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, 2019

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 o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

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 o

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 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, 2019 was 3,190,724,266

The number of outstanding shares of the registrant common stock, $0.01 par value, as of February 26, 2020 was 93,719,239.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive proxy statement for the 2020 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, 2019
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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)
AFS	Available for sale
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
AOCI	Accumulated other comprehensive income
ARM	Adjustable rate mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated teller machine
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
CCA	Cloud Computing Arrangements
CET1	Common Equity Tier 1 capital
CECL	Current expected credit loss
CFPB	Consumer Financial Protection Bureau
CME	Chicago Mercantile Exchange
CLOs	Collateralized loan obligations
CMOs	Collateralized mortgage obligations
Commercial Shared-Loss Agreement	A commercial and other loans shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
Covered assets	Assets covered under the Loss Sharing Agreements
Covered loans	Loans covered under the Loss Sharing Agreements
CRA	Community Reinvestment Act
CUSIP	Committee on Uniform Securities Identification Procedures
DIF	Deposit insurance fund
DSCR	Debt Service Coverage Ratio
EPS	Earnings per common share
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FHA loan	Loan guaranteed by the Federal Housing Administration
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
FSB Loans	1-4 single family residential loans acquired in the FSB Acquisition that were formally covered by the Single Family Shared-Loss Agreement
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
HTM	Held to maturity
IPO	Initial public offering
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association
LIBOR	London InterBank Offered Rate
LTV	Loan-to-value
MBS	Mortgage-backed securities
MSRs	Mortgage servicing rights
Non-Covered Loans	Loans other than those covered under the Loss Sharing Agreements
NYSE	New York Stock Exchange
OCC	Office of the Comptroller of the Currency
OFAC	U.S. Department of the Treasury's Office of Foreign Assets Control
OREO	Other real estate owned
OTTI	Other-than-temporary impairment
Proxy Statement	Definitive proxy statement for the Company's 2019 annual meeting of stockholders
PSU	Performance Share Unit
Pinnacle	Pinnacle Public Finance, Inc.
ROU Asset	Right-of-use Asset
RSU	Restricted Share Unit
SAR	Share Appreciation Right
SBA	U.S. Small Business Administration
SBF	Small Business Finance Unit
SEC	Securities and Exchange Commission
Single Family Shared-Loss Agreement	A single-family loan shared-loss agreement entered into with the FDIC in connection with the FSB Acquisition
SOFR	Secured Overnight Financing Rate
REIT	Real Estate Investment Trust
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
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. 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:

- the impact of conditions in the financial markets and economic conditions generally;
- credit risk, relating to our portfolios of loans, leases and investments overall, as well as loans and leases exposed to specific industry conditions;
- real estate market conditions and other risks related to holding loans secured by real estate or real estate received in satisfaction of loans;
- an inability to successfully execute our fundamental growth strategy;
- geographic concentration of the Company's markets in Florida and the New York metropolitan area;
- natural or man-made disasters;
- risks related to the regulation of our industry;
- inadequate allowance for credit losses;
- interest rate risk;
- liquidity risk;
- loss of executive officers or key personnel;
- competition;
- dependence on information technology and third party service providers and the risk of systems failures, interruptions or breaches of security;
- inadequate or inaccurate forecasting tools and models;
- ineffective risk management or internal controls;
- a variety of operational, compliance and legal risks; and
- the selection and application of accounting methods and related assumptions and estimates.

Additional factors are set forth in the Company's filings with the Securities and Exchange Commission, or the SEC, including this Annual Report on Form 10-K.

Forward-looking statements speak only as of the date on which they are made. The Company expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, 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 $32.9 billion at December 31, 2019, 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 banking services to individual and corporate customers through 74 banking centers located in 14 Florida counties and 5 banking centers in the New York metropolitan area. The Bank also provides certain commercial lending and deposit products through national platforms. The Company has built, primarily through organic growth, a premier commercially focused regional bank with a long-term value oriented business model serving primarily small and medium sized businesses. We endeavor to provide, through our experienced lending and relationship banking teams, personalized customer service and offer a full range of traditional banking products and services to both our commercial and consumer customers.

Our Market Areas

Our primary banking markets are Florida and the Tri-State market of New York, New Jersey and Connecticut. 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 developing business in other markets in which we have a presence, such as the Broward, Palm Beach, Orlando, Tampa and Jacksonville markets. In 2019, we also began lending operations in Atlanta. We operate several national commercial lending platforms, purchase residential loans on a national basis through established correspondent channels and have a national commercial deposit business.

According to estimates from the United States Census Bureau and S&P Global Market Intelligence, from 2016 to 2019, Florida added over 1.0 million new residents, the second most of any U.S. state, had a total population of 21.8 million and a median household annual income of $58,586 in 2019. The Florida unemployment rate decreased to 2.5% at December 31, 2019. The Moody's home price index for Florida reflected a year over year increase of 3.7% at September 30, 2019. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the South region reflected a year over year increase of 1.67% at December 31, 2019. According to a report published in September 2019 by the University of Central Florida, personal income in Florida is expected to average 3.7% growth from 2019 to 2022 while Florida's Real Gross State Product is expected to expand at an average annual rate of 3.4% from 2019 to 2022.

We had five banking centers in metropolitan New York at December 31, 2019 serving the Tri-State area. Three banking centers were in Manhattan, one in Long Island and one in Brooklyn. According to the FDIC, at June 30, 2019, the Tri-State area had approximately $2.2 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 32.0 million and a median household annual income of $76,999 in 2019, while the unemployment rate decreased to 3.6% at December 31, 2019. According to CoStar Commercial Repeat-Sale Indices, commercial real estate values in the Northeast region reflected a year over year increase of 2.23% at December 31, 2019.

Through two commercial lending subsidiaries of BankUnited, we engage in equipment, franchise and municipal finance on a national basis. The Bank originates small business loans through programs sponsored by the SBA and to a lesser extent the USDA and provides mortgage warehouse finance on a national basis. We also offer a suite of commercial deposit and cash management products through a national platform.

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 lending teams in our Florida, Tri-State and national markets. At December 31, 2019, our loan portfolio included $23.2 billion in loans, including $17.5 billion in commercial and commercial real estate loans and $5.7 billion in residential and other consumer loans.

Commercial loans—Our commercial loans, which are generally made to growing small business, middle-market and larger corporate entities, include equipment loans, secured and unsecured lines of credit, formula-based loans, owner-occupied commercial real estate term loans and lines of credit, mortgage warehouse lines, letters of credit, SBA product offerings, trade finance and business acquisition finance credit facilities.

Through the Bank's two commercial lending subsidiaries, 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 equipment lease purchase agreements and direct (private placement) bond refundings and loan agreements. Bridge 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. Bridge is headquartered in Baltimore, Maryland. SBF offers an array of SBA, and to a lesser extent, USDA loan products on a national basis. We typically sell the government guaranteed portion of the loans SBF originates on a servicing retained basis, and retain the unguaranteed portion in portfolio. We also engage in residential mortgage warehouse lending on a national basis.

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, and, to a limited extent, acquisition, development and construction loan facilities and construction financing. Construction lending is not a primary area of focus for us; construction and land loans comprised 1.1% of the loan portfolio at December 31, 2019.

Residential mortgages—The 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— 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 Policy and Procedures

We have established asset oversight committees to administer the loan portfolio and monitor and manage credit risk. These committees include: (i) the Executive Credit Committee, (ii) the Credit Risk Management Committee, (iii) the Asset Recovery Committee, (iv) the Criticized Asset Committee and (v) the Residential Credit Risk Management Committee. These committees meet at least quarterly.

The credit approval method used is a risk-based hierarchy of individual or committee authorities for new credits and renewals, supplemented by annual reviews of existing credits. The Credit Risk Management Committee approves authorities for lending and credit personnel, which are ultimately submitted to our Board for ratification. Credit authorities are based on position, capability and experience of the individuals filling these positions. Authorities are periodically reviewed and updated.

BankUnited has established in-house borrower lending limits which are significantly lower than its legal lending limit of approximately $475 million at December 31, 2019. In-house lending limits at December 31, 2019 ranged from $75 million to $150 million determined on a risk-based matrix considering borrower's financial condition and industry. These limits are reviewed periodically by the Credit Risk Management Committee and approved annually by the Board of Directors.

Deposits

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 and cash management services. We offer commercial and retail deposit products across our primary geographic footprint and certain commercial deposit and treasury management products and services nationally. We have a limited on-line deposit product offering. Our deposits are insured by the FDIC up to statutory limits. Demand deposit balances are concentrated in commercial and small business accounts. Our service fee schedule and rates are competitive with other financial institutions in our markets.

Investment Securities

The primary objectives of our investment policy are to provide liquidity, provide a suitable balance of high credit quality and diversified assets to the consolidated balance sheet, manage interest rate risk exposure, and generate acceptable returns given the Company's established risk parameters.

The investment policy is reviewed annually by our Board of Directors. Overall investment goals are established by our Board, Chief Executive Officer, Chief Financial Officer, and members of the ALCO. The Board has delegated the responsibility of monitoring our investment activities to ALCO. Day-to-day activities pertaining to the investment portfolio are conducted within the Company's Chief Investment Office and Treasury division under the supervision of the Chief Investment Officer and Chief Financial Officer.

Risk Management and Oversight

Our Board of Directors oversees our risk management framework. Our Board approves the Company's business plan, risk appetite statement and the policies that set standards for the nature and level of risk the Company is willing to assume. The Board and its established committees receive regular reporting on the Company's management of critical risks and the effectiveness of risk management systems. While our full Board maintains the ultimate oversight responsibility for the risk management framework, its committees, including the audit committee, the risk committee, the compensation committee and the nominating and corporate governance committee, oversee risk in certain specified areas.

Our Board has assigned responsibility to our Chief Risk Officer for maintaining a risk management framework to identify, measure, monitor, control and mitigate risks to the achievement of our strategic goals and objectives and ensure we operate in a safe and sound manner in accordance with the Board's stated risk appetite and Board approved policies. We have invested significant resources to establish a robust enterprise-wide risk management framework to support the planned growth of our Company and execution of our business strategy. Our framework is consistent with common industry practices and regulatory guidance and is appropriate to our size, structure and the complexity of our business activities. Significant elements include a Risk Appetite Statement and risk metrics approved by the Board, ongoing identification and assessments of risk, executive management level risk committees to oversee compliance with the Board approved risk policies and adherence to risk limits, and ongoing testing and reporting by independent internal audit, credit review, and regulatory compliance groups. Executive level oversight of the risk management framework is provided by the Enterprise Risk Management Committee, which is chaired by the Chief Risk Officer and attended by the senior executives of the Company. Reporting to the Enterprise Risk Management Committee are sub-committees dedicated to guiding and overseeing management of critical categories of risk, including the Credit Risk Management, Asset/Liability, Compliance Risk Management, Operational Risk Management, Corporate Disclosure, Technical Steering, Enterprise Data, Ethics, and Financial Crimes Compliance committees.

Marketing and Distribution

We conduct our banking business through 74 banking centers located in 14 Florida counties, 5 banking centers in the New York metropolitan area, and our national lending and commercial deposit gathering platforms. Our distribution network also includes ATMs, fully integrated on-line banking, mobile banking and a telephone banking service. We target small businesses, middle market and larger commercial enterprises, as well as individual consumers.

In order to market our products, we use local television, radio, digital, print and direct mail advertising as well as a variety of promotional activities.

Competition

Our markets are 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, 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 of on-line, mobile and remote banking products, 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 affect the operations of BankUnited, Inc. and its 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, the Change in Bank Control Act, and the Home Owners' Loan 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. Ownership by affiliated parties, or parties acting in concert, is typically aggregated for these purposes. If a party's ownership of BankUnited, Inc. were to exceed certain thresholds, the investor could be deemed to "control" the Company for regulatory purposes. This could subject the investor to regulatory filings or other regulatory consequences.

In addition, except under limited circumstances, BHCs are prohibited from acquiring, without prior approval:

- control of any other bank or BHC or all 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:

(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, 2019, 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, 2019, 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.

Reserve Requirements

Pursuant to regulations of the Federal Reserve Board, all banking organizations are required to maintain average daily reserves at mandated ratios against their transaction accounts. In addition, reserves must be maintained on certain non-personal time deposits. These reserves must be maintained in the form of vault cash or in an account at a Federal Reserve Bank.

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;
- Fair Debt Collection 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.

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 federal consumer financial law. 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."

Employees

At December 31, 2019, we employed 1,493 full-time employees and 18 part-time employees. None of our employees are parties to a collective bargaining agreement. We believe that our relations with our employees are good.

Available Information

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

Item 1A. Risk Factors

Risks Related to Our Business

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 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 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 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 allowance for loan and lease losses may not be adequate to cover actual credit losses.

We maintain an allowance for loan and lease losses ("ALLL") that represents management's estimate of probable incurred losses inherent in our credit portfolio. This estimate requires management to make significant assumptions and involves a high degree of judgment, which is inherently subjective, particularly as our loan portfolio has not exhibited performance through a full credit cycle. Management considers numerous factors in determining the amount of the ALLL, including, but not limited to, historical loss severities and net charge-off rates of BankUnited and other comparable financial institutions, internal risk ratings, loss forecasts, collateral values, delinquency rates, the level of non-performing, criticized, classified and restructured loans in the portfolio, product mix, underwriting and credit administration policies and practices, portfolio trends, concentrations, industry conditions, economic trends and other factors considered by management to have an impact on the ability of borrowers to repay their loans.

If management's assumptions and judgments prove to be incorrect, our current allowance may be insufficient and we may be required to increase our ALLL. In addition, regulatory authorities periodically review our ALLL and may require us to increase our provision for loan losses or recognize further loan charge-offs, based on judgments different than those of our management. Adverse economic conditions could make management's estimate even more complex and difficult to determine. Any increase in our ALLL will result in a decrease in net income and capital and could have a material adverse effect on our financial condition and results of operations. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of the Allowance for Loan and Lease Losses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for Loan and Lease Losses."

The FASB issued an ASU that will result in a significant change in how we and other financial institutions recognize credit losses in the financial statements and may have a material impact on our financial condition and results of operations or on the industry more broadly.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments- Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the CECL model. Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the "incurred loss" model required under current GAAP, which delays recognition until it is probable a loss has been incurred. The adoption of the CECL model will significantly impact the methodology used to determine our ALLL and will require us to increase our ALLL, resulting in an adverse impact to our financial condition, regulatory capital levels and results of operations. Moreover, the CECL model may create more volatility in the level of our ALLL. The ASU will be effective for us on January 1, 2020. Note 1 to the consolidated financial statements provides further information about the expected impact of the adoption of ASU 2016-13.

Additionally, uncertainty exists around whether adoption of the CECL model by the financial services industry more broadly will have an impact on loan demand, how loan products are structured, the availability and pricing of credit in the markets or regulatory capital levels for the industry.

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, occupancy rates, the level of rents, 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, 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.

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 ALLL.

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

A significant portion of our loan portfolio is secured by 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 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; and
- hurricanes or other natural or man-made disasters.

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

Our business is 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 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 tight credit spreads has limited our ability to add higher yielding assets to the balance sheet than what may otherwise might have been realized in a more normalized rate environment with a positively shaped yield curve. 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. Additionally, an increase in interest rates may, among other things, reduce the demand for loans and our 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.

In July 2017, the Financial Conduct Authority, a regulator of financial services firms in the United Kingdom, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. The announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. 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, and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, derivatives, or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. There is uncertainty with respect to the impact the likely discontinuation of LIBOR may have on credit, securities and derivatives markets broadly. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR-based loans and securities in our portfolio, and may impact the markets in which we lend to customers and the availability and cost of hedging instruments and borrowings. 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 results of operations.

To manage the Company's likely transition from LIBOR to one or more alternative reference rates, we have completed a gap assessment, identified the population of our current exposures to LIBOR-indexed instruments and the systems and models that may be impacted by the transition, established a formal governance structure for LIBOR transition, updated the standard fall-back language incorporated in new bilateral loan agreements, and have prepared and are in the process of executing a detailed implementation plan.

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 include a downturn in economic conditions in the geographic markets in which our operations are concentrated or in the financial or credit markets in general. 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, results of operations or financial condition.

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

Optimizing risk adjusted returns and continued organic, diversified growth of our loan and deposit customer base 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. We compete with other financial institutions for acquisition opportunities and there are a limited number of candidates that meet our acquisition criteria. Consequently, we may not be able to identify suitable candidates for acquisitions. If we do identify suitable candidates, there is no assurance that we will be able to obtain the required regulatory approvals in order to acquire them. If we do succeed in consummating future acquisitions, acquisitions involve risks that the acquired businesses may not achieve anticipated results. In addition, the process of integrating acquired entities may divert significant management time and resources. We may not be able to integrate successfully or operate profitably any financial institutions or complementary businesses we may acquire.

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.

The geographic concentration of our markets in Florida and the New York metropolitan 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 metropolitan 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.

Hurricanes and other weather-related events or other natural disasters, man-made disasters, and pandemic outbreaks could cause a disruption in our operations or other consequences that could have an adverse impact on our 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; or pandemic outbreaks and other global health emergencies could disrupt our operations, result in damage to our facilities, jeopardize our ability to continue to provide essential services to our customers and negatively affect the local economies in which we operate. These events may lead to a decline in loan originations, an increase in deposit outflows, 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 and results of operations may be materially, adversely impacted by these and other negative effects of such events.

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 rail cars used directly or indirectly in oil and gas drilling activities. 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.

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.

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.

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 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.

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, to offer products and services traditionally provided by banks. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may offer a broader range of products and services as well as better pricing for certain products and services than we can.

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

- the ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe and sound 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 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.

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.

We rely on analytical and forecasting models that may prove to be inadequate or inaccurate, which could adversely impact the effectiveness of our strategic planning and 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 they are based on 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, earnings and capital may be adversely impacted.

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 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 are:

- 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; and

- actions by institutional shareholders.

Operational Risks

We are subject to a variety of operational, legal and compliance risks, including the risk of fraud or theft by employees or outsiders, which may adversely affect our business and results of operations.

We are exposed to many types of operational risks, including legal and compliance risk, the risk of fraud or theft by employees or outsiders and operational errors, including clerical or record-keeping errors or those resulting from 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. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control which may give rise to disruption of service to customers and to financial loss or liability. 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. 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, our electronic funds transfer transaction processing, cash management and online banking services. 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 Chief Risk Officer and 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 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.

Reputational risks could affect our 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 accounts as well as in financing them. 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. We carefully monitor internal and external developments for areas of potential reputational risk and have established governance structures to assist in evaluating such risks in our business practices and decisions.

Risks Relating to the Regulation of Our Industry

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation, supervision, and legal requirements that govern almost all aspects of our operations, 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 and Federal Reserve Board, 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.

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. 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 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 nonaffiliated 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 nonaffiliated 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 can increase 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

BankUnited's corporate headquarters is located in Miami Lakes, Florida. The headquarters space is used for office and operations. At December 31, 2019, we provided banking services at 79 banking centers located in Florida and New York. In Florida, we had 74 banking centers in 14 counties. Of the 74 Florida banking centers, we leased 72 locations and owned 2 locations. In New York, we leased 5 banking centers, including 3 banking centers in New York City, 1 banking center in Brooklyn and 1 banking center in Melville.

For our two commercial lending subsidiaries, we leased office and operations space in Hunt Valley, Maryland to house Bridge Funding Group 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.

We received a subpoena from the United States Department of Justice in October 2019 requesting documentation related to the taxi medallion line of business formerly conducted by the Bank. We are cooperating with this request.

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 26, 2020 was $31.46 per share. As of February 26, 2020, there were 551 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 2020 annual meeting of stockholders (the "Proxy Statement") is incorporated herein by reference.

