2025	497,500	19,500	39,000	439,000	—
5.125% Senior Notes due 2030	446,063	15,375	30,750	30,750	369,188
Operating lease obligations	116,231	22,479	35,100	25,059	33,593
Finance lease obligations	45,889	4,080	6,916	6,874	28,019
	$ 4,242,762	$ 3,095,207	$ 112,576	$ 502,493	$ 532,486

Non-GAAP Financial Measures

PPNR is a non-GAAP financial measure. Management believes this measure is relevant to understanding the performance of the Company attributable to elements other than the provision for credit losses and the ability of the Company to generate earnings sufficient to cover estimated credit losses, particularly in view of the adoption of the CECL accounting methodology, which may impact comparability of operating results to prior periods. This measure also provides a meaningful basis for comparison to other financial institutions and is a measure frequently cited and requested by investors. The following table reconciles the non-GAAP financial measurement of PPNR to the comparable GAAP financial measurement of income before income taxes for the years ended December 31, 2020 and 2019 (in thousands):

	2020	2019
Income before income taxes (GAAP)	$ 249,359	$ 403,996
Plus: Provision for credit losses	178,431	8,904
PPNR (non-GAAP)	$ 427,790	$ 412,900

Recurring operating expenses is a non-GAAP financial measure. Management believes disclosure of this measure provides readers with information that may be useful in comparing current period results to prior periods and in interpreting trends in operational costs, particularly in light of our BankUnited 2.0 initiative. The following table reconciles the non-GAAP financial measurement of recurring operating expenses to the comparable GAAP financial measurement of total non-interest expense for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Total non-interest expense (GAAP)	$ 457,189	$ 487,089	740,540
Less:			
Amortization of FDIC indemnification asset	—	—	(261,763)
Depreciation of operating lease equipment	(49,407)	(48,493)	(40,025)
Loss on debt extinguishment	—	(3,796)	—
Costs incurred directly related to implementation of BankUnited 2.0	(1,188)	(14,802)	(1,899)
COVID-19 expenses	(4,758)	—	—
Recurring operating expenses (non-GAAP)	$ 401,836	$ 419,998	$ 436,853

Tangible book value per common share is a non-GAAP financial measure. Management believes this measure is relevant to understanding the capital position and performance of the Company. Disclosure of this non-GAAP financial measure also provides a meaningful basis for comparison to other financial institutions as it is a metric commonly used in the banking industry. The following table reconciles the non-GAAP financial measurement of tangible book value per common share to the comparable GAAP financial measurement of book value per common share at December 31, of the years indicated (in thousands except share and per share data):

	2020	2019	2018	2017	2016
Total stockholders' equity	$ 2,983,012	$ 2,980,779	$ 2,923,833	$ 3,026,062	$ 2,418,429
Less: goodwill and other intangible assets	77,637	77,674	77,718	77,796	78,047
Tangible stockholders' equity	$ 2,905,375	$ 2,903,105	$ 2,846,115	$ 2,948,266	$ 2,340,382
Common shares issued and outstanding	93,067,500	95,128,231	99,141,374	106,848,185	104,166,945
Book value per common share	$ 32.05	$ 31.33	$ 29.49	$ 28.32	$ 23.22
Tangible book value per common share	$ 31.22	$ 30.52	$ 28.71	$ 27.59	$ 22.47
Total assets	$ 35,010,493	$ 32,871,293	$ 32,164,326	$ 30,346,986	$ 27,880,151
Less: goodwill and other intangible assets	77,637	77,674	77,718	77,796	78,047
Tangible assets	$ 34,932,856	$ 32,793,619	$ 32,086,608	$ 30,269,190	$ 27,802,104
Equity to assets ratio	8.52 %	9.07 %	9.09 %	9.97 %	8.67 %
Tangible common equity to tangible assets ratio	8.32 %	8.85 %	8.87 %	9.74 %	8.42 %

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in Internal Control—Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
BankUnited, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BankUnited, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, Financial Instruments –Credit Losses.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for credit losses for commercial loans

As discussed in Note 1 and Note 4 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments – Credit Losses (ASC Topic 326), as of January 1, 2020. The total allowance for credit losses as of January 1, 2020 and December 31, 2020 was $136 million and $257 million, respectively, a portion of both which related to the allowance for credit losses on commercial loans evaluated on a collective basis, excluding loans estimated using a weighted average remaining maturity method (the January 1, 2020 commercial ACL and the December 31, 2020 commercial ACL, collectively the commercial ACL). The Company estimated the commercial ACL using a current expected credit losses methodology which is based on relevant information about historical losses, current conditions, and reasonable and supportable forecasts of economic conditions that affect the collectability of the commercial loan balances. The commercial ACL estimate incorporates a reasonable and supportable economic forecast through the use of an externally developed macroeconomic scenario. The commercial ACL is estimated using estimates of probability of default (PD) and loss given default (LGD) conditioned on the reasonable and supportable forecast based on a single economic scenario (the quantitative models). The PDs and LGDs determined based on pool level characteristics are applied to estimated exposure at default, considering the contractual term and payment structure of loans, adjusted for expected prepayments, to estimate expected losses. After the reasonable and supportable forecast period, the models effectively revert to long-term mean losses on a straight-line basis over 12 months. Qualitative adjustments are made to the commercial ACL to reflect factors impacting expected credit losses not taken into account by the quantitative calculations.

We identified the assessment of the January 1, 2020 commercial ACL and the December 31, 2020 commercial ACL estimates as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the commercial ACL estimates due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the commercial ACL methodology, including the methods and models used to estimate the PD and LGD and their significant assumptions. Such significant assumptions included segmentation of loans based on pool level characteristics, relevance of the historical loss information used, economic forecast, the reasonable and supportable forecast period, the reversion period, and prepayment assumptions. The assessment also included the evaluation of the qualitative adjustments and their significant assumptions, including information about loan portfolio credit risk indicators not captured in the quantitative models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the commercial ACL estimates, including controls over the:

- development of the commercial ACL methodology
- application of the quantitative models
- model governance of the quantitative models used to estimate the commercial ACL as of December 31, 2020
- identification and determination of the significant assumptions used in the quantitative models
- development of the qualitative adjustments including the significant assumptions used in the measurement of the qualitative adjustments
- analysis of the allowance for credit losses on loans results, trends, and ratios.

We evaluated the Company's process to develop the commercial ACL estimates by testing the quantitative models and the related assumptions and data elements that the Company used, and considered the relevance and reliability of such models, assumptions and data elements, including assessing the economic forecast scenario through comparison to publicly available forecasts. We performed ratio and trend analysis over key ratios and peer comparison information relevant to the commercial ACL estimates. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's commercial ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the performance testing of the quantitative models by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the quantitative models by inspecting model documentation to determine whether the models are suitable for their intended use
- evaluating the judgment used by management in selecting the economic forecast scenario by comparing it to the Company's business environment and relevant industry practices
- evaluating the relevance of the historical loss information used by comparing to specific portfolio risk characteristics and trends
- evaluating the methodology used to incorporate a prepayment assumption into the commercial ACL and the reasonableness of historical data used in development of the prepayment assumption by comparing to specific portfolio risk characteristics and trends

- testing the reasonable and supportable forecast period to evaluate the length of the period by comparing to specific portfolio risk characteristics and trends
- evaluating the methodology and assumptions used to develop the qualitative adjustments and the effect of those adjustments compared with credit trends and identified limitations of the underlying quantitative models.

We also assessed the sufficiency of the audit evidence obtained related to the January 1, 2020 commercial ACL and the December 31, 2020 commercial ACL by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company’s accounting practices
- potential bias in the accounting estimates.

/s/KPMG LLP

We have served as the Company's auditor since 2009.

Miami, Florida
February 26, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
BankUnited, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited BankUnited, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/KPMG LLP

Miami, Florida
February 26, 2021

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

	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks:		
Non-interest bearing	$ 20,233	$ 7,704
Interest bearing	377,483	206,969
Cash and cash equivalents	397,716	214,673
Investment securities (including securities recorded at fair value of $9,166,683 and $7,759,237)	9,176,683	7,769,237
Non-marketable equity securities	195,865	253,664
Loans held for sale	24,676	37,926
Loans	23,866,042	23,154,988
Allowance for credit losses	(257,323)	(108,671)
Loans, net	23,608,719	23,046,317
Bank owned life insurance	294,629	282,151
Operating lease equipment, net	663,517	698,153
Goodwill and other intangible assets	77,637	77,674
Other assets	571,051	491,498
Total assets	$35,010,493	$32,871,293
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 7,008,838	$ 4,294,824
Interest bearing	3,020,039	2,130,976
Savings and money market	12,659,740	10,621,544
Time	4,807,199	7,347,247
Total deposits	27,495,816	24,394,591
Federal funds purchased	180,000	100,000
FHLB advances	3,122,999	4,480,501
Notes and other borrowings	722,495	429,338
Other liabilities	506,171	486,084
Total liabilities	32,027,481	29,890,514
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share, 400,000,000 shares authorized; 93,067,500 and 95,128,231 shares issued and outstanding	931	951
Paid-in capital	1,017,518	1,083,920
Retained earnings	2,013,715	1,927,735
Accumulated other comprehensive loss	(49,152)	(31,827)
Total stockholders' equity	2,983,012	2,980,779
Total liabilities and stockholders' equity	$35,010,493	$32,871,293

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

	Years Ended December 31,		
	2020	**2019**	**2018**
Interest income:			
Loans	$ 864,175	$ 981,408	$ 1,198,241
Investment securities	193,856	280,560	233,091
Other	9,578	19,902	17,812
Total interest income	1,067,609	1,281,870	1,449,144
Interest expense:			
Deposits	199,980	385,180	284,563
Borrowings	115,871	143,905	114,488
Total interest expense	315,851	529,085	399,051
Net interest income before provision for credit losses	751,758	752,785	1,050,093
Provision for credit losses	178,431	8,904	25,925
Net interest income after provision for credit losses	573,327	743,881	1,024,168
Non-interest income:			
Deposit service charges and fees	16,496	16,539	14,412
Gain on sale of loans, net	13,170	12,119	15,864
Gain on investment securities, net	17,767	21,174	3,159
Lease financing	59,112	66,631	61,685
Other non-interest income	26,676	30,741	36,902
Total non-interest income	133,221	147,204	132,022
Non-interest expense:			
Employee compensation and benefits	217,156	235,330	254,997
Occupancy and equipment	48,237	56,174	55,899
Amortization of FDIC indemnification asset	—	—	261,763
Deposit insurance expense	21,854	16,991	18,984
Professional fees	11,708	20,352	16,539
Technology and telecommunications	58,108	47,509	35,136
Depreciation of operating lease equipment	49,407	48,493	40,025
Other non-interest expense	50,719	62,240	57,197
Total non-interest expense	457,189	487,089	740,540
Income before income taxes	249,359	403,996	415,650
Provision for income taxes	51,506	90,898	90,784
Net income	$ 197,853	$ 313,098	$ 324,866
Earnings per common share, basic	$ 2.06	$ 3.14	$ 3.01
Earnings per common share, diluted	$ 2.06	$ 3.13	$ 2.99

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

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

	Years Ended December 31,		
	2020	2019	2018
Net income	$ 197,853	$ 313,098	$ 324,866
Other comprehensive income (loss), net of tax:			
Unrealized gains on investment securities available for sale:			
Net unrealized holding gain (loss) arising during the period	46,045	37,616	(57,041)
Reclassification adjustment for net securities gains realized in income	(10,431)	(13,625)	(4,486)
Net change in unrealized gain on securities available for sale	35,614	23,991	(61,527)
Unrealized losses on derivative instruments:			
Net unrealized holding gain (loss) arising during the period	(87,402)	(58,760)	3,981
Reclassification adjustment for net (gains) losses realized in income	34,463	(1,931)	(1,469)
Net change in unrealized losses on derivative instruments	(52,939)	(60,691)	2,512
Other comprehensive loss	(17,325)	(36,700)	(59,015)
Comprehensive income	$ 180,528	$ 276,398	$ 265,851

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

	Years Ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net income	$ 197,853	$ 313,098	$ 324,866
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and accretion, net	(28,246)	(37,319)	(86,549)
Provision for credit losses	178,431	8,904	25,925
Gain on sale of loans, net	(13,170)	(12,119)	(15,864)
Gain on investment securities, net	(17,767)	(21,174)	(3,159)
Equity based compensation	20,367	23,367	23,137
Depreciation and amortization	72,508	72,425	64,268
Deferred income taxes	(27,586)	24,529	67,778
Proceeds from sale of loans held for sale	610,623	412,034	268,589
Loans originated for sale, net of repayments	(26,196)	(86,568)	(155,974)
Other:			
(Increase) decrease in other assets	(33,383)	17,749	229,109
Increase (decrease) in other liabilities	(69,266)	(79,220)	82,126
Net cash provided by operating activities	864,168	635,706	824,252
Cash flows from investing activities:			
Purchase of investment securities	(4,208,597)	(3,896,234)	(4,138,994)
Proceeds from repayments and calls of investment securities	1,352,788	1,370,584	1,533,951
Proceeds from sale of investment securities	1,503,498	2,975,259	1,030,810
Purchase of non-marketable equity securities	(134,938)	(411,825)	(308,126)
Proceeds from redemption of non-marketable equity securities	192,737	425,213	307,063
Purchases of loans	(3,157,659)	(2,197,484)	(1,308,772)
Loan originations, repayments and resolutions, net	1,819,139	477,805	404,769
Proceeds from sale of loans, net	48,721	265,582	544,745
Proceeds from sale of operating lease equipment	5,310	19,269	52,134
Proceeds from sale of residential MSRs	—	—	34,573
Acquisition of operating lease equipment	(19,597)	(63,786)	(190,500)
Other investing activities	(22,117)	(39,879)	(3,184)
Net cash used in investing activities	(2,620,715)	(1,075,496)	(2,041,531)

(Continued)

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

	Years Ended December 31,		
	2020	2019	2018
Cash flows from financing activities:			
Net increase in deposits	3,101,225	920,368	1,595,744
Net (decrease) increase in federal funds purchased	80,000	(75,000)	175,000
Additions to FHLB and PPPLF borrowings	3,857,000	4,512,000	4,647,000
Repayments of FHLB and PPPLF borrowings	(5,217,000)	(4,827,000)	(4,622,000)
Proceeds from issuance of notes, net	293,858	—	—
Dividends paid	(86,522)	(84,083)	(91,305)
Exercise of stock options	19,611	5,817	7,727
Repurchase of common stock	(100,972)	(154,030)	(299,972)
Other financing activities	(7,610)	(25,682)	(7,424)
Net cash provided by financing activities	1,939,590	272,390	1,404,770
Net increase (decrease) in cash and cash equivalents	183,043	(167,400)	187,491
Cash and cash equivalents, beginning of period	214,673	382,073	194,582
Cash and cash equivalents, end of period	$ 397,716	$ 214,673	$ 382,073
Supplemental disclosure of cash flow information:			
Interest paid	$ 336,991	$ 518,856	$ 387,801
Income taxes paid (refunded), net	$ 8,637	$ 229	$ (288,267)
Supplemental schedule of non-cash investing and financing activities:			
Transfers from loans to other real estate owned and other repossessed assets	$ 4,170	$ 3,211	$ 9,709
Transfers from loans to loans held for sale	$ 602,198	$ 536,227	$ 108,503
Transfers from loans held for sale to loans	$ —	$ 19,716	$ —
Dividends declared, not paid	$ 22,309	$ 20,775	$ 21,673
Obligations incurred in acquisition of affordable housing limited partnerships	$ —	$ —	$ 4,710

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

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2017	106,848,185	$ 1,068	$ 1,498,227	$ 1,471,781	$ 54,986	$ 3,026,062
Cumulative effect of adoption of new accounting standards	—	—	—	(8,902)	8,902	—
Balance at January 1, 2018	106,848,185	1,068	1,498,227	1,462,879	63,888	3,026,062
Comprehensive income	—	—	—	324,866	(59,015)	265,851
Dividends ($0.84 per common share)	—	—	—	(89,923)	—	(89,923)
Equity based compensation	696,729	7	20,640	—	—	20,647
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(252,091)	(3)	(6,556)	—	—	(6,559)
Exercise of stock options	291,689	3	7,724	—	—	7,727
Repurchase of common stock	(8,443,138)	(84)	(299,888)	—	—	(299,972)
Balance at December 31, 2018	99,141,374	991	1,220,147	1,697,822	4,873	2,923,833
Comprehensive income	—	—	—	313,098	(36,700)	276,398
Dividends ($0.84 per common share)	—	—	—	(83,185)	—	(83,185)
Equity based compensation	591,739	6	18,454	—	—	18,460
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(344,766)	(3)	(6,511)	—	—	(6,514)
Exercise of stock options	255,127	2	5,815	—	—	5,817
Repurchase of common stock	(4,485,243)	(45)	(153,985)	—	—	(154,030)
Balance at December 31, 2019	95,128,231	951	1,083,920	1,927,735	(31,827)	2,980,779
Impact of adoption of ASU 2016-13	—	—	—	(23,817)	—	(23,817)
Balance at January 1, 2020	95,128,231	951	1,083,920	1,903,918	(31,827)	2,956,962
Comprehensive income	—	—	—	197,853	(17,325)	180,528
Dividends ($0.92 per common share)	—	—	—	(88,056)	—	(88,056)
Equity based compensation	759,983	8	19,550	—	—	19,558
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(230,537)	(2)	(4,617)	—	—	(4,619)
Exercise of stock options	735,400	7	19,604	—	—	19,611
Repurchase of common stock	(3,325,577)	(33)	(100,939)	—	—	(100,972)
Balance at December 31, 2020	93,067,500	$ 931	$ 1,017,518	$ 2,013,715	$ (49,152)	$ 2,983,012

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

Note 1 Basis of Presentation and Summary of Significant Accounting Policies

BankUnited, Inc., with total consolidated assets of $35.0 billion at December 31, 2020, is a 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 commercial lending and both commercial and consumer deposit services through 70 banking centers located in 14 Florida counties and 4 banking centers in the New York metropolitan area. The Bank also provides certain commercial lending and deposit products through national platforms.

The consolidated financial statements have been prepared in accordance with GAAP and prevailing practices in the banking industry.

Accounting Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosures of contingent assets and liabilities. Actual results could differ significantly from these estimates.

The most significant estimate impacting the Company's consolidated financial statements is the ACL.

Principles of Consolidation

The consolidated financial statements include the accounts of BankUnited, Inc. and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. VIEs are consolidated if the Company is the primary beneficiary; i.e., has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company has variable interests in affordable housing limited partnerships that are not required to be consolidated because the Company is not the primary beneficiary.

Fair Value Measurements

Certain of the Company's assets and liabilities are reflected in the consolidated financial statements at fair value on either a recurring or non-recurring basis. Investment securities available for sale, marketable equity securities, servicing rights and derivative instruments are measured at fair value on a recurring basis. Assets measured at fair value or fair value less cost to sell on a non-recurring basis may include collateral dependent loans, OREO and other repossessed assets, loans held for sale, goodwill and impaired long-lived assets. These non-recurring fair value measurements typically involve lower-of-cost-or-market accounting or the measurement of impairment of certain assets.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy that prioritizes inputs used to determine fair value measurements into three levels based on the observability and transparency of the inputs:

- Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 inputs are observable inputs other than level 1 inputs, including quoted prices for similar assets and liabilities, quoted prices for identical assets and liabilities in less active markets and other inputs that can be corroborated by observable market data.
- Level 3 inputs are unobservable inputs supported by limited or no market activity or data and inputs requiring significant management judgment or estimation.

The fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs in estimating fair value. Unobservable inputs are utilized in determining fair value measurements only to the extent that observable inputs are unavailable. The need to use unobservable inputs generally results from a lack of market liquidity and diminished observability of actual trades or assumptions that would otherwise be available to value a particular asset or liability.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, both interest bearing and non-interest bearing, including amounts on deposit at the Federal Reserve Bank, and federal funds sold. Cash equivalents have original maturities of three months or less. For purposes of reporting cash flows, cash receipts and payments pertaining to FHLB advances with original maturities of three months or less are reported net.