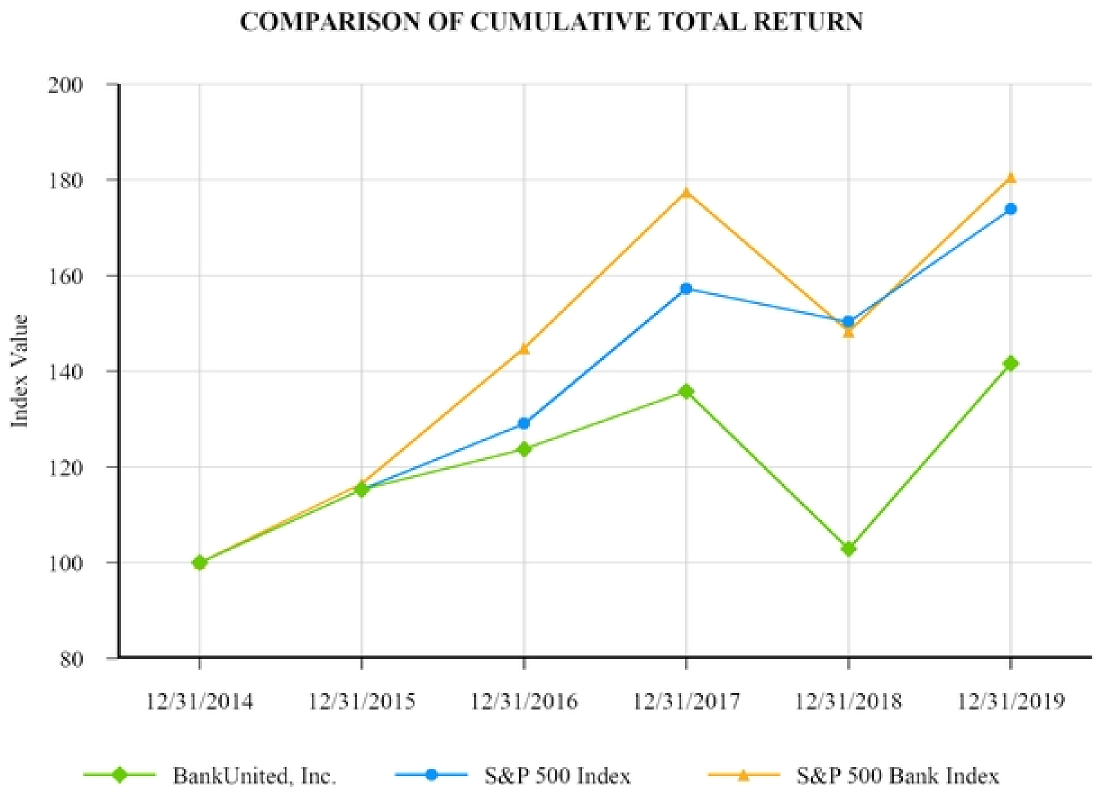
Dividend Policy

The Company declared a quarterly dividend of $0.21 per share on its common stock for each of the four quarters of 2019 and 2018, resulting in total dividends for 2019 and 2018 of $83.2 million and $89.9 million, respectively, or $0.84 per common share for each of the years ended December 31, 2019 and 2018. 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, 2014 and December 31, 2019, 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	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
BankUnited, Inc.	100.00	115.28	123.70	135.79	102.88	141.64
S&P 500 Index	100.00	115.26	129.05	157.22	150.33	173.86
S&P 500 Bank Index	100.00	116.49	144.81	177.47	148.30	180.55

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Issuer Purchases of Equity Securities			
	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs[2]
October 1 – October 31, 2019	123,176	$ 32.72	123,176	$ 145,969,701
November 1 – November 30, 2019	—	—	—	$ 145,969,701
December 1 – December 31, 2019	—	—	—	$ 145,969,701
Total	123,176	$ 32.72	123,176	

(1) The total number of shares purchased during the periods indicated includes shares purchased as part of a publicly announced program.

(2) On September 12, 2019, the Company's Board of Directors authorized a share repurchase program under which the Company may repurchase up to $150 million of its outstanding common stock. No time limit was set for the completion of the share repurchase program. The authorization does not require the Company to acquire any specified number of common shares and may be commenced, suspended or discontinued without prior notice. Under this authorization, $145,969,701 remained available for purchase at December 31, 2019.

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,				
	2019	2018	2017	2016	2015
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 214,673	$ 382,073	$ 194,582	$ 448,313	$ 267,500
Investment securities	7,769,237	8,166,878	6,690,832	6,073,584	4,859,539
Loans, net	23,046,317	21,867,077	21,271,709	19,242,441	16,510,775
FDIC indemnification asset	—	—	295,635	515,933	739,880
Operating lease equipment, net	698,153	702,354	599,502	539,914	483,518
Total assets	32,871,293	32,164,326	30,346,986	27,880,151	23,883,467
Deposits	24,394,591	23,474,223	21,878,479	19,490,890	16,938,501
FHLB advances	4,480,501	4,796,000	4,771,000	5,239,348	4,008,464
Notes and other borrowings	429,338	402,749	402,830	402,809	402,545
Total liabilities	29,890,514	29,240,493	27,320,924	25,461,722	21,639,569
Total stockholder's equity	2,980,779	2,923,833	3,026,062	2,418,429	2,243,898

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands, except per share data)				
Consolidated Income Statement Data:					
Interest income	$ 1,281,870	$ 1,449,144	$ 1,204,461	$ 1,059,217	$ 880,816
Interest expense	529,085	399,051	254,189	188,832	135,164
Net interest income	752,785	1,050,093	950,272	870,385	745,652
Provision for loan losses	8,904	25,925	68,747	50,911	44,311
Net interest income after provision for loan losses	743,881	1,024,168	881,525	819,474	701,341
Non-interest income	147,204	132,022	157,904	106,417	102,224
Non-interest expense	487,089	740,540	634,968	590,447	506,672
Income before income taxes	403,996	415,650	404,461	335,444	296,893
Provision (benefit) for income taxes (1)	90,898	90,784	(209,812)	109,703	45,233
Net income	$ 313,098	$ 324,866	$ 614,273	$ 225,741	$ 251,660
Share Data:					
Earnings per common share, basic	$ 3.14	$ 3.01	$ 5.60	$ 2.11	$ 2.37
Earnings per common share, diluted	$ 3.13	$ 2.99	$ 5.58	$ 2.09	$ 2.35
Cash dividends declared per common share	$ 0.84	$ 0.84	$ 0.84	$ 0.84	$ 0.84
Dividend payout ratio	26.75%	27.95%	14.99%	39.85%	35.75%

	As of or for the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(dollars in thousands, except per share data)				
Other Data (unaudited):					
Financial ratios					
Return on average assets	0.95%	1.05%	2.13%	0.87%	1.18%
Return on average common equity	10.63%	10.57%	23.36%	9.64%	11.62%
Yield on earning assets (2)	4.16%	5.04%	4.58%	4.51%	4.64%
Cost of interest bearing liabilities	2.09%	1.66%	1.12%	0.93%	0.84%
Tangible common equity to tangible assets	8.85%	8.87%	9.74%	8.42%	9.10%
Net interest margin (2)	2.47%	3.67%	3.65%	3.73%	3.94%
Loan to deposit ratio	95.07%	93.78%	98.04%	99.72%	98.50%
Tangible book value per common share	$ 30.52	$ 28.71	$ 27.59	$ 22.47	$ 20.90
Asset quality ratios					
Non-performing loans to total loans (3)	0.88%	0.59%	0.81%	0.70%	0.44%
Non-performing assets to total assets (4)	0.63%	0.43%	0.61%	0.53%	0.35%
ALLL to total loans	0.47%	0.50%	0.68%	0.79%	0.76%
ALLL to non-performing loans (3)	53.07%	84.63%	83.53%	112.55%	172.23%
Net charge-offs to average loans(5)	0.05%	0.28%	0.38%	0.13%	0.10%

	At December 31,				
	2019	2018	2017	2016	2015
Capital ratios					
Tier 1 leverage	8.90%	8.99%	9.72%	8.41%	9.35%
CET1 risk-based capital	12.32%	12.57%	13.11%	11.63%	12.58%
Tier 1 risk-based capital	12.32%	12.57%	13.11%	11.63%	12.58%
Total risk-based capital	12.79%	13.08%	13.78%	12.45%	13.36%

(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 2019 and 2018, and 35% for years 2017, 2016 and 2015.

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

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

(5) 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.

Overview

Performance Highlights

In evaluating our financial performance, we consider the level of and trends in net interest income, the net interest margin, 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, and portfolio delinquency and charge-off trends. We consider growth in earning assets and 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, 2019 was $313.1 million, or $3.13 per diluted share, compared to $324.9 million, or $2.99 per diluted share, for the year ended December 31, 2018. Diluted earnings per share for the year ended December 31, 2019 represented a 33% increase over non-loss share diluted earnings per share for the year ended December 31, 2018 of $2.36. For the year ended December 31, 2019, the return on average stockholders' equity was 10.6% and the return on average assets was 0.95%. While a decline in earnings following the termination of the Residential Shared-Loss Agreement was expected, 2019 results demonstrate that we have already replaced a significant portion of the loss-share related earnings stream.

- We are beginning to see the impact of our BankUnited 2.0 initiative on operating results and remain on track to achieve our previously disclosed target of incremental annual pre-tax impact of $40 million in cost reductions and $20 million in incremental revenue by mid-2021. Some of the significant milestones achieved to date include:

    - We have completed the re-organization of our corporate and commercial business lines, better aligning teams with customer segments and creating specialty groups to focus on and support niche markets across banking teams.

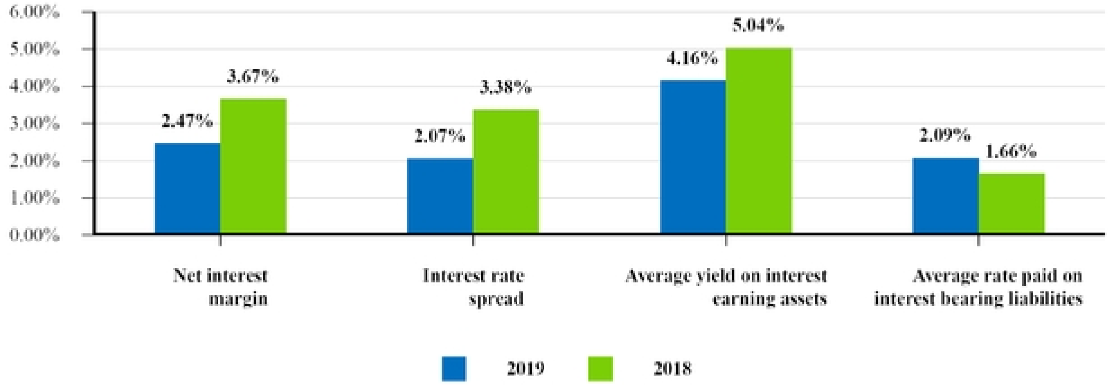
    - Our new commercial Card program is well positioned for a 2020 launch.

    - New treasury management fee programs and enhanced customer penetration initiatives have been implemented.

    - We have re-aligned our retail and small business banking teams with a focus on core deposit growth and growth in small business lending, begun implementation of an automated underwriting platform for small loans and begun to execute on our branch optimization strategy.

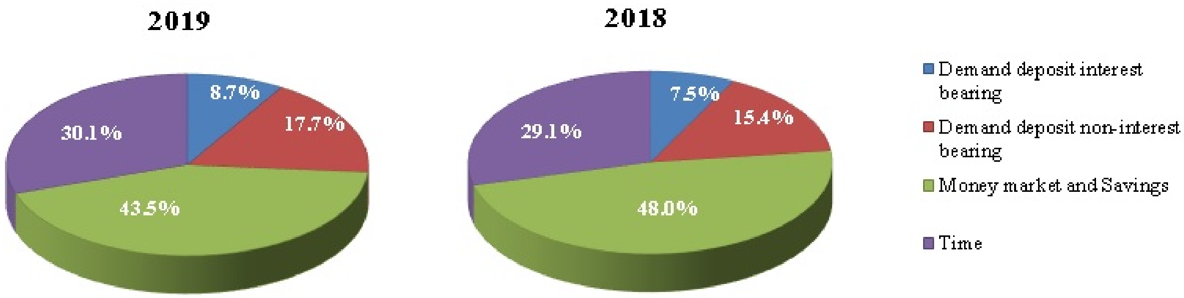
    - Operational excellence initiatives such as robotic process automation and select expense management programs continue to gain momentum.

- Net interest income for the year ended December 31, 2019 was $752.8 million, a decrease of $297.3 million from the prior year. The net interest margin, calculated on a tax-equivalent basis, was 2.47% for the year ended December 31, 2019, compared to 3.67% for the year ended December 31, 2018. The most significant reason for these expected declines in net interest income and the net interest margin for the year ended December 31, 2019 compared to the year ended December 31, 2018 was the decrease in accretion on formerly covered residential loans. See "Results of Operations" below for further discussion. The following chart provides a comparison of net interest margin, the interest rate spread, the average yield on interest earning assets and the average rate paid on interest bearing liabilities for the years ended December 31, 2019 and 2018 (on a tax equivalent basis):



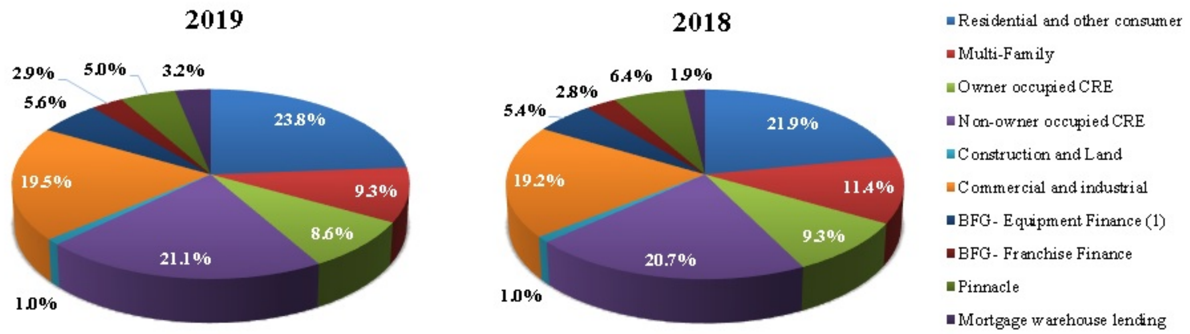
- Recurring operating expenses declined by 4% for the year ended December 31, 2019 compared to the year ended December 31, 2018, reflecting both the execution of our BankUnited 2.0 initiative and cost reductions resulting from the termination of the Residential Shared-Loss Agreement. See section entitled "Results of Operations—Non-Interest Expense" for further details.

- Total deposits increased by $920 million for the year ended December 31, 2019, of which $674 million or 73% was non-interest bearing demand deposits. Non-interest bearing demand deposits increased by 19% in 2019, to 18% of total deposits at December 31, 2019. The following charts illustrate the composition of deposits at December 31, 2019 and 2018:



- The average cost of total deposits increased to 1.63% for the year ended December 31, 2019 from 1.28% for 2018. The cost of deposits started to decline in the second half of 2019, declining by 0.03% during the third quarter and 0.19% during the fourth quarter.

- Loans and leases, including operating lease equipment, grew by $1.2 billion or 5.2% during the year ended December 31, 2019, reflecting growth across all major lending categories with the exception of multi-family, owner occupied commercial real estate and Pinnacle. The following charts compare the composition of our loan and lease portfolio at December 31, 2019 and 2018:



(1) Includes operating lease equipment.

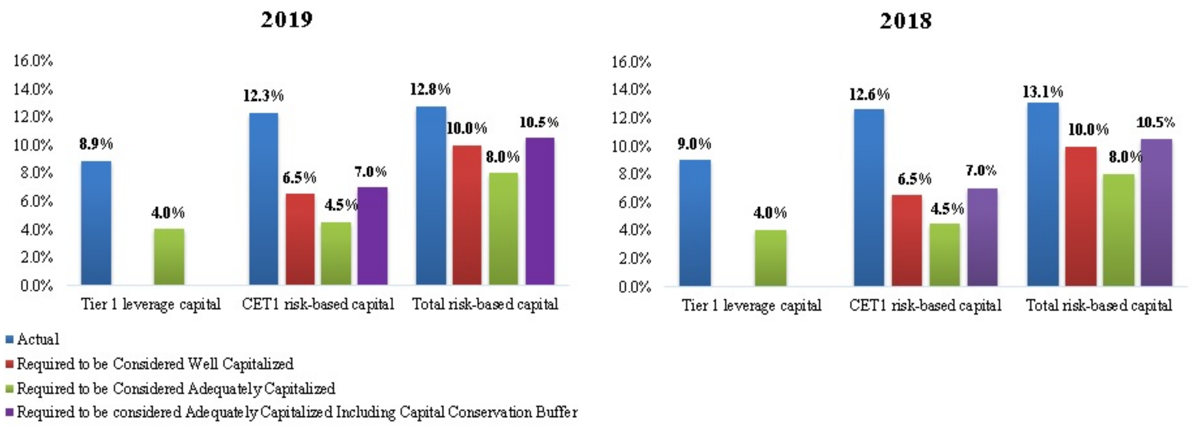
- At December 31, 2019, 98% of the commercial loan portfolio was rated "pass" and 99% of the 1-4 single family residential portfolio, excluding government insured residential loans, was current. The ratio of non-performing loans to total loans was 0.88% and the ratio of non-performing assets to total assets was 0.63% at December 31, 2019.

- During the year ended December 31, 2019, the Company repurchased approximately 4.5 million shares of its common stock for an aggregate purchase price of $154 million, at a weighted average price of $34.34 per share. During the first quarter of 2020, through February 14, 2020, the Company repurchased an additional 1.0 million shares of its common stock for an aggregate purchase price of $39 million, at a weighted average price of $33.63 per share.

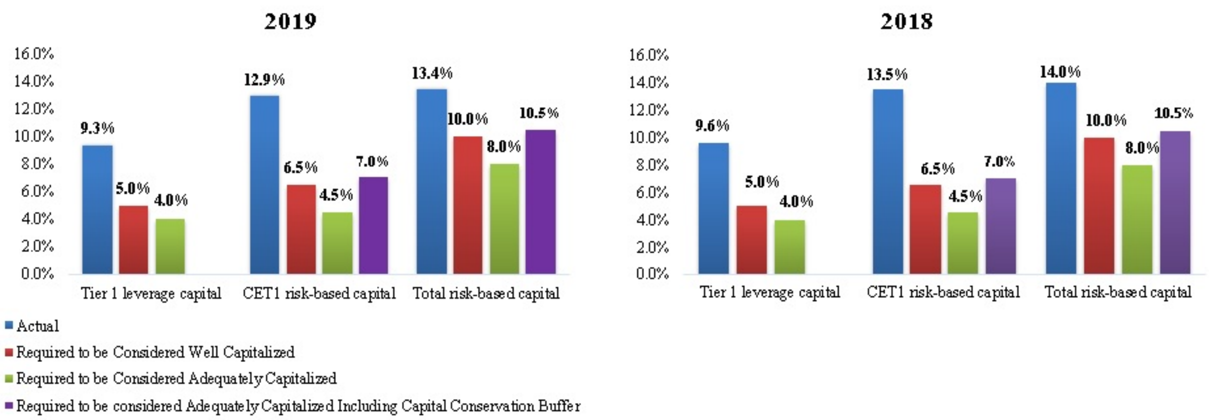
- Book value per common share grew to $31.33 at December 31, 2019 from $29.49 at December 31, 2018 while tangible book value per common share increased to $30.52 from $28.71 over the same period.

- 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 as of December 31, 2019 and 2018:

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, prudently managed organic growth and capital optimization.

- Optimizing our deposit mix, emphasizing growth in non-interest bearing demand and other core deposits and lowering the cost of funds.

- Continuing to execute on our BankUnited 2.0 initiative, emphasizing operational excellence, enhanced revenue streams consistent with our commercial focus, and growth of our small business customer base.

- Maintaining a culture of disciplined credit underwriting.

- Investing in technology to enhance delivery of tailored products and services to our customers and to streamline our infrastructure.

- Providing robust digital-enabled customer experiences.

Challenges confronting our Company, some of which impact the banking industry more broadly, include:

- The current interest rate environment, characterized by generally low interest rates, a flat yield curve, and relatively tight spreads, may impact our ability to achieve margin expansion.
- Our cost of funds remains higher than that of most of our peers.
- Competition for both loans and deposits may impact our ability to execute our profitable organic growth strategy.
- While most domestic economic indicators remain favorable, uncertainty about future economic conditions as we move through the credit cycle may present challenges to our business strategy.