Investment Securities

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Debt securities that the Company may not have the intent to hold to maturity are classified as available-for-sale at the time of acquisition and carried at fair value with unrealized gains and losses, net of tax, excluded from earnings and reported in AOCI, a separate component of stockholders' equity. Securities classified as available-for-sale may be used as part of the Company's asset/liability management strategy and may be sold in response to liquidity needs, regulatory changes, changes in interest rates, prepayment risk or other market factors. The Company does not maintain a trading portfolio. Purchase premiums and discounts on debt securities are amortized as adjustments to yield over the expected lives of the securities, using the level yield method. Premiums are amortized to the call date for callable securities. Realized gains and losses from sales of securities are recorded on the trade date and are determined using the specific identification method. The Company's policy on the ACL related to debt securities is discussed below in the section entitled "Allowance for Credit Losses".

Marketable equity securities with readily determinable fair values are reported at fair value with unrealized gains and losses included in earnings. Equity securities that do not have readily determinable fair values are reported at cost and re-measured at fair value upon occurrence of an observable price change or recognition of impairment.

Non-marketable Equity Securities

The Bank, as a member of the FRB system and the FHLB, is required to maintain investments in the stock of the FRB and FHLB. No market exists for this stock, and the investment can be liquidated only through redemption by the respective institutions, at the discretion of and subject to conditions imposed by those institutions. The stock has no readily determinable fair value and is carried at cost. Historically, stock redemptions have been at par value, which equals the Company's carrying value. The Company monitors its investment in FHLB stock for impairment through review of recent financial results of the FHLB, including capital adequacy and liquidity position, dividend payment history, redemption history and information from credit agencies. The Company has not identified any indicators of impairment of FHLB stock.

Loans Held for Sale

The guaranteed portion of SBA and USDA loans originated with the intent to sell are carried at the lower of cost or fair value, determined in the aggregate. A valuation allowance is established through a charge to earnings if the aggregate fair value of such loans is lower than their cost. Gains or losses recognized upon sale are determined on the specific identification basis.

Loans not originated or otherwise acquired with the intent to sell are transferred into the held for sale classification at the lower of carrying amount or fair value when they are specifically identified for sale and a formal plan exists to sell them.

Loans

The Company's loan portfolio contains 1-4 single family residential first mortgages, government insured residential mortgages, an insignificant amount of other consumer loans, multi-family, non-owner occupied commercial real estate, construction and land, owner-occupied commercial real estate, commercial and industrial and PPP loans, mortgage warehouse lines of credit and sales-type and direct financing leases. Loans are reported at amortized cost basis, net of the ACL.

Interest income is accrued based on the principal amount outstanding. Non-refundable loan origination fees, net of direct costs of originating or acquiring loans, as well as purchase premiums and discounts, are deferred and recognized as adjustments to yield over the contractual lives of the related loans using the level yield method.

Non-accrual loans

Commercial loans are placed on non-accrual status when (i) management has determined that full repayment of all contractual principal and interest is in doubt, or (ii) the loan is past due 90 days or more as to principal or interest unless the loan is well secured and in the process of collection. Residential and other consumer loans, other than government insured residential loans, are generally placed on non-accrual status when they are 90 days past due. When a loan is placed on non-accrual status, uncollected interest accrued is reversed and charged to interest income. Payments received on non-accrual commercial loans are applied as a reduction of principal. Interest payments are recognized as income on a cash basis on non-accrual residential loans. Commercial loans are returned to accrual status only after all past due principal and interest has been collected and full repayment of remaining contractual principal and interest is reasonably assured. Residential and consumer loans are generally returned to accrual status when less than 90 days past due. Past due status of loans is determined based on the contractual next payment due date. Loans less than 30 days past due are reported as current.

Contractually delinquent government insured residential loans are not classified as non-accrual due to the nature of the guarantee. Contractually delinquent PCD loans are not classified as non-accrual as long as the Company has a reasonable expectation about amounts expected to be collected.

Troubled Debt Restructurings

In certain situations, due to economic or legal reasons related to a borrower's financial difficulties, the Company may grant a concession to the borrower for other than an insignificant period of time that it would not otherwise consider. At that time, the related loan is classified as a TDR. The concessions granted may include rate reductions, principal forgiveness, payment forbearance, extensions of maturity at rates of interest below that commensurate with the risk profile of the loans, modification of payment terms and other actions intended to minimize economic loss. A TDR is generally placed on non-accrual status at the time of the modification unless the borrower was performing prior to the restructuring.

Pursuant to inter-agency and authoritative guidance and consistent with the CARES Act, short-term (generally periods of six months or less) deferrals or modifications related to COVID-19 will typically not be categorized as TDRs. Additionally, section 4013 of the CARES Act, as amended by the Consolidated Appropriations Act on December 27, 2020, effectively suspended the guidance related to TDRs codified in ASC 310-40 until the earlier of January 1, 2022 or sixty days after the date of the suspension of the declared state of emergency related to the COVID-19 pandemic. The Company has elected to apply the provisions of section 4013 to qualifying loan modifications, other than short-term payment deferrals of 6 months or less that are subject to the interagency guidance, that might otherwise be categorized as TDRs under ASC 310-40.

PCD assets

PCD assets are acquired financial assets that, as of the date of acquisition, have experienced a more than insignificant deterioration in credit quality since origination. An assessment is conducted at acquisition to determine whether acquired financial assets meet the criteria to be classified as PCD assets. That assessment may be conducted at the individual asset level, or for a group of assets acquired together that have similar risk characteristics. At acquisition, the ACL related to PCD assets, representing the estimated amount of the UPB of the assets not expected to be collected, is added to the purchase price to determine the amortized cost basis and any non-credit related discount or premium is allocated to the individual assets acquired. The non-credit related discount or premium is accreted or amortized to interest income over the life of the related assets using the level yield method, as long as there is a reasonable expectation about amounts expected to be collected. Subsequent changes in the amount of expected credit losses are recognized immediately by adjusting the ACL and reflecting the periodic changes as credit loss expense or reversal of credit loss expense.

Loans previously categorized as ACI loans were categorized as PCD loans on initial adoption of ASC 326. At adoption, an ACL was recognized and a corresponding adjustment was made to the assets' amortized cost basis. Prior to the adoption of ASC 326, ACI loans were accounted for on a pool basis. These pools were not maintained on adoption. The Company did not re-assess whether modifications to individual PCD loans previously accounted for in pools were TDRs at adoption.

Sales-type and Direct Financing Leases

Sales-type and direct financing leases are carried at the aggregate of lease payments receivable and estimated residual value of the leased property, if applicable, less unearned income. Interest income is recognized over the term of the leases to achieve a constant periodic rate of return on the outstanding investment.

ACL

AFS Debt Securities

The Company reviews its AFS debt securities for credit loss impairment at the individual security level on at least a quarterly basis. A security is impaired if its fair value is less than its amortized cost basis. A decline in fair value below amortized cost basis represents a credit loss impairment to the extent the Company does not expect to recover the amortized cost basis of the security. Impairment related to credit losses is recorded through the ACL to the extent fair value is less than the amortized cost basis. Declines in fair value that have not been recorded through the ACL are recorded through other comprehensive income, net of applicable taxes.

In assessing whether an impairment is credit loss related, the Company compares the present value of cash flows expected to be collected to the security's amortized cost basis. If the present value of cash flows expected to be collected is less than the amortized cost basis of the security, a credit loss exists and an ACL is recorded. The Company discounts expected cash flows at the effective interest rate implicit in the security at the purchase date, adjusted for expected prepayments. For floating rate securities, the Company uses the floating rate as it changes over the life of the security. In developing estimates about cash flows expected to be collected and determining whether a credit loss exists, the Company considers information about past events, current conditions and reasonable and supportable forecasts. Factors and information that the Company uses in making its assessments include, but are not necessarily limited to, the following:

- The extent to which fair value is less than amortized cost;
- Adverse conditions specifically related to the security, an industry or geographic area;
- Changes in the financial condition of the issuer or underlying loan obligors;
- The payment structure and remaining payment terms of the security, including levels of subordination or over-collateralization;
- Failure of the issuer to make scheduled payments;
- Changes in credit ratings;
- Relevant market data;
- Estimated prepayments, defaults, and the value and performance of underlying collateral at the individual security level.

The relative importance assigned to each of these factors varies depending on the facts and circumstances pertinent to the individual security being evaluated.

Timely payment of principal and interest on securities issued by the U.S. Government, U.S. government agencies and U.S. government sponsored entities is explicitly or implicitly guaranteed by the U. S. government. Therefore, the Company expects to recover the amortized cost basis of these securities.

If the Company intends to sell a security in an unrealized loss position, or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, any allowance for credit losses will be written off and the amortized cost basis will be written down to the debt security’s fair value at the reporting date with any incremental impairment reported in earnings.

AFS securities will be charged off to the extent that there is no reasonable expectation of recovery of amortized cost basis. AFS securities will be placed on non-accrual status if the Company does not reasonably expect to receive interest payments in the future and interest accrued will be reversed against interest income. Securities will be returned to accrual status only when collection of interest is reasonably assured.

Loans

The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The ACL is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected, or in the case of PCD loans, the amount of UPB not expected to be collected, at the balance sheet date.

Amortized cost basis includes UPB, unamortized premiums or discounts and deferred fees and costs, net of amounts previously charged off.

The measurement of expected credit losses encompasses information about historical events, current conditions and reasonable and supportable forecasts. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently uncertain. Re-evaluation of the ACL estimate in future periods, in light of changes in composition and characteristics of the loan portfolio, changes in the reasonable and supportable forecast and other factors then prevailing may result in material changes in the amount of the ACL and credit loss expense in those future periods.

Loans are charged off against the ACL in the period in which they are deemed uncollectible and recoveries are credited to the ACL when received. Expected recoveries on loans previously charged off and expected to be charged-off, not to exceed the aggregate of amounts previously charged-off and expected to be charged-off, are included in the ACL estimate. For loans secured by residential real estate, an assessment of collateral value is made at no later than 120 days delinquency; any outstanding loan balance in excess of fair value less cost to sell is charged off at no later than 180 days delinquency. Additionally, any outstanding balance in excess of fair value of collateral less cost to sell is charged off (i) within 60 days of receipt of notification of filing from the bankruptcy court, (ii) within 60 days of determination of loss if all borrowers are deceased or (iii) within 90 days of discovery of fraudulent activity. Other consumer loans are typically charged off at 120 days delinquency. Commercial loans are charged off when, in management's judgment, they are considered to be uncollectible.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type, industry, geography, internal risk rating, credit characteristics such as credit scores or collateral values, and historical or expected credit loss patterns. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans and TDRs, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. Expected prepayments for commercial loans are generally estimated based on the Company's historical experience. For residential loans, expected prepayments are estimated using a model that incorporates industry prepayment data, calibrated to reflect the Company's experience. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a TDR will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

For the substantial majority of portfolio segments and subsegments, including residential loans other than government insured loans, and most commercial and commercial real estate loans, expected losses are estimated using econometric models. The models employ a factor based methodology, leveraging data sets containing extensive historical loss and recovery information by industry, geography, product type, collateral type and obligor characteristics, to estimate PD and LGD. Measures of PD for commercial loans incorporate current conditions through market cycle or credit cycle adjustments. For residential loans, the models consider FICO and adjusted LTVs. PDs and LGDs are then conditioned on the reasonable and supportable economic forecast. Projected PDs and LGDs, determined based on pool level characteristics, are applied to estimated exposure at default, considering the contractual term and payment structure of loans, adjusted for prepayments, to generate estimates of expected loss. For criticized or classified loans, PDs are adjusted to benchmark PDs established for each risk rating if the most current financial information available is deemed not to be reflective of the borrowers' current financial condition. The ACL estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the models. A single economic scenario or a probability weighted blend of economic scenarios may be used. The models ingest numerous national, regional and MSA level variables and data points. Some of the more impactful include both current and forecasted unemployment rates, HPI, CRE property forecasts, stock market and market volatility indices, real GDP growth, and a variety of interest rates and spreads. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. Currently, the Company uses a 2-year reasonable and supportable forecast period in estimating the ACL. After the reasonable and supportable forecast periods, the models effectively revert to long-term mean losses on a straight-line basis over 12 months.

For certain less material portfolios including loans and leases to state and local government entities originated by Pinnacle, small balance commercial loans and consumer loans, the WARM method is used to estimate expected credit losses. Loss rates are applied to the exposure at default, after factoring in amortization and expected prepayments. For the Pinnacle portfolio, historical loss information is based on municipal historical default and recovery data, segmented by credit rating. For small balance commercial loans, historical loss information is based on the Company's historical loss experience over a five year period. For consumer loans, historical loss information is based on peer data; this portfolio subsegment is not significant. All loss estimates are conditioned as applicable on changes in current conditions and the reasonable and supportable economic forecast. Expected credit losses for the funded portion of mortgage warehouse lines of credit are estimated based primarily on the Company's historical loss experience, conditioned as applicable on changes in current conditions and the reasonable and supportable economic forecast. Generally, given the nature of these loans, losses would be expected to manifest within a very short time period after origination.

The Company expects to collect the amortized cost basis of government insured residential loans and PPP loans due to the nature of the government guarantee, so the ACL is zero for these loans.

Qualitative factors

Qualitative adjustments are made to the ACL when, based on management’s judgment, there are factors impacting expected credit losses not taken into account by the quantitative calculations. Potential qualitative adjustments are categorized as follows:

- Economic factors, including material trends and developments that, in management's judgment, may not have been considered in the reasonable and supportable economic forecast;
- Credit policy and staffing, including the nature and level of policy and procedural exceptions or changes in credit policy not reflected in quantitative results, changes in the quality of underwriting and portfolio management and staff and issues identified by credit review, internal audit or regulators that may not be reflected in quantitative results;
- Concentrations, considering whether the quantitative estimate adequately accounts for concentration risk in the portfolio;
- Model imprecision and model validation findings; and
- Other factors not adequately considered in the quantitative estimate or other qualitative categories identified by management that may materially impact the amount of expected credit losses.

Collateral dependent loans

Collateral dependent loans are those for which the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. These loans do not typically share similar risk characteristics with other loans and expected credit losses are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. Estimates of expected credit losses for collateral dependent loans, whether or not foreclosure is probable, are based on the fair value of the collateral, adjusted for selling costs when repayment depends on sale of the collateral. Due to immateriality, expected credit losses for collateral dependent commercial relationships with committed balances less than $1.0 million may be estimated collectively.

Troubled debt restructurings

For TDRs or loans for which there is a reasonable expectation that a TDR will be executed that are not collateral dependent, the credit loss estimate is determined by comparing the net present value of expected cash flows, discounted at the loan’s original effective interest rate, to the amortized cost basis of the loan.

Off-balance sheet credit exposures

Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Expected credit losses are estimated using essentially the same methodologies employed to estimate expected credit losses on the amortized cost basis of loans, taking into consideration the likelihood and amount of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-balance sheet credit exposures is presented within other liabilities on the consolidated balance sheets, distinct from the ACL. Adjustments to the liability are included in the provision for credit losses.

Accrued Interest Receivable

The Company has elected to present accrued interest receivable separate from the amortized cost basis of financial assets carried at amortized cost. The Company is applying the practical expedient provided in ASC 326 to exclude accrued interest receivable balances from tabular disclosures about financial assets carried at amortized cost. The Company generally does not estimate an ACL on accrued interest receivable balances since uncollectible accrued interest is timely written off in accordance with the Company's accounting policies for non-accrual loans. Under unusual circumstances, such as those presented by deferrals granted due to the COVID-19 pandemic, the Company evaluates whether its non-accrual policies continue to consistently provide for timely reversal of accrued interest receivable. If considered necessary, the Company records an allowance for uncollectible accrued interest receivable, determined using essentially the same methodologies used to estimate the ACL on the amortized cost basis of the related loans. The allowance is deducted from accrued interest receivable and presented within other assets on the consolidated balance sheets, distinct from the ACL. Changes in the ACL related to accrued interest receivable are included in the provision for credit losses.

Leases

The Company determines whether a contract is or contains a lease at inception. For leases with terms greater than twelve months under which the Company is lessee, ROU assets and lease liabilities are recorded at the commencement date. Lease liabilities are initially recorded based on the present value of future lease payments over the lease term. ROU assets are initially recorded at the amount of the associated lease liabilities plus prepaid lease payments and initial direct costs, less any lease incentives received. The cost of short term leases is recognized on a straight line basis over the lease term. The lease term includes options to extend if the exercise of those options is reasonably certain and includes termination options if there is reasonable certainty the options will not be exercised. Lease payments are discounted using the Company's FHLB borrowing rate for borrowings of a similar term unless an implicit rate is defined in the contract or is determinable, which is generally not the case. Leases are classified as financing or operating leases at commencement; generally, leases are classified as finance leases when effective control of the underlying asset is transferred. The substantial majority of leases under which the Company is lessee are classified as operating leases. For operating leases, lease cost is recognized in the consolidated statements of income on a straight line basis over the lease terms. For finance leases, interest expense on lease liabilities is recognized on the effective interest method and amortization of ROU assets is recognized on a straight line basis over the lease terms. Variable lease costs are recognized in the period in which the obligation for those costs is incurred. The Company has elected not to separate lease from non-lease components of its lease contracts.

Bank Owned Life Insurance

Bank owned life insurance is carried at cash surrender value. Changes in cash surrender value are recorded in non-interest income.

Operating Lease Equipment

Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the lease term. Estimated residual values are re-evaluated at least annually, based primarily on current residual value appraisals. Rental revenue is recognized on a straight-line basis over the contractual term of the lease.

A review for impairment of equipment under operating lease is performed at least annually or when events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. Impairment of assets is determined by comparing the carrying amount to future undiscounted net cash flows expected to be generated. If an asset is impaired, the measure of impairment is the amount by which the carrying amount exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of consideration transferred in business combinations over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or circumstances indicate that impairment may have occurred. The Company performs its annual goodwill impairment test in the third fiscal quarter. The Company has a single reporting unit.

When assessing goodwill for impairment, the Company may elect to perform a qualitative assessment to determine if a quantitative impairment test is necessary. If a qualitative assessment is not performed, or if the qualitative assessment indicates it is likely that the fair value of a reporting unit is less than its carrying amount, a quantitative test is performed. The quantitative impairment test compares the estimated fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit exceeds its carrying amount, no impairment is indicated. If the fair value of the reporting unit is less than its carrying amount, impairment of goodwill is measured as the excess of the carrying amount over fair value.

OREO and Repossessed Assets

OREO and repossessed assets consists of real estate assets acquired through, or in lieu of, loan foreclosure and personal property acquired through repossession. Such assets are included in other assets in the accompanying consolidated balance sheets. These assets are held for sale and are initially recorded at estimated fair value less costs to sell, establishing a new cost basis. Subsequent to acquisition, periodic valuations are performed and the assets are carried at the lower of the carrying amount at the date of acquisition or estimated fair value less cost to sell. Significant property improvements are capitalized to the extent that the resulting carrying value does not exceed fair value less cost to sell. Legal fees, maintenance, taxes, insurance and other direct costs of holding and maintaining these assets are expensed as incurred.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization and are included in other assets in the accompanying consolidated balance sheets. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The lives of improvements to existing buildings are based on the lesser of the estimated remaining lives of the buildings or the estimated useful lives of the improvements. Leasehold improvements are amortized over the shorter of the expected terms of the leases at inception, considering options to extend that are reasonably assured, or their useful lives. The estimated useful lives of premises and equipment are as follows:

- buildings and improvements - 10 to 30 years;
- leasehold improvements - 5 to 20 years;
- furniture, fixtures and equipment - 5 to 7 years; and
- computer equipment - 3 to 5 years.

Software and CCA

Software and CCA are carried at cost less accumulated depreciation and amortization and are included in other assets in the accompanying consolidated balance sheets. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, which for CCA is based on the term of the associated hosting arrangements plus any reasonably certain renewals. Direct costs associated with developing or obtaining and implementing internal use software and hosting arrangements that are service contracts incurred during the application development stage are capitalized. The estimated useful lives of software, software licensing rights and CCA implementation costs range from 3 to 5 years.

Loan Servicing Rights

Loan servicing rights relate to the portion of SBA and USDA loans sold in the secondary market and are measured at fair value, with changes in fair value subsequent to acquisition recognized in earnings. Loan servicing rights are included in other assets in the accompanying consolidated balance sheets. Servicing fee income is recorded net of changes in fair value in other non-interest income. Neither the loan servicing rights nor related income have had a material impact on the Company's financial statements to date.