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 accounting 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.

Allowance for Loan and Lease Losses

The ALLL represents management's estimate of probable incurred loan losses inherent in the Company's loan portfolio at the balance sheet date. Determining the amount of the ALLL is considered a critical accounting estimate because of its complexity and because it requires significant judgment and estimation. Estimates that are particularly susceptible to change that may have a material impact on the amount of the ALLL include:

- the selection of proxy data used to calculate quantitative loss factors for portfolio segments that have not yet exhibited an observable loss trend;
- our evaluation of loss emergence and historical loss experience periods;
- our evaluation of the risk profile of various loan portfolio segments, including internal risk ratings;
- the value of underlying collateral, which may impact loss severity and certain cash flow assumptions for impaired, criticized and classified loans;
- our selection and evaluation of qualitative loss factors; and
- determination of the amount of specific reserves for impaired loans.

The adoption of ASU 2016-13 in the first quarter of 2020 will result in significant changes in the methodology used to determine the amount of the allowance for expected credit losses.

Note 1 to the consolidated financial statements describes the methodology used to determine the ALLL and provides further information about the expected impact of the adoption of ASU 2016-13.

Fair Value Measurements

The Company measures certain of its assets and liabilities at fair value on a recurring or non-recurring basis. Assets and liabilities measured at fair value on a recurring basis include investment securities available for sale, marketable equity securities, servicing rights, and derivative instruments. Assets that may be measured at fair value on a non-recurring basis include impaired loans or the underlying collateral, OREO and other repossessed assets, loans held for sale, goodwill, and impaired long-lived assets. The consolidated financial statements also include disclosures about the fair value of financial instruments that are not recorded at fair value.

Fair value is 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. Inputs used to determine fair value measurements are prioritized into a three level hierarchy based on observability and transparency of the inputs, summarized as follows:

Level 1—observable inputs that reflect quoted prices in active markets for identical assets,

Level 2—inputs other than quoted prices in active markets that are based on observable market data, and

Level 3—unobservable inputs requiring significant management judgment or estimation.

When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analyses and option pricing models. These modeling techniques utilize assumptions that we believe market participants would use in pricing the asset or the liability.

Particularly for estimated fair values of assets and liabilities categorized within level 3 of the fair value hierarchy, the selection of different valuation techniques or underlying assumptions could result in fair value estimates that are higher or lower than the amounts recorded or disclosed in our consolidated financial statements. Considerable judgment may be involved in determining the amount that is most representative of fair value. The Company had no assets or liabilities measured at fair value on a recurring basis that were classified as level 3 at December 31, 2019.

Because of the degree of judgment involved in selecting valuation techniques and underlying assumptions, fair value measurements are considered critical accounting estimates.

Notes 1, 3, 10 and 14 to our consolidated financial statements contain further information about fair value estimates.

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, 2019, 2018 and 2017, 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% during the years ended December 31, 2019 and 2018 and 35% during the year ended December 31, 2017 (dollars in thousands):

	2019			2018			2017		
	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:									
Non-covered loans	$ 22,553,250	$ 998,130	4.43%	$ 21,169,705	$ 847,588	4.00%	$ 19,478,071	$ 730,701	3.75%
Covered loans	—	—	—%	427,437	368,161	86.13%	544,279	300,540	55.22%
Total loans	22,553,250	998,130	4.43%	21,597,142	1,215,749	5.63%	20,022,350	1,031,241	5.15%
Investment securities (2)	8,231,858	284,849	3.46%	7,124,372	238,602	3.35%	6,658,145	201,363	3.02%
Other interest earning assets	555,992	19,902	3.58%	506,154	17,812	3.52%	543,338	14,292	2.63%
Total interest earning assets	31,341,100	1,302,881	4.16%	29,227,668	1,472,163	5.04%	27,223,833	1,246,896	4.58%
Allowance for loan and lease losses	(112,890)			(136,758)			(156,471)		
Non-interest earning assets	1,625,579			1,878,284			1,758,032		
Total assets	$ 32,853,789			$ 30,969,194			$ 28,825,394		
Liabilities and Stockholders' Equity:									
Interest bearing liabilities:									
Interest bearing demand deposits	$ 1,824,803	25,054	1.37%	$ 1,627,828	18,391	1.13%	$ 1,586,390	12,873	0.81%
Savings and money market deposits	10,922,819	197,942	1.81%	10,634,970	146,324	1.38%	9,730,101	80,397	0.83%
Time deposits	6,928,499	162,184	2.34%	6,617,006	119,848	1.81%	6,094,336	77,663	1.27%
Total interest bearing deposits	19,676,121	385,180	1.96%	18,879,804	284,563	1.51%	17,410,827	170,933	0.98%
Short term borrowings	124,888	2,802	2.24%	48,940	1,035	2.11%	—	—	—%
FHLB advances	5,089,524	119,901	2.36%	4,637,247	92,234	1.99%	4,869,690	61,996	1.27%
Notes and other borrowings	403,704	21,202	5.25%	402,795	21,219	5.27%	402,921	21,259	5.28%
Total interest bearing liabilities	25,294,237	529,085	2.09%	23,968,786	399,051	1.66%	22,683,438	254,188	1.12%
Non-interest bearing demand deposits	3,950,612			3,389,191			3,069,565		
Other non-interest bearing liabilities	662,590			538,575			443,019		
Total liabilities	29,907,439			27,896,552			26,196,022		
Stockholders' equity	2,946,350			3,072,642			2,629,372		
Total liabilities and stockholders' equity	$ 32,853,789			$ 30,969,194			$ 28,825,394		
Net interest income		$ 773,796			$ 1,073,112			$ 992,708	
Interest rate spread			2.07%			3.38%			3.46%
Net interest margin			2.47%			3.67%			3.65%

(1) On a tax-equivalent basis where applicable. The tax-equivalent adjustment for tax-exempt loans was $16.7 million, $17.5 million, and $29.4 million, and the tax-equivalent adjustment for tax-exempt investment securities was $4.3 million, $5.5 million and $13.1 million for the years ended December 31, 2019, 2018 and 2017, 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):

	2019 Compared to 2018			2018 Compared to 2017		
	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	$ 41,547	$ (259,166)	$ (217,619)	$ 88,401	$ 96,107	$ 184,508
Investment securities	38,410	7,837	46,247	15,267	21,972	37,239
Other interest earning assets	1,786	304	2,090	(1,316)	4,836	3,520
Total interest income	81,743	(251,025)	(169,282)	102,352	122,915	225,267
Interest Expense Attributable to:						
Interest bearing demand deposits	2,756	3,907	6,663	442	5,076	5,518
Savings and money market deposits	5,888	45,730	51,618	12,411	53,516	65,927
Time deposits	7,266	35,070	42,336	9,276	32,909	42,185
Total interest bearing deposits	15,910	84,707	100,617	22,129	91,501	113,630
Short term borrowings	1,703	64	1,767	1,035	—	1,035
FHLB advances	10,509	17,158	27,667	(4,824)	35,062	30,238
Notes and other borrowings	64	(81)	(17)	—	(40)	(40)
Total interest expense	28,186	101,848	130,034	18,340	126,523	144,863
Increase (decrease) in net interest income	$ 53,557	$ (352,873)	$ (299,316)	$ 84,012	$ (3,608)	$ 80,404

Net interest income, calculated on a tax-equivalent basis, was $773.8 million for the year ended December 31, 2019 compared to $1.1 billion for the year ended December 31, 2018, a decrease of $299.3 million. The decrease in net interest income was comprised of a decrease in tax-equivalent interest income of $169.3 million and an increase in interest expense of $130.0 million for the year ended December 31, 2019, compared to the year ended December 31, 2018.

The decrease in tax-equivalent interest income was comprised primarily of (i) decrease in interest income from loans of $217.6 million for the year ended December 31, 2019 compared to the year ended December 31, 2018; partially offset by (ii) an increase in interest income from investment securities of $46.2 million for the year ended December 31, 2019 compared to the year ended December 31, 2018.

The decline in interest income from loans was mainly the result of the decrease in accretion on formerly covered residential loans. Interest income on formerly covered residential loans declined by $305.2 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. Both the average balance of and yield on these loans declined. The decline in the average balance resulted from the sale of a substantial portion of the loans during 2018 in anticipation of the termination of the Single Family Shared-Loss Agreement. The decline in the yield was due primarily to changes in assumptions about the remaining period over which accretable yield would be realized, attributable to management's decision to retain certain loans beyond expiration of the Single Family Shared-Loss Agreement.

The following table presents further details of the composition of the tax equivalent yield on loans for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	2019			2018			2017		
	Average Balance	Interest [(1)]	Yield/ Rate [(1)]	Average Balance	Interest [(1)]	Yield/ Rate [(1)]	Average Balance	Interest [(1)]	Yield/ Rate [(1)]
Loans:									
Non-covered loans	$ 22,369,837	$ 935,168	4.18%	$ 21,169,705	$ 847,588	4.00%	$ 19,478,071	$ 730,701	3.75%
Formerly covered loans	183,413	62,962	34.33%	427,437	368,161	86.13%	544,279	300,540	55.22%
Total loans	$ 22,553,250	$ 998,130	4.43%	$ 21,597,142	$ 1,215,749	5.63%	$ 20,022,350	$ 1,031,241	5.15%

(1) On a tax-equivalent basis where applicable.

Increased interest income on loans, other than formerly covered residential loans, for the year ended December 31, 2019 compared to the year ended December 31, 2018 was attributable to increases in both the yield on and average balance of those loans. The tax-equivalent yield increased by 0.18% for the year ended December 31, 2019 compared to the year ended December 31, 2018, while the average balance outstanding increased by $1.2 billion for the year ended December 31, 2019 compared to the year ended December 31, 2018. The most significant factor contributing to the increased yield was the impact of increases in benchmark interest rates in 2018.

The average balance of investment securities increased by $1.1 billion for the year ended December 31, 2019 compared to the year ended December 31, 2018. The tax-equivalent yield increased to 3.46% from 3.35% for the year ended December 31, 2018, primarily due to increases in coupon interest rates, partially offset by increased prepayment speeds.

The primary components of the increase in interest expense for the year ended December 31, 2019 compared to the year ended December 31, 2018 were an increase of $100.6 million in interest expense on deposits and an increase of $27.7 million in interest expense on FHLB advances.

The increase in interest expense on deposits was attributable to an increase in average interest bearing deposits of $796 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 and an increase in the average cost of interest bearing deposits of 0.45% to 1.96% for the year ended December 31, 2019 from 1.51% for the year ended December 31, 2018. This increase was generally driven by the growth of deposits in competitive markets and a rising short-term interest rate environment in 2018.

The increase in interest expense on FHLB advances resulted from an increase in the average cost of advances of 0.37% to 2.36% for the year ended December 31, 2019 from 1.99% for the year ended December 31, 2018. The increased cost was driven primarily by increased market rates. The average balance of advances increased by $452 million for the year ended December 31, 2019 compared to the year ended December 31, 2018.

The impact of increases in benchmark interest rates throughout 2018 on yields and costs for 2019, in the aggregate, more than offset the impact of declines in those rates over the latter half of 2019.

Provision for Loan Losses

The provision for loan losses is the amount of expense that, based on our judgment, is required to maintain the ALLL at an adequate level to absorb probable losses inherent in the loan portfolio at the balance sheet date and that, in management’s judgment, is appropriate under GAAP. The amount of the provision is impacted by loan growth, portfolio mix, historical loss rates, the level of charge-offs and specific reserves for impaired loans, and management's evaluation of qualitative factors in the determination of general reserves. The determination of the amount of the ALLL is complex and involves a high degree of judgment and subjectivity. Our determination of the amount of the allowance and corresponding provision for loan losses considers ongoing evaluations of the credit quality of and level of credit risk inherent in various segments of the loan portfolio and of individually significant credits, levels of non-performing loans and charge-offs, historical and statistical trends and economic and other relevant factors. See “Analysis of the Allowance for Loan and Lease Losses” below for more information about how we determine the appropriate level of the allowance.

For the years ended December 31, 2019 and 2018, the Company recorded provisions for loan losses of $8.9 million and $25.9 million, respectively. The provision for the year ended December 31, 2018 included a provision of $26.2 million related to taxi medallion loans.

The most significant factor contributing to the decrease in the provision for loan losses for the year ended December 31, 2019 compared to the year ended December 31, 2018 was the reduction in the provision related to taxi medallion loans. Other contributing factors included (i) a decrease in the non-taxi provision related to specific reserves; and (ii) changes in the composition of portfolio growth; offset by (iii) net increases related to the relative impact on the provision of changes in certain quantitative and qualitative loss factors.

The provision for loan losses declined to $25.9 million for the year ended December 31, 2018 from $68.7 million for the year ended December 31, 2017 primarily due to a reduction in the provision related to taxi medallion loans.

Non-Interest Income

The following table presents a comparison of the categories of non-interest income for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Income from resolution of covered assets, net	$ —	$ 11,551	$ 27,450
Net loss on FDIC indemnification	—	(4,199)	(22,220)
Gain on sale of covered loans, net	—	5,732	17,406
Other	—	1,214	1,626
Non-interest income related to the impact of transactions in the formerly covered assets	—	14,298	24,262
Deposit service charges and fees	16,539	14,412	13,180
Gain on sale of non-covered loans, net	12,119	10,132	10,183
Gain on investment securities, net	21,174	3,159	33,466
Lease financing	66,631	61,685	53,837
Other non-interest income	30,741	28,336	22,976
Non-interest income	$ 147,204	$ 132,022	$ 157,904

The decline in non-interest income related to the impact of transactions in the formerly covered assets resulted from the termination of the Single Family Shared-Loss Agreement in February 2019.

The most significant contributor to the increase in deposit service charges and fees for the year ended December 31, 2019 compared to the year ended December 31, 2018 was higher treasury management fee income, beginning to reflect the implementation of our BankUnited 2.0 initiative, particularly enhanced pricing discipline and greater customer penetration.

The most significant components of gain on sale of non-covered loans are (i) gains from the sale of Pinnacle loans totaling $2.4 million for the year ended December 31, 2019; (ii) gains on sales of the guaranteed portions of SBA loans totaling $4.8 million for the year ended December 31, 2019 compared to $8.6 million for the year ended December 31, 2018, and (iii) gains on sale of government insured residential loans totaling $4.8 million for the year ended December 31, 2019 compared to $1.2 million for the year ended December 31, 2018. The year-over-year fluctuations in gains on sales of SBA and government insured residential loans were primarily attributed to changes in the volume of loans sold.

Gain on investment securities, net for the year ended December 31, 2019 reflected (i) net realized gains of $18.5 million from the sale of investment securities available for sale, including $9.0 million in gains related to a strategic decision to sell certain formerly covered securities and (ii) net unrealized gains on marketable equity securities of $2.6 million, compared to net unrealized losses of $2.9 million for the year ended December 31, 2018. Gains from the sale of investment securities available for sale generally relate to the sale of securities in the course of managing the Company's liquidity position, portfolio duration and risk adjusted returns.

Period over period increases in income from lease financing generally corresponded to the average balance growth in the portfolio of operating lease equipment.

Non-Interest Expense

The following table presents the components of non-interest expense for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Employee compensation and benefits	$ 235,330	$ 254,997	$ 237,824
Occupancy and equipment	56,174	55,899	58,100
Amortization of FDIC indemnification asset	—	261,763	176,466
Deposit insurance expense	16,991	18,984	22,011
Professional fees	20,352	16,539	23,676
Technology and telecommunications	47,509	35,136	31,252
Depreciation of operating lease equipment	48,493	40,025	35,015
Loss on debt extinguishment	3,796	—	—
Other non-interest expense	58,444	57,197	50,624
Total non-interest expense	487,089	740,540	634,968
Less:			
Amortization of FDIC indemnification asset	—	(261,763)	(176,466)
Depreciation of operating lease equipment	(48,493)	(40,025)	(35,015)
Loss on debt extinguishment	(3,796)	—	—
Costs incurred directly related to implementation of BankUnited 2.0	(14,802)	(1,899)	—
Recurring operating expenses [(1)]	$ 419,998	$ 436,853	$ 423,487

(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

As is typical for financial institutions, employee compensation and benefits represents the single largest component of recurring non-interest expense. Employee compensation and benefits declined by $19.7 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to a reduction in headcount.

Amortization of FDIC indemnification asset

The FDIC indemnification asset was amortized to zero during the fourth quarter of 2018 in light of the expected termination of the Single Family Shared-Loss Agreement

Deposit insurance expense

The decrease in 2019 was attributed to the discontinuance of the large bank surcharge assessment in the fourth quarter 2018.

Professional fees

Professional fees increased by $3.8 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The increase was primarily attributable to consulting services related to our BankUnited 2.0 initiative of $10.8 million in 2019.

Technology and telecommunications

Technology and telecommunications increased by $12.4 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. This increase related primarily to investments we are making in cloud technology, our digital platforms, data initiatives and enhancement of some of our product offerings and risk management capabilities.

Depreciation of operating lease equipment

Depreciation of operating lease equipment increased by $8.5 million for the year ended December 31, 2019 compared to the year ended December 31, 2018. This increase generally corresponds to the average balance growth in the portfolio of operating lease equipment and includes an impairment charge of $1.9 million for the year ended December 31, 2019.

Loss on debt extinguishment

The loss on debt extinguishment during the year ended December 31, 2019 related to the extinguishment of certain higher cost FHLB advances.

Other non-interest expense

The most significant components of other non-interest expense are advertising, promotion and business development, costs related to lending activities and deposit generation, expenses related to workouts and foreclosures, regulatory examination assessments, travel and general office expense. Other non-interest expense included a loss on the sale of one commercial OREO property of $2.4 million for the year ended December 31, 2019.

Costs incurred directly related to the implementation of our BankUnited 2.0 initiative during the year ended December 31, 2019 included professional fees of $10.8 million; branch closure expenses $2.4 million; and severance costs of $1.6 million. Costs directly related to BankUnited 2.0 for the year ended December 31, 2018 included professional fees of $1.9 million.

Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2019, 2018 and 2017 was $90.9 million, $90.8 million and $(209.8) million, respectively. The effective income tax rate was 22.5%, 21.8% and (51.9)% for the years ended December 31, 2019, 2018 and 2017, respectively. The effective income tax rate differed from the statutory federal income tax rate of 21% for the year ended December 31, 2019 due primarily to the impact of state income taxes, partially offset by the benefit of income not subject to federal tax.

The benefit for income taxes and effective income tax rate for the year ended December 31, 2017 reflected a discrete income tax benefit of $327.9 million related to a matter that arose during an ongoing audit of the Company's 2013 federal income tax return. During that audit, the Company asserted that U.S. federal income taxes paid in respect of certain income previously reported by the Company on its 2012, 2013 and 2014 federal income tax returns related to the basis assigned to certain loans acquired in the FSB Acquisition should be refunded to the Company, in light of guidance issued after the relevant returns had been filed.

For more information about income taxes, see Note 9 to the consolidated financial statements.

Analysis of Financial Condition

Average interest-earning assets increased $2.1 billion to $31.3 billion for the year ended December 31, 2019 from $29.2 billion for the year ended December 31, 2018. This increase was driven by a $1.0 billion increase in the average balance of outstanding loans and a $1.1 billion increase in the average balance of investment securities.

Average interest bearing liabilities increased $1.3 billion to $25.3 billion for the year ended December 31, 2019 from $24.0 billion for the year ended December 31, 2018, due primarily to an increase of $0.8 billion in average interest bearing deposits. Average non-interest bearing deposits increased by $561 million to $4.0 billion for the year ended December 31, 2019.

Average stockholders' equity decreased by $126 million, due primarily to the repurchase of common stock, partially offset by the retention of earnings.