Investments in Affordable Housing Limited Partnerships

The Company has acquired investments in limited partnerships that manage or invest in qualified affordable housing projects and provide the Company with low-income housing tax credits and other tax benefits. These investments are included in other assets in the accompanying consolidated balance sheets. The Company accounts for investments in qualified affordable housing projects using the proportional amortization method if certain criteria are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax credits and other tax benefits received and the amortization is recognized in the income statement as a component of income tax expense. The investments are evaluated for impairment when events or changes in circumstances indicate that it may be more likely than not that the carrying amount of the investment will not be realized.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for periods in which the differences are expected to reverse. The effect of changes in tax rates on deferred tax assets and liabilities are recognized in income in the period that includes the enactment date. A valuation allowance is established for deferred tax assets when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. In making such determinations, the Company considers all available positive and negative evidence that may impact the realization of deferred tax assets. These considerations include the amount of taxable income generated in statutory carryback periods, future reversals of existing taxable temporary differences, projected future taxable income and available tax planning strategies.

The Company recognizes tax benefits from uncertain tax positions when it is more likely than not that the related tax positions will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the tax positions. An uncertain tax position is a position taken in a previously filed tax return or a position expected to be taken in a future tax return that is not based on clear and unambiguous tax law. The Company measures tax benefits related to uncertain tax positions based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. If the initial assessment fails to result in recognition of a tax benefit, the Company subsequently recognizes a tax benefit if (i) there are changes in tax law or case law that raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an examination resulting in a settlement of that tax year or position with the appropriate agency. The Company recognizes interest and penalties related to uncertain tax positions, as well as interest income or expense related to tax settlements, in the provision for income taxes.

Equity Based Compensation

The Company periodically grants unvested or restricted shares of common stock and other share-based awards to key employees. For equity classified awards, compensation cost is measured based on the estimated fair value of the awards at the grant date and is recognized in earnings on a straight-line basis over the requisite service period for each award. Liability-classified awards are remeasured each reporting period at fair value until the award is settled, and compensation cost is recognized in earnings on a straight-line basis over the requisite service period for each award, adjusted for changes in fair value each reporting period. Compensation cost related to awards that embody performance conditions is recognized when it is probable that the performance conditions will be achieved. The number of awards expected to vest is estimated in determining the amount of compensation cost to be recognized related to share-based payment transactions.

The fair value of unvested shares is generally based on the closing market price of the Company's common stock at the date of grant. Market conditions embedded in awards are reflected in the grant-date fair value of the awards.

Derivative Financial Instruments and Hedging Activities

Interest rate derivative contracts

The Company uses interest rate derivative contracts, such as swaps, caps, floors and collars, in the normal course of business to meet the financial needs of its customers and to manage exposure to changes in interest rates. Interest rate contracts are recorded as assets or liabilities in the consolidated balance sheets at fair value. Interest rate swaps that are used as a risk management tool to hedge the Company's exposure to changes in interest rates have been designated as cash flow or fair value hedging instruments. The gain or loss resulting from changes in the fair value of interest rate swaps designated and qualifying as cash flow hedging instruments is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period in which the hedged transaction affects earnings. Changes in the fair value of interest rate swaps designated as fair value hedging instruments as well as changes in the fair value of the hedged items caused by fluctuations in the designated benchmark interest rates are recognized in earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows or fair value of the hedged item, the derivative expires or is sold, terminated, or exercised, management determines that the designation of the derivative as a hedging instrument is no longer appropriate or, for a cash flow hedge, the occurrence of the forecasted transaction is no longer probable. When hedge accounting on a cash flow hedge is discontinued, any subsequent changes in fair value of the derivative are recognized in earnings. The cumulative unrealized gain or loss related to a discontinued cash flow hedge continues to be reported in AOCI and is subsequently reclassified into earnings in the same period in which the hedged transaction affects earnings, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period, in which case the cumulative unrealized gain or loss reported in AOCI is reclassified into earnings immediately. When hedge accounting on a fair value hedge is discontinued, adjustments to the carrying amount of the hedged item due to changes in fair value are also discontinued.

Cash flows resulting from derivative financial instruments that are accounted for as hedges are classified in the cash flow statement in the same category as the cash flows from the hedged items.

Changes in the fair value of interest rate contracts not designated as, or not qualifying as, hedging instruments are recognized currently in earnings.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. A gain or loss is recognized in earnings upon completion of the sale based on the difference between the sales proceeds and the carrying value of the assets. Control over the transferred assets is deemed to have been surrendered when: (i) the assets have been legally isolated from the Company, (ii) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Advertising Costs

Advertising costs are expensed as incurred.

Earnings per Common Share

Basic earnings per common share is calculated by dividing income allocated to common stockholders for basic earnings per common share by the weighted average number of common shares outstanding for the period, reduced by average unvested stock awards. Unvested stock awards with non-forfeitable rights to dividends, whether paid or unpaid, and stand-alone dividend participation rights are considered participating securities and are included in the computation of basic earnings per common share using the two class method whereby net income is allocated between common stock and participating securities. In periods of a net loss, no allocation is made to participating securities as they are not contractually required to fund net losses. Diluted earnings per common share is computed by dividing income allocated to common stockholders for basic earnings per common share, adjusted for earnings reallocated from participating securities, by the weighted average number of common shares outstanding for the period increased for the dilutive effect of unexercised stock options and unvested stock awards using the treasury stock method. Contingently issuable shares are included in the calculation of earnings per common share as if the end of the respective period was the end of the contingency period.

Revenue From Contracts with Customers

Revenue from contracts with customers within the scope of Topic 606 "*Revenue from Contracts with Customers*", is recognized in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services as the related performance obligations are satisfied. The majority of our revenues, including revenues from loans, leases, investment securities, derivative instruments and letters of credit and from transfers and servicing of financial assets, are excluded from the scope of Topic 606. Deposit service charges and fees is the most significant category of revenue within the scope of the standard. These service charges and fees consist primarily of monthly maintenance fees and other transaction based fees. Revenue is recognized when our performance obligations are complete, generally monthly for account maintenance fees or when a transaction, such as a wire transfer, is completed. Payment is typically received at the time the performance obligation is satisfied. The aggregate amount of revenue that is within the scope of Topic 606 from sources other than deposit service charges and fees is not material.

Reclassifications

Certain amounts presented for prior periods have been reclassified to conform to the current period presentation.

New Accounting Pronouncements Adopted in 2020

ASU No. 2016-13, F*inancial Instruments - Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments.* The ASU, along with subsequent ASUs issued to clarify certain of its provisions, introduced new guidance which made substantive changes to the accounting for credit losses. The ASU introduced the CECL model which applies to financial assets subject to credit losses and measured at amortized cost, as well as certain off-balance sheet credit exposures. This includes loans, loan commitments, standby letters of credit, net investments in leases recognized by a lessor and HTM debt securities. The CECL model requires an entity to estimate credit losses expected over the life of an exposure, considering information about historical events, current conditions and reasonable and supportable forecasts, and is generally expected to result in earlier recognition of credit losses. The ASU also modified certain provisions of the previous OTTI model for AFS debt securities. Credit losses on AFS debt securities are now limited to the difference between the security's amortized cost basis and its fair value, and should be recognized through an allowance for credit losses rather than as a direct reduction in amortized cost basis. The Company adopted this ASU in the first quarter of 2020 using the modified retrospective transition method for the CECL model and a prospective approach for the AFS debt security model. The Company recorded a cumulative-effect adjustment to retained earnings of $23.8 million, which included $4.8 million related to off -balance sheet credit exposures, on January 1, 2020. No cumulative-effect adjustment was recorded related to AFS debt securities upon adoption. The Company has elected to phase-in the initial impact of the adoption of ASC 326 for regulatory capital purposes, allowing the impact of adoption on regulatory capital to be delayed for two years, followed by a three-year transition period.

ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The ASU provides optional relief for a limited period of time to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. Under this ASU, companies are provided with optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships that currently utilize LIBOR as their benchmark rate, subject to certain criteria being met. The amendments in the ASU also apply to contemporaneous modifications of other contract terms related to the replacement of LIBOR. The amendments in the ASU are effective for all entities as of March 12, 2020 and will only be in effect through December 31, 2022. To date, the impact of adoption of this ASU on the Company's consolidated financial position, results of operations, and cash flows has not been material.

ASU No. 2021-01, *Reference Rate Reform (Topic 848)*. This ASU clarifies that certain optional expedients and exceptions provided for in ASU No. 2020-04 for applying GAAP to contract modifications and hedging relationships apply to derivatives that are affected by the discounting transition. The amendments in this ASU are elective and apply to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This ASU is effective immediately for all entities and it can be applied on a retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 22, 2020, or on a prospective basis beginning on January 7, 2021. The Company elected to adopt this ASU on a retrospective basis. To date, the impact of adoption of this ASU on the Company's consolidated financial position, results of operations, and cash flows has not been material.

Accounting Pronouncements Not Yet Adopted

ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU simplifies the accounting for income taxes by removing certain exceptions stipulated in ASC 740 and making some other targeted changes to the accounting for income taxes. The Company adopted this ASU on January 1, 2021 with no material impact on the Company’s consolidated financial position, results of operations, and cash flows.

Note 2 Earnings Per Common Share

The computation of basic and diluted earnings per common share is presented below for the years ended December 31, 2020, 2019 and 2018 (in thousands, except share and per share data):

	2020	2019	2018
Basic earnings per common share:			
Numerator:			
Net income	$ 197,853	$ 313,098	$ 324,866
Distributed and undistributed earnings allocated to participating securities	(8,882)	(13,371)	(13,047)
Income allocated to common stockholders for basic earnings per common share	$ 188,971	$ 299,727	$ 311,819
Denominator:			
Weighted average common shares outstanding	92,869,736	96,581,290	104,916,865
Less average unvested stock awards	(1,163,480)	(1,127,275)	(1,171,994)
Weighted average shares for basic earnings per common share	91,706,256	95,454,015	103,744,871
Basic earnings per common share	$ 2.06	$ 3.14	$ 3.01
Diluted earnings per common share:			
Numerator:			
Income allocated to common stockholders for basic earnings per common share	$ 188,971	$ 299,727	$ 311,819
Adjustment for earnings reallocated from participating securities	(123)	(175)	(195)
Income used in calculating diluted earnings per common share	$ 188,848	$ 299,552	$ 311,624
Denominator:			
Weighted average shares for basic earnings per common share	91,706,256	95,454,015	103,744,871
Dilutive effect of stock options	24,608	202,890	332,505
Weighted average shares for diluted earnings per common share	91,730,864	95,656,905	104,077,376
Diluted earnings per common share	$ 2.06	$ 3.13	$ 2.99

Participating securities include unvested shares and 3,023,314 dividend equivalent rights that were issued in conjunction with the IPO of the Company's common stock. These dividend equivalent rights expire in the first quarter of 2021 and participate in dividends on a one-for-one basis.

Potentially dilutive unvested shares and share units totaling 1,638,642, 1,050,455 and 1,463,607 were outstanding at December 31, 2020, 2019 and 2018, respectively, but excluded from the calculation of diluted earnings per common share because their inclusion would have been anti-dilutive.

Note 3 Investment Securities

Investment securities include investment securities available for sale, marketable equity securities, and investment securities held to maturity. The investment securities portfolio consisted of the following at December 31, 2020 and 2019 (in thousands):

	2020			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Carrying Value [1]
Investment securities available for sale:				
U.S. Treasury securities	$ 79,919	$ 1,307	$ (375)	$ 80,851
U.S. Government agency and sponsored enterprise residential MBS	2,389,450	19,148	(3,028)	2,405,570
U.S. Government agency and sponsored enterprise commercial MBS	531,724	9,297	(1,667)	539,354
Private label residential MBS and CMOs	982,890	16,274	(561)	998,603
Private label commercial MBS[2]	2,514,271	24,931	(12,848)	2,526,354
Single family rental real estate-backed securities	636,069	14,877	(58)	650,888
Collateralized loan obligations	1,148,724	285	(8,735)	1,140,274
Non-mortgage asset-backed securities	246,597	6,898	(234)	253,261
State and municipal obligations	213,743	21,966	—	235,709
SBA securities	233,387	2,093	(3,935)	231,545
	8,976,774	$ 117,076	$ (31,441)	9,062,409
Investment securities held to maturity	10,000			10,000
	$ 8,986,774			9,072,409
Marketable equity securities				104,274
				$ 9,176,683

	2019			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Carrying Value (1)
Investment securities available for sale:				
U.S. Treasury securities	$ 70,243	$ 219	$ (137)	$ 70,325
U.S. Government agency and sponsored enterprise residential MBS	2,018,853	9,835	(6,513)	2,022,175
U.S. Government agency and sponsored enterprise commercial MBS	366,787	4,920	(731)	370,976
Private label residential MBS and CMOs	1,001,337	11,851	(1,011)	1,012,177
Private label commercial MBS	1,719,228	6,650	(1,194)	1,724,684
Single family rental real estate-backed securities	467,459	4,016	(1,450)	470,025
Collateralized loan obligations	1,204,905	322	(7,861)	1,197,366
Non-mortgage asset-backed securities	194,171	1,780	(1,047)	194,904
State and municipal obligations	257,528	15,774	—	273,302
SBA securities	359,808	4,587	(1,664)	362,731
	7,660,319	$ 59,954	$ (21,608)	7,698,665
Investment securities held to maturity	10,000			10,000
	$ 7,670,319			7,708,665
Marketable equity securities				60,572
				$ 7,769,237

(1) At fair value except for securities held to maturity.
(2) Amortized cost is net of ACL totaling $0.4 million at December 31, 2020.

Investment securities held to maturity at December 31, 2020 and 2019 consisted of one State of Israel bond maturing in 2024. At December 31, 2020 and 2019 accrued interest receivable on investments totaled $17 million and $28 million, respectively, and is included in other assets in the accompanying consolidated balance sheets.

At December 31, 2020, contractual maturities of investment securities available for sale, adjusted for anticipated prepayments when applicable, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 913,305	$ 922,531
Due after one year through five years	5,415,656	5,441,360
Due after five years through ten years	2,137,170	2,180,434
Due after ten years	510,643	518,084
	$ 8,976,774	$ 9,062,409

The carrying value of securities pledged as collateral for FHLB advances, public deposits, interest rate swaps and to secure borrowing capacity at the FRB totaled $4.1 billion and $2.4 billion at December 31, 2020 and 2019, respectively.

The following table provides information about gains and losses on investment securities for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Proceeds from sale of investment securities available for sale	$ 1,503,498	$ 2,975,259	$ 1,030,810
Gross realized gains:			
Investment securities available for sale	$ 14,441	$ 21,961	$ 8,617
Gross realized losses:			
Investment securities available for sale	(440)	(3,424)	(2,514)
Net realized gain	14,001	18,537	6,103
Net unrealized gains (losses) on marketable equity securities recognized in earnings	3,766	2,637	(2,944)
Gain on investment securities, net	$ 17,767	$ 21,174	$ 3,159

The following tables present the aggregate fair value and the aggregate amount by which amortized cost exceeded fair value for investment securities available for sale in unrealized loss positions aggregated by investment category and length of time that individual securities had been in continuous unrealized loss positions at the December 31, 2020 and 2019 (in thousands):

	2020					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 24,369	$ (375)	$ —	$ —	$ 24,369	$ (375)
U.S. Government agency and sponsored enterprise residential MBS	220,179	(320)	370,727	(2,708)	590,906	(3,028)
U.S. Government agency and sponsored enterprise commercial MBS	152,233	(1,412)	44,255	(255)	196,488	(1,667)
Private label residential MBS and CMOs	141,407	(561)	—	—	141,407	(561)
Private label commercial MBS	1,268,381	(12,771)	37,783	(77)	1,306,164	(12,848)
Single family rental real estate-backed securities	28,758	(58)	—	—	28,758	(58)
Collateralized loan obligations	304,051	(1,171)	588,463	(7,564)	892,514	(8,735)
Non-mortgage asset-backed securities	—	—	12,327	(234)	12,327	(234)
SBA securities	26,240	(298)	104,598	(3,637)	130,838	(3,935)
	$ 2,165,618	$ (16,966)	$ 1,158,153	$ (14,475)	$ 3,323,771	$ (31,441)

	2019					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 20,056	$ (137)	$ —	$ —	$ 20,056	$ (137)
U.S. Government agency and sponsored enterprise residential MBS	579,076	(3,862)	243,839	(2,651)	822,915	(6,513)
U.S. Government agency and sponsored enterprise commercial MBS	99,610	(696)	6,477	(35)	106,087	(731)
Private label residential MBS and CMOs	180,398	(838)	41,636	(173)	222,034	(1,011)
Private label commercial MBS	648,761	(1,060)	76,302	(134)	725,063	(1,194)
Single family rental real estate-backed securities	241,915	(1,445)	5,460	(5)	247,375	(1,450)
Collateralized loan obligations	63,310	(846)	682,076	(7,015)	745,386	(7,861)
Non-mortgage asset-backed securities	78,964	(962)	7,883	(85)	86,847	(1,047)
SBA securities	10,236	(2)	142,204	(1,662)	152,440	(1,664)
	$ 1,922,326	$ (9,848)	$ 1,205,877	$ (11,760)	$ 3,128,203	$ (21,608)

The Company monitors its investment securities available for sale for credit loss impairment on an individual security basis. An allowance for credit loss was recorded related to one private label commercial MBS security during the year ended December 31, 2020. See further discussion below in the section entitled "Private Label Commercial MBS". There were no securities other than temporarily impaired during the year ended December 31, 2019. At December 31, 2020 the Company did not have an intent to sell securities that were in significant unrealized loss positions and it was not more likely than not that the Company would be required to sell these securities before recovery of the amortized cost basis, which may be at maturity. In making this determination, the Company considered its current and projected liquidity position, its investment policy as to permissible holdings and concentration limits, regulatory requirements and other relevant factors.

At December 31, 2020, 148 securities available for sale were in unrealized loss positions. The amount of impairment related to 24 of these securities was considered insignificant both individually and in the aggregate, totaling approximately $0.3 million and no further analysis with respect to these securities was considered necessary.

The basis for conclusions regarding credit loss impairment of AFS debt securities and the need to record an ACL at December 31, 2020 is further discussed below.

U.S. Government Agency and Government Sponsored Enterprise Securities

At December 31, 2020, one U.S. treasury, twenty U.S. Government agency and sponsored enterprise residential MBS, seven U.S. Government agency and sponsored enterprise commercial MBS and eleven SBA securities were in unrealized loss positions. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. As such, there is an assumption of zero credit loss and the Company expects to recover the entire amortized cost basis of these securities.

Private Label Securities:

None of the impaired private label securities had missed principal or interest payments or had been downgraded by a NRSRO at December 31, 2020. The Company performed an analysis comparing the present value of cash flows expected to be collected to the amortized cost basis of impaired securities. This analysis was based on a scenario that we believe to be generally more severe than our reasonable and supportable economic forecast at December 31, 2020, and incorporated assumptions about voluntary prepayment rates, collateral defaults, delinquencies, severity and other relevant factors as described further below. Our analysis also considered the structural characteristics of each security and the level of credit enhancement provided by that structure.

Private label residential MBS and CMOs

At December 31, 2020, three private label residential MBS and CMOs were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, voluntary prepayment rates, loss severity, delinquencies and recovery lag. In developing those assumptions, we took into account collateral quality measures such as FICO, LTV, documentation, loan type, property type, agency availability criteria and performing status. We also regularly monitor sector data including home price appreciation, forbearance, delinquency and prepay trends as well as other economic data which would indicate further stress in the sector. Our December 31, 2020 analysis projected weighted average collateral losses for impaired securities in this category of 4% compared to weighted average credit support of 18%. As of December 31, 2020, all of the impaired securities in this category were externally rated AAA.

Private label commercial MBS

At December 31, 2020, fifty-nine private label commercial MBS were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, voluntary prepayment rates, loss severity, delinquencies and recovery lag. In developing those assumptions, we took into account collateral quality and type, loan size, loan purpose and other qualitative factors. We also regularly monitor collateral watch lists, bankruptcy data, special servicing trends, delinquency and other economic data which would indicate further stress in the sector. Unrealized losses in this sector were primarily attributable to widening spreads, resulting in large part from market response to, and dislocation in the wake of, the COVID-19 pandemic. An allowance for credit loss of $0.4 million was recorded for one security in this asset class. While this security is not projected to sustain credit losses and management does not intend to sell the security at the balance sheet date, due to negative underlying collateral performance trends, the security is being closely monitored and may not be held until full recovery of its amortized cost basis.

Our December 31, 2020 analysis projected weighted average collateral losses for impaired securities in this category of 12% compared to weighted average credit support of 42%. As of December 31, 2020, 85% of impaired securities in this category, based on carrying value, were externally rated AAA, 9% were rated AA and 6% were rated A.

Collateralized loan obligations

At December 31, 2020, twenty-one collateralized loan obligations were in unrealized loss positions. Unrealized losses in this portfolio segment were primarily due to widening spreads, at least in part resulting from market response to uncertainty surrounding the COVID-19 pandemic and its impact on leveraged loan pricing. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, loss severity, and delinquencies, calibrated to take into account idiosyncratic risks associated with the underlying collateral. In developing those assumptions, we took into account each sector's performance pre, during and post the 2008 financial crisis. We regularly engage with bond managers to monitor trends in underlying collateral including potential downgrades and subsequent cash flow diversions, liquidity, ratings migration, and any other relevant developments. Our December 31, 2020 analysis projected weighted average collateral losses for impaired securities in this category of 23% compared to weighted average credit support of 42%. As of December 31, 2020, 81% of the impaired securities in this category, based on carrying value, were externally rated AAA, 15% were rated AA and 4% were rated A.

Non-mortgage asset-backed securities

At December 31, 2020, two non-mortgage asset-backed securities were in unrealized loss positions. These securities are backed by student loan collateral. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, loss severity, delinquencies, voluntary prepayment rates and recovery lag. In developing those assumptions, we took into account collateral type, delineated by whether collateral consisted of loans to borrowers in school, refinancing, or a mixture. Our December 31, 2020 analysis projected weighted average collateral losses for impaired securities in this category of 9% compared to weighted average credit support of 22%. As of December 31, 2020, all of the impaired securities in this category were externally rated AA.

Note 4 Loans and Allowance for Credit Losses

At December 31, 2020 and 2019, loans consisted of the following (dollars in thousands):

	2020		2019	
	Total	Percent of Total	Total	Percent of Total
Residential and other consumer:				
1-4 single family residential	$ 4,922,836	20.6 %	$ 4,953,936	21.4 %
Government insured residential	1,419,074	5.9 %	698,644	3.0 %
Other consumer loans	6,312	0.1 %	8,539	0.1 %
	6,348,222	26.6 %	5,661,119	24.5 %
Commercial:				
Multi-family	1,639,201	6.9 %	2,217,705	9.6 %
Non-owner occupied commercial real estate	4,963,273	20.8 %	5,030,904	21.7 %
Construction and land	293,307	1.2 %	243,925	1.1 %
Owner occupied commercial real estate	2,000,770	8.4 %	2,062,808	8.9 %
Commercial and industrial	4,447,383	18.6 %	4,655,349	20.1 %
PPP	781,811	3.3 %	—	— %
Pinnacle	1,107,386	4.6 %	1,202,430	5.2 %
Bridge - franchise finance	549,733	2.3 %	627,482	2.6 %
Bridge - equipment finance	475,548	2.0 %	684,794	3.0 %
Mortgage warehouse lending	1,259,408	5.3 %	768,472	3.3 %
	17,517,820	73.4 %	17,493,869	75.5 %
Total loans	23,866,042	100.0 %	23,154,988	100.0 %
Allowance for credit losses	(257,323)		(108,671)	
Loans, net	$ 23,608,719		$ 23,046,317	

Premiums, discounts and deferred fees and costs, excluding the non-credit related discount on PCD loans, totaled $39 million and $50 million at December 31, 2020 and 2019, respectively. The amortized cost basis of residential PCD loans was $118 million and the related amount of non-credit discount was $115 million at December 31, 2020. The ACL related to PCD residential loans was $2.8 million and $1.7 million at December 31, 2020 and January 1, 2020, the date of initial adoption of ASU 2016-13, respectively.

During the years ended December 31, 2020 and 2019, the Company purchased 1-4 single family residential loans totaling $3.2 billion and $2.2 billion, respectively. Purchases for the years ended December 31, 2020 and 2019 included $1.4 billion, and $844 million, respectively, of government insured residential loans.

At December 31, 2020 and 2019, the Company had pledged loans with a carrying value of approximately $9.6 billion and $10.2 billion, respectively, as security for FHLB advances and Federal Reserve discount window capacity.

At December 31, 2020 and 2019, accrued interest receivable on loans, net of related ACL, totaled $99 million and $83 million, respectively, and is included in other assets in the accompanying consolidated balance sheets. The amount of interest income reversed on non-accrual loans totaled $3.5 million for the year ended December 31, 2020.

Allowance for credit losses

Activity in the allowance for credit losses is summarized below. The balances for the years ended December 31, 2019 and 2018 represent the allowance for loan and leases losses, estimated using an incurred loss methodology. The ACL at December 31, 2020 was determined using the CECL methodology, utilizing a 2-year reasonable and supportable forecast period based on a single economic scenario (in thousands):

	2020			2019			2018		
	Residential and Other Consumer	Commercial	Total	Residential and Other Consumer	Commercial	Total	Residential and Other Consumer	Commercial	Total
Beginning balance	$ 11,154	$ 97,517	$108,671	$ 10,788	$ 99,143	$ 109,931	$ 10,720	$ 134,075	$144,795
Impact of adoption of ASU 2016-13	8,098	19,207	27,305	—	—	—	—	—	—
Balance after adoption of ASU 2016-13	19,252	116,724	135,976	10,788	99,143	109,931	10,720	134,075	144,795
Provision (recovery)	(556)	182,895	182,339	154	8,750	8,904	1,032	24,893	25,925
Charge-offs[(1)(2)]	(31)	(69,571)	(69,602)	—	(17,541)	(17,541)	(1,465)	(65,619)	(67,084)
Recoveries	54	8,556	8,610	212	7,165	7,377	501	5,794	6,295
Ending balance	$ 18,719	$ 238,604	$257,323	$ 11,154	$ 97,517	$ 108,671	$ 10,788	$ 99,143	$109,931

(1) Includes $14.7 million of charge-offs related to $49.6 million of classified loans that were sold or transferred to held for sale during the year ended December 31, 2020.

(2) Includes charge-offs of $39.7 million related to taxi medallion loans during the year ended December 31, 2018.

The following table presents the components of the provision for credit losses for the year ended December 31, 2020 (in thousands):

Amount related to funded portion of loans	$ 182,339
Amount related to off-balance sheet credit exposures	(5,572)
Amount related to accrued interest receivable	1,300
Provision for credit losses - AFS debt securities	364
Total provision for credit losses	$ 178,431

The increase in the ACL from January 1, 2020, the date of initial adoption of ASU 2016-13, to December 31, 2020 was reflective of the impact of the COVID-19 pandemic on current economic conditions, the economic forecast and on individual borrowers and portfolio sub-segments. The increase in charge-offs for the year ended December 31, 2020 also reflected the impact of the COVID-19 pandemic.

Credit quality information

The credit quality of the loan portfolio has been and is likely to continue to be impacted by the continuing COVID-19 crisis, its impact on the economy broadly and more specifically on the Company's individual borrowers. Significant uncertainty currently exists about the full extent of this impact, and the impact may not be fully reflected in some of the credit quality indicators disclosed below as of December 31, 2020, due to the still evolving trajectory of the pandemic. Delinquency statistics may not be fully reflective of the impact of the COVID-19 crisis due to deferral programs offered to affected borrowers.

Credit quality of loans held for investment is continuously monitored by dedicated residential credit risk management and commercial portfolio management functions. The Company also has a workout and recovery department that monitors the credit quality of criticized and classified loans and an independent internal credit review function.

Credit quality indicators for residential loans

Management considers delinquency status to be the most meaningful indicator of the credit quality of residential and other consumer loans, other than government insured residential loans. Delinquency statistics are updated at least monthly. LTV and FICO scores are also important indicators of credit quality for 1-4 single family residential loans other than government insured loans. FICO scores are generally updated at least annually, and were most recently updated in the third quarter of 2020. LTVs are typically at origination since we do not routinely update residential appraisals. Substantially all of the government insured residential loans are government insured buyout loans, which the Company buys out of GNMA securitizations upon default. For these loans, traditional measures of credit quality are not particularly relevant considering the guaranteed nature of the loans and the underlying business model. Factors that impact risk inherent in the residential portfolio segment include national and regional economic conditions such as levels of unemployment and wages, as well as residential property values.

1-4 Single Family Residential credit exposure, excluding government insured residential loans, based on delinquency status:

	December 31, 2020						
	Amortized Cost By Origination Year						
	2020	2019	2018	2017	2016	Prior	Total
Current	$ 1,092,183	$ 645,993	$ 374,838	$ 611,377	$ 740,749	$ 1,392,192	$ 4,857,332
30 - 59 Days Past Due	17,826	5,741	2,564	927	2,913	18,880	48,851
60 - 89 Days Past Due	111	145	435	—	2,825	3,973	7,489
90 Days or More Past Due	—	807	1,762	53	1,027	5,515	9,164
	$ 1,110,120	$ 652,686	$ 379,599	$ 612,357	$ 747,514	$ 1,420,560	$ 4,922,836

	December 31, 2019						
	Amortized Cost By Origination Year						
	2019	2018	2017	2016	2015	Prior	Total
Current	$ 804,913	$ 609,814	$ 830,710	$ 783,318	$ 633,833	$ 1,225,030	$ 4,887,618
30 - 59 Days Past Due	13,915	3,003	3,751	8,419	4,308	12,238	45,634
60 - 89 Days Past Due	1,785	442	137	486	1,766	4,962	9,578
90 Days or More Past Due	—	1,762	914	—	5,030	3,400	11,106
	$ 820,613	$ 615,021	$ 835,512	$ 792,223	$ 644,937	$ 1,245,630	$ 4,953,936

1-4 Single Family Residential credit exposure, excluding government insured residential loans, based on LTV:

	December 31, 2020						
	Amortized Cost By Origination Year						
LTV	2020	2019	2018	2017	2016	Prior	Total
Less than 61%	$ 395,977	$ 143,273	$ 82,199	$ 174,223	$ 286,092	$ 487,487	$ 1,569,251
61% - 70%	298,941	151,633	92,928	119,381	184,119	341,159	1,188,161
71% - 80%	413,003	344,998	181,852	271,605	258,931	565,781	2,036,170
More than 80%	2,199	12,782	22,620	47,148	18,372	26,133	129,254
	$ 1,110,120	$ 652,686	$ 379,599	$ 612,357	$ 747,514	$ 1,420,560	$ 4,922,836

	December 31, 2019						
	Amortized Cost By Origination Year						
LTV	2019	2018	2017	2016	2015	Prior	Total
Less than 61%	$ 171,069	$ 134,978	$ 183,807	$ 228,868	$ 197,039	$ 372,221	$ 1,287,982
61% - 70 %	195,572	128,766	152,502	188,856	154,307	316,031	1,136,034
71% - 80%	442,311	313,779	404,743	338,000	283,202	531,377	2,313,412
More than 80%	11,661	37,498	94,460	36,499	10,389	26,001	216,508
	$ 820,613	$ 615,021	$ 835,512	$ 792,223	$ 644,937	$ 1,245,630	$ 4,953,936

1-4 Single Family Residential credit exposure, excluding government insured residential loans, based on FICO score:

	December 31, 2020						
	Amortized Cost By Origination Year						
FICO	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**	**Total**
760 or greater	$ 843,199	$ 435,582	$ 225,292	$ 451,304	$ 549,119	$ 956,254	$ 3,460,750
720 - 759	223,831	128,875	84,602	102,859	130,592	256,703	927,462
719 or less	43,090	88,229	69,705	58,194	67,803	207,603	534,624
	$ 1,110,120	$ 652,686	$ 379,599	$ 612,357	$ 747,514	$ 1,420,560	$ 4,922,836

	December 31, 2019						
	Amortized Cost By Origination Year						
FICO	**2019**	**2018**	**2017**	**2016**	**2015**	**Prior**	**Total**
760 or greater	$ 470,057	$ 340,716	$ 534,017	$ 533,804	$ 430,706	$ 763,807	$ 3,073,107
720 - 759	242,806	185,939	200,623	178,139	141,748	307,195	1,256,450
719 or less	107,750	88,366	100,872	80,280	72,483	174,628	624,379
	$ 820,613	$ 615,021	$ 835,512	$ 792,223	$ 644,937	$ 1,245,630	$ 4,953,936

Credit quality indicators for commercial loans

Factors that impact risk inherent in commercial portfolio segments include but are not limited to levels of economic activity, health of the national and regional economy, industry trends, patterns of and trends in customer behavior that influence demand for our borrowers' products and services, and commercial real estate values. Internal risk ratings are considered the most meaningful indicator of credit quality for commercial loans. Internal risk ratings are generally indicative of the likelihood that a borrower will default, are a key factor influencing the level and nature of ongoing monitoring of loans and may impact the estimation of the ACL. Internal risk ratings are updated on a continuous basis. Generally, relationships with balances in excess of defined thresholds, ranging from $1 million to $3 million, are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. Since the onset of the COVID-19 pandemic, risk ratings have been re-evaluated for a substantial portion of the commercial portfolio, with a focus on portfolio segments we identified for enhanced monitoring and loans that have been modified or for which we granted temporary payment deferrals. Loans exhibiting potential credit weaknesses that deserve management’s close attention and that could result in deterioration of repayment prospects at some future date if not checked or corrected are categorized as special mention. Loans with well-defined credit weaknesses, including payment defaults, declining collateral values, frequent overdrafts, operating losses, increasing balance sheet leverage, inadequate cash flow from current operations, project cost overruns, unreasonable construction delays, past due real estate taxes or exhausted interest reserves, are assigned an internal risk rating of substandard. A loan with a weakness so severe that collection in full is highly questionable or improbable, but because of certain reasonably specific pending factors has not been charged off, will be assigned an internal risk rating of doubtful.

Commercial credit exposure based on internal risk rating:

	December 31, 2020							
	Amortized Cost By Origination Year						Revolving Loans	Total
	2020	2019	2018	2017	2016	Prior		
Multi-Family								
Pass	$ 184,287	$ 264,254	$ 149,188	$ 206,768	$ 203,481	$ 313,758	$ 38,509	$ 1,360,245
Special mention	—	390	10,985	11,260	8,400	5,300	—	36,335
Substandard	8,393	25,239	9,645	15,125	43,920	140,299	—	242,621
Total Multi-Family	$ 192,680	$ 289,883	$ 169,818	$ 233,153	$ 255,801	$ 459,357	$ 38,509	$ 1,639,201
Non-owner occupied commercial real estate								
Pass	$ 532,567	$ 1,070,940	$ 706,730	$ 442,599	$ 462,201	$ 607,922	$ 99,627	$ 3,922,586
Special mention	2,687	56,533	16,271	34,283	43,699	66,370	—	219,843
Substandard	30,401	132,814	69,507	56,219	288,998	242,905	—	820,844
Total non-owner occupied commercial real estate	$ 565,655	$ 1,260,287	$ 792,508	$ 533,101	$ 794,898	$ 917,197	$ 99,627	$ 4,963,273
Construction and Land								
Pass	$ 20,860	$ 158,413	$ 9,003	$ 48,657	$ 26,845	$ 904	$ 297	$ 264,979
Special mention	—	—	8,010	8,604	4,284	—	—	20,898
Substandard	23	1,366	1,287	—	4,408	346	—	7,430
Total Construction and Land	$ 20,883	$ 159,779	$ 18,300	$ 57,261	$ 35,537	$ 1,250	$ 297	$ 293,307
Owner occupied commercial real estate								
Pass	$ 229,670	$ 263,138	$ 251,413	$ 232,171	$ 288,403	$ 361,130	$ 17,281	$ 1,643,206
Special mention	2,593	42,485	11,789	41,799	19,839	20,347	17,985	156,837
Substandard	2,615	24,673	21,114	36,411	26,997	79,860	9,057	200,727
Total owner occupied commercial real estate	$ 234,878	$ 330,296	$ 284,316	$ 310,381	$ 335,239	$ 461,337	$ 44,323	$ 2,000,770
Commercial and industrial								
Pass	$ 574,601	$ 759,384	$ 257,451	$ 250,787	$ 165,105	$ 47,086	$ 1,882,856	$ 3,937,270
Special mention	10,387	49,471	17,096	2,451	20,838	2,977	66,385	169,605
Substandard	21,122	120,275	34,045	14,073	29,907	31,478	89,436	340,336
Doubtful	$ —	$ —	$ —	$ —	$ —	$ 172	$ —	$ 172
Total commercial and industrial	$ 606,110	$ 929,130	$ 308,592	$ 267,311	$ 215,850	$ 81,713	$ 2,038,677	$ 4,447,383
PPP								
Pass	$ 781,811	$ —	$ —	$ —	$ —	$ —	$ —	$ 781,811
Total PPP	$ 781,811	$ —	$ —	$ —	$ —	$ —	$ —	$ 781,811
Pinnacle								
Pass	$ 165,218	$ 118,139	$ 70,498	$ 208,568	$ 203,990	$ 340,973	$ —	$ 1,107,386
Total Pinnacle	$ 165,218	$ 118,139	$ 70,498	$ 208,568	$ 203,990	$ 340,973	$ —	$ 1,107,386
Bridge - Franchise Finance								
Pass	$ 48,741	$ 91,509	$ 23,650	$ 8,745	$ 11,817	$ 6,416	$ —	$ 190,878
Special mention	2,693	54,271	5,175	4,699	2,088	2,667	—	71,593
Substandard	36,515	101,772	84,064	33,213	16,706	3,297	—	275,567
Doubtful	—	—	10,771	—	924	—	—	11,695
Total Bridge - Franchise Finance	$ 87,949	$ 247,552	$ 123,660	$ 46,657	$ 31,535	$ 12,380	$ —	$ 549,733
Bridge - Equipment Finance								
Pass	$ 23,684	$ 137,730	$ 66,004	$ 50,000	$ 36,963	$ 49,875	$ —	$ 364,256
Special mention	—	—	19,542	16,863	—	—	—	36,405
Substandard	—	30,762	9,894	34,231	—	—	—	74,887
Total Bridge - Equipment Finance	$ 23,684	$ 168,492	$ 95,440	$ 101,094	$ 36,963	$ 49,875	$ —	$ 475,548
Mortgage Warehouse Lending								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,259,408	$ 1,259,408
Total Mortgage Warehouse Lending	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,259,408	$ 1,259,408

At December 31, 2020, the balance of revolving loans converted to term loans was immaterial.