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, 2019, 2018 and 2017 (in thousands):

	2019		2018		2017	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
U.S. Treasury securities	$ 70,243	$ 70,325	$ 39,885	$ 39,873	$ 24,981	$ 24,953
U.S. Government agency and sponsored enterprise residential MBS	2,018,853	2,022,175	1,885,302	1,897,474	2,043,373	2,058,027
U.S. Government agency and sponsored enterprise commercial MBS	366,787	370,976	374,569	374,787	233,522	234,508
Private label residential MBS and CMOs	1,001,337	1,012,177	1,539,058	1,534,198	613,732	628,247
Private label commercial MBS	1,719,228	1,724,684	1,486,835	1,485,716	1,033,022	1,046,415
Single family rental real estate-backed securities	467,459	470,025	406,310	402,458	559,741	562,706
Collateralized loan obligations	1,204,905	1,197,366	1,239,355	1,235,198	720,429	723,681
Non-mortgage asset-backed securities	194,171	194,904	204,372	204,067	119,939	121,747
State and municipal obligations	257,528	273,302	398,810	398,429	640,511	657,203
SBA securities	359,808	362,731	514,765	519,313	534,534	550,682
Other debt securities	—	—	1,393	4,846	4,090	9,120
Investment securities held to maturity	10,000	10,000	10,000	10,000	10,000	10,000
	$ 7,670,319	7,708,665	$ 8,100,654	8,106,359	$ 6,537,874	6,627,289
Marketable equity securities		60,572		60,519		63,543
		$ 7,769,237		$ 8,166,878		$ 6,690,832

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 securities, GNMA securities, SBA securities and U.S. Government Agency MBS. 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, 2019 was 4.5 years. The effective duration of the investment portfolio as of December 31, 2019 was 1.26 years. The model results are based on assumptions that may differ from actual results.

A summary of activity in the investment securities portfolio for the years ended December 31, 2019 and 2018 follows (in thousands):

Balance at December 31, 2017	$ 6,690,832
Purchases	4,138,994
Repayments, maturities and calls	(1,538,943)
Sales	(1,027,651)
Amortization of discounts and premiums, net	(12,644)
Change in unrealized gains	(83,710)
Balance at December 31, 2018	8,166,878
Purchases	3,896,234
Repayments, maturities and calls	(1,359,113)
Sales	(2,954,085)
Amortization of discounts and premiums, net	(13,318)
Change in unrealized gains	32,641
Balance at December 31, 2019	$ 7,769.237

The following table shows the scheduled maturities, carrying values and current yields for investment securities available for sale as of December 31, 2019, as well as the carrying value and yield of marketable equity securities. 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% (dollars in thousands):

	Within One Year		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
U.S. Treasury securities	$ 70,325	1.82%	$ —	—%	$ —	—%	$ —	—%	$ 70,325	1.82%
U.S. Government agency and sponsored enterprise residential MBS	166,450	2.57%	927,658	2.50%	742,624	2.46%	185,443	2.44%	2,022,175	2.49%
U.S. Government agency and sponsored enterprise commercial MBS	2,700	2.90%	42,067	2.77%	207,775	2.62%	118,434	3.14%	370,976	2.80%
Private label residential MBS and CMOs	289,725	3.72%	562,030	3.54%	133,837	3.49%	26,585	3.26%	1,012,177	3.58%
Private label commercial MBS	48,536	3.81%	1,321,565	3.32%	333,763	2.97%	20,820	3.02%	1,724,684	3.26%
Single family rental real estate-backed securities	10,281	3.07%	209,447	2.90%	250,297	3.07%	—	—%	470,025	2.99%
Collateralized loan obligations	11,803	3.20%	923,270	3.47%	262,293	4.00%	—	—%	1,197,366	3.58%
Non-mortgage asset-backed securities	15,216	3.80%	112,911	3.01%	65,437	2.75%	1,340	2.61%	194,904	2.98%
State and municipal obligations	1,579	1.96%	28,390	2.85%	196,282	3.99%	47,051	4.08%	273,302	3.87%
SBA securities	68,478	2.94%	175,113	2.86%	82,638	2.81%	36,502	2.76%	362,731	2.86%
	$ 685,093	3.15%	$ 4,302,451	3.15%	$ 2,274,946	3.00%	$ 436,175	2.91%	7,698,665	3.09%
Marketable equity securities with no scheduled maturity									60,572	7.18%
Total investment securities available for sale and marketable equity securities									$ 7,759,237	3.12%

The investment securities available for sale portfolio was in a net unrealized gain position of $38.3 million at December 31, 2019 with aggregate fair value equal to 100.5% of amortized cost. Net unrealized gains included $60.0 million of gross unrealized gains and $21.6 million of gross unrealized losses. Investment securities available for sale in an unrealized loss position at December 31, 2019 had an aggregate fair value of $3.1 billion. At December 31, 2019, 99.2% of investment securities available for sale were backed by the U.S. Government, U.S. Government agencies or sponsored enterprises or were rated AAA, AA or A, based on the most recent third-party ratings. Investment securities available for sale totaling $62.9 million were not rated at December 31, 2019. These securities have been determined by management to be of investment grade quality.

We evaluate the credit quality of individual securities in the portfolio quarterly to determine whether any of the investments in unrealized loss positions are other-than-temporarily impaired. This evaluation considers, but is not necessarily limited to, the following factors, the relative significance of which varies depending on the circumstances pertinent to each individual security:

- our intent to hold the security until maturity or for a period of time sufficient for a recovery in value;
- whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis;
- the length of time and extent to which fair value has been less than amortized cost;
- adverse changes in expected cash flows;
- collateral values and performance;
- the payment structure of the security, including levels of subordination or over-collateralization;
- changes in the economic or regulatory environment;
- the general market condition of the geographic area or industry of the issuer;
- the issuer's financial condition, performance and business prospects; and
- changes in credit ratings.

No securities were determined to be other-than-temporarily impaired at December 31, 2019, 2018 and 2017, or during the years then ended.

We do not intend to sell securities in significant unrealized loss positions at December 31, 2019. 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. Unrealized losses in the portfolio at December 31, 2019 were primarily attributable to widening spreads.

The timely repayment of principal and interest on U.S. Treasury, SBA and U.S. Government agency and sponsored enterprise securities in unrealized loss positions is explicitly or implicitly guaranteed by the full faith and credit of the U.S. Government. Management performed projected cash flow analyses of the private label residential MBS and CMOs, private label commercial MBS, collateralized loan obligations and non-mortgage asset-backed securities in unrealized loss positions, incorporating CUSIP level assumptions consistent with the collateral characteristics of each security including collateral default rate, voluntary prepayment rate, severity and delinquency assumptions. Based on the results of this analysis, no credit losses were projected. Management's analysis of the credit characteristics of individual securities and the underlying collateral and levels of subordination for each of the single family rental real estate-backed securities in unrealized loss positions is not indicative of projected credit losses.

For further discussion of our analysis of investment securities for OTTI, see Note 3 to the consolidated financial statements.

At December 31, 2019, 85%, 12% and 3% of CLOs were rated AAA, AA and A, respectively, based on the most recent third-party ratings, with a weighted-average subordination level at 41.2%, ranging from 25.3% to 48.1%. Management performs a thorough analysis prior to purchasing CLOs, including extensive vetting of the asset manager and stress testing of collateral. Management engages an independent third party to perform ongoing credit surveillance of the CLO portfolio, performs periodic stress testing of the portfolio and continuously monitors exposure, default status, and other relevant security characteristics.

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.

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

Loans Held for Sale

Loans held for sale at December 31, 2019 included $28.6 million of the guaranteed portion of SBA loans held for sale in the secondary market and $9.3 million of other commercial loans transferred to held for sale. At December 31, 2018, loans held for sale consisted entirely of the guaranteed portion of SBA loans. SBA loans are generally sold with servicing retained.

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 of each of the years indicated (dollars in thousands):

	2019		2018		2017	
	Total	Percent of Total	Total	Percent of Total	Total	Percent of Total
Residential and other consumer loans	$ 5,661,119	24.5%	$ 4,948,989	22.5%	$ 4,699,198	22.0%
Multi-family	2,217,705	9.6%	2,585,421	11.8%	3,218,953	15.0%
Non-owner occupied commercial real estate	5,030,904	21.7%	4,688,880	21.4%	4,474,801	20.9%
Construction and land	243,925	1.1%	226,840	1.0%	310,484	1.4%
Owner occupied commercial real estate	2,062,808	8.9%	2,119,880	9.6%	2,012,742	9.4%
Commercial and industrial	4,655,349	20.1%	4,358,526	19.8%	3,678,439	17.3%
Pinnacle	1,202,430	5.2%	1,462,655	6.6%	1,524,650	7.1%
Bridge - franchise finance	627,482	2.6%	517,305	2.4%	434,582	2.0%
Bridge - equipment finance	684,794	3.0%	636,838	2.9%	603,267	2.8%
Mortgage warehouse lending	768,472	3.3%	431,674	2.0%	459,388	2.1%
Total loans	23,154,988	100.0%	21,977,008	100.0%	21,416,504	100.0%
Allowance for loan and lease losses	(108,671)		(109,931)		(144,795)	
Loans, net	$ 23,046,317		$ 21,867,077		$ 21,271,709	

	2016		2015	
	Total	Percent of Total	Total	Percent of Total
Residential and other consumer loans	$ 4,109,816	21.3%	$ 3,770,056	22.7%
Multi-family	3,829,674	19.7%	3,476,609	20.9%
Non-owner occupied commercial real estate	3,731,808	19.2%	2,905,218	17.5%
Construction and land	310,913	1.6%	346,970	2.1%
Owner occupied commercial real estate	1,735,850	8.9%	1,273,881	7.7%
Commercial and industrial	3,064,834	15.8%	2,769,590	16.6%
Pinnacle	1,317,820	6.8%	1,085,981	6.5%
Bridge - franchise finance	426,661	2.2%	440,375	2.6%
Bridge - equipment finance	545,713	2.8%	486,290	2.9%
Mortgage warehouse lending	322,305	1.7%	81,633	0.5%
Total loans	19,395,394	100.0%	16,636,603	100.0%
Allowance for loan and lease losses	(152,953)		(125,828)	
Loans, net	$ 19,242,441		$ 16,510,775	

Total loans increased by $1.2 billion to $23.2 billion at December 31, 2019, from $22.0 billion at December 31, 2018.

Residential and other consumer loans grew by $712 million for the year ended December 31, 2019, of which $434 million was government insured pool buyout loans, a portfolio segment that we expect will continue to grow. Multi-family loans declined by $368 million for the year ended December 31, 2019, primarily due to net runoff of the New York portfolio of $348 million, continuing to reflect changes in strategy around this portfolio segment, while other categories of commercial real estate loans grew by $359 million. Commercial and industrial loans, inclusive of owner occupied commercial real estate, grew by $240 million for the year ended December 31, 2019. The Pinnacle portfolio declined by $260 million, impacted by the sale of $168 million of loans during the year. Since the reduction in the corporate income tax rate at the end of 2017, pricing has made growth in this portfolio segment less attractive. Mortgage warehouse outstandings increased by $337 million during the year ended December 31, 2019.

We continue to see growth opportunities in our core commercial and commercial real estate portfolio segments and in mortgage warehouse lending. We expect the New York multi-family portfolio to continue to decline in 2020, as the 2015 vintage matures.

Residential mortgages and other consumer loans

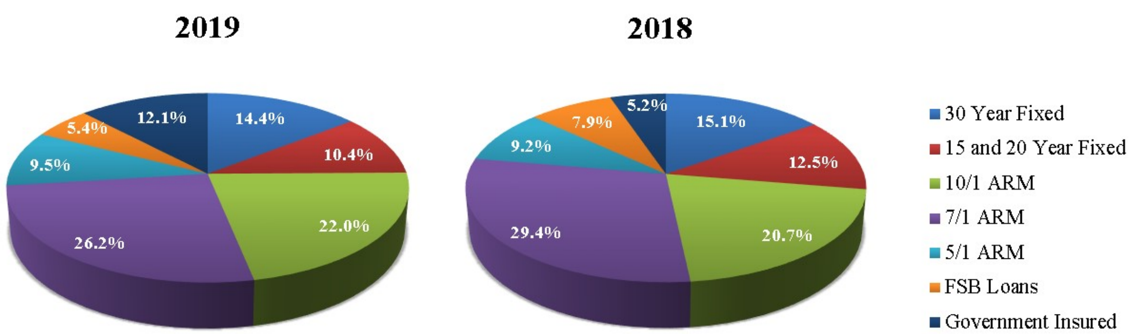
The following table shows the composition of residential and other consumer loans at December 31, 2019 and 2018 (in thousands):

	2019	2018
1-4 single family residential	$ 4,953,936	$ 4,664,920
Government insured residential	698,644	266,729
Other consumer loans	8,539	17,340
	$ 5,661,119	$ 4,948,989

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, 2019, $95 million or 1.9% of residential mortgage loans were interest-only loans, substantially all of which begin amortizing 10 years after origination. At December 31, 2019, $442 million or 9% 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 $676 million at December 31, 2019. 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, 2019 and 2018:



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, 2019 and 2018 (dollars in thousands):

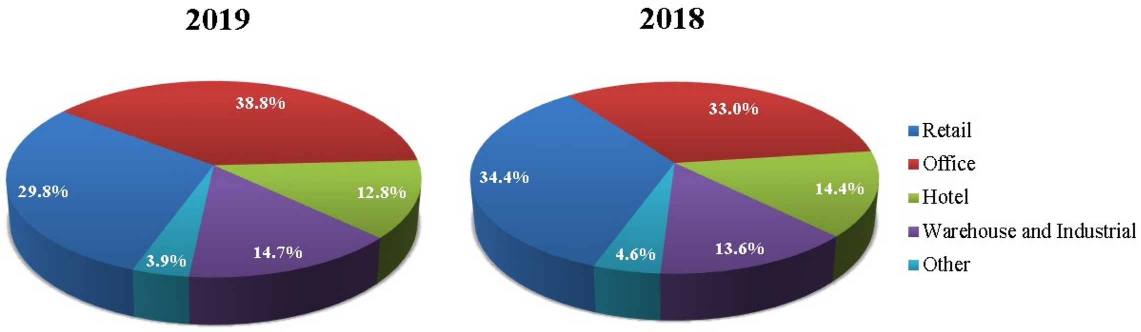
	2019		2018	
	Total	Percent of Total	Total	Percent of Total
Fixed rate loans	$ 1,460,439	29.5%	$ 1,448,046	31.0%
ARM loans	3,493,497	70.5%	3,216,874	69.0%
	$ 4,953,936	100.0%	$ 4,664,920	100.0%

__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, and a limited amount of construction and land loans.

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 charts present the distribution of non-owner occupied commercial real estate loans by property type at December 31, 2019 and 2018:



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 represented only 1.1% of the total loan portfolio at December 31, 2019. Construction and land 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.

The New York legislature recently 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 following table presents the amount of loans secured by New York multi-family properties in which some or all units are rent regulated at December 31, 2019 (in thousands):

Loans secured by stabilized properties subject to rent regulation	$	1,261,396
Loans secured by non-stabilized properties subject to rent regulation		39,184
	$	1,300,580

We believe loans secured by non-stabilized properties may present a heightened level of risk as these loans were underwritten to expected cash flows upon stabilization; those expected cash flows may be impacted by the recent rent regulation reform measures.

The following tables present the distribution of stabilized rent-regulated multi-family loans, by DSCR and LTV at December 31, 2019 (in thousands):

DSCR		
Less than 1.11	$	134,107
1.11 - 1.24		369,320
1.25 - 1.50		352,559
1.51 or greater		405,410
	$	1,261,396

LTV		
Less than 50%	$	292,027
50% - 65%		708,077
66% - 75%		250,463
More than 75%		10,829
	$	1,261,396

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 recent rent regulation reforms. Loans with DSCR less than 1.11 may be those with temporary vacancies or those for which expenses, particularly real estate taxes, have increased more rapidly than rents. All of the loans included in the tables above are current and performing.

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, mortgage warehouse lines, 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 $2.3 billion at December 31, 2019, 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.

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 65% and 28% 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.

Geographic Concentrations

The Company's commercial and commercial real estate portfolios are concentrated in Florida and the Tri-state area. Excluding loans originated through our national platforms, 46.7% and 46.1% of commercial real estate loans were secured by collateral located in Florida and the Tri-state area, respectively; while 55.1% and 27.0% of commercial and industrial and owner-occupied real estate 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 our national platforms, including Bridge, Pinnacle, SBF and our mortgage warehouse finance unit at December 31, 2019 and 2018 (dollars in thousands):

	2019		2018	
	Total	Percent of Total	Total	Percent of Total
California	$ 585,222	16.5%	$ 498,842	15.1%
Florida	465,146	13.1%	595,843	18.1%
New Jersey	178,514	5.0%	116,060	3.5%
Maryland	152,663	4.3%	55,040	1.7%
Virginia	142,856	4.0%	153,619	4.7%
All others	2,021,994	57.1%	1,881,289	56.9%
	$ 3,546,395	100.0%	$ 3,300,693	100.0%

Loan Maturities

The following table sets forth, as of December 31, 2019, 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	Total
Residential and other consumer:				
1-4 single family residential	$ 1,260,662	$ 2,627,638	$ 1,065,636	$ 4,953,936
Other consumer loans	1,521	4,303	2,715	8,539
	1,262,183	2,631,941	1,068,351	4,962,475
Commercial:				
Multi-family	592,533	1,273,035	352,137	2,217,705
Non-owner occupied commercial real estate	463,080	3,169,278	1,398,546	5,030,904
Construction and land	18,776	108,919	116,230	243,925
Owner occupied commercial real estate	100,860	767,920	1,194,028	2,062,808
Commercial and industrial	791,028	3,186,617	677,704	4,655,349
Pinnacle	42,597	253,884	905,949	1,202,430
Bridge - franchise finance	44,793	320,710	261,979	627,482
Bridge - equipment finance	21,819	499,270	163,705	684,794
Mortgage warehouse lending	768,472	—	—	768,472
	2,843,958	9,579,633	5,070,278	17,493,869
	$ 4,106,141	$ 12,211,574	$ 6,138,629	$ 22,456,344

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, 2019 (in thousands):

	Interest Rate Type		
	Fixed	Adjustable	Total
Residential and other consumer:			
1-4 single family residential	$ 1,052,317	$ 2,640,957	$ 3,693,274
Other consumer loans	3,697	3,321	7,018
	1,056,014	2,644,278	3,700,292
Commercial:			
Multi-family	1,299,950	325,222	1,625,172
Non-owner occupied commercial real estate	2,728,182	1,839,642	4,567,824
Construction and land	117,783	107,366	225,149
Owner occupied commercial real estate	1,320,596	641,352	1,961,948
Commercial and industrial	839,927	3,024,394	3,864,321
Pinnacle	1,159,833	—	1,159,833
Bridge - franchise finance	504,908	77,781	582,689
Bridge - equipment finance	589,547	73,428	662,975
	8,560,726	6,089,185	14,649,911
	$ 9,616,740	$ 8,733,463	$ 18,350,203

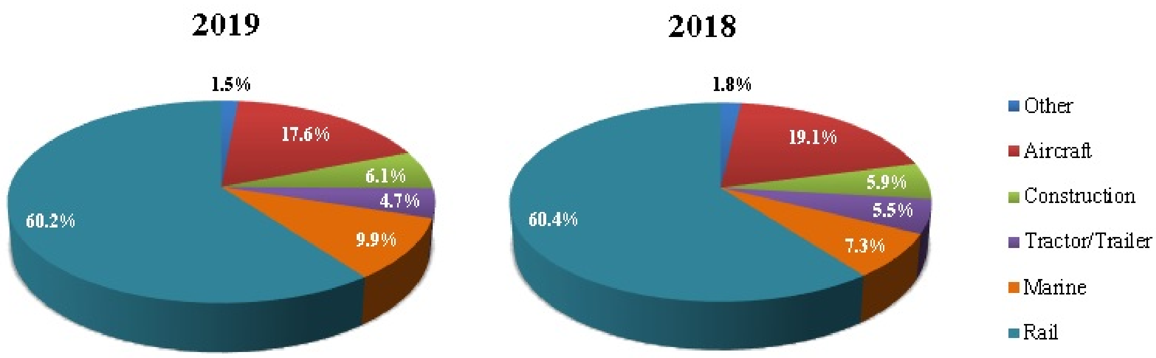
Excluded from the tables above are government insured residential loans. Resolution of these loans is generally accomplished through the re-securitization and sale of the loans after they re-perform, either through modification or self-cure, or through pursuit of the applicable guarantee.