The following tables summarize the Company's commercial credit exposure based on internal risk rating, in aggregate, at December 31, 2020 and 2019 (in thousands):

	2020										
	Multi-Family	Non-Owner Occupied Commercial Real Estate	Construction and Land	Owner Occupied Commercial Real Estate	Commercial and Industrial	PPP	Pinnacle	Bridge - Franchise Finance	Bridge - Equipment Finance	Mortgage Warehouse Lending	Total
Pass	$ 1,360,245	$ 3,922,586	$ 264,979	$ 1,643,206	$ 3,937,270	$ 781,811	$ 1,107,386	$ 190,878	$ 364,256	$ 1,259,408	$14,832,025
Special mention	36,335	219,843	20,898	156,837	169,605	—	—	71,593	36,405	—	711,516
Substandard - accruing	218,532	756,825	2,676	177,575	285,925	—	—	242,234	74,887	—	1,758,654
Substandard non-accruing	24,089	64,019	4,754	23,152	54,411	—	—	33,333	—	—	203,758
Doubtful	—	—	—	—	172	—	—	11,695	—	—	11,867
	$ 1,639,201	$ 4,963,273	$ 293,307	$ 2,000,770	$ 4,447,383	$ 781,811	$ 1,107,386	$ 549,733	$ 475,548	$ 1,259,408	$17,517,820

	2019									
	Multi-Family	Non-Owner Occupied Commercial Real Estate	Construction and Land	Owner Occupied Commercial Real Estate	Commercial and Industrial	Pinnacle	Bridge - Franchise Finance	Bridge - Equipment Finance	Mortgage Warehouse Lending	Total
Pass	$ 2,184,771	$ 4,932,279	$ 240,734	$ 1,991,556	$ 4,508,563	$1,202,430	$ 562,042	$ 663,855	$ 768,472	$ 17,054,702
Special mention	—	5,831	—	27,870	28,498	—	10,682	—	—	72,881
Substandard - accruing	26,797	52,697	—	16,241	43,518	—	41,127	—	—	180,380
Substandard non-accruing	6,137	40,097	3,191	27,141	74,770	—	13,631	20,939	—	185,906
	$ 2,217,705	$ 5,030,904	$ 243,925	$ 2,062,808	$ 4,655,349	$1,202,430	$ 627,482	$ 684,794	$ 768,472	$ 17,493,869

Past Due and Non-Accrual Loans:

The following table presents an aging of loans at December 31, 2020 and 2019 (in thousands):

	2020					2019				
	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total
1-4 single family residential	$ 4,857,332	$ 48,851	$ 7,489	$ 9,164	$ 4,922,836	$ 4,887,618	$ 45,634	$ 9,578	$ 11,106	$ 4,953,936
Government insured residential	722,367	77,883	56,495	562,329	1,419,074	93,560	45,347	30,426	529,311	698,644
Other consumer loans	6,022	37	22	231	6,312	8,539	—	—	—	8,539
Multi-family	1,602,990	17,842	—	18,369	1,639,201	2,217,705	—	—	—	2,217,705
Non-owner occupied commercial real estate	4,876,823	34,117	20,291	32,042	4,963,273	5,015,458	—	928	14,518	5,030,904
Construction and land	288,032	4,530	399	346	293,307	240,647	2,396	—	882	243,925
Owner occupied commercial real estate	1,971,475	10,756	3,203	15,336	2,000,770	2,041,352	1,336	4,420	15,700	2,062,808
Commercial and industrial	4,366,009	52,117	552	28,705	4,447,383	4,595,847	2,313	4,301	52,888	4,655,349
PPP	781,811	—	—	—	781,811	—	—	—	—	—
Pinnacle	1,107,386	—	—	—	1,107,386	1,202,430	—	—	—	1,202,430
Bridge - franchise finance	498,831	16,423	8,664	25,815	549,733	610,315	3,840	2,501	10,826	627,482
Bridge - equipment finance	475,548	—	—	—	475,548	677,089	7,705	—	—	684,794
Mortgage warehouse lending	1,259,408	—	—	—	1,259,408	768,472	—	—	—	768,472
	$ 22,814,034	$ 262,556	$ 97,115	$ 692,337	$ 23,866,042	$ 22,359,032	$ 108,571	$ 52,154	$ 635,231	$ 23,154,988

Included in the table above is the guaranteed portion of SBA loans past due by 90 days or more totaling $40.3 million and $36.3 million at December 31, 2020 and 2019, respectively.

Loans contractually delinquent by 90 days or more and still accruing totaled $562 million and $531 million at December 31, 2020 and 2019, respectively, substantially all of which were government insured residential loans. These loans are government insured pool buyout loans, which the Company buys out of GNMA securitizations upon default.

The following table presents information about loans on non-accrual status at December 31, 2020 and 2019 (in thousands):

	2020		2019
	Amortized Cost	Amortized Cost With No Related Allowance	Amortized Cost
Residential and other consumer	$ 28,828	$ 1,755	$ 18,894
Commercial:			
Multi-family	24,090	24,090	6,138
Non-owner occupied commercial real estate	64,017	32,843	40,097
Construction and land	4,754	4,408	3,191
Owner occupied commercial real estate	23,152	2,110	27,141
Commercial and industrial	54,584	9,235	74,757
Bridge - franchise finance	45,028	9,754	13,631
Bridge - equipment finance	—	—	20,939
	$ 244,453	$ 84,195	$ 204,788

Included in the table above is the guaranteed portion of non-accrual SBA loans totaling $51.3 million and $45.7 million at December 31, 2020 and 2019, respectively. The amount of interest income recognized on non-accrual loans was immaterial for the years ended December 31, 2020 and 2019. The amount of additional interest income that would have been recognized on non-accrual loans had they performed in accordance with their contractual terms was approximately $10.9 million and $7.5 million for the years ended December 31, 2020 and 2019, respectively.

Collateral dependent loans:

The following table presents the amortized cost basis of collateral dependent loans at December 31, 2020 (in thousands):

	Amortized Cost	Extent to Which Secured by Collateral
Residential and other consumer	$ 2,528	$ 2,513
Commercial:		
Multi-family	24,090	24,090
Non-owner occupied commercial real estate	52,813	52,435
Construction and land	4,754	4,754
Owner occupied commercial real estate	14,814	14,777
Commercial and industrial	28,112	18,093
Bridge - franchise finance	28,986	12,832
Total commercial	153,569	126,981
	$ 156,097	$ 129,494

Collateral for the multi-family, non-owner occupied commercial real estate and owner-occupied commercial real estate loan classes generally consists of commercial real estate. Collateral for construction and land loans is typically residential or commercial real estate. Collateral for commercial and industrial loans generally consists of equipment, accounts receivable, inventory and other business assets; owner-occupied commercial real estate loans may also be collateralized by these types of assets. Bridge franchise finance loans may be collateralized by franchise value or by equipment. Bridge equipment finance loans are secured by the financed equipment. Residential loans are collateralized by residential real estate. There have been no significant changes to the extent to which collateral secures collateral dependent loans during the year ended December 31, 2020.

Foreclosure of residential real estate

The recorded investment in residential loans in the process of foreclosure was $217 million, of which $209 million was government insured, at December 31, 2020 and $257 million, of which $248 million was government insured, at December 31, 2019. The carrying amount of foreclosed residential real estate included in other assets in the accompanying consolidated balance sheet was insignificant at December 31, 2020 and 2019. In response to the COVID-19 pandemic, new foreclosure actions on residential loans have been temporarily suspended.

Troubled debt restructurings

The following tables summarize loans that were modified in TDRs during the years ended December 31, 2020, 2019 and 2018, as well as loans modified during the twelve months preceding December 31, 2020, 2019 and 2018 that experienced payment defaults during those periods (dollars in thousands):

	Years Ended December 31,			
	2020			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost
1-4 single family residential	1	$ 201	—	$ —
Government insured residential	201	34,100	86	14,368
Non-owner occupied commercial real estate	1	4,122	1	4,122
Bridge - franchise finance	8	12,964	8	12,964
	211	$ 51,387	95	$ 31,454

	2019			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost
1-4 single family residential	2	$ 557	—	$ —
Government insured residential	324	51,022	112	17,421
Non-owner occupied commercial real estate	1	11,496	—	—
Owner occupied commercial real estate	1	908	1	908
Commercial and industrial	7	20,239	2	8,673
Bridge - franchise finance	4	15,288	—	—
	339	$ 99,510	115	$ 27,002

	2018			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost
1-4 single family residential	10	$ 3,669	3	$ 929
Government insured residential	26	2,793	15	1,560
Non-owner occupied commercial real estate	3	5,932	1	2,949
Owner occupied commercial real estate	2	1,076	—	—
Commercial and industrial	6	6,646	2	217
	47	$ 20,116	21	$ 5,655

TDRs during the years ended December 31, 2020, 2019 and 2018 included interest rate reductions, restructuring of the amount and timing of required periodic payments, extensions of maturity and covenant waivers. Included in TDRs are residential loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy. The total amount of such loans is not material. The majority of loan modifications or deferrals and payment deferrals that took place after the onset of the COVID-19 pandemic have not been categorized as TDRs, in accordance with interagency and authoritative guidance and the provisions of the CARES Act.

Loan Concentrations

The following table presents the five states with the largest geographic concentrations of 1-4 single family residential loans, excluding government insured residential loans, at December 31, 2020 and 2019 (dollars in thousands):

	2020		2019	
	Total	Percent of Total	Total	Percent of Total
California	$ 1,541,779	31.3 %	$ 1,280,243	25.8 %
New York	1,084,143	22.0 %	1,057,926	21.4 %
Florida	518,877	10.5 %	597,359	12.1 %
Virginia	196,641	4.0 %	189,869	3.8 %
Washington DC	166,025	3.4 %	187,049	3.8 %
All others	1,415,371	28.8 %	1,641,490	33.1 %
	$ 4,922,836	100.0 %	$ 4,953,936	100.0 %

The following table presents the largest geographic concentrations of commercial loans at December 31, 2020 and 2019 (dollars in thousands):

	2020				2019			
	Commercial Real Estate	Percent of Total	Commercial	Percent of Total	Commercial Real Estate	Percent of Total	Commercial	Percent of Total
Florida	$ 3,659,310	53.1 %	$ 4,044,377	38.1 %	$ 3,476,657	46.4 %	$ 4,051,924	40.5 %
New York Tri-state	2,652,980	38.5 %	2,570,974	24.2 %	3,423,564	45.7 %	2,110,915	21.1 %
California	1,003	— %	775,989	7.3 %	249	— %	719,465	7.2 %
Other	582,488	8.4 %	3,230,699	30.4 %	592,064	7.9 %	3,119,031	31.2 %
	$ 6,895,781	100.0 %	$10,622,039	100.0 %	$ 7,492,534	100.0 %	$10,001,335	100.0 %

Disclosures Prescribed by Legacy GAAP (Before Adoption of ASU 2016-13) for Prior Periods

For the years ended December 31, 2019 and prior, the Company maintained an ALLL estimated using an incurred loss methodology at an amount considered adequate by management to absorb probable incurred losses inherent in the loan portfolio at the balance sheet date. The ALLL consisted of both specific and general components and was established as losses were estimated to have occurred through a provision charged to earnings. Loans were charged off against the ALLL when management determined them to be uncollectible.

For commercial loans, the ALLL was comprised of specific reserves for loans that were individually evaluated and determined to be impaired as well as general reserves for loans that were not identified as impaired. For loans not individually evaluated for impairment, the quantitative portion of the ALLL was based on the Bank's historical net charge-off rates, for those segments which had sufficient observable loss history. For the segments that had not yet exhibited an observable loss trend, the quantitative loss factors were based on peer group average annual historical charge-off rates by loan class and the Company's internal credit risk rating system. For residential loans, the quantitative portion of the ALLL was based primarily on relevant proxy historical loss rates. No quantitative ALLL was provided for government insured residential loans. The general quantitative ALLL was calculated using a four quarter loss emergence period for all loan segments, with the exception of Pinnacle, which used a twelve quarter loss emergence period. For ACI loans, an ALLL was established when periodic evaluations of expected cash flows reflected a deterioration resulting from credit related factors. Expected cash flows were estimated on a pool basis for ACI residential loans. The analysis of expected cash flows incorporated expected prepayment rate, default rate, delinquency level and loss severity given default assumptions.

Qualitative adjustments were made to the ALLL when, based on management's judgment, there were internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. Potential qualitative adjustments included portfolio performance trends; changes in the nature of the portfolio and terms of the loans; portfolio growth trends; changes in lending policies and procedures; economic factors; change in the value of underlying collateral; quality of risk ratings; credit concentrations; and changes in and experience levels of credit administration staff.

The following table presents information about the balance of the ALLL and related loans as of December 31, 2019 (in thousands):

	Residential and Other Consumer	Commercial	Total
Allowance for loan and lease losses:			
Ending balance	$ 11,154	$ 97,517	$ 108,671
Ending balance: loans individually evaluated for impairment	$ 9	$ 20,481	$ 20,490
Ending balance: loans collectively evaluated for impairment	$ 11,145	$ 77,036	$ 88,181
Ending balance: ACI loans	$ —	$ —	$ —
Loans:			
Ending balance	$ 5,661,119	$ 17,493,869	$ 23,154,988
Ending balance: loans individually evaluated for impairment	$ 57,117	$ 187,788	$ 244,905
Ending balance: loans collectively evaluated for impairment	$ 5,454,422	$ 17,288,901	$ 22,743,323
Ending balance: ACI loans	$ 149,580	$ 17,180	$ 166,760

The table below presents information about loans identified as impaired as of December 31, 2019 (in thousands):

	Recorded Investment	UPB	Related Specific Allowance
With no specific allowance recorded:			
1-4 single family residential	$ 992	$ 989	$ —
Government insured residential	53,428	53,350	—
Multi-family	6,138	6,169	—
Non-owner occupied commercial real estate	38,345	38,450	—
Construction and land	3,191	3,155	—
Owner occupied commercial real estate	17,419	17,488	—
Commercial and industrial	10,585	10,574	—
Bridge - franchise finance	4,115	4,117	—
Bridge - equipment finance	6,807	6,793	—
With a specific allowance recorded:			
1-4 single family residential	2,697	2,652	9
Owner occupied commercial real estate	2,522	2,509	401
Commercial and industrial	63,531	63,709	13,992
Bridge - franchise finance	21,011	21,050	2,953
Bridge - equipment finance	14,124	14,024	3,135
Total:			
Residential and other consumer	$ 57,117	$ 56,991	$ 9
Commercial	187,788	188,038	20,481
	$ 244,905	$ 245,029	$ 20,490

The following table presents the average recorded investment in impaired loans for the years ended December 31, 2019 and 2018 (in thousands):

	2019	2018
Residential and other consumer:		
1-4 single family residential	$ 4,525	$ 5,227
Government insured residential	18,574	1,426
	23,099	6,653
Commercial:		
Multi-family	20,972	25,679
Non-owner occupied commercial real estate	25,814	14,106
Construction and land	7,621	6,551
Owner occupied commercial real estate	14,250	16,207
Commercial and industrial	36,698	97,388
Bridge - franchise finance	10,195	1,986
Bridge - equipment finance	13,981	7,771
	129,531	169,688
	$ 152,630	$ 176,341

Note 5 Leases

Leases under which the Company is the lessee

The Company leases branches, office space and a small amount of equipment under either operating or finance leases with remaining terms ranging from one to 13 years, some of which include extension options.

The following table presents ROU assets and lease liabilities as of December 31, 2020 and 2019 (in thousands):

	2020	2019
ROU assets:		
Operating leases	$ 84,874	$ 92,553
Finance leases	29,119	31,587
	$ 113,993	$ 124,140
Lease liabilities:		
Operating leases	$ 93,678	$ 102,264
Finance leases	32,563	34,248
	$ 126,241	$ 136,512

ROU assets and lease liabilities for operating leases are included in "other assets" and "other liabilities", respectively, in the accompanying consolidated balance sheets. ROU assets and lease liabilities for finance leases are included in "other assets" and "notes and other borrowings", respectively.

The weighted average remaining lease term and weighted average discount rate at December 31, 2020 and 2019 were:

	2020	2019
Weighted average remaining lease term:		
Operating leases	7.2 years	7.7 years
Finance leases	12.7 years	13.6 years
Weighted average discount rate:		
Operating leases	3.1 %	3.3 %
Finance leases	2.9 %	2.9 %

The following table presents the components of lease expense for the years ended December 31, 2020 and 2019 (in thousands):

	2020	2019
Operating lease cost:		
Fixed costs	$ 20,112	$ 20,284
Impairment of ROU assets	108	1,278
Total operating lease cost	$ 20,220	$ 21,562
Finance lease cost:		
Amortization of ROU assets	$ 2,841	$ 1,642
Interest on lease liabilities	921	1,002
Total finance lease cost	$ 3,762	$ 2,644
Variable lease cost	$ 4,761	$ 3,950

Short-term lease costs and sublease income were immaterial for the years ended December 31, 2020 and 2019.

Additional information related to operating and finance leases for the years ended December 31, 2020 and 2019 follows (in thousands):

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 921	$ 1,002
Operating cash flows from operating leases	20,589	20,795
Financing cash flows from finance leases	2,980	2,529
	$ 24,490	$ 24,326
Lease liabilities recognized from obtaining ROU assets:		
Operating lease liabilities recognized upon adoption of ASC 842	$ —	$ 104,064
Operating leases	9,647	15,778
Finance leases	373	27,415
	$ 10,020	$ 147,257

Future lease payment obligations under leases with terms in excess of one year and a reconciliation to lease liabilities as of December 31, 2020 were as follows (in thousands):

	Operating Leases	Finance Leases	Total
Years ending December 31:			
2021	$ 19,949	$ 3,213	$ 23,162
2022	16,879	2,650	19,529
2023	14,431	2,666	17,097
2024	12,658	2,701	15,359
2025	9,966	2,774	12,740
Thereafter	31,072	25,223	56,295
Total future minimum lease payments	104,955	39,227	144,182
Less: interest component	(11,277)	(6,664)	(17,941)
Lease liabilities	$ 93,678	$ 32,563	$ 126,241

Leases under which the Company is the lessor

Through its commercial lending subsidiaries, Pinnacle and Bridge, the Bank provides equipment financing using a variety of loan and lease structures. Pinnacle provides essential use equipment financing to state and local governmental entities. Bridge provides primarily transportation equipment financing.

Direct or Sales Type Financing Leases

The following table presents the components of the investment in direct or sales type financing leases, included in loans in the consolidated balance sheets as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Total minimum lease payments to be received	$ 727,401	$ 804,103
Estimated unguaranteed residual value of leased assets	5,599	8,471
Gross investment in direct or sales type financing leases	733,000	812,574
Unearned income	(66,443)	(84,175)
Initial direct costs	3,306	4,453
	$ 669,863	$ 732,852

At December 31, 2020, future minimum lease payments to be received under direct or sales type financing leases were as follows (in thousands):

Years Ending December 31:	
2021	$ 192,486
2022	140,263
2023	109,887
2024	66,254
2025	49,463
Thereafter	169,048
	$ 727,401

Operating Lease Equipment

Operating lease equipment consists primarily of railcars, non-commercial aircraft and other transportation equipment leased to commercial end users. Original lease terms generally range from three to ten years. Asset risk is evaluated and managed by a dedicated internal staff of seasoned equipment finance professionals with a broad depth and breadth of experience in the leasing business. The Company has partnered with an industry leading, experienced service provider who provides fleet management and servicing relating to the railcar fleet. Residual risk is managed by setting appropriate residual values at inception and systematic reviews of residual values based on independent appraisals, performed at least annually. The Company endeavors to lease to a stable end user base, maintain a relatively young and diversified fleet of assets and stagger lease maturities.

The following table presents the components of operating lease equipment as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Operating lease equipment	$ 844,953	$ 844,015
Less: accumulated depreciation	(181,436)	(145,862)
Operating lease equipment, net	$ 663,517	$ 698,153

The Company recognized impairment of $0.7 million, and $1.9 million during the years ended December 31, 2020 and 2019, respectively. These impairment charges are included in "depreciation of operating lease equipment" in the accompanying consolidated statements of income. No impairment was recognized during the year ended December 31, 2018.

At December 31, 2020, scheduled minimum rental payments under operating leases were as follows (in thousands):

Years Ending December 31:	
2021	$ 49,246
2022	44,525
2023	38,263
2024	33,856
2025	27,612
Thereafter	54,845
	$ 248,347

The following table summarizes lease income recognized for operating leases and direct or sales type finance leases for the years ended December 31, 2020 and 2019 (in thousands):

	2020	2019	Location of Lease Income on Consolidated Statements of Income
Operating leases	$ 59,112	$ 66,631	Non-interest income from lease financing
Direct or sales type finance leases	20,995	21,865	Interest income on loans
	$ 80,107	$ 88,496	

Note 6 Deposits

The following table presents average balances and weighted average rates paid on deposits for the years ended December 31, 2020, 2019 and 2018 (dollars in thousands):

	2020		2019		2018	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand deposits:						
Non-interest bearing	$ 5,760,309	— %	$ 3,950,612	— %	$ 3,389,191	— %
Interest bearing	2,582,951	0.75 %	1,824,803	1.37 %	1,627,828	1.13 %
Savings and money market	10,843,894	0.79 %	10,922,819	1.81 %	10,634,970	1.38 %
Time	6,617,939	1.43 %	6,928,499	2.34 %	6,617,006	1.81 %
	$ 25,805,093	0.77 %	$ 23,626,733	1.63 %	$ 22,268,995	1.28 %

Time deposit accounts with balances of $250,000 or more totaled $1.1 billion and $1.9 billion at December 31, 2020 and 2019, respectively.

The following table presents maturities of time deposits as of December 31, 2020 (in thousands):

Maturing in:	
2021	$ 4,655,878
2022	110,183
2023	24,368
2024	1,302
2025	15,468
	$ 4,807,199

Included in deposits at December 31, 2020 are public funds deposits of $2.5 billion and brokered deposits of $4.0 billion. Investment securities available for sale with a carrying value of $952 million were pledged as security for public funds deposits at December 31, 2020.

Interest expense on deposits for the years ended December 31, 2020, 2019 and 2018 was as follows (in thousands):

	2020	2019	2018
Interest bearing demand	$ 19,445	$ 25,054	$ 18,391
Savings and money market	85,572	197,942	146,324
Time	94,963	162,184	119,848
	$ 199,980	$ 385,180	$ 284,563

Note 7 Borrowings

The following table presents information about outstanding FHLB advances as of December 31, 2020 (dollars in thousands):

		Range of Interest Rates		
	Amount	Minimum	Maximum	Weighted Average Rate
Maturing in:				
2021 - One month or less	$ 795,000	0.24 %	0.25 %	0.25 %
2021 - Over one month	2,226,000	0.22 %	3.02 %	0.54 %
Thereafter	100,000	0.41 %	0.41 %	0.41 %
Total contractual balance outstanding	3,121,000			
Cumulative fair value hedging adjustments	1,999			
Carrying value	$ 3,122,999			

The table above reflects contractual maturities of outstanding advances and does not incorporate the impact that interest rate swaps designated as cash flow and fair value hedges have on the duration of borrowings.

The terms of the Company's security agreement with the FHLB require a specific assignment of collateral consisting of qualifying first mortgage loans, commercial real estate loans, home equity lines of credit and mortgage-backed securities with unpaid principal amounts discounted at various stipulated percentages at least equal to 100% of outstanding FHLB advances. As of December 31, 2020, the Company had pledged investment securities and real estate loans with an aggregate carrying amount of approximately $10.9 billion as collateral for advances from the FHLB.

At December 31, 2020 and 2019 notes and other borrowings consisted of the following (dollars in thousands):

	2020	2019
Senior notes:		
Principal amount of 4.875% senior notes maturing on November 17, 2025	$ 400,000	$ 400,000
Unamortized discount and debt issuance costs	(4,174)	(4,910)
	395,826	395,090
Subordinated notes:		
Principal amount of 5.125% subordinated notes maturing on June 11, 2030	300,000	—
Unamortized discount and debt issuance costs	(5,894)	—
	294,106	—
Total notes	689,932	395,090
Finance leases	32,563	34,248
Notes and other borrowings	$ 722,495	$ 429,338

The senior notes mature on November 17, 2025 with interest payable semiannually. The notes have an effective interest rate of 5.12%, after consideration of issuance discount and costs. The notes may be redeemed by the Company, in whole or in part, at any time prior to August 17, 2025 at the greater of a) 100% of the principal balance or b) the sum of the present values of the remaining scheduled payments of principal and interest on the securities discounted to the redemption date at i) the rate on a United States Treasury security with a maturity comparable to the remaining maturity of the senior notes that would be used to price new issues of corporate debt securities with a maturity comparable to the remaining maturity of the senior notes plus ii) 40 basis points. The senior notes may be redeemed at any time after August 17, 2025 at 100% of principal plus accrued and unpaid interest.

On June 11, 2020, the Company issued $300 million of 5.125% subordinated notes. The notes mature on June 11, 2030 with interest payable semiannually. The notes have an effective interest rate of 5.39% after consideration of issuance discount and costs. The notes may be redeemed by the Company, in whole or in part, on or after March 11, 2030 at a redemption price equal to 100% of the principal amount being redeemed plus accrued and unpaid interest, subject to the approval of the Federal Reserve. The notes qualify as Tier 2 capital for regulatory capital purposes, subject to applicable limitations.

At December 31, 2020, BankUnited had available borrowing capacity at the FHLB of approximately $4.9 billion, unused borrowing capacity at the FRB of approximately $2.1 billion and unused Federal funds lines of credit with other financial institutions totaling $50 million.

Note 8 Premises, Equipment and Software

Premises and equipment and capitalized software costs are included in other assets in the accompanying consolidated balance sheets and are summarized as follows as of December 31, 2020 and 2019 (in thousands):

	2020	2019
Buildings and improvements	$ 430	$ —
Leasehold improvements	69,863	72,627
Furniture, fixtures and equipment	35,903	36,492
Computer equipment	21,358	22,729
Software, software licensing rights and capitalized costs of CCA	74,087	59,568
Aircraft and automobiles	11,620	11,593
	213,261	203,009
Less: accumulated depreciation	(153,138)	(144,905)
Premises, equipment and software, net	$ 60,123	$ 58,104
Buildings held for sale, net	$ 1,427	$ 6,789

Depreciation and amortization expense related to premises, equipment and software was $15.7 million, $19.2 million and $17.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Company measures assets held for sale at the lower of carrying amount or estimated fair value.

Note 9 Income Taxes

The components of the provision for income taxes for the years ended December 31, 2020, 2019 and 2018 were as follows (in thousands):

	2020	2019	2018
Current:			
Federal	$ 63,083	$ 58,996	$ 2,172
State	16,009	7,373	20,834
	79,092	66,369	23,006
Deferred:			
Federal	(22,387)	8,255	51,303
State	(5,199)	16,274	16,475
	(27,586)	24,529	67,778
	$ 51,506	$ 90,898	$ 90,784

A reconciliation of expected income tax expense at the statutory federal income tax rate of 21% for the years ended December 31, 2020, 2019 and 2018 to the Company's effective income tax rate follows (dollars in thousands):

	2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax expense calculated at the statutory federal income tax rate	$ 52,366	21.00 %	$ 84,839	21.00 %	$ 87,286	21.00 %
Increases (decreases) resulting from:						
Income not subject to tax	(15,722)	(6.30)%	(17,950)	(4.44)%	(18,923)	(4.55)%
State income taxes, net of federal tax benefit	13,413	5.38 %	19,956	4.94 %	31,182	7.50 %
Other, net	1,449	0.58 %	4,053	1.00 %	(8,761)	(2.11)%
	$ 51,506	20.66 %	$ 90,898	22.50 %	$ 90,784	21.84 %

The components of deferred tax assets and liabilities at December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Deferred tax assets:		
Excess of tax basis over carrying value of acquired loans	$ 33,532	$ 50,089
Allowance for credit losses	58,990	23,151
Net unrealized loss on investment securities available for sale and cash flow hedges	16,824	11,475
Other	74,228	61,152
Gross deferred tax assets	183,574	145,867
Deferred tax liabilities:		
Lease financing, due to differences in depreciation	169,103	176,269
Other	34,879	31,227
Gross deferred tax liabilities	203,982	207,496
Net deferred tax liability	$ (20,408)	$ (61,629)

Based on the evaluation of available evidence, the Company has concluded that it is more likely than not that the existing deferred tax assets will be realized. The primary factor supporting this conclusion is the amount of future taxable income that will result from the scheduled reversal of existing deferred tax liabilities.

At December 31, 2020, remaining net operating loss and tax credit carryforwards included federal net operating loss carryforwards in the amount of $3.0 million, expiring from 2029 through 2032, and Florida net operating loss carryforwards in the amount of $110.7 million. Florida net operating loss carryforwards consisted of $100.7 million expiring from 2030 through 2037 and $10.0 million that can be carried forward indefinitely.

The Company has investments in affordable housing limited partnerships which generate federal Low Income Housing Tax Credits and other tax benefits. The balance of these investments, included in other assets in the accompanying consolidated balance sheet, was $50 million and $57 million at December 31, 2020 and 2019, respectively. Unfunded commitments for affordable housing investments, included in other liabilities in the accompanying consolidated balance sheet, were $4 million and $8 million at December 31, 2020 and 2019, respectively. The maximum exposure to loss as a result of the Company's involvement with these limited partnerships at December 31, 2020 was approximately $79 million. While the Company believes the likelihood of potential losses from these investments is remote, the maximum exposure was determined by assuming a scenario where the projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits. These investments did not have a material impact on income tax expense for the years ended December 31, 2020, 2019 and 2018.

The Company has a liability for unrecognized tax benefits relating to uncertain federal and state tax positions in several jurisdictions. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended December 31, 2020, 2019 and 2018 follows (in thousands):

	2020	2019	2018
Balance, beginning of period	$ 407,126	$ 116,081	$ 59,220
Additions for tax positions related to the current year	2,117	5,352	2,399
Additions for tax positions related to prior periods	2,456	279,885	51,064
Reductions due to settlements with taxing authorities	(3,080)	—	—
Reductions due to lapse of the statute of limitations	(520)	(406)	(675)
	408,099	400,912	112,008
Interest and penalties	6,104	6,214	4,073
Balance, end of period	$ 414,203	$ 407,126	$ 116,081

As of December 31, 2020, 2019 and 2018, the Company had $369.1 million, $368.9 million and $78.2 million of unrecognized federal and state tax benefits, net of federal tax benefits, that if recognized would have impacted the effective tax rate. Unrecognized tax benefits related to federal and state income tax contingencies that may decrease during the 12 months subsequent to December 31, 2020 as a result of settlements with taxing authorities range from zero to $358.7 million.

Interest and penalties related to unrecognized tax benefits are included in the provision for income taxes in the consolidated statements of income. At December 31, 2020 and 2019, accrued interest and penalties included in the consolidated balance sheets, net of federal tax benefits, were $16.3 million and $11.4 million, respectively. The total amounts of interest and penalties, net of federal tax benefits, recognized through income tax expense was $4.9 million during each of the years ended December 31, 2020 and 2019, and $3.2 million during the year ended December 31, 2018.

The Company and its subsidiaries file a consolidated federal income tax return as well as combined state income tax returns where combined filings are required. The federal tax returns for years 2017 through 2019 remain subject to examination in the U.S. Federal jurisdiction. State tax returns for years 2009 through 2019 remain subject to examination by certain states.

Note 10 Derivatives and Hedging Activities

The Company enters into LIBOR-based interest rate swaps and caps that are designated as cash flow hedges with the objective of limiting the variability of interest payment cash flows. The Company also enters into LIBOR-based interest rate swaps designated as fair value hedges designed to hedge changes in the fair value of outstanding fixed rate borrowings caused by fluctuations in the benchmark interest rate.

The Company enters into interest rate derivative contracts with certain of its commercial borrowers to enable those borrowers to manage their exposure to interest rate fluctuations. To mitigate interest rate risk associated with these derivative contracts, the Company enters into offsetting derivative contract positions with primary dealers. These interest rate derivative contracts are not designated as hedging instruments; therefore, changes in the fair value of these derivatives are recognized immediately in earnings. For the years ended December 31, 2020, 2019, and 2018 the impact on earnings, included in other non-interest income in the accompanying consolidated statements of income, related to changes in fair value of these derivatives was not material.

The Company may be exposed to credit risk in the event of non-performance by the counterparties to its interest rate derivative agreements. The Company assesses the credit risk of its financial institution counterparties by monitoring publicly available credit rating and financial information. The Company manages dealer credit risk by entering into interest rate derivatives only with primary and highly rated counterparties, the use of ISDA master agreements, central clearing mechanisms and counterparty limits. The agreements contain bilateral collateral arrangements with the amount of collateral to be posted generally governed by the settlement value of outstanding swaps. The Company manages the risk of default by its commercial borrower counterparties through its normal loan underwriting and credit monitoring policies and procedures. The Company does not currently anticipate any significant losses from failure of interest rate derivative counterparties to honor their obligations.

The CME legally characterizes variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposures rather than collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. The Company's clearing agent for interest rate derivative contracts centrally cleared through the CME settles the variation margin daily with the CME; therefore, those interest rate derivative contracts the Company clears through the CME are reported at a fair value of approximately zero at both December 31, 2020 and 2019.

The following tables set forth certain information concerning the Company’s interest rate contract derivative financial instruments and related hedged items at the dates indicated (dollars in thousands):

	2020						Fair Value	
	Hedged Item	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining Life in Years	Notional Amount	Balance Sheet Location	Asset	Liability
Derivatives designated as cash flow hedges:								
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	2.41%	3-Month LIBOR	2.5	$2,771,000	Other liabilities	$ —	$ (5,971)
Interest rate caps purchased, indexed to Fed Funds effective rate	Variability of interest cash flows on variable rate borrowings	—%	—%	4.9	100,000	Other assets	485	—
Derivatives designated as fair value hedges:								
Receive-fixed interest rate swaps	Variability of fair value of fixed rate borrowings	3-Month LIBOR	1.55%	0.6	250,000	Other liabilities	—	—
Derivatives not designated as hedges:								
Pay-fixed interest rate swaps		3.61%	Indexed to 1-month LIBOR	5.3	1,626,152	Other assets / Other liabilities	—	(38,519)
Pay-variable interest rate swaps		Indexed to 1-month LIBOR	3.61%	5.3	1,626,152	Other assets	123,345	—
Interest rate caps purchased, indexed to 1-month LIBOR			3.72%	0.4	25,921	Other assets	—	—
Interest rate caps sold, indexed to 1-month LIBOR		3.72%		0.4	25,921	Other liabilities	—	—
					$6,425,146		$ 123,830	$ (44,490)

	2019							
	Hedged Item	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Remaining Life in Years	Notional Amount	Balance Sheet Location	Fair Value Asset	Fair Value Liability
Derivatives designated as cash flow hedges:								
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	2.37%	3-Month LIBOR	3.2	$3,131,000	Other liabilities	$ —	$ (1,607)
Derivatives designated as fair value hedges:								
Receive-fixed interest rate swaps	Variability of interest cash flows on fixed rate borrowings	3-Month LIBOR	1.55%	1.6	250,000	Other liabilities	—	—
Derivatives not designated as hedges								
Pay-fixed interest rate swaps		3.72%	Indexed to 1-month LIBOR	6.4	1,460,355	Other assets / Other liabilities	876	(15,307)
Pay-variable interest rate swaps		Indexed to 1-month LIBOR	3.72%	6.4	1,460,355	Other assets / Other liabilities	42,810	(2,115)
Interest rate caps purchased, indexed to 1-month LIBOR			3.30%	0.6	61,004	Other assets	—	—
Interest rate caps sold, indexed to 1-month LIBOR		3.30%		0.6	61,004	Other liabilities	—	—
					$6,423,718		$ 43,686	$ (19,029)

The following table provides information about the amount of gain (loss) related to derivatives designated as cash flow hedges reclassified from AOCI into interest expense for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018	Location of Gain (Loss) Reclassified from AOCI into Income
Interest rate contracts	$ (46,259)	$ 2,627	$ 1,999	Interest expense on borrowings

During the years ended December 31, 2020, 2019, 2018 no derivative positions designated as cash flow hedges were discontinued and none of the gains and losses reported in AOCI were reclassified into earnings as a result of the discontinuance of cash flow hedges or because of the early extinguishment of debt. As of December 31, 2020, the amount of net loss expected to be reclassified from AOCI into earnings during the next twelve months was $53.5 million.

The following table provides information about the amount of gain (loss) related to derivatives designated as fair value hedges recognized in earnings for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018	Location of Gain (Loss) in Consolidated Statements of Income
Fair value adjustment on derivatives	$ 2,485	$ (486)	$ —	Interest expense on borrowings
Fair value adjustment on hedged items	(2,498)	499	—	Interest expense on borrowings
Gain (loss) recognized on fair value hedges (ineffective portion)	$ (13)	$ 13	$ —	

The following table provides information about the hedged items related to derivatives designated as fair value hedges at December 31, 2020 and 2019 (in thousands):

	2020	2019	Location in Consolidated Balance Sheets
Contractual balance outstanding of hedged item	$ 250,000	$ 250,000	FHLB advances
Cumulative fair value hedging adjustments	$ 1,999	$ (499)	FHLB advances

Some of the Company’s ISDA master agreements with financial institution counterparties contain provisions that permit either counterparty to terminate the agreements and require settlement in the event that regulatory capital ratios fall below certain designated thresholds, upon the initiation of other defined regulatory actions or upon suspension or withdrawal of the Bank's credit rating. Currently, there are no circumstances that would trigger these provisions of the agreements.

The Company does not offset assets and liabilities under master netting agreements for financial reporting purposes. Information on interest rate swaps subject to these agreements is as follows at December 31, 2020 and 2019 (dollars in thousands):

	2020					
				Gross Amounts Not Offset in Balance Sheet		
	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Derivative Instruments	Collateral Pledged	Net Amount
Derivative assets	$ —	$ —	$ —	$ —	$ —	$ —
Derivative liabilities	(44,490)	—	(44,490)	—	44,332	(158)
	$ (44,490)	$ —	$ (44,490)	$ —	$ 44,332	$ (158)

	2019					
				Gross Amounts Not Offset in Balance Sheet		
	Gross Amounts Recognized	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Derivative Instruments	Collateral Pledged	Net Amount
Derivative assets	$ 876	$ —	$ 876	$ (876)	$ —	$ —
Derivative liabilities	(16,914)	—	(16,914)	876	16,038	—
	$ (16,038)	$ —	$ (16,038)	$ —	$ 16,038	$ —

The difference between the amounts reported for interest rate swaps subject to master netting agreements and the total fair value of interest rate contract derivative financial instruments reported in the consolidated balance sheets is related to interest rate derivative contracts not subject to master netting agreements.

At December 31, 2020, the Company had pledged net financial collateral of $58.9 million as collateral for interest rate swaps in a liability position that are not centrally cleared. The amount of collateral required to be posted varies based on the settlement value of outstanding swaps and in some cases may include initial margin requirements.

Note 11 Stockholders' Equity

Accumulated Other Comprehensive Income

Changes in other comprehensive income are summarized as follows for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020		
	Before Tax	Tax Effect	Net of Tax
Unrealized gains on investment securities available for sale:			
Net unrealized holding gain arising during the period	$ 61,291	$ (15,246)	$ 46,045
Amounts reclassified to gain on investment securities available for sale, net	(14,001)	3,570	(10,431)
Net change in unrealized gains on investment securities available for sale	47,290	(11,676)	35,614
Unrealized losses on derivative instruments:			
Net unrealized holding loss arising during the period	(116,168)	28,766	(87,402)
Amounts reclassified to interest expense on borrowings	46,259	(11,796)	34,463
Net change in unrealized losses on derivative instruments	(69,909)	16,970	(52,939)
Other comprehensive loss	$ (22,619)	$ 5,294	$ (17,325)

	2019		
	Before Tax	Tax Effect	Net of Tax
Unrealized gains on investment securities available for sale:			
Net unrealized holding gain arising during the period	$ 51,178	$ (13,562)	$ 37,616
Amounts reclassified to gain on investment securities available for sale, net	(18,537)	4,912	(13,625)
Net change in unrealized gains on investment securities available for sale	32,641	(8,650)	23,991
Unrealized losses on derivative instruments:			
Net unrealized holding loss arising during the period	(79,945)	21,185	(58,760)
Amounts reclassified to interest expense on borrowings	(2,627)	696	(1,931)
Net change in unrealized losses on derivative instruments	(82,572)	21,881	(60,691)
Other comprehensive loss	$ (49,931)	$ 13,231	$ (36,700)

	2018		
	Before Tax	Tax Effect	Net of Tax
Unrealized gains on investment securities available for sale:			
Net unrealized holding loss arising during the period	$ (77,607)	$ 20,566	$ (57,041)
Amounts reclassified to gain on investment securities available for sale, net	(6,103)	1,617	(4,486)
Net change in unrealized gains on investment securities available for sale	(83,710)	22,183	(61,527)
Unrealized losses on derivative instruments:			
Net unrealized holding gain arising during the period	5,416	(1,435)	3,981
Amounts reclassified to interest expense on borrowings	(1,999)	530	(1,469)
Net change in unrealized losses on derivative instruments	3,417	(905)	2,512
Other comprehensive loss	$ (80,293)	$ 21,278	$ (59,015)

The categories of AOCI and changes therein are presented below for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Unrealized Gain on Investment Securities Available for Sale	Unrealized Gain (Loss) on Derivative Instruments	Total
Balance at December 31, 2017	$ 56,534	$ (1,548)	$ 54,986
Cumulative effect of adoption of new accounting standards	9,187	(285)	8,902
Other comprehensive loss	(61,527)	2,512	(59,015)
Balance at December 31, 2018	4,194	679	4,873
Other comprehensive loss	23,991	(60,691)	(36,700)
Balance at December 31, 2019	$ 28,185	$ (60,012)	$ (31,827)
Other comprehensive loss	35,614	(52,939)	(17,325)
Balance at December 31, 2020	$ 63,799	$ (112,951)	$ (49,152)

Other

In January 2021, the Company's Board of Directors reinstated its share repurchase program, which was temporarily suspended in March 2020. Authorization to repurchase up to approximately $44.9 million in shares of its outstanding common stock remained under the share repurchase program at the date of the reinstatement. Any repurchases will be made in accordance with applicable securities laws from time to time in open market or private transactions. The program may be commenced, suspended or discontinued without prior notice.