Operating lease equipment, net

Operating lease equipment, net of accumulated depreciation totaled $698 million at December 31, 2019, including off-lease equipment, net of accumulated depreciation totaling $75 million. The portfolio consists primarily of railcars, non-commercial aircraft and other transport equipment. We have a total of 5,326 railcars with a carrying value of $420 million at December 31, 2019, including hoppers, tank cars, boxcars, auto carriers, center beams and gondolas leased to North American commercial end users. The largest concentrations of rail cars were 2,415 hopper cars and 1,594 tank cars, primarily used to ship sand and petroleum products, respectively, for the energy industry.

Bridge had exposure to the energy industry of $344 million at December 31, 2019. The majority of our energy exposure is in the operating lease equipment portfolio totaling $295 million, consisting of $235 million in railcars, $41 million in helicopters and $19 million in vessels. The remaining balance of energy exposure was comprised of loans and direct or sales type financing leases totaling $49 million.

The chart below presents operating lease equipment by type at December 31, 2019 and 2018:



At December 31, 2019, the breakdown of carrying values of operating lease equipment, excluding equipment off-lease, by the year current leases are scheduled to expire was as follows (in thousands):

Years Ending December 31:		
2020	$	81,897
2021		62,562
2022		73,656
2023		45,514
2024		31,852
Thereafter through 2033		327,883
	$	623,364

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. Loan performance is monitored by our credit administration 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. The Company utilizes a 13 grade internal asset risk classification system as part of its efforts to monitor and maintain commercial asset quality. Loans exhibiting potential credit weaknesses that deserve management’s close attention and, that if left uncorrected, may result in deterioration of the repayment capacity of the borrower are categorized as special mention. These borrowers may exhibit negative financial trends or erratic financial performance, strained liquidity, marginal collateral coverage, declining industry trends or weak management. Loans with well-defined credit weaknesses that may result in a loss if the deficiencies are not corrected are assigned a risk rating of substandard. These borrowers may exhibit payment defaults, 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.

We believe internal risk rating is the best indicator of the credit quality of commercial loans. The following table summarizes the Company's commercial credit exposure, based on internal risk rating, at at December 31, 2019 and 2018 (in thousands):

	2019		2018	
	Total	Percent of Total	Total	Percent of Total
Pass	$ 17,054,702	97.5%	$ 16,728,534	98.2%
Special mention	72,881	0.4%	81,070	0.5%
Substandard	366,286	2.1%	210,026	1.2%
Doubtful	—	—%	8,389	0.1%
	$ 17,493,869	100.0%	$ 17,028,019	100.0%

See Note 4 to the consolidated financial statements for more information about the risk rating distribution of the Company's commercial loans. Criticized and classified loans as a percentage of total loans was 1.9% and 1.4% at December 31, 2019 and 2018, respectively.

Operating Lease Equipment, net

Two operating lease relationships with a carrying value of assets under lease totaling $20 million, of which $17 million were exposures to the energy industry, were internally risk rated substandard at December 31, 2019. The Company recognized an impairment charge of $1.9 million during 2019 related to one of these relationships. One operating lease relationship had been restructured as of December 31, 2019.

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. 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.

Residential and Other Consumer Loans

The majority of our residential mortgage portfolio consists 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 FICO score to be significant indicators of credit quality for the 1-4 single family residential portfolio, excluding FSB loans and government insured residential loans.

The following tables show the distribution of 1-4 single family residential loans, excluding FSB loans and government insured residential loans, by original FICO and LTV at December 31, 2019 and 2018:

	2019				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
Less than 61%	2.5%	2.6%	3.9%	16.5%	25.5%
61% - 70%	2.8%	2.5%	3.9%	13.8%	23.0%
71% - 80%	4.0%	5.0%	9.1%	29.0%	47.1%
More than 80%	0.4%	0.6%	0.7%	2.7%	4.4%
	9.7%	10.7%	17.6%	62.0%	100.0%

	2018				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
Less than 61%	2.4%	2.8%	4.4%	18.2%	27.8%
61% - 70%	2.7%	2.4%	3.8%	13.4%	22.3%
71% - 80%	3.5%	4.6%	8.4%	28.3%	44.8%
More than 80%	0.4%	0.8%	0.8%	3.1%	5.1%
	9.0%	10.6%	17.4%	63.0%	100.0%

At December 31, 2019, the 1-4 single family residential loan portfolio, excluding FSB loans and government insured residential loans, had the following characteristics: substantially all were full documentation with a weighted-average FICO score of 762 and a weighted-average LTV of 68.1%. The majority of this portfolio was owner-occupied, with 84% primary residence, 7.0% second homes and 9.0% investment properties. In terms of vintage, 36.3% of the portfolio was originated pre-2016, 16.5% in 2016, 17.4% in 2017, 12.7% in 2018 and 17.1% in 2019.

1-4 single family residential loans, excluding government insured residential loans, past due more than 30 days totaled $66.3 million and $23.5 million at December 31, 2019 and 2018, respectively. The amount of these loans 90 days or more past due was $11.1 million and $7.0 million at December 31, 2019 and 2018, respectively.

Other Consumer Loans

All other consumer loans were current at December 31, 2019 and 2018.

Impaired Loans and Non-Performing Assets

Non-performing assets generally consist of (i) non-accrual loans, including loans that have been modified in TDRs and placed on non-accrual status, (ii) accruing loans that are more than 90 days contractually past due as to interest or principal, excluding ACI loans and government insured residential loans, and (iii) OREO and repossessed assets. Impaired loans also typically include loans modified in TDRs that are accruing and ACI loans or pools for which expected cash flows at acquisition (as adjusted for any additional cash flows expected to be collected arising from changes in estimates after acquisition) have been revised downward since acquisition, other than due to changes in interest rate indices and prepayment assumptions.

The following table summarizes the Company's impaired loans and non-performing assets at December 31 of the years indicated (dollars in thousands):

	2019	2018	2017	2016	2015
Non-accrual loans					
Residential and other consumer:					
1-4 single family residential	$ 18,877	$ 6,316	$ 11,046	$ 1,484	$ 2,601
Other consumer loans	17	288	821	2,285	4,731
Total residential and other consumer loans	18,894	6,604	11,867	3,769	7,332

Commercial:					
Multi-family	6,138	25,560	—	—	—
Non-owner occupied commercial real estate	40,097	16,050	12,716	559	—
Construction and land	3,191	9,923	1,175	1,238	—
Owner occupied commercial real estate	27,141	19,789	29,020	19,439	8,274
Commercial and industrial					
Taxi medallion loans	442	775	106,067	60,660	9,920
Other commercial and industrial	74,315	27,809	7,049	16,036	27,862
Bridge - franchise finance	13,631	5,308	191	20,102	9,239
Bridge - equipment finance	20,939	17,425	3,321	12,543	681
Total commercial loans	185,894	122,639	159,539	130,577	55,976
Total non-accrual loans	204,788	129,243	171,406	134,346	63,308
Loans past due 90 days and still accruing	—	650	1,948	1,551	1,525
TDRs(1)	—	—	—	—	8,225
Total non-performing loans	204,788	129,893	173,354	135,897	73,058
OREO and repossessed assets	3,897	9,517	12,008	13,091	11,190
Total non-performing assets	208,685	139,410	185,362	148,988	84,248
Performing TDRs(2)	75,416	7,898	25,987	75,631	9,523
Total impaired loans and non-performing assets	$ 284,101	$ 147,308	$ 211,349	$ 224,619	$ 93,771
Non-performing loans to total loans(3)	0.88%	0.59%	0.81%	0.70%	0.40%
Non-performing assets to total assets (3)	0.63%	0.43%	0.61%	0.53%	0.35%
ALLL to total loans	0.47%	0.50%	0.68%	0.79%	0.76%
ALLL to non-performing loans	53.07%	84.63%	83.53%	112.55%	172.23%
Net charge-offs to average loans(4)	0.05%	0.28%	0.38%	0.13%	0.10%

(1) Effective January 1, 2016, we are no longer reporting accruing TDRs as non-performing.
(2) Performing TDRs include $53.4 million of government insured residential loans at December 31, 2019.
(3) Non-performing loans and assets include the guaranteed portion of non-accrual SBA loans totaling $45.7 million or 0.20% of total loans and 0.14% of total assets, at December 31, 2019; compared to $17.8 million or 0.08% of total loans and 0.06% of total assets, at December 31, 2018.
(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.

The most significant components of the increase in non-performing loans at December 31, 2019 compared to the prior year-end were the transfer to non-accrual status during the fourth quarter of 2019 of one $41 million Florida commercial loan and the $27.9 million increase in the guaranteed portion of SBA loans on non-accrual status. In 2018, the Company adopted a general practice of repurchasing the guaranteed portion of these non-performing SBA loans from the secondary market to better control the workout strategy.

Contractually delinquent ACI loans with remaining accretable yield are not reflected as non-accrual loans and are not considered to be non-performing assets because accretion continues to be recorded in income. Accretion continues to be recorded as long as there is an expectation of future cash flows in excess of carrying amount from these loans. There were no ACI loans contractually delinquent by more than 90 days at December 31, 2019 or 2018. 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 $529 million and $218 million at December 31, 2019 and 2018, respectively.

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 ACI loans and 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 as a reduction 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.

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. Modified ACI loans accounted for in pools are not accounted for as TDRs and are not separated from their respective pools when modified. Included in TDRs are residential loans to borrowers who have not reaffirmed their debt discharged in Chapter 7 bankruptcy.

The following table summarizes loans that have been modified in TDRs at December 31, 2019 and 2018 (dollars in thousands):

	2019			2018		
	Number of TDRs	**Recorded Investment**	**Related Specific Allowance**	**Number of TDRs**	**Recorded Investment**	**Related Specific Allowance**
Residential and other consumer (1)	361	$ 57,117	$ 12	47	$ 7,690	$ 134
Commercial	25	56,736	6,311	23	36,150	3,595
	386	$ 113,853	$ 6,323	70	$ 43,840	$ 3,729

(1) Includes 346 government insured residential loans modified in TDRs totaling $53.4 million at December 31, 2019; and 31 government insured residential loans modified in TDRs totaling $3.5 million at December 31, 2018.

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

Potential Problem Loans

Potential problem loans have been identified by management as those commercial loans included in the "substandard accruing" risk rating category. These loans are typically performing, but possess specifically identified credit weaknesses that, if not remedied, may lead to a downgrade to non-accrual status and identification as impaired in the near-term.

The following table summarizes the Company's substandard accruing loans, substantially all of which were current as to principal and interest, at December 31, 2019 and 2018 (in thousands):

	2019	2018
Multi-family	$ 26,797	$ 9,093
Non-owner occupied commercial real estate	52,697	45,226
Owner occupied commercial real estate	16,241	9,113
Commercial and industrial	43,518	16,930
Bridge - franchise finance	41,127	9,912
Bridge - equipment finance	—	5,521
	$ 180,380	$ 95,795

Management closely monitors each of these loans as well as indicators of potential negative trends developing within any particular portfolio segment. The increase in substandard accruing loans at December 31, 2019 compared to December 31, 2018 does not appear to be concentrated in any one industry, geography, product type or asset class, with the exception of the identification of correlated risk characteristics related to quick service restaurant exposures delivered through Bridge's franchise finance division. We believe this sector is experiencing margin pressure due to rising labor costs and technological disruption in the form of app-based food delivery services. This exposure totals $406 million, or 64.7% of total franchise exposure and 1.8% of total loans at December 31, 2019.

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. 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, impaired loans on non-accrual status, loans modified as TDRs or 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 Asset Recovery 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.

Analysis of the Allowance for Loan and Lease Losses

The determination of the amount of the ALLL is, by nature, highly complex and subjective. Future events that are inherently uncertain could result in material changes to the level of the ALLL. General economic conditions including but not limited to unemployment rates, the level of business investment and growth, real estate values, vacancy rates and rental rates in our primary market areas, the level of interest rates, and a variety of other factors that affect the ability of borrowers’ businesses to generate cash flows sufficient to service their debts will impact the future performance of the portfolio. Adoption of the CECL model in the first quarter of 2020 will result in significant changes to the methodology employed to determine the amount of the ALLL, and may materially impact the amount of the allowance and provision for credit losses recorded in the consolidated financial statements in the future. See Note 1 to the consolidated financial statements for further discussion of the expected impact of CECL.

Commercial loans

The allowance is comprised of specific reserves for loans that are individually evaluated and determined to be impaired as well as general reserves for loans that have not been identified as impaired.

Commercial relationships graded substandard or doubtful and on non-accrual status with committed credit facilities greater than or equal to $1.0 million, as well as loans modified in TDRs, are individually evaluated for impairment. Other commercial relationships on non-accrual status with committed balances under $1.0 million may also be evaluated individually for impairment, at management's discretion. For loans evaluated individually for impairment and determined to be impaired, a specific allowance is established based on the present value of expected cash flows discounted at the loan’s effective interest rate, the estimated fair value of the loan, or the estimated fair value of collateral less costs to sell.

We believe that loans rated special mention, substandard or doubtful that are not individually evaluated for impairment exhibit characteristics indicative of a heightened level of credit risk. We apply a quantitative loss factor for loans rated special mention based on average annual probability of default and implied severity, derived from internal and external data. Loss factors for substandard and doubtful loans that are not individually evaluated are determined by using default frequency and severity information applied at the loan level. Estimated default frequencies and severities are based on available industry and internal data. In addition, we apply a floor to these calculated loss factors, based on the loss factor applied to the special mention portfolio.

To the extent, in management's judgment, commercial portfolio segments have sufficient observable loss history, the quantitative portion of the ALLL is based on the Bank's historical net charge-off rates. These commercial segments include commercial and industrial loans, owner-occupied commercial real estate, the Bridge portfolios and SBF loans. For commercial portfolio segments that have not yet exhibited an observable loss trend, the quantitative loss factors are based on peer group average annual historical net charge-off rates by loan class and the Company’s internal credit risk rating system. These commercial segments include multifamily, non-owner occupied commercial real estate and construction and land loans. For Pinnacle, quantitative loss factors are based primarily on historical municipal default data.

Where applicable, the peer group used to calculate average annual historical net charge-off rates used in estimating general reserves is made up of 24 banks included in the OCC Midsize Bank Group plus five additional banks not included in the OCC Midsize Bank Group that management believes to be comparable based on size, geography and nature of lending operations. Peer bank data is obtained from the Statistics on Depository Institutions Report published by the FDIC for the most recent quarter available. These banks, as a group, are considered by management to be comparable to BankUnited in size, nature of lending operations and loan portfolio composition. We evaluate the composition of the peer group annually, or more frequently if, in our judgment, a more frequent evaluation is necessary. Our internal risk rating system comprises 13 credit grades; grades 1 through 8 are “pass” grades. The risk ratings are driven largely by debt service coverage. Peer group historical loss rates are adjusted upward for loans assigned a lower “pass” rating.

For most commercial portfolio segments, we use a 20-quarter look-back period to calculate quantitative loss rates. We believe this look-back period to be consistent with the range of industry practice and appropriate to capture a sufficient range of observations reflecting the performance of our loans, which were originated in the current economic cycle. With the exception of the Pinnacle municipal finance portfolio, a four quarter loss emergence period is used in the calculation of general reserves. A twelve quarter loss emergence period is used in the calculation of general reserves for the Pinnacle portfolio.

Residential and other consumer loans

The residential and other consumer loan portfolio has not yet developed an observable loss trend. Therefore, the ALLL for residential loans is based primarily on relevant proxy historical loss rates. The ALLL for 1-4 single family residential loans, excluding government insured residential loans and ACI loans, is estimated using average annual loss rates on prime residential mortgage securitizations issued between 2003 and 2008 as a proxy. Based on the comparability of FICO scores and LTV ratios between loans included in those securitizations and loans in the Bank’s portfolio and the geographic diversity in the purchased residential portfolio, we determined that prime residential mortgage securitizations provide an appropriate proxy for incurred losses in this portfolio class. A peer group 20-quarter average net charge-off rate is used to estimate the ALLL for the home equity and other consumer loan classes. See further discussion of peer group loss factors above. The home equity and other consumer loan portfolios are not significant components of the overall loan portfolio.

Qualitative Factors

Qualitative adjustments are made to the ALLL when, based on management’s judgment, there are internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. Potential qualitative adjustments are categorized as follows:

- Portfolio performance trends, including trends in and the levels of delinquencies, non-performing loans and classified loans;
- Changes in the nature of the portfolio and terms of the loans, specifically including the volume and nature of policy and procedural exceptions;
- Portfolio growth trends;
- Changes in lending policies and procedures, including credit and underwriting guidelines and portfolio management practices;

- Economic factors, including unemployment rates and GDP growth rates and other factors considered relevant by management;
- Changes in the value of underlying collateral;
- Quality of risk ratings, as evaluated by our independent credit review function;
- Credit concentrations;
- Changes in and experience levels of credit administration management and staff; and
- Other factors identified by management that may impact the level of losses inherent in the portfolio, including but not limited to competition and legal and regulatory considerations.

ACI Loans

For ACI loans, a valuation allowance is established when periodic evaluations of expected cash flows reflect a deterioration resulting from credit related factors from the level of cash flows that were estimated to be collected at acquisition plus any additional expected cash flows arising from revisions in those estimates. We perform a quarterly analysis of expected cash flows for ACI loans.

Expected cash flows for ACI 1-4 single family residential loans are estimated at the pool level. The analysis of expected cash flows incorporates assumptions about expected prepayment rates, default rates, delinquency levels and loss severity given default.

No ALLL related to 1-4 single family residential ACI pools was recorded at December 31, 2019 or 2018.

The primary assumptions underlying estimates of expected cash flows for ACI commercial loans are default probability and severity of loss given default. Assessments of default probability and severity are based on net realizable value analyses prepared at the individual loan level. Based on our analysis, no ALLL related to ACI commercial loans was recorded at December 31, 2019 or 2018. Commercial ACI loans are not a significant portion of the loan portfolio.

The following table provides an analysis of the ALLL, provision for loan losses and net charge-offs for the periods from December 31, 2014 through December 31, 2019 (in thousands):

	2019	2018	2017	2016	2015
Balance at beginning of period:	$ 109,931	$ 144,795	$ 152,953	$ 125,828	$ 95,542
Provision for (recovery of) loan losses:					
1-4 single family residential	459	1,404	962	(1,748)	3,605
Home equity loans and lines of credit	(190)	(200)	1,318	(1,688)	2,669
Other consumer loans	(115)	(172)	172	(10)	31
Multi-family	(2,375)	(16,595)	(1,015)	2,692	7,343
Non-owner occupied commercial real estate	(4,402)	(10,331)	5,273	5,568	8,825
Construction and land	(538)	(1,547)	243	(670)	862
Owner occupied commercial real estate	(1,770)	(22)	4,797	9,553	(783)
Commercial and industrial[1]	15,830	48,585	65,790	33,493	11,982
Pinnacle	(155)	303	(6,014)	478	1,533
Bridge - franchise finance	5,367	2,077	(2,597)	(109)	2,813
Bridge - equipment finance	(2,507)	2,503	232	2,269	5,032
Mortgage warehouse lending	(700)	(80)	(414)	1,083	399
Total Provision	8,904	25,925	68,747	50,911	44,311
Charge-offs:					
1-4 single family residential	—	(1,175)	(25)	(442)	(16)
Home equity loans and lines of credit	—	(25)	(3,303)	(774)	(1,664)
Other consumer loans	—	(265)	—	(152)	—
Non-owner occupied commercial real estate	(2,762)	(184)	(255)	(128)	—
Construction and land	(76)	(79)	(63)	(93)	—
Owner occupied commercial real estate	(827)	(6,472)	(2,612)	(2,827)	(263)
Commercial and industrial[2]	(12,112)	(58,884)	(74,935)	(20,262)	(5,731)
Pinnacle	—	—	—	(30)	—
Bridge - franchise finance	(1,764)	—	—	(2,402)	(1,824)
Bridge - equipment finance	—	—	—	—	(5,901)
Total Charge-offs	(17,541)	(67,084)	(81,193)	(27,110)	(15,399)
Recoveries:					
Home equity loans and lines of credit	189	220	67	80	39
Other consumer loans	23	281	26	26	32
Multi-family	—	—	—	—	4
Non-owner occupied commercial real estate	146	151	—	—	2
Owner occupied commercial real estate	864	2,682	2	1,193	—
Commercial and industrial	6,151	2,783	2,749	747	1,144
Bridge - franchise finance	—	178	1,444	1,278	153
Bridge - equipment finance	4	—	—	—	—
Total Recoveries	7,377	6,295	4,288	3,324	1,374
Net Charge-offs:	(10,164)	(60,789)	(76,905)	(23,786)	(14,025)
Balance at end of period	$ 108,671	$ 109,931	$ 144,795	$ 152,953	$ 125,828

(1) Includes provisions of $26.2 million, $58.2 million and $11.9 million related to taxi medallion loans during the years ended December 31, 2018, 2017 and 2016, respectively.
(2) Includes charge-offs of $39.7 million, $56.6 million and $11.1 million related to taxi medallion loans during the years ended December 31, 2018, 2017 and 2016, respectively.