Note 12 Equity Based and Other Compensation Plans

Description of Equity Based Compensation Plans

In connection with the IPO of the Company's common stock in 2011, the Company adopted the 2010 Plan. In 2014, the Board of Directors and the Company's stockholders approved the 2014 Plan. The 2010 Plan and 2014 Plans are administered by the Board of Directors or a committee thereof and provide for the grant of non-qualified stock options, SARs, restricted shares, deferred shares, performance shares, unrestricted shares and other share-based awards to selected employees, directors or independent contractors of the Company and its affiliates. The number of shares of common stock authorized for award under the 2010 Plan is 7,500,000, of which 24,692 shares remain available for issuance as of December 31, 2020. The number of shares of common stock authorized for award under the 2014 Plan is 6,200,000, of which 2,781,048 shares remain available for issuance as of December 31, 2020. Shares of common stock delivered under the plans may consist of authorized but unissued shares or previously issued shares reacquired by the Company. The term of a share option or SAR issued under the plans may not exceed ten years from the date of grant and the exercise price may not be less than the fair market value of the Company's common stock at the date of grant. Unvested awards granted prior to 2019, become fully vested in the event of a change in control, as defined. Beginning in 2019, unvested awards granted are subject to a double trigger, as defined.

Compensation Expense Related to Equity Based Awards

The following table summarizes compensation cost related to equity based awards for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	2020	2019	2018
Compensation cost of equity based awards:			
Unvested and restricted share awards	$ 15,236	$ 17,334	$ 19,415
Executive share-based awards	3,133	4,953	3,027
Incentive awards	2,145	1,189	798
Total compensation cost of equity based awards	20,514	23,476	23,240
Related tax benefits	(4,854)	(4,068)	(5,783)
Compensation cost of equity based awards, net of tax	$ 15,660	$ 19,408	$ 17,457

Share Awards

Unvested share awards

A summary of activity related to unvested share awards for the years ended December 31, 2020, 2019 and 2018 follows:

	Number of Share Awards	Weighted Average Grant Date Fair Value
Unvested share awards outstanding, December 31, 2017	1,108,477	$ 36.06
Granted	683,137	40.06
Vested	(532,662)	34.64
Canceled or forfeited	(72,714)	38.43
Unvested share awards outstanding, December 31, 2018	1,186,238	38.86
Granted	591,739	36.49
Vested	(561,769)	37.50
Canceled or forfeited	(165,753)	38.95
Unvested share awards outstanding, December 31, 2019	1,050,455	38.24
Granted	660,587	29.72
Vested	(479,057)	38.94
Canceled or forfeited	(70,150)	34.78
Unvested share awards outstanding, December 31, 2020	1,161,835	$ 33.32

Unvested share awards are generally valued at the closing price of the Company's common stock on the date of grant. All shares granted prior to 2019 vest in equal annual installments over a period of three years from the date of grant. All shares granted in 2019 and 2020 to Company employees vest in equal annual installments over a period of four years from the date of grant. Shares granted to the Company's Board of Directors vest over a period of one year.

The following table summarizes the closing price of the Company's stock on the date of grant for shares granted and the aggregate grant date fair value of shares vesting for the years ended December 31, 2020, 2019 and 2018 (in thousands, except per share data):

	2020	2019	2018
Range of the closing price on date of grant (1)	$13.99 - $30.90	$31.07 - $36.65	$33.44 -$42.80
Aggregate grant date fair value of shares vesting	$ 18,654	$ 21,064	$ 18,451

(1) During the year ended December 31, 2020, the Company granted 599,766, 44,534, and 16,287 share awards with a closing price on date of grant of $30.90, $13.99, and $29.17, respectively.

The total unrecognized compensation cost of $22.3 million for all unvested share awards outstanding at December 31, 2020 will be recognized over a weighted average remaining period of 2.6 years.

Executive share-based awards

Certain of the Company's executives are eligible to receive annual awards of RSUs and PSUs (collectively, the "share units"). Annual awards of RSUs represent a fixed number of shares and vest on December 31st in equal tranches over three years for grants prior to 2019, and over four years for awards issued in 2019 and 2020. PSUs are initially granted based on a target value. The number of PSUs that ultimately vest at the end of the performance measurement period will be based on the achievement of performance criteria pre-established by the Compensation Committee of the Board of Directors. Upon vesting, the share units will be converted to common stock on a one-for-one basis, or may be settled in cash at the Company's option. The share units will accumulate dividends declared on the Company's common stock from the date of grant to be paid subsequent to vesting.

As a result of the majority of previous settlements being in cash, all RSUs and PSUs have been determined to be liability instruments and are remeasured at fair value each reporting period until the awards are settled. The RSUs are valued based on the closing price of the Company's common stock at the reporting date. The PSUs are valued based on the closing price of the Company's common stock at the reporting date net of a discount related to any applicable market conditions, considering the probability of meeting the defined performance conditions. Compensation cost related to PSUs is recognized during the performance period based on the probable outcome of the respective performance conditions.

A summary of activity related to executive share-based awards for the years ended December 31, 2020, 2019 and 2018 follows:

	RSU	PSU
Unvested executive share-based awards outstanding, December 31, 2017	91,163	105,714
Granted	52,026	52,026
Vested	(52,580)	(57,873)
Unvested executive share-based awards outstanding, December 31, 2018	90,609	99,867
Granted	73,062	73,062
Vested	(51,555)	(47,841)
Unvested executive share-based awards outstanding, December 31, 2019	112,116	125,088
Granted	106,731	106,731
Vested	(62,292)	(52,026)
Unvested executive share-based awards outstanding, December 31, 2020	156,555	179,793

The total liability for these executive share-based awards was $7.3 million at December 31, 2020. The total unrecognized compensation cost of $8.4 million for unvested executive share-based awards at December 31, 2020 will be recognized over a weighted average remaining period of 2.2 years.

Incentive awards

The Company's annual incentive compensation arrangements for employees other than those eligible for the executive share-based awards discussed above provide for settlement through a combination of cash payments and unvested share awards following the end of the annual performance period. The dollar value of share awards to be granted is based on the achievement of performance criteria established in the incentive arrangements. The number of shares of common stock to be awarded is variable based on the closing price of the Company's stock on the date of grant; therefore, these awards are initially classified as liability instruments, with compensation cost recognized from the beginning of the performance period. Awards related to performance periods prior to 2019 vest over three years and awards related to subsequent performance periods vest in equal installments over a period of four years from the date of grant. These awards are included in the summary of activity related to unvested share awards above. None of these awards are expected to be granted for the 2020 performance period.

The 660,587 unvested share awards granted during the year ended December 31, 2020, as discussed above, included 114,936 unvested share awards granted under the Company's annual incentive compensation arrangements based on the achievement of established performance criteria for the year ended December 31, 2019.

Option Awards

A summary of activity related to stock option awards for the years ended December 31, 2020, 2019 and 2018 follows:

	Number of Option Awards	Weighted Average Exercise Price
Option awards outstanding, December 31, 2017	1,270,688	$ 26.93
Exercised	(291,689)	26.49
Canceled or forfeited	(14,159)	63.74
Option awards outstanding, December 31, 2018	964,840	26.53
Exercised	(225,127)	25.84
Canceled or forfeited	(1,960)	63.74
Option awards outstanding, December 31, 2019	737,753	26.64
Exercised	(735,400)	26.67
Canceled or forfeited	(784)	22.18
Option awards outstanding and exercisable, December 31, 2020	1,569	$ 15.94

At December 31, 2020 the options outstanding and exercisable had a remaining contractual term of 0.3 years and an insignificant intrinsic value. The intrinsic value of options exercised was $2.3 million for each of the years ended December 31, 2020 and 2019, respectively, and $4.6 million for the year ended December 31, 2018. The related tax benefit of options exercised was $0.6 million for each of the years ended December 31, 2020 and 2019, respectively, and $1.1 million for the year ended December 31, 2018.

There were no option awards granted during the years ended December 31, 2020, 2019 and 2018.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan for a group of key management or highly compensated employees whereby a participant, upon election, may defer a portion of eligible compensation. The deferred compensation plan provides for discretionary Company contributions. Generally, the Company has elected not to make contributions. The Company credits each participant's account with income based on either an annual interest rate determined by the Company's Compensation Committee or returns of selected investment portfolios, as elected by the participant. A participant's elective deferrals and interest thereon are at all times 100% vested. Company contributions and interest thereon will become 100% vested upon the earlier of a change in control, as defined, or the participant's death, disability, attainment of normal retirement age or the completion of two years of service. Participant deferrals and any associated earnings will be paid upon separation from service or based on a specified distribution schedule, as elected by the participant. Deferred compensation expense was $2.0 million, $1.9 million and $1.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. Deferred compensation liabilities of $29 million and $27 million were included in other liabilities in the accompanying consolidated balance sheets at December 31, 2020 and 2019, respectively.

BankUnited 401(k) Plan

Under the terms of the 401(k) Plan sponsored by the Company, eligible employees may contribute a portion of compensation not exceeding the limits set by law. Employees are eligible to participate in the plan after one month of service. The 401(k) Plan allows a matching employer contribution equal to 100% of elective deferrals that do not exceed 1% of compensation, plus 70% of elective deferrals that exceed 1% but are less than 6% of compensation. Matching contributions are fully vested after two years of service. For the years ended December 31, 2020, 2019 and 2018, BankUnited made matching contributions to the 401(k) Plan of approximately $5.7 million, $6.1 million and $6.3 million, respectively.

Note 13 Regulatory Requirements and Restrictions

The Company and the Bank are subject to various regulatory capital requirements administered by Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated pursuant to regulation. The capital amounts and classification also are subject to qualitative judgments by the regulators about components, risk weightings and other factors. Banking regulations identify five capital categories for insured depository institutions: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. As of December 31, 2020 and 2019, all capital ratios of the Company and the Bank exceeded the "well capitalized" levels under the regulatory framework for prompt corrective action. Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total, common equity tier 1 and tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of tier 1 capital to average tangible assets (leverage ratio).

The following tables provide information regarding regulatory capital for the Company and the Bank as of December 31, 2020 and 2019 (dollars in thousands):

	2020							
	Actual		Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized		Required to be Considered Adequately Capitalized Including Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
BankUnited, Inc.:								
Tier 1 leverage	$ 3,005,495	8.63 %	N/A [(1)]	N/A [(1)]	$ 1,392,950	4.00 %	N/A [(1)]	N/A [(1)]
CET1 risk-based capital	$ 3,005,495	12.57 %	$ 1,553,546	6.50 %	$ 1,075,532	4.50 %	$ 1,673,049	7.00 %
Tier 1 risk-based capital	$ 3,005,495	12.57 %	$ 1,912,056	8.00 %	$ 1,434,042	6.00 %	$ 2,031,560	8.50 %
Total risk-based capital	$ 3,502,804	14.66 %	$ 2,390,070	10.00 %	$ 1,912,056	8.00 %	$ 2,509,574	10.50 %
BankUnited:								
Tier 1 leverage	$ 3,310,736	9.54 %	$ 1,734,604	5.00 %	$ 1,387,683	4.00 %	N/A	N/A
CET1 risk-based capital	$ 3,310,736	13.93 %	$ 1,544,939	6.50 %	$ 1,069,573	4.50 %	$ 1,663,781	7.00 %
Tier 1 risk-based capital	$ 3,310,736	13.93 %	$ 1,901,464	8.00 %	$ 1,426,098	6.00 %	$ 2,020,305	8.50 %
Total risk-based capital	$ 3,508,044	14.76 %	$ 2,376,829	10.00 %	$ 1,901,464	8.00 %	$ 2,495,671	10.50 %

	2019							
	Actual		Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized		Required to be Considered Adequately Capitalized Including Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
BankUnited, Inc.:								
Tier 1 leverage	$ 2,932,939	8.90 %	N/A [(1)]	N/A [(1)]	$ 1,317,960	4.00 %	N/A [(1)]	N/A [(1)]
CET1 risk-based capital	$ 2,932,939	12.32 %	$ 1,547,531	6.50 %	$ 1,071,368	4.50 %	$ 1,666,572	7.00 %
Tier 1 risk-based capital	$ 2,932,939	12.32 %	$ 1,904,654	8.00 %	$ 1,428,490	6.00 %	$ 2,023,694	8.50 %
Total risk-based capital	$ 3,044,263	12.79 %	$ 2,380,817	10.00 %	$ 1,904,654	8.00 %	$ 2,499,858	10.50 %
BankUnited:								
Tier 1 leverage	$ 3,056,820	9.30 %	$ 1,643,599	5.00 %	$ 1,314,879	4.00 %	N/A	N/A
CET1 risk-based capital	$ 3,056,820	12.89 %	$ 1,541,738	6.50 %	$ 1,067,357	4.50 %	$ 1,660,333	7.00 %
Tier 1 risk-based capital	$ 3,056,820	12.89 %	$ 1,897,524	8.00 %	$ 1,423,143	6.00 %	$ 2,016,119	8.50 %
Total risk-based capital	$ 3,168,144	13.36 %	$ 2,371,905	10.00 %	$ 1,897,524	8.00 %	$ 2,490,500	10.50 %

(1) There is no Tier 1 leverage ratio component in the definition of a well-capitalized bank holding company.

The Company has elected the option to temporarily delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period.

BankUnited is subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above certain minimums, and to remain "well-capitalized" under the prompt corrective action regulations. The Company does not expect that any of these laws, regulations or policies will materially affect the ability of BankUnited to pay dividends in the foreseeable future.

Note 14 Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis

The following is a description of the methodologies used to estimate the fair values of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which those measurements are typically classified.

Investment securities available for sale and marketable equity securities—Fair value measurements are based on quoted prices in active markets when available; these measurements are classified within level 1 of the fair value hierarchy. These securities typically include U.S. Treasury securities and certain preferred stocks. If quoted prices in active markets are not available, fair values are estimated using quoted prices of securities with similar characteristics, quoted prices of identical securities in less active markets, discounted cash flow techniques, or matrix pricing models. These securities are generally classified within level 2 of the fair value hierarchy and include U.S. Government agency securities, U.S. Government agency and sponsored enterprise MBS, preferred stock investments for which level 1 valuations are not available, non-mortgage asset-backed securities, single family rental real estate-backed securities, certain private label residential MBS and CMOs, private label commercial MBS, collateralized loan obligations and state and municipal obligations. Pricing of these securities is generally primarily spread driven. Observable inputs that may impact the valuation of these securities include benchmark yield curves, credit spreads, reported trades, dealer quotes, bids, issuer spreads, current rating, historical constant prepayment rates, historical voluntary prepayment rates, structural and waterfall features of individual securities, published collateral data, and for certain securities, historical constant default rates and default severities.

The Company uses third-party pricing services in determining fair value measurements for investment securities. To obtain an understanding of the methodologies and assumptions used, management reviews written documentation provided by the pricing services, conducts interviews with valuation desk personnel and reviews model results and detailed assumptions used to value selected securities as considered necessary. Management has established a robust price challenge process that includes a review by the treasury front office of all prices provided on a monthly basis. Any price evidencing unexpected month over month fluctuations or deviations from expectations is challenged. If considered necessary to resolve any discrepancies, a price will be obtained from an additional independent valuation source. The Company does not typically adjust the prices provided, other than through this established challenge process. The results of price challenges are subject to review by executive management. The Company has also established a quarterly process whereby prices provided by its primary pricing service for a sample of securities are validated. Any price discrepancies are resolved based on careful consideration of the assumptions and inputs employed by each of the pricing sources.

Servicing rights—Commercial servicing rights are valued using a discounted cash flow methodology incorporating contractually specified servicing fees and market based assumptions about prepayments, discount rates, default rates and costs of servicing. Prepayment and default assumptions are based on historical industry data for loans with similar characteristics. Assumptions about costs of servicing are based on market convention. Discount rates are based on rates of return implied by observed trades of underlying loans in the secondary market. These instruments are classified within level 2 of the fair value hierarchy.

Derivative financial instruments—Fair values of interest rate swaps and caps are determined using widely accepted discounted cash flow modeling techniques. These discounted cash flow models use projections of future cash payments and receipts that are discounted at mid-market rates. Observable inputs that may impact the valuation of these instruments include LIBOR swap rates and LIBOR forward yield curves. These fair value measurements are generally classified within level 2 of the fair value hierarchy.

The following tables present assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 (in thousands):

	2020		
	Level 1	Level 2	Total
Investment securities available for sale:			
U.S. Treasury securities	$ 80,851	$ —	$ 80,851
U.S. Government agency and sponsored enterprise residential MBS	—	2,405,570	2,405,570
U.S. Government agency and sponsored enterprise commercial MBS	—	539,354	539,354
Private label residential MBS and CMOs	—	998,603	998,603
Private label commercial MBS	—	2,526,354	2,526,354
Single family rental real estate-backed securities	—	650,888	650,888
Collateralized loan obligations	—	1,140,274	1,140,274
Non-mortgage asset-backed securities	—	253,261	253,261
State and municipal obligations	—	235,709	235,709
SBA securities	—	231,545	231,545
Marketable equity securities	104,274	—	104,274
Servicing rights	—	7,073	7,073
Derivative assets	—	123,830	123,830
Total assets at fair value	$ 185,125	$ 9,112,461	$ 9,297,586
Derivative liabilities	$ —	$ (44,490)	$ (44,490)
Total liabilities at fair value	$ —	$ (44,490)	$ (44,490)

	2019		
	Level 1	Level 2	Total
Investment securities available for sale:			
U.S. Treasury securities	$ 70,325	$ —	$ 70,325
U.S. Government agency and sponsored enterprise residential MBS	—	2,022,175	2,022,175
U.S. Government agency and sponsored enterprise commercial MBS	—	370,976	370,976
Private label residential MBS and CMOs	—	1,012,177	1,012,177
Private label commercial MBS	—	1,724,684	1,724,684
Single family rental real estate-backed securities	—	470,025	470,025
Collateralized loan obligations	—	1,197,366	1,197,366
Non-mortgage asset-backed securities	—	194,904	194,904
State and municipal obligations	—	273,302	273,302
SBA securities	—	362,731	362,731
Marketable equity securities	60,572	—	60,572
Servicing rights	—	7,977	7,977
Derivative assets	—	43,686	43,686
Total assets at fair value	$ 130,897	$ 7,680,003	$ 7,810,900
Derivative liabilities	$ —	$ (19,029)	$ (19,029)
Total liabilities at fair value	$ —	$ (19,029)	$ (19,029)

Assets and liabilities measured at fair value on a non-recurring basis

Following is a description of the methodologies used to estimate the fair values of assets and liabilities that may be measured at fair value on a non-recurring basis, and the level within the fair value hierarchy in which those measurements are typically classified.

Collateral dependent loans, OREO and other repossessed assets—The carrying amount of collateral dependent loans is typically based on the fair value of the underlying collateral, which may be real estate or other business assets, less estimated costs to sell when repayment is expected to come from the sale of the collateral. The carrying value of OREO is initially measured based on the fair value of the real estate acquired in foreclosure and subsequently adjusted to the lower of cost or estimated fair value, less estimated cost to sell. Fair values of real estate collateral and OREO are typically based on third-party real estate appraisals which utilize market and income approaches to valuation incorporating both observable and unobservable inputs. When current appraisals are not available, the Company may use brokers' price opinions, home price indices or other available information about changes in real estate market conditions to adjust the latest appraised value available. These adjustments to appraised values may be subjective and involve significant management judgment. The fair value of repossessed assets or collateral consisting of other business assets may be based on third-party appraisals or internal analyses that use market approaches to valuation incorporating a combination of observable and unobservable inputs.