The following table shows the distribution of the ALLL at December 31 of the years indicated (dollars in thousands):

	2019		2018		2017	
	Total	%[(1)]	Total	%[(1)]	Total	%[(1)]
Residential and other consumer:						
1 - 4 single family residential	$ 11,085	24.4%	$ 10,626	22.4%	$ 10,397	21.9%
Other consumer loans	69	0.1%	162	0.1%	323	0.1%
	11,154	24.5%	10,788	22.5%	10,720	22.0%
Commercial:						
Multi-family	5,024	9.6%	7,399	11.8%	23,994	15.0%
Non-owner occupied commercial real estate	23,240	21.7%	30,258	21.4%	40,622	21.0%
Construction and land	764	1.1%	1,378	1.0%	3,004	1.4%
Owner occupied commercial real estate	8,066	8.9%	9,799	9.6%	13,611	9.4%
Commercial and industrial	43,098	20.1%	33,229	19.8%	40,745	17.2%
Pinnacle	720	5.2%	875	6.6%	572	7.1%
Bridge - franchise finance	9,163	2.6%	5,560	2.4%	3,305	2.0%
Bridge - equipment finance	7,055	3.0%	9,558	2.9%	7,055	2.8%
Mortgage warehouse lending	387	3.3%	1,087	2.0%	1,167	2.1%
	97,517	75.5%	99,143	77.5%	134,075	78.0%
	$ 108,671	100.0%	$ 109,931	100.0%	$ 144,795	100.0%

	2016		2015	
	Total	%[(1)]	Total	%[(1)]
Residential and other consumer:				
1 - 4 single family residential	$ 9,460	21.1%	$ 11,650	22.5%
Other consumer loans	2,043	0.1%	4,561	0.2%
	11,503	21.2%	16,211	22.7%
Commercial:				
Multi-family	25,009	19.7%	22,317	20.9%
Non-owner occupied commercial real estate	35,604	19.2%	26,179	17.5%
Construction and land	2,824	1.6%	3,587	2.1%
Owner occupied commercial real estate	11,424	9.0%	7,490	7.7%
Commercial and industrial	47,141	15.8%	33,163	16.6%
Pinnacle	6,586	6.8%	6,138	6.5%
Bridge - franchise finance	4,458	2.2%	5,691	2.6%
Bridge - equipment finance	6,823	2.8%	4,554	2.9%
Mortgage warehouse lending	1,581	1.7%	498	0.5%
	141,450	78.8%	109,617	77.3%
	$ 152,953	100.0%	$ 125,828	100.0%

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

The balance of the ALLL at December 31, 2019 decreased $1.3 million from the balance at December 31, 2018, to 0.47% of total loans from 0.50% of total loans. One factor contributing to this decline is a shift in portfolio mix; at December 31, 2019 the residential, particularly government insured residential, and mortgage warehouse portfolio segments, which carry lower reserves than the portfolio average, constituted a larger percentage of the total loan portfolio. Factors influencing the change in the ALLL related to specific loan types at December 31, 2019 as compared to December 31, 2018 include:

- A decrease of $2.4 million for multi-family loans was primarily attributable to a decrease in the balance of loans outstanding and a decrease in quantitative and qualitative loss factors.

- A decrease of $7.0 million for non-owner occupied commercial real estate loans was primarily attributable to a decrease in quantitative loss factors, partially offset by loan growth.

- A decrease of $1.7 million for owner occupied commercial real estate loans was primarily attributable to a decrease in quantitative and qualitative loss factors, partially offset by an increase in classified loans.

- An increase of $9.9 million for other commercial and industrial loans was primarily attributable to loan growth and increases in specific reserves, particularly related to one $41 million Florida loan, and in classified loans.

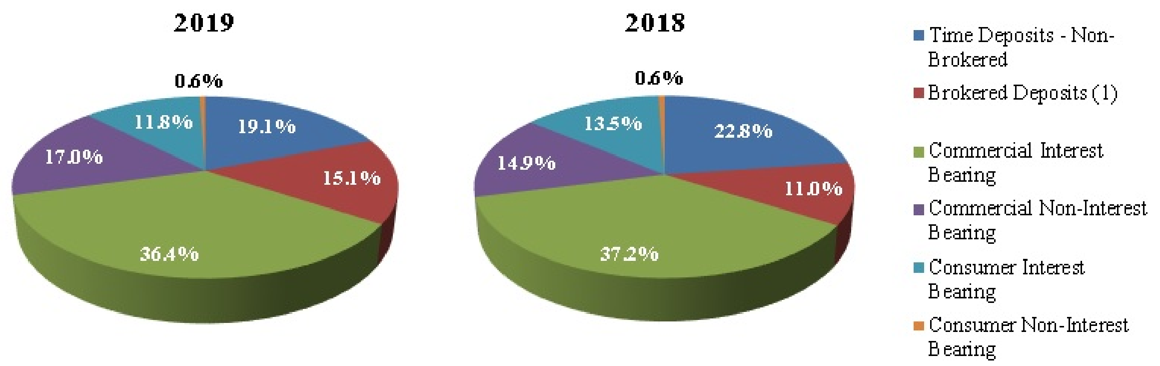
- An increase of $3.6 million for franchise finance loans was primarily attributable to increases in specific reserves and classified loans, and to a smaller effect, loan growth.

- A decrease of $2.5 million for equipment finance loans was primarily attributable to a decrease in specific reserves.

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

Deposits

A further breakdown of deposits as of December 31, 2019 and 2018 is shown below:



(1) The majority of brokered deposits are time deposits at December 31, 2019 and 2018.

The following table shows scheduled maturities of certificates of deposit with denominations greater than or equal to $100,000 as of December 31, 2019 (in thousands):

Three months or less	$	1,412,583
Over three through six months		1,060,763
Over six through twelve months		915,563
Over twelve months		108,189
	$	3,497,098

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

FHLB Advances, Notes and Other 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 FHLB stock, qualifying residential first mortgage and commercial real estate loans, and MBS.

The Bank utilizes federal funds purchased to manage the daily cash position. At December 31, 2019, the Company had $100 million in federal funds purchased.

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

Company uses to manage interest rate risk related to variability in cash flows due to changes in interest rates on variable rate borrowings and changes in fair value of outstanding fixed rate borrowings.

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, 2019 and 2018, BankUnited and the Company had capital levels that exceeded both the regulatory well-capitalized guidelines and all internal capital ratio targets. See Note 13 to the consolidated financial statements for more information about the Company's and the Bank's regulatory capital ratios.

Stockholders' equity increased by approximately 2% at December 31, 2019 compared to December 31, 2018. The repurchase of common shares was offset by the retention of earnings. Our dividend payout ratio was 26.8% and 28.0% for the years ended December 31, 2019 and 2018, respectively.

In 2019, the Company repurchased approximately 4.5 million shares of its common stock for an aggregate purchase price of $154 million, at a weighted average price of $34.34 per share.

In September 2019 the Board of Directors of the Company authorized the repurchase of up to an additional $150 million in shares of its outstanding common stock. The new repurchase program replaced any prior repurchase program. Any repurchases 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 Company's capital position, regulatory requirements 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.

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.

Liquidity

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

BankUnited's liquidity needs have been and continue to be met by cash flows from operations, deposit growth, the investment portfolio and FHLB advances.

For the years ended December 31, 2019, 2018 and 2017 net cash provided by operating activities was $635.7 million, $824.3 million, and $318.6 million, respectively. When compared with the year ended December 31, 2018, operating cash flows were negatively impacted by approximately $106 million as a result of the daily cash settlement of derivative positions. These settlements, which are reported in cash flows from operating activities, are directly affected by changes in market interest rates. Accretion on ACI loans, which is reflected as a non-cash reduction in net income to arrive at operating cash flows, totaled $63.9 million, $369.9 million and $301.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. Accretable yield on ACI loans represents the excess of expected future cash flows over the carrying amount of the loans, and is recognized as interest income over the expected lives of the loans. Amounts recorded as accretion are realized in cash as individual loans are paid down or otherwise resolved; however, the timing of cash realization may differ from the timing of income recognition. These cash flows from the repayment of ACI loans, inclusive of amounts that have been accreted through earnings over time, are recognized as cash flows from investing activities in the consolidated statements of cash flows upon receipt.

BankUnited has access to additional liquidity through FHLB advances, other collateralized borrowings, wholesale deposits or the sale of available for sale securities. At December 31, 2019, unencumbered investment securities totaled $5.3 billion. At December 31, 2019, BankUnited had available borrowing capacity at the FHLB of $4.3 billion, unused borrowing capacity at the FRB of $637 million and unused Federal funds lines of credit totaling $185 million. Management also has the ability to exert substantial control over the rate and timing of growth of the loan portfolio, and resultant requirements for liquidity to fund new loans.

Continued growth of deposits and loans are the most significant trends expected to impact the Bank's liquidity in the near term.

The ALCO policy has established several measures of liquidity which are monitored monthly by the ALCO and quarterly by the Board of Directors. 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, 2019 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, 2019, BankUnited's 30-day total liquidity ratio was 181%. 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, 2019, BankUnited's one-year liquidity ratio was 191%. 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, to a lesser extent, its own available for sale securities portfolio. There are regulatory limitations that 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

The principal component of the Company's risk of loss arising from adverse changes in the fair value of financial instruments, or market risk, is interest rate risk, including the risk that assets and liabilities with similar 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.

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. Simulations are generated based on both static and dynamic balance sheet assumptions. Management continually reviews and refines its interest rate risk management process in response to changes in the interest rate environment and economic climate. Currently, our model projects instantaneous rate shocks of down 200, down 100, plus 100, plus 200, plus 300 and plus 400 basis point shifts as well as flattening and inverted yield curve 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 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, 2019, the most likely rate scenario contemplated one 25 basis point rate cut over the forecast horizon. 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, 2019 and 2018:

	Down 200	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Policy Thresholds:						
In year 1	(10.0)%	(6.0)%	(6.0)%	(10.0)%	(14.0)%	(18.0)%
In year 2	(13.0)%	(9.0)%	(9.0)%	(13.0)%	(17.0)%	(21.0)%
Model Results at December 31, 2019 - increase (decrease):						
In year 1	(3.8)%	(1.1)%	1.0 %	0.1 %	(2.1)%	(5.1)%
In year 2	(10.3)%	(4.8)%	4.6 %	7.2 %	8.7 %	9.4 %
Model Results at December 31, 2018 - increase (decrease):						
In year 1	(4.3)%	(0.8)%	0.3 %	(0.9)%	(2.4)%	(5.6)%
In year 2	(9.7)%	(3.0)%	3.6 %	4.4 %	4.0 %	3.1 %

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 greater than 200 basis points at December 31, 2019 or 2018 due to the relatively 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, 2019 and 2018:

	Down 200	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Policy Thresholds	(18.0)%	(9.0)%	(9.0)%	(18.0)%	(27.0)%	(36.0)%
Model Results at December 31, 2019 - increase (decrease):	(8.2)%	(1.5)%	(0.7)%	(3.1)%	(6.2)%	(9.7)%
Model Results at December 31, 2018 - increase (decrease):	0.6 %	2.5 %	(3.1)%	(7.5)%	(12.4)%	(17.3)%

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 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, 2019, outstanding interest rate swaps designated as cash flow hedges had an aggregate notional amount of $3.1 billion and outstanding interest rate swaps designated as fair value hedges had an aggregate notional amount of $250 million. The aggregate fair value of interest rate swaps designated as cash flow hedges included in other liabilities was $1.6 million.

Interest rate swaps and caps not designated as hedges had an aggregate notional amount of $3.0 billion at December 31, 2019. The aggregate fair value of these interest rate swaps and caps included in other assets was $43.7 million and the aggregate fair value included in other liabilities was $17.4 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, 2019 (in thousands):

	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
FHLB advances	$ 4,513,917	$ 4,261,659	$ 252,258	$ —	$ —
4.875% Senior notes due 2025	517,000	19,500	39,000	39,000	419,500
Operating leases	129,843	22,741	37,731	27,515	41,856
Time deposits	7,413,580	7,260,547	133,265	19,768	—
Finance leases	49,412	3,836	7,302	6,809	31,465
	$ 12,623,752	$ 11,568,283	$ 469,556	$ 93,092	$ 492,821

Non-GAAP Financial Measures

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 base for comparability to other financial institutions. 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):

	2019	2018	2017	2016	2015
Total stockholders' equity	$ 2,980,779	$ 2,923,833	$ 3,026,062	$ 2,418,429	$ 2,243,898
Less: goodwill and other intangible assets	77,674	77,718	77,796	78,047	78,330
Tangible stockholders' equity	$ 2,903,105	$ 2,846,115	$ 2,948,266	$ 2,340,382	$ 2,165,568
Common shares issued and outstanding	95,128,231	99,141,374	106,848,185	104,166,945	103,626,255
Book value per common share	$ 31.33	$ 29.49	$ 28.32	$ 23.22	$ 21.65
Tangible book value per common share	$ 30.52	$ 28.71	$ 27.59	$ 22.47	$ 20.90
Total assets	$ 32,871,293	$ 32,164,326	$ 30,346,986	$ 27,880,151	$ 23,883,467
Less: goodwill and other intangible assets	77,674	77,718	77,796	78,047	78,330
Tangible assets	$ 32,793,619	$ 32,086,608	$ 30,269,190	$ 27,802,104	$ 23,805,137
Equity to assets ratio	9.07%	9.09%	9.97%	8.67%	9.40%
Tangible common equity to tangible assets ratio	8.85%	8.87%	9.74%	8.42%	9.10%

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, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Total non-interest expense (GAAP)	$ 487,089	$ 740,540	$ 634,968
Less:			
Amortization of FDIC indemnification asset	—	(261,763)	(176,466)
Depreciation of operating lease equipment	(48,493)	(40,025)	(35,015)
Loss on debt extinguishment	(3,796)	—	—
Costs incurred directly related to implementation of BankUnited 2.0	(14,802)	(1,899)	—
Recurring operating expenses (non-GAAP)	$ 419,998	$ 436,853	$ 423,487

Non-loss share diluted earnings per share is a non-GAAP financial measure. Management believes disclosure of this measure provides readers with information that may be useful in understanding the impact of the covered loans and FDIC indemnification asset on the Company's earnings for periods prior to the termination of the Single Family Shared-Loss Agreement. The following table reconciles this non-GAAP financial measurement to the comparable GAAP financial measurement of diluted earnings per common share for the year ended December 31, 2018 (in millions except share and per share data, shares in thousands):

	Year Ended December 31, 2018
Net Income (GAAP)	$ 324.9
Less Loss Share Contribution	(69.6)
Net Income as reported, minus Loss Share Contribution	$ 255.3
Diluted earnings per common share, excluding Loss Share Contribution:	
Diluted earnings per common share (GAAP)	$ 2.99
Less: Net impact on diluted earnings per common share of Loss Share Contribution (non-GAAP)	(0.63)
Non-loss share diluted earnings per common share (non-GAAP)	$ 2.36
Non-loss share diluted earnings per share:	
Loss Share Contribution	$ 69.6
Weighted average shares for diluted earnings per common share (GAAP)	104,077
Impact on diluted earnings per common share of Loss Share Contribution (non-GAAP)	0.67
Impact on diluted earnings per common share of Loss Share Contribution:	
Loss Share Contribution, net of tax, allocated to participating securities	(3.8)
Weighted average shares for diluted earnings per common share (GAAP)	104,077
Impact on diluted earnings per common share of Loss Share Contribution allocated to participating securities (non-GAAP)	(0.04)
Net impact on diluted earnings per common share of Loss Share Contribution (non-GAAP)	$ 0.63

Supplemental Calculations

Calculation of Loss Share Contribution and Non-Loss Share Earnings Per Share

Non-Loss Share Earnings are calculated by removing the total Loss Share Contribution from Net Income. The Loss Share Contribution is a hypothetical presentation of the impact of the covered loans and FDIC indemnification asset on earnings for each respective quarter, reflecting the excess of Loss Share Earnings over hypothetical interest income that could have been earned on alternative assets (in millions except share and per share data):

	Year Ended December 31, 2018 [3]	
Net Income As Reported	$	324.9
Calculation of Loss Share Contribution:		
Interest Income - Covered Loans (Accretion)	$	368.2
Net impact of sale of covered loans		9.1
Amortization of FDIC Indemnification Asset		(261.8)
Loss Share Earnings		115.5
Hypothetical interest income on alternate assets [1]		(20.9)
Loss Share Contribution, pre-tax		94.6
Income taxes [2]		(25.1)
Loss Share Contribution, after tax	$	69.6
Net Income as reported, minus Loss Share Contribution	$	255.3
Diluted Earnings Per Common Share, as Reported	$	2.99
Earnings Per Share, Loss Share Contribution		0.63
Non-Loss Share Diluted Earnings Per Share	$	2.36

(1) See section entitled "Supplemental Calculations - Calculation of Hypothetical Interest Income on Alternate Assets" below for calculation of these amounts and underlying assumptions.

(2) An assumed marginal tax rate of 26.5% was applied.

(3) Calculation variances of $0.1 million in the table above are due to rounding.

Calculation of Hypothetical Interest Income on Alternate Assets

The hypothetical interest income calculated below reflects the estimated income that may have been earned if the average balance of covered loans and the FDIC indemnification asset were liquidated and the proceeds assumed to be invested in securities at the weighted average yield on the Company's investment securities portfolio as reported. Historically, cash received from the repayment, sale, or other resolution of covered loans and cash payments received from the FDIC under the terms of the Shared Loss Agreement have generally been reinvested in non-covered loans or investment securities. There is no assurance that the hypothetical results illustrated below would have been achieved if the covered loans and FDIC indemnification asset had been liquidated and proceeds reinvested (dollars in millions):

		Year Ended December 31, 2018
Average Balances [1]		
Average Covered Loans	$	427
Average FDIC Indemnification Asset		196
Average Loss Share Asset	$	623
Yield		
Yield on securities - reported [2]		3.35%
Hypothetical interest income on alternate assets	$	20.9

(1) Calculated as the simple average of beginning and ending balances reported.

(2) The weighted average yield on the Company's investment securities as reported.

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."

BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Under the supervision and with the participation of management, including 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, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, 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, 2019, 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 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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 judgment. 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 loan and lease losses related to loans collectively evaluated for impairment

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company's allowance for loan and lease losses related to loans collectively evaluated for impairment (Allowance) was $88.2 million of a total allowance for loan and lease losses of $108.7 million as of December 31, 2019. The Allowance estimate consists of both quantitative and qualitative loss factors. The Company estimated the quantitative Allowance for the classified commercial portfolio using loss factors based on default and severity information derived from both internal and external data. For pass rated commercial portfolios, the quantitative Allowance is estimated using either internal or external peer group historical net charge-off rates or default data. The quantitative Allowance for the residential portfolio is estimated using external industry proxy loss data. Qualitative adjustments to such quantitative loss factors are made when internal and external factors are identified that are not taken into account by the quantitative Allowance.