Fair value measurements related to collateral dependent loans, OREO and other repossessed assets are generally classified within level 3 of the fair value hierarchy.

Loans held for sale—Loans not originated or otherwise acquired with the intent to sell are transferred into the held for sale classification at the lower of carrying amount or fair value, typically determined based on the estimated selling price of the loans. These fair value measurements are typically classified within level 3 of the fair value hierarchy.

Operating lease equipment—Fair values of impaired operating lease equipment are typically based upon discounted cash flow analyses, considering expected lease rates and estimated end of life residual values, typically obtained from independent appraisals. These fair value measurements are classified within level 3 of the fair value hierarchy.

The following table presents the net carrying value of assets classified within level 3 of the fair value hierarchy at December 31, 2020 and 2019, for which non-recurring changes in fair value have been recorded during the year then ended (in thousands):

	2020	2019
Collateral dependent loans	$ 73,803	$ 79,982
Loans held for sale	20,500	—
OREO and repossessed assets	2,786	1,098
Operating lease equipment	—	2,919
	$ 97,089	$ 83,999

The following table presents the carrying value and fair value of financial instruments and the level within the fair value hierarchy in which those measurements are classified at December 31, 2020 and 2019 (dollars in thousands):

		2020		2019	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:					
Cash and cash equivalents	1	$ 397,716	$ 397,716	$ 214,673	$ 214,673
Investment securities	1/2	$ 9,176,683	$ 9,177,870	$ 7,769,237	$ 7,769,949
Non-marketable equity securities	2	$ 195,865	$ 195,865	$ 253,664	$ 253,664
Loans held for sale	2	$ 24,676	$ 25,057	$ 37,926	$ 39,731
Loans, net	3	$ 23,608,719	$ 24,205,016	$ 23,046,317	$ 23,350,684
Derivative assets	2	$ 123,830	$ 123,830	$ 43,686	$ 43,686
Liabilities:					
Demand, savings and money market deposits	2	$ 22,688,617	$ 22,688,617	$ 17,047,344	$ 17,047,344
Time deposits	2	$ 4,807,199	$ 4,814,862	$ 7,347,247	$ 7,377,301
Federal funds purchased	2	$ 180,000	$ 180,000	$ 100,000	$ 100,000
FHLB advances	2	$ 3,122,999	$ 3,127,190	$ 4,480,501	$ 4,500,969
Notes and other borrowings	2	$ 722,495	$ 849,120	$ 429,338	$ 473,327
Derivative liabilities	2	$ 44,490	$ 44,490	$ 19,029	$ 19,029

Note 15 Commitments and Contingencies

The Company issues off-balance sheet financial instruments to meet the financing needs of its customers. These financial instruments include commitments to fund loans, unfunded commitments under existing lines of credit, and commercial and standby letters of credit. These commitments expose the Company to varying degrees of credit and market risk which are essentially the same as those involved in extending loans to customers, and are subject to the same credit policies used in underwriting loans. Collateral may be obtained based on the Company's credit evaluation of the counterparty. The Company's maximum exposure to credit loss is represented by the contractual amount of these commitments.

Commitments to fund loans

These are agreements to lend funds to customers as long as there is no violation of any condition established in the contract. Commitments to fund loans generally have fixed expiration dates or other termination clauses and may require payment of a fee. Many of these commitments are expected to expire without being funded and, therefore, the total commitment amounts do not necessarily represent future liquidity requirements.

Unfunded commitments under lines of credit

Unfunded commitments under lines of credit include commercial, commercial real estate and consumer lines of credit to existing customers, for many of which additional extensions of credit are subject to borrowing base requirements. Some of these commitments may mature without being fully funded.

Commercial and standby letters of credit

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support trade transactions or guarantee arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Total lending related commitments outstanding at December 31, 2020 were as follows (in thousands):

Commitments to fund loans	$ 419,526
Unfunded commitments under lines of credit	3,620,155
Commercial and standby letters of credit	93,325
	$ 4,133,006

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.

Note 16 Condensed Financial Statements of BankUnited, Inc.

Condensed financial statements of BankUnited, Inc. are presented below (in thousands):

Condensed Balance Sheets

	December 31, 2020	December 31, 2019
Assets:		
Cash and cash equivalents	$ 289,761	$ 204,589
Investment securities available for sale, at fair value	104,274	60,572
Investment in BankUnited, N.A.	3,288,252	3,104,660
Other assets	29,978	42,454
Total assets	$ 3,712,265	$ 3,412,275
Liabilities and Stockholders' Equity:		
Notes payable	$ 689,932	$ 395,090
Other liabilities	39,321	36,406
Stockholders' equity	2,983,012	2,980,779
Total liabilities and stockholders' equity	$ 3,712,265	$ 3,412,275

Condensed Statements of Income

	Years Ended December 31,		
	2020	2019	2018
Income:			
Interest and dividends on investment securities available for sale	$ 4,214	$ 3,595	$ 3,532
Service fees from subsidiary	15,935	18,080	21,000
Equity in earnings of subsidiary	224,734	335,723	349,937
Gain (loss) on investment securities	3,822	2,690	(2,805)
Total	248,705	360,088	371,664
Expense:			
Interest on borrowings	29,041	20,200	20,165
Employee compensation and benefits	24,867	28,270	28,477
Other	3,711	4,396	5,617
Total	57,619	52,866	54,259
Income before income taxes	191,086	307,222	317,405
Benefit for income taxes	(6,767)	(5,876)	(7,461)
Net income	$ 197,853	$ 313,098	$ 324,866

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 197,853	$ 313,098	$ 324,866
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(224,734)	(30,723)	70,064
Equity based compensation	20,367	23,367	23,137
Other	10,171	(8,656)	(15,654)
Net cash provided by operating activities	3,657	297,086	402,413
Cash flows from investing activities:			
Purchase of marketable equity securities	(53,266)	(8,963)	—
Proceeds from repayments, sale, maturities and calls of investment securities	13,426	11,575	—
Other	—	(142)	(156)
Net cash provided by (used in) investing activities	(39,840)	2,470	(156)
Cash flows from financing activities:			
Proceeds from issuance of notes payable	293,858	—	—
Dividends paid	(86,522)	(84,083)	(91,305)
Proceeds from exercise of stock options	19,611	5,817	7,727
Repurchase of common stock	(100,972)	(154,030)	(299,972)
Other	(4,620)	(6,514)	(6,560)
Net cash provided by (used in) financing activities	121,355	(238,810)	(390,110)
Net increase in cash and cash equivalents	85,172	60,746	12,147
Cash and cash equivalents, beginning of period	204,589	143,843	131,696
Cash and cash equivalents, end of period	$ 289,761	$ 204,589	$ 143,843
Supplemental schedule of non-cash investing and financing activities:			
Dividends declared, not paid	$ 22,309	$ 20,775	$ 21,673

Dividends received by BankUnited, Inc. from the Bank totaled $305 million and $420 million for the years ended December 31, 2019, and 2018, respectively. No dividends were received by BankUnited, Inc. from the Bank during the year ended December 31, 2020.

Note 17 Quarterly Financial Information (Unaudited)

Financial information by quarter for the years ended December 31, 2020 and 2019 follows (in thousands, except per share data):

	2020				
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Total
Interest income	$ 251,120	$ 254,572	$ 267,778	$ 294,139	$ 1,067,609
Interest expense	57,754	67,093	77,441	113,563	315,851
Net interest income before provision for credit losses	193,366	187,479	190,337	180,576	751,758
Provision for (recovery of) credit losses	(1,643)	29,232	25,414	125,428	178,431
Net interest income after provision for credit losses	195,009	158,247	164,923	55,148	573,327
Non-interest income	35,280	36,292	38,351	23,298	133,221
Non-interest expense	123,324	108,627	106,370	118,868	457,189
Income (loss) before income taxes	106,965	85,912	96,904	(40,422)	249,359
Provision (benefit) for income taxes	21,228	19,353	20,396	(9,471)	51,506
Net income (loss)	$ 85,737	$ 66,559	$ 76,508	$ (30,951)	$ 197,853
Earnings (loss) per common share, basic	$ 0.89	$ 0.70	$ 0.80	$ (0.33)	$ 2.06
Earnings (loss) per common share, diluted	$ 0.89	$ 0.70	$ 0.80	$ (0.33)	$ 2.06

	2019				
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Total
Interest income	$ 309,410	$ 323,402	$ 327,229	$ 321,829	$ 1,281,870
Interest expense	124,099	137,712	136,346	130,928	529,085
Net interest income before provision for credit losses	185,311	185,690	190,883	190,901	752,785
Provision for (recovery of) credit losses	(469)	1,839	(2,747)	10,281	8,904
Net interest income after provision for credit losses	185,780	183,851	193,630	180,620	743,881
Non-interest income	37,756	37,856	35,337	36,255	147,204
Non-interest expense	119,008	121,306	120,085	126,690	487,089
Income before income taxes	104,528	100,401	108,882	90,185	403,996
Provision for income taxes	15,072	24,182	27,431	24,213	90,898
Net income	$ 89,456	$ 76,219	$ 81,451	$ 65,972	$ 313,098
Earnings per common share, basic	$ 0.91	$ 0.78	$ 0.81	$ 0.65	$ 3.14
Earnings per common share, diluted	$ 0.91	$ 0.77	$ 0.81	$ 0.65	$ 3.13

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

Effective January 1, 2020, the Company adopted ASU 2016-13. The Company designed new controls and modified existing controls as part of its adoption. These additional internal controls over financial reporting included controls over model governance, assumptions, the determination of a reasonable and supportable economic forecast, and expanded controls over loan level data.

During the year ended December 31, 2020, other than described in the preceding paragraph, there were no changes in the Company's internal control over financial reporting, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have focused on insuring that our technology systems and internal controls continue to operate effectively in a remote work environment and have not identified any instances in which our control environment has failed to operate effectively. We are continually monitoring and assessing any impact of the COVID-19 situation on our internal controls to address impacts to their design, implementation and operating effectiveness.

Management's Report on Internal Control Over Financial Reporting

Management's report, which is included in Part II, Item 8 of this Form 10-K, is incorporated herein by reference.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8 of this Form 10-K.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding the directors and executive officers of BankUnited, Inc. and information regarding Section 16(a) compliance, the Audit and Risk Committees, the Company's code of ethics, background of the directors and director nominations appearing under the captions "Section 16(a) Beneficial Ownership Reporting Compliance," "Committees of the Board of Directors," "Corporate Governance Guidelines, Code of Conduct and Code of Ethics," "Director Nominating Process and Diversity" and "Election of Directors" in the Company's Proxy Statement for the 2021 annual meeting of stockholders is hereby incorporated by reference.

Item 11. Executive Compensation

Information appearing under the captions "Director Compensation" and "Executive Compensation" in the 2021 Proxy Statement (other than the "Compensation Committee Report," which is deemed furnished herein by reference) is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information setting forth the security ownership of certain beneficial owners and management appearing under the caption "Beneficial Ownership of the Company's Common Stock" and information in the "Equity Compensation Plans" table appearing under the caption "Equity Compensation Plan Information" in the 2021 Proxy Statement is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain related transactions appearing under the captions "Certain Related Party Relationships" and information regarding director independence appearing under the caption "Director Independence" in the 2021 Proxy Statement is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services

Information appearing under the captions "Auditor Fees and Services" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors" in the 2021 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this report:

1) Financial Statements:

Management's Report on Internal Control Over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019

Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

2) Financial Statement Schedules:

Financial statement schedules are omitted as not required or not applicable or because the information is included in the Consolidated Financial Statements or notes thereto.

3) List of Exhibits:

The exhibit list in the Exhibit Index is incorporated herein by reference as the list of exhibits required as part of this report.

EXHIBIT INDEX

Exhibit Number	Description	Location
2.1a	Purchase and Assumption Agreement, dated as of May 21, 2009, among the Federal Deposit Insurance Corporation, Receiver of BankUnited, FSB, Coral Cables, Florida, the Federal Deposit Insurance Corporation and BankUnited (Single Family Shared-Loss Agreement and Commercial and Other Shared-Loss Agreement included as Exhibits 4.15A and 4.15B thereto, respectively)†	Exhibit 2.1a to the Registration Statement on Form S-1 of the Company filed January 18, 2011
2.1b	Addendum to Purchase and Assumption Agreement, dated as of May 21, 2009, by and among the Federal Deposit Insurance Corporation, Receiver of BankUnited, FSB, Coral Gables, Florida, BankUnited, and the Federal Deposit Insurance Corporation	Exhibit 2.1b to the Registration Statement on Form S-1 of the Company filed January 10, 2011
2.1c	Amendment No. 1 to the BankUnited Single Family Shared-Loss Agreement with the FDIC, dated as of November 2, 2010	Exhibit 2.1c to the Registration Statement on Form S-1 of the Company filed January 18, 2011
2.1d	Amendment No. 2 the BankUnited Single Family Shared-Loss Agreement with the FDIC, dated as of December 22, 2010	Exhibit 2.1d to the Registration Statement on Form S-1 of the Company filed January 18, 2011
3.1	Amended and Restated Certificate of Incorporation	Exhibit 3.1 to the Annual Report on Form 10-K of the Company filed February 28, 2018
3.2	Amended and Restated By-Laws	Exhibit 3.1 to the Current Report on Form 8-K of the Company filed August 15, 2016
4.1	Specimen common stock certificate	Exhibit 4.1 to the Registration Statement on Form S-1 of the Company filed January 18, 2011
4.2	Indenture dated as of November 17, 2015 between BankUnited, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.1 to the Current Report on Form 8-K of the Company filed November 17, 2015
4.3	First Supplemental Indenture dated as of November 17, 2015 between BankUnited, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.2 to the Current Report on Form 8-K of the Company filed November 17, 2015
4.4	Form of 4.875% Senior Note due 2025 (included as part of Exhibit 4.3 above)	Exhibit 4.3 to the Current Report on Form 8-K of the Company filed November 17, 2015
4.5	Indenture dated as of June 11, 2020 between BankUnited, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.1 to the Current Report on Form 8-K of the Company filed June 11, 2020
4.6	First Supplemental Indenture dated as of June 11, 2020 between BankUnited, Inc. and U.S. Bank National Association, as trustee	Exhibit 4.2 to the Current Report on Form 8-K of the Company filed June 11, 2020
4.7	Form of 5.125% Subordinated Notes due 2030	Exhibit 4.3 to the Current Report on Form 8-K of the Company filed, June 11, 2020
10.1	BankUnited, N.A. Non-Qualified Deferred Compensation Plan	Exhibit 10.1b to the Annual Report on Form 10-K of the Company filed February 26, 2015
10.1a	Amendment to the BankUnited, N.A. Non-Qualified Deferred Compensation Plan	Exhibit 10.1a to the Annual Report on Form 10-K of the Company filed February 26, 2016
10.2	BankUnited, Inc. (formerly known as BU Financial Corporation) 2009 Stock Option Plan	Exhibit 10.7 to the Registration Statement on Form S-1 of the Company filed October 29, 2010
10.3a	BankUnited, Inc. 2010 Omnibus Equity Incentive Plan	Exhibit 10.8 to the Registration Statement on Form S-1 of the Company filed January 18, 2011

Exhibit Number	Description	Location
10.3b	BankUnited, Inc. 2014 Omnibus Equity Incentive Plan	Appendix A to the Proxy Statement on Schedule 14A of the Company filed April 11, 2014
10.4a	Registration Rights Agreement by and among BankUnited, Inc., John A. Kanas, Rajinder P. Singh, Douglas J. Pauls and John Bohlsen, and each of the other parties thereto	Exhibit 10.9 to Annual Report on Form 10-K of the Company filed March 31, 2011
10.4b	Amendment No. 1, dated February 29, 2012, to Registration Rights Agreement, dated February 2, 2011, by and among BankUnited, Inc., John A. Kanas, Rajinder P. Singh, Douglas J. Pauls and John Bohlsen, and each of the other parties thereto	Exhibit 10.3 to the Current Report on Form 8-K of the Company filed March 6, 2012
10.5	Form of indemnification agreement between BankUnited, Inc. and each of its directors and executive officers	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed February 16, 2011
10.6	BankUnited, Inc. Policy on Incentive Compensation Arrangements	Exhibit 10.6 of the Company's Annual Report on Form 10-K filed February 26, 2015
10.7	Heritage Bank, N.A. 2008 Stock Incentive Plan	Exhibit 10.1 to the Registration Statement on Form S-8 of the Company filed February 29, 2012
10.8	Stock Warrant Agreement, dated as of November 24, 2008, by Heritage Bank, N.A. in favor of the parties listed on Exhibit A thereto	Exhibit 10.4 to the Current Report on Form 8-K of the Company filed March 6, 2012
10.9	Supplemental Warrant Agreement, dated as of February 29, 2012, by and between BankUnited, Inc. and Heritage Bank, N.A.	Exhibit 10.5 to the Current Report on Form 8-K of the Company filed March 6, 2012
10.11a	Amended and Restated Employment Agreement, dated February 2, 2016, by and between BankUnited, Inc. and Rajinder P. Singh	Exhibit 10.11 to the Annual Report on Form 10-K of the Company filed February 26, 2016
10.11b	Amendment, dated May 6, 2016, to Amended and Restated Employment Agreement, dated February 2, 2016, by and between BankUnited, Inc. and Rajinder P. Singh	Exhibit 10.2 to the Current Report on Form 8-K of the Company filed May 6, 2016
10.11c	Second Amendment, dated January 4, 2017, to Amended and Restated Employment Agreement, dated February 2, 2016, as amended on May 6, 2016, by and between BankUnited, Inc. and Rajinder P. Singh	Exhibit 10.2 to the Current Report on Form 8-K/A of the Company filed January 4, 2017
10.11d	Third Amendment, dated December 19, 2019, to Amended and Restated Employment Agreement, dated February 2, 2016, as amended on May 6, 2016 and January 4, 2017, by and between BankUnited, Inc. and Rajinder P. Singh	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed December 19, 2019
10.13	Restricted Share Unit Agreement, dated December 29, 2016, by and between BankUnited, Inc. and Rajinder P. Singh	Exhibit 10.3 to the Current Report on Form 8-K of the Company filed January 3, 2017

Exhibit Number	Description	Location
10.14	Termination Agreement, dated as of February 13, 2019, by and among the Federal Deposit Insurance Corporation as Receiver of BankUnited, FSB, Coral Gables, Florida, BankUnited n/k/a BankUnited, N.A., and the Federal Deposit Insurance Corporation	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed February 14, 2019
21.1	Subsidiaries of BankUnited, Inc.	Filed herewith
23.1	Consent of KPMG LLP	Filed herewith
31.1	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Section 1350 Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith

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† Schedules and similar attachments to the Purchase and Assumption Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish supplementally a copy of any omitted schedules or similar attachment to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused the report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANKUNITED, INC.

Date: February 26, 2021	By:	/s/ RAJINDER P. SINGH	
		Name:	Rajinder P. Singh
		Title:	*Chairman, President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RAJINDER P. SINGH Rajinder P. Singh	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 26, 2021
/s/ LESLIE N. LUNAK Leslie N. Lunak	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2021
/s/ TERE BLANCA Tere Blanca	Director	February 26, 2021
/s/ JOHN N. DIGIACOMO John N. DiGiacomo	Director	February 26, 2021
/s/ MICHAEL J. DOWLING Michael J. Dowling	Director	February 26, 2021
/s/ DOUGLAS J. PAULS Douglas J. Pauls	Director	February 26, 2021
/s/ A. GAIL PRUDENTI A. Gail Prudenti	Director	February 26, 2021
/s/ WILLIAM S. RUBENSTEIN William S. Rubenstein	Director	February 26, 2021
/s/ SANJIV SOBTI Sanjiv Sobti	Director	February 26, 2021
/s/ LYNNE WINES Lynne Wines	Director	February 26, 2021

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