We identified the assessment of the Allowance as a critical audit matter because it involved significant measurement uncertainty requiring complex auditor judgment, and knowledge and experience in the industry. The assessment of the

Allowance encompassed evaluating (1) the methodologies and data used to derive the quantitative loss factors, including the relevance of external peer group historical net charge-off rates or default data and external industry proxy loss data, (2) the key assumptions including the pooling of loans with similar characteristics, historical observation periods and loss emergence periods, (3) the selection and evaluation of qualitative factor adjustments, and (4) the internal risk ratings used to identify pass and classified commercial loans.

The primary procedures performed to address the critical audit matter included the following. We tested certain internal controls over the (1) development of the methodologies and loss factors, including key assumptions, (2) determination of the qualitative factor adjustments, (3) periodic assessment of commercial loan internal risk ratings, and (4) analysis of the overall allowance estimate, trends and ratios. We tested the pooling of loans with similar characteristics by evaluating trends in the loan portfolio including: loan mix, geographic concentrations, levels of delinquencies, non-performing loans and net charge-offs. We tested the relevance and reliability of sources of internal and external data and the historical observation period by (1) evaluating that loss data in the historical observation period is representative of the credit characteristics of the current portfolio, (2) evaluating the sufficiency of loss data within the historical observation period, and (3) assessing the use of additional sources of data or assumptions. We assessed the appropriateness of the loss emergence period assumption by considering the Company’s credit risk policies and testing observable loss data. We tested the qualitative factor framework and related adjustments by (1) assessing the maximum qualitative factor adjustment, (2) evaluating the metrics, including the relevance of sources of data and assumptions, used to allocate the qualitative factor adjustments, (3) evaluating the determination of each qualitative factor adjustment, and (4) evaluating trends in the total allowance, inclusive of the qualitative factor adjustments, for consistency with trends in loan portfolio growth (attrition) and credit performance. We involved credit risk professionals with industry knowledge and experience who assisted in:

- evaluating the Company’s Allowance methodology for compliance with U.S. generally accepted accounting principles,
- assessing the resulting quantitative loss factors, including key assumptions,
- assessing that limitations of the methodology are addressed by qualitative factor adjustments, and
- testing the internal risk ratings for commercial loans.

/s/KPMG LLP

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

Miami, Florida
February 28, 2020

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, 2019, 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, 2019, 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, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2020 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 28, 2020

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

	December 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks:		
Non-interest bearing	$ 7,704	$ 9,392
Interest bearing	206,969	372,681
Cash and cash equivalents	214,673	382,073
Investment securities (including securities recorded at fair value of $7,759,237 and $8,156,878)	7,769,237	8,166,878
Non-marketable equity securities	253,664	267,052
Loans held for sale	37,926	36,992
Loans (including covered loans of $201,376 at December 31, 2018)	23,154,988	21,977,008
Allowance for loan and lease losses	(108,671)	(109,931)
Loans, net	23,046,317	21,867,077
Bank owned life insurance	282,151	263,340
Operating lease equipment, net	698,153	702,354
Goodwill and other intangible assets	77,674	77,718
Other assets	491,498	400,842
Total assets	$ 32,871,293	$ 32,164,326
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 4,294,824	$ 3,621,254
Interest bearing	2,130,976	1,771,465
Savings and money market	10,621,544	11,261,746
Time	7,347,247	6,819,758
Total deposits	24,394,591	23,474,223
Federal funds purchased	100,000	175,000
Federal Home Loan Bank advances	4,480,501	4,796,000
Notes and other borrowings	429,338	402,749
Other liabilities	486,084	392,521
Total liabilities	29,890,514	29,240,493
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share, 400,000,000 shares authorized; 95,128,231 and 99,141,374 shares issued and outstanding	951	991
Paid-in capital	1,083,920	1,220,147
Retained earnings	1,927,735	1,697,822
Accumulated other comprehensive income (loss)	(31,827)	4,873
Total stockholders' equity	2,980,779	2,923,833
Total liabilities and stockholders' equity	$ 32,871,293	$ 32,164,326

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

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

	Years Ended December 31,		
	2019	2018	2017
Interest income:			
Loans	$ 981,408	$ 1,198,241	$ 1,001,862
Investment securities	280,560	233,091	188,307
Other	19,902	17,812	14,292
Total interest income	1,281,870	1,449,144	1,204,461
Interest expense:			
Deposits	385,180	284,563	170,933
Borrowings	143,905	114,488	83,256
Total interest expense	529,085	399,051	254,189
Net interest income before provision for loan losses	752,785	1,050,093	950,272
Provision for loan losses (including $752 and $1,358 for covered loans for the years ended December 31, 2018 and 2017, respectively)	8,904	25,925	68,747
Net interest income after provision for loan losses	743,881	1,024,168	881,525
Non-interest income:			
Income from resolution of covered assets, net	—	11,551	27,450
Net loss on FDIC indemnification	—	(4,199)	(22,220)
Deposit service charges and fees	16,539	14,412	13,180
Gain on sale of loans, net (including $5,732 and $17,406 related to covered loans for the years ended December 31, 2018 and 2017, respectively)	12,119	15,864	27,589
Gain on investment securities, net	21,174	3,159	33,466
Lease financing	66,631	61,685	53,837
Other non-interest income	30,741	29,550	24,602
Total non-interest income	147,204	132,022	157,904
Non-interest expense:			
Employee compensation and benefits	235,330	254,997	237,824
Occupancy and equipment	56,174	55,899	58,100
Amortization of FDIC indemnification asset	—	261,763	176,466
Deposit insurance expense	16,991	18,984	22,011
Professional fees	20,352	16,539	23,676
Technology and telecommunications	47,509	35,136	31,252
Depreciation of operating lease equipment	48,493	40,025	35,015
Loss on debt extinguishment	3,796	—	—
Other non-interest expense	58,444	57,197	50,624
Total non-interest expense	487,089	740,540	634,968
Income before income taxes	403,996	415,650	404,461
Provision (benefit) for income taxes	90,898	90,784	(209,812)
Net income	$ 313,098	$ 324,866	$ 614,273
Earnings per common share, basic	$ 3.14	$ 3.01	$ 5.60
Earnings per common share, diluted	$ 3.13	$ 2.99	$ 5.58

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,		
	2019	**2018**	**2017**
Net income	$ 313,098	$ 324,866	$ 614,273
Other comprehensive income (loss), net of tax:			
Unrealized gains on investment securities available for sale:			
Net unrealized holding gain (loss) arising during the period	37,616	(57,041)	29,724
Reclassification adjustment for net securities gains realized in income	(13,625)	(4,486)	(20,247)
Net change in unrealized gain on securities available for sale	23,991	(61,527)	9,477
Unrealized losses on derivative instruments:			
Net unrealized holding gain (loss) arising during the period	(58,760)	3,981	(1,559)
Reclassification adjustment for net (gains) losses realized in income	(1,931)	(1,469)	5,821
Net change in unrealized losses on derivative instruments	(60,691)	2,512	4,262
Other comprehensive income (loss)	(36,700)	(59,015)	13,739
Comprehensive income	$ 276,398	$ 265,851	$ 628,012

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

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

	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 313,098	$ 324,866	$ 614,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and accretion, net	(37,319)	(86,549)	(95,145)
Provision for loan losses	8,904	25,925	68,747
Income from resolution of covered assets, net	—	(11,551)	(27,450)
Net loss on FDIC indemnification	—	4,199	22,220
Gain on sale of loans, net	(12,119)	(15,864)	(27,589)
Gain on investment securities, net	(21,174)	(3,159)	(33,466)
Equity based compensation	23,367	23,137	22,692
Depreciation and amortization	72,425	64,268	61,552
Deferred income taxes	24,529	67,778	57,801
Loss on debt extinguishment	3,796	—	—
Proceeds from sale of loans held for sale	412,034	268,589	158,621
Loans originated for sale, net of repayments	(86,568)	(155,974)	(142,682)
Other:			
(Increase) decrease in other assets	17,749	236,461	(319,629)
Increase (decrease) in other liabilities	(83,016)	82,126	(41,319)
Net cash provided by operating activities	635,706	824,252	318,626
Cash flows from investing activities:			
Purchase of investment securities	(3,896,234)	(4,138,994)	(3,131,798)
Proceeds from repayments and calls of investment securities	1,370,584	1,533,951	1,260,444
Proceeds from sale of investment securities	2,975,259	1,030,810	1,287,591
Purchase of non-marketable equity securities	(411,825)	(308,126)	(248,405)
Proceeds from redemption of non-marketable equity securities	425,213	307,063	266,688
Purchases of loans	(2,197,484)	(1,308,772)	(1,300,996)
Loan originations, repayments and resolutions, net	477,805	404,769	(672,338)
Proceeds from sale of loans, net	265,582	544,745	196,413
Proceeds from sale of operating lease equipment	19,269	52,134	4,950
Proceeds from sale of residential MSRs	—	34,573	—
Acquisition of operating lease equipment	(63,786)	(190,500)	(99,553)
Other investing activities	(39,879)	(3,184)	(15,572)
Net cash used in investing activities	(1,075,496)	(2,041,531)	(2,452,576)

(Continued)

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

(In thousands)

	Years Ended December 31,		
	2019	2018	2017
Cash flows from financing activities:			
Net increase in deposits	920,368	1,595,744	2,387,589
Net (decrease) increase in federal funds purchased	(75,000)	175,000	—
Additions to Federal Home Loan Bank advances	4,512,000	4,647,000	4,916,000
Repayments of Federal Home Loan Bank advances	(4,827,000)	(4,622,000)	(5,385,000)
Dividends paid	(84,083)	(91,305)	(91,628)
Exercise of stock options	5,817	7,727	62,095
Repurchase of common stock	(154,030)	(299,972)	—
Other financing activities	(25,682)	(7,424)	(8,837)
Net cash provided by financing activities	272,390	1,404,770	1,880,219
Net (decrease) increase in cash and cash equivalents	(167,400)	187,491	(253,731)
Cash and cash equivalents, beginning of period	382,073	194,582	448,313
Cash and cash equivalents, end of period	$ 214,673	$ 382,073	$ 194,582
Supplemental disclosure of cash flow information:			
Interest paid	$ 518,856	$ 387,801	$ 247,548
Income taxes (refunded) paid, net	$ 229	$ (288,267)	$ 69,231
Supplemental schedule of non-cash investing and financing activities:			
Transfers from loans to other real estate owned and other repossessed assets	$ 3,211	$ 9,709	$ 13,313
Transfers from loans to loans held for sale	$ 536,227	$ 108,503	$ 1,973
Transfers from loans held for sale to loans	$ 19,716	$ —	$ —
Dividends declared, not paid	$ 20,775	$ 21,673	$ 23,055
Obligations incurred in acquisition of affordable housing limited partnerships	$ —	$ 4,710	$ —

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

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, 2016	104,166,945	$ 1,042	$ 1,426,459	$ 949,681	$ 41,247	$ 2,418,429
Comprehensive income	—	—	—	614,273	13,739	628,012
Dividends ($0.84 per common share)	—	—	—	(92,173)	—	(92,173)
Equity based compensation	621,806	6	16,990	—	—	16,996
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(271,954)	(3)	(7,294)	—	—	(7,297)
Exercise of stock options	2,331,388	23	62,072	—	—	62,095
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	—
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	225,127	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

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. is a national bank holding company with one wholly-owned subsidiary, BankUnited; collectively, the Company. BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of banking and related services to individual and corporate customers in its geographic footprint, primarily Florida and the New York metropolitan area. The Bank also offers certain commercial lending and deposit products through national platforms.

In connection with the FSB Acquisition, BankUnited entered into two loss sharing agreements with the FDIC. The Loss Sharing Agreements consisted of the Single Family Shared-Loss Agreement and the Commercial Shared-Loss Agreement. Assets covered by the Loss Sharing Agreements are referred to as covered assets or, in certain cases, covered loans. The Single Family Shared-Loss Agreement provided for FDIC loss sharing and the Bank’s reimbursement for recoveries to the FDIC through its termination on February 13, 2019 for single family residential loans and OREO. Loss sharing under the Commercial Shared-Loss Agreement terminated on May 21, 2014. The Commercial Shared-Loss Agreement continued to provide for the Bank’s reimbursement of recoveries to the FDIC through June 30, 2017 for all other covered assets, including commercial real estate, commercial and industrial and consumer loans, certain investment securities and commercial OREO. Pursuant to the terms of the Loss Sharing Agreements, the covered assets were subject to a stated loss threshold whereby the FDIC reimbursed BankUnited for 80% of losses related to the covered assets up to $4.0 billion and 95% of losses in excess of this amount, beginning with the first dollar of loss incurred. Transactions in the covered assets and the Loss Sharing Agreements had a material impact on the Company's financial statements for periods prior to the year ended December 31, 2019.

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

The Company has a single reportable segment.

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.

Significant estimates include the ALLL and the fair values of investment securities and other financial instruments.

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 impaired 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 reviews investment securities for OTTI at least quarterly. An investment security is impaired if its fair value is lower than its amortized cost basis. The Company considers many factors in determining whether a decline in fair value below amortized cost represents OTTI, including, but not limited to:

- the Company's intent to hold the security until maturity or for a period of time sufficient for a recovery in value;
- whether it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis;
- the length of time and extent to which fair value has been less than amortized cost;
- adverse changes in expected cash flows;
- collateral values and performance;
- the payment structure of the security including levels of subordination or over-collateralization;
- changes in the economic or regulatory environment;
- the general market condition of the geographic area or industry of the issuer;
- the issuer's financial condition, performance and business prospects; and
- changes in credit ratings.

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

The Company recognizes OTTI of a debt security for which there has been a decline in fair value below amortized cost if (i) management intends to sell the security, (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If the Company intends to sell the security, or if it is more likely than not it will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the amortized cost basis and fair value of the security. Otherwise, the amount by which amortized cost exceeds the fair value of a debt security that is considered to be other-than-temporarily impaired is separated into a component representing the credit loss, which is recognized in earnings, and a component related to all other factors, which is recognized in other comprehensive income. The measurement of the credit loss component is equal to the difference between the debt security's amortized cost basis and the present value of its expected future cash flows discounted at the security's effective yield.

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 home equity loans and lines of credit and other consumer loans, multi-family, owner and non-owner occupied commercial real estate, construction and land, and commercial and industrial loans, mortgage warehouse lines of credit, sales-type leases and direct financing leases.

Loans, other than ACI loans, are carried at UPB, net of premiums, discounts, unearned income, deferred loan origination fees and costs, and the ALLL.

Interest income on loans 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.

ACI Loans

ACI loans, all of which were acquired in the FSB Acquisition, are those for which, at acquisition, management determined it probable that the Company would be unable to collect all contractual principal and interest payments due. These loans were recorded at estimated fair value at acquisition, measured as the present value of all cash flows expected to be received, discounted at an appropriately risk-adjusted discount rate. Initial cash flow expectations incorporated significant assumptions regarding prepayment rates, frequency of default and loss severity.

The difference between total contractually required payments on ACI loans and the cash flows expected to be received represents non-accretable difference. The excess of all cash flows expected to be received over the Company's recorded investment in the loans represents accretable yield and is recognized as interest income on a level-yield basis over the expected life of the loans.

The Company aggregated ACI 1-4 single family residential mortgage loans and home equity loans and lines of credit with similar risk characteristics into homogenous pools at acquisition. A composite interest rate and composite expectations of future cash flows are used in accounting for each pool. These loans were aggregated into pools based on the following characteristics:

- delinquency status;
- product type, in particular, amortizing as opposed to option ARMs;
- loan-to-value ratio; and
- borrower FICO score.

Loans that do not have similar risk characteristics, primarily commercial and commercial real estate loans, are accounted for on an individual loan basis using interest rates and expectations of cash flows for each loan.

The Company is required to develop reasonable expectations about the timing and amount of cash flows to be collected related to ACI loans and to continue to update those estimates over the lives of the loans. Expected cash flows from ACI loans are updated quarterly. If it is probable that the Company will be unable to collect all the cash flows expected from a loan or pool at acquisition plus additional cash flows expected to be collected arising from changes in estimates after acquisition, the loan or pool is considered impaired and a valuation allowance is established by a charge to the provision for loan losses. If there is an increase in expected cash flows from a loan or pool, the Company first reduces any valuation allowance previously established by the amount of the increase in the present value of expected cash flows, and then recalculates the amount of accretable yield for that loan or pool. The adjustment of accretable yield due to an increase in expected cash flows, as well as changes in expected cash flows due to changes in interest rate indices and changes in prepayment assumptions is accounted for prospectively as a change in yield. Additional cash flows expected to be collected are transferred from non-accretable difference to accretable yield and the amount of periodic accretion is adjusted accordingly over the remaining life of the loan or pool.

Payments received earlier than expected or in excess of expected cash flows from sales or other resolutions may result in the carrying value of a pool being reduced to zero even though outstanding contractual balances and expected cash flows remain related to loans in the pool. Once the carrying value of a pool is reduced to zero, any future proceeds, which may include cash or real estate acquired in foreclosure, from the remaining loans, representing further realization of accretable yield, are recognized as interest income upon receipt.

Non-accrual Loans

Commercial loans, other than ACI 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 loans, other than ACI loans and 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 nonaccrual commercial loans are applied as a reduction of principal. Interest payments are recognized as income on a cash basis on nonaccrual 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 loans are 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 ACI loans are not classified as non-accrual as long as discount continues to be accreted on the loans or pools.

Impaired Loans

Loans, other than ACI loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due, according to the contractual terms of the loan agreements. Commercial relationships with committed balances greater than or equal to $1.0 million that have internal risk ratings of substandard or doubtful and are on non-accrual status, as well as loans that have been modified in TDRs, are individually evaluated for impairment. Other commercial relationships on non-accrual status with committed balances under $1.0 million may also be evaluated individually for impairment at management's discretion. The likelihood of loss related to loans assigned internal risk ratings of substandard or doubtful is considered elevated due to their identified credit weaknesses. Factors considered by management in evaluating impairment include payment status, financial condition of the borrower, collateral value, and other factors impacting the probability of collecting scheduled principal and interest payments when due.

An ACI pool or loan is considered to be impaired when it is probable that the Company will be unable to collect all the cash flows expected at acquisition, plus additional cash flows expected to be collected arising from changes in estimates after acquisition. 1-4 single family residential and home equity ACI loans accounted for in pools are evaluated collectively for impairment on a pool by pool basis based on expected pool cash flows. Commercial ACI loans are individually evaluated for impairment based on expected cash flows from the individual loans. Discount continues to be accreted on ACI loans or pools as long as there are expected future cash flows in excess of the current carrying amount of the loans or pools.

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, except for ACI loans accounted for in pools, the related loan is classified as a TDR and considered impaired. 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. Modified ACI loans accounted for in pools are not accounted for as TDRs, are not separated from the pools and are not classified as impaired loans.

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.

Allowance for Loan and Lease Losses

The ALLL represents the amount considered adequate by management to absorb probable incurred losses inherent in the loan portfolio at the balance sheet date. The ALLL consists of both specific and general components. The ALLL is established as losses are estimated to have occurred through a provision charged to earnings. Individual loans are charged off against the ALLL when management determines them to be uncollectible.

An assessment of collateral value is made at no later than 120 days delinquency for open- and closed-end loans secured by residential real estate; 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. Consumer loans are typically charged off at 120 days delinquency. Commercial loans are charged off when management deems them to be uncollectible. Subsequent recoveries are credited to the ALLL.

Commercial loans

The allowance is comprised of specific reserves for loans that are individually evaluated and determined to be impaired as well as general reserves for loans that have not been identified as impaired.

Management believes that loans rated special mention, substandard or doubtful that are not individually evaluated for impairment exhibit characteristics indicative of a heightened level of credit risk. A quantitative loss factor is applied to loans rated special mention based on average annual probability of default and implied severity, derived from internal and external data. Loss factors for substandard and doubtful loans that are not individually evaluated are determined by using default frequency and severity information applied at the loan level. Estimated default frequencies and severities are based on available industry and internal data. In addition, a floor is applied to these calculated loss factors, based on the loss factor applied to the special mention portfolio.

To the extent, in management's judgment, commercial portfolio segments have sufficient observable loss history, the quantitative portion of the ALLL is based on the Bank's historical net charge-off rates. These commercial segments include commercial and industrial loans, owner-occupied commercial real estate, the Bridge portfolios and SBF loans. For commercial portfolio segments that have not yet exhibited an observable loss trend, the quantitative loss factors are based on peer group average annual historical net charge-off rates by loan class and the Company’s internal credit risk rating system. These commercial segments include multifamily, non-owner occupied commercial real estate and construction and land loans. For Pinnacle, quantitative loss factors are based primarily on historical municipal default data. For most commercial portfolio segments, we use a 20 quarter look-back period in the calculation of historical net charge-off rates.

Where applicable, the peer group used to calculate average annual historical net charge-off rates used in estimating general reserves is made up of 24 banks included in the OCC Midsize Bank Group plus five additional banks not included in the OCC Midsize Bank Group that management believes to be comparable based on size, geography and nature of lending operations. Peer bank data is obtained from the Statistics on Depository Institutions Report published by the FDIC for the most recent quarter available. These banks, as a group, are considered by management to be comparable to BankUnited in size, nature of lending operations and loan portfolio composition. We evaluate the composition of the peer group annually, or more frequently if, in our judgment, a more frequent evaluation is necessary. Our internal risk rating system comprises 13 credit grades; grades 1 through 8 are “pass” grades. The risk ratings are driven largely by debt service coverage. Peer group historical loss rates are adjusted upward for loans assigned a lower “pass” rating.

As noted above, management generally use a 20 quarter look-back period to calculate quantitative loss rates. Management believes this look-back period to be consistent with the range of industry practice and appropriate to capture a sufficient range of observations reflecting the performance of our loans, which were originated in the current economic cycle. With the exception of the Pinnacle municipal finance portfolio, a four quarter loss emergence period is used in the calculation of general reserves. A twelve quarter loss emergence period is used in the calculation of general reserves for the Pinnacle portfolio.

The primary assumptions underlying estimates of expected cash flows for ACI commercial loans are default probability and severity of loss given default. Assessments of default probability and severity are based on net realizable value analyses prepared at the individual loan level.

Residential and other consumer loans

This loan portfolio has not yet developed an observable loss trend. Therefore, the ALLL for residential loans is based primarily on relevant proxy historical loss rates. The ALLL for 1-4 single family residential loans, excluding government insured residential loans, is estimated using average annual loss rates on prime residential mortgage securitizations issued between 2003 and 2008 as a proxy. Based on the comparability of FICO scores and LTV ratios between loans included in those securitizations and loans in the Bank’s portfolio and the geographic diversity in the new purchased residential portfolio, we determined that prime residential mortgage securitizations provide an appropriate proxy for incurred losses in this portfolio class. A peer group 20-quarter average net charge-off rate is used to estimate the ALLL for the home equity and other consumer loan classes. The home equity and other consumer loan portfolios are not significant components of the overall loan portfolio. No quantitative ALLL is provided for U.S. Government insured residential loans.

Qualitative Factors

Qualitative adjustments are made to the ALLL when, based on management’s judgment, there are internal or external factors impacting probable incurred losses not taken into account by the quantitative calculations. Potential qualitative adjustments are categorized as follows:

- Portfolio performance trends, including trends in and the levels of delinquencies, non-performing loans and classified loans;

- Changes in the nature of the portfolio and terms of the loans, specifically including the volume and nature of policy and procedural exceptions;
- Portfolio growth trends;
- Changes in lending policies and procedures, including credit and underwriting guidelines and portfolio management practices;
- Economic factors, including unemployment rates and GDP growth rates and other factors considered relevant by management;
- Changes in the value of underlying collateral;
- Quality of risk ratings, as evaluated by our independent credit review function;
- Credit concentrations;
- Changes in and experience levels of credit administration management and staff; and
- Other factors identified by management that may impact the level of losses inherent in the portfolio, including but not limited to competition and legal and regulatory considerations.

ACI Loans

For ACI loans, a valuation allowance is established when periodic evaluations of expected cash flows reflect a deterioration resulting from credit related factors from the level of cash flows that were estimated to be collected at acquisition plus any additional expected cash flows arising from revisions in those estimates. A quarterly analysis of expected cash flows is performed for ACI loans.

Expected cash flows are estimated on a pool basis for ACI 1-4 single family residential loans. The analysis of expected cash flows incorporates updated expected prepayment rate, default rate, delinquency level and loss severity given default assumptions.

Reserve for Unfunded Commitments

The reserve for unfunded commitments represents the estimated probable losses related to unfunded lending commitments. The reserve is calculated in a manner similar to the general reserve, while also considering the timing and likelihood that the available credit will be utilized as well as the exposure upon default. The reserve for unfunded commitments is presented within other liabilities on the consolidated balance sheets, distinct from the ALLL, and adjustments to the reserve for unfunded commitments are included in other non-interest expense in the consolidated statements of income.

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 the amount that could be realized under the contract at the balance sheet date, which is typically 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 of $78 million at both December 31, 2019 and 2018 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. The estimated fair value of the reporting unit is based on the market capitalization of the Company's common stock. The estimated fair value of the reporting unit at each impairment testing date substantially exceeded its carrying amount; therefore, no impairment of goodwill was indicated.

Foreclosed Property and Repossessed Assets

Foreclosed property 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 - 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 of materials and services 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 life 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 is 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 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, warrants 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 2019

ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this ASU, along with subsequent ASUs issued to clarify certain provisions of Topic 842, require a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for leases with terms longer than one year. Accounting applied by lessors was largely unchanged by this ASU. The ASU also requires both qualitative and quantitative disclosures that provide additional information about the amounts recorded in the consolidated financial statements. The amendments in this ASU were effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2018. The most significant impact of adoption was the recognition, as lessee, of new right-of-use assets and lease liabilities on the consolidated balance sheet for real estate leases classified as operating leases. Under a package of practical expedients that the Company elected, as lessee and lessor, the Company did not have to (i) re-assess whether expired or existing contracts contain leases, (ii) re-assess the classification of expired or existing leases, (iii) re-evaluate initial direct costs for existing leases or (iv) separate lease components of certain contracts from non-lease components. The Company also elected the transition method that allows entities the option of applying the provisions of the ASU at the effective date without adjusting the comparative periods presented. The Company adopted this ASU in the first quarter of 2019 using the modified retrospective transition method. The Company recognized a lease liability and related right of use asset of approximately $104 million and $95 million, respectively, upon adoption on January 1, 2019. See Note 5 to the consolidated financial statements for more information about leases.

ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. The ASU added the OIS rate based on SOFR as a benchmark interest rate for hedge accounting purposes. The ASU was effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2018. The Company adopted this ASU in the first quarter of 2019 with no impact at adoption to its consolidated financial position, results of operations, or cash flows.

Accounting Pronouncements Not Yet Adopted

ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments*. This ASU, along with subsequent ASUs issued to clarify certain of its provisions, introduces new guidance which makes substantive changes to the accounting for credit losses. The ASU introduces 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 modifies certain provisions of the current OTTI model for AFS debt securities. Credit losses on AFS debt securities will be limited to the difference between the security's amortized cost basis and its fair value, and will be recognized through an allowance for credit losses rather than as a direct reduction in amortized cost basis. The ASU also provides for a simplified accounting model for purchased financial assets with more than insignificant credit deterioration since their origination. The ASU requires expanded disclosures including, but not limited to, (i) information about the methods and assumptions used to estimate expected credit losses, including changes in the factors that influenced management's estimate and the reasons for those changes, (ii) for financing receivables and net investment in leases measured at amortized cost, further disaggregation of information about the credit quality of those assets and (iii) a rollforward of the allowance for credit losses for AFS and HTM securities.

The Company will adopt this ASU in the first quarter of 2020. At adoption, we will record a cumulative effect adjustment to retained earnings for the amount of the change in our allowance for credit losses. Banking regulators have provided an optional phase-in for the initial impact of adopting the new standard for regulatory capital adequacy purposes which the Company intends to elect, allowing CECL's regulatory capital effects to be phased in at 25 percent per year, beginning in the first quarter of the year of adoption.

The Company has completed the execution of a detailed implementation plan, including establishment of a formal governance structure, the selection and implementation of estimation methodologies and credit loss models for all significant portfolio segments, implementation of a software solution to serve as its CECL platform, and development of processes and controls governing the CECL estimate and has executed a "parallel run" of the CECL estimation process.

Based on our portfolio mix as of December 31, 2019, the current economic environment, our economic forecast and other assumptions, we expect an increase in the amount of the allowance for credit losses of approximately $25 million to $30 million, resulting in a ratio of the allowance for credit losses to total loans, measured as of December 31, 2019, ranging from approximately 0.58% to 0.61%, compared to the current 0.47%. Additionally, upon adoption, we expect an increase in the reserve for unfunded commitments of approximately $5 million to $6 million. During the first quarter of 2020, we expect all internal reviews of the adjustment recorded upon initial adoption to be finalized and all processes and controls surrounding the ongoing estimate to be fully implemented and documented. The impact of CECL with respect to our HTM and AFS securities portfolios will not be significant at the date of adoption.

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. This ASU is effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2020. The Company has not finalized its evaluation of the impact of adoption on its consolidated financial position, results of operations, and cash flows, but the impact is not currently expected to be material.

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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, 2019, 2018 and 2017 (in thousands, except share and per share data):

	2019	2018	2017
Basic earnings per common share:			
Numerator:			
Net income	$ 313,098	$ 324,866	$ 614,273
Distributed and undistributed earnings allocated to participating securities	(13,371)	(13,047)	(23,250)
Income allocated to common stockholders for basic earnings per common share	$ 299,727	$ 311,819	$ 591,023
Denominator:			
Weighted average common shares outstanding	96,581,290	104,916,865	106,574,448
Less average unvested stock awards	(1,127,275)	(1,171,994)	(1,104,035)
Weighted average shares for basic earnings per common share	95,454,015	103,744,871	105,470,413
Basic earnings per common share	$ 3.14	$ 3.01	$ 5.60
Diluted earnings per common share:			
Numerator:			
Income allocated to common stockholders for basic earnings per common share	$ 299,727	$ 311,819	$ 591,023
Adjustment for earnings reallocated from participating securities	(175)	(195)	(263)
Income used in calculating diluted earnings per common share	$ 299,552	$ 311,624	$ 590,760
Denominator:			
Weighted average shares for basic earnings per common share	95,454,015	103,744,871	105,470,413
Dilutive effect of stock options	202,890	332,505	387,074
Weighted average shares for diluted earnings per common share	95,656,905	104,077,376	105,857,487
Diluted earnings per common share	$ 3.13	$ 2.99	$ 5.58

Included in participating securities above are unvested shares and 3,023,314 dividend equivalent rights outstanding at December 31, 2019 that were issued in conjunction with the IPO of the Company's common stock. These dividend equivalent rights expire in 2021 and participate in dividends on a one-for-one basis.

The following potentially dilutive securities were outstanding at December 31, 2019, 2018 and 2017 but excluded from the calculation of diluted earnings per common share for the periods indicated because their inclusion would have been anti-dilutive:

	2019	2018	2017
Unvested shares and share units	1,050,455	1,463,607	1,431,761
Stock options and warrants	—	1,960	1,850,279

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, 2019 and 2018 (in thousands):

	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

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	2018			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Carrying Value (1)
Investment securities available for sale:				
U.S. Treasury securities	$ 39,885	$ 2	$ (14)	$ 39,873
U.S. Government agency and sponsored enterprise residential MBS	1,885,302	16,580	(4,408)	1,897,474
U.S. Government agency and sponsored enterprise commercial MBS	374,569	1,293	(1,075)	374,787
Private label residential MBS and CMOs	1,539,058	10,138	(14,998)	1,534,198
Private label commercial MBS	1,486,835	5,021	(6,140)	1,485,716
Single family rental real estate-backed securities	406,310	266	(4,118)	402,458
Collateralized loan obligations	1,239,355	1,060	(5,217)	1,235,198
Non-mortgage asset-backed securities	204,372	1,031	(1,336)	204,067
State and municipal obligations	398,810	3,684	(4,065)	398,429
SBA securities	514,765	6,502	(1,954)	519,313
Other debt securities	1,393	3,453	—	4,846
	8,090,654	$ 49,030	$ (43,325)	8,096,359
Investment securities held to maturity	10,000			10,000
	$ 8,100,654			8,106,359
Marketable equity securities				60,519
				$ 8,166,878

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

Investment securities held to maturity at December 31, 2019 and 2018 consisted of one State of Israel bond maturing in 2024.

At December 31, 2019, 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	$ 680,739	$ 685,093
Due after one year through five years	4,293,764	4,302,450
Due after five years through ten years	2,253,815	2,274,947
Due after ten years	432,001	436,175
	$ 7,660,319	$ 7,698,665

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 $2.4 billion and $2.1 billion at December 31, 2019 and 2018, respectively.

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The following table provides information about gains and losses on investment securities for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Proceeds from sale of investment securities available for sale	$ 2,975,259	$ 1,030,810	$ 1,287,591
Gross realized gains:			
Investment securities available for sale	$ 21,961	$ 8,617	$ 37,530
Gross realized losses:			
Investment securities available for sale	(3,424)	(2,514)	(4,064)
Net realized gain	18,537	6,103	33,466
Net unrealized gains (losses) on marketable equity securities recognized in earnings	2,637	(2,944)	—
Gain on investment securities, net	$ 21,174	$ 3,159	$ 33,466

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 December 31, 2019 and 2018 (in thousands):

	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)

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	2018					
	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	$ 14,921	$ (14)	$ —	$ —	$ 14,921	$ (14)
U.S. Government agency and sponsored enterprise residential MBS	450,666	(1,828)	87,311	(2,580)	537,977	(4,408)
U.S. Government agency and sponsored enterprise commercial MBS	146,096	(352)	25,815	(723)	171,911	(1,075)
Private label residential MBS and CMOs	759,921	(7,073)	278,108	(7,925)	1,038,029	(14,998)
Private label commercial MBS	742,092	(5,371)	39,531	(769)	781,623	(6,140)
Single family rental real estate-backed securities	234,305	(1,973)	85,282	(2,145)	319,587	(4,118)
Collateralized loan obligations	749,047	(5,217)	—	—	749,047	(5,217)
Non-mortgage asset-backed securities	136,100	(1,336)	—	—	136,100	(1,336)
State and municipal obligations	208,971	(3,522)	46,247	(543)	255,218	(4,065)
SBA securities	215,975	(1,391)	31,481	(563)	247,456	(1,954)
	$ 3,658,094	$ (28,077)	$ 593,775	$ (15,248)	$ 4,251,869	$ (43,325)

The Company monitors its investment securities available for sale for OTTI on an individual security basis. No securities were determined to be other-than-temporarily impaired during the years ended December 31, 2019, 2018 and 2017. The Company does not intend to sell securities that are in significant unrealized loss positions at December 31, 2019 and it is not more likely than not that the Company will be required to sell these securities before recovery of the amortized cost basis, which may be at maturity. At December 31, 2019, 155 securities available for sale were in unrealized loss positions. The amount of impairment related to 65 of these securities was considered insignificant both individually and in the aggregate, totaling approximately $538 thousand and no further analysis with respect to these securities was considered necessary. The basis for concluding that impairment of the remaining securities was not other-than-temporary is further described below.

U.S. Treasury securities

At December 31, 2019, one U.S Treasury security was in an unrealized loss position. The timely payment of principal and interest on this security is explicitly guaranteed by the U.S. Government. Given the limited severity of impairment and the exception of timely payments of principal and interest, the impairment is considered to be temporary.

U.S. Government agency and sponsored enterprise residential and commercial MBS

At December 31, 2019, thirty-two U.S. Government agency and sponsored enterprise residential MBS and four U.S. Government agency and sponsored enterprise commercial MBS were in unrealized loss positions. Impairment of these floating rate securities was primarily attributable to widening spreads. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. Given the expectation of timely payment of principal and interest the impairments were considered to be temporary.

Private label residential MBS and CMOs

At December 31, 2019, nine private label residential MBS and CMOs were in unrealized loss positions, primarily as a result of widening spreads. These securities were assessed for OTTI using credit and prepayment behavioral models that incorporate CUSIP level constant default rates, voluntary prepayment rates and loss severity and delinquency assumptions. The results of these assessments were not indicative of credit losses related to any of these securities as of December 31, 2019. Given the expectation of timely recovery of outstanding principal the impairments were considered to be temporary.

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Private label commercial MBS

At December 31, 2019, ten private label commercial MBS were in unrealized loss positions, primarily as a result of widening spreads. These securities were assessed for OTTI using credit and prepayment behavioral models incorporating assumptions consistent with the collateral characteristics of each security. The results of this analysis were not indicative of expected credit losses. Given the expectation of timely recovery of outstanding principal the impairments were considered to be temporary.

Single family rental real estate-backed securities

At December 31, 2019, four single family rental real estate-backed securities were in unrealized loss positions. The unrealized losses were primarily due to widening spreads. Management's analysis of the credit characteristics, including loan-to-value and debt service coverage ratios, and levels of subordination for each of the securities is not indicative of projected credit losses. Given the absence of projected credit losses the impairments were considered to be temporary.

Collateralized loan obligations:

At December 31, 2019, nineteen collateralized loan obligations were in unrealized loss positions, primarily due to widening spreads for this asset class. These securities were assessed for OTTI using credit and prepayment behavioral models incorporating assumptions consistent with the collateral characteristics of each security. The results of this analysis were not indicative of expected credit losses. Given the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Non-mortgage asset-backed securities

At December 31, 2019, four non-mortgage asset-backed securities were in unrealized loss positions, due primarily to widening spreads. These securities were assessed for OTTI using a credit and prepayment behavioral model incorporating assumptions consistent with the collateral characteristics of the security. The results of this analysis were not indicative of expected credit losses. Given the expectation of timely recovery of outstanding principal, the impairment was considered to be temporary.

SBA Securities

At December 31, 2019, seven SBA securities were in unrealized loss positions. These securities were purchased at a premium and the impairment was attributable primarily to increased prepayment speeds. The timely payment of principal and interest on these securities is guaranteed by the SBA. Given the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

Note 4 Loans and Allowance for Loan and Lease Losses

At December 31, 2019 and 2018, loans consisted of the following (dollars in thousands):

	2019		2018	
	Total	Percent of Total	Total	Percent of Total
Residential and other consumer:				
1-4 single family residential	$ 4,953,936	21.4%	$ 4,664,920	21.2%
Government insured residential	698,644	3.0%	266,729	1.2%
Other consumer loans	8,539	0.1%	17,340	0.1%
	5,661,119	24.5%	4,948,989	22.5%
Commercial:				
Multi-family	2,217,705	9.6%	2,585,421	11.8%
Non-owner occupied commercial real estate	5,030,904	21.7%	4,688,880	21.4%
Construction and land	243,925	1.1%	226,840	1.0%
Owner occupied commercial real estate	2,062,808	8.9%	2,119,880	9.6%
Commercial and industrial	4,655,349	20.1%	4,358,526	19.8%
Pinnacle	1,202,430	5.2%	1,462,655	6.6%
Bridge - franchise finance	627,482	2.6%	517,305	2.4%
Bridge - equipment finance	684,794	3.0%	636,838	2.9%
Mortgage warehouse lending	768,472	3.3%	431,674	2.0%
	17,493,869	75.5%	17,028,019	77.5%
Total loans	23,154,988	100.0%	21,977,008	100.0%
Allowance for loan and lease losses	(108,671)		(109,931)	
Loans, net	$ 23,046,317		$ 21,867,077	

Premiums, discounts and deferred fees and costs totaled $50 million and $44 million at December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Company purchased 1-4 single family residential loans totaling $2.2 billion and $1.3 billion, respectively. Purchases for the years ended December 31, 2019 and 2018 included $844 million and $371 million, respectively, of government insured residential loans.

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

The following presents the Company's recorded investment in ACI loans, included in the table above, as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Residential	$ 149,580	$ 190,223
Commercial	17,180	17,925
	$ 166,760	$ 208,148

At December 31, 2019 and 2018, the UPB of ACI loans was $321 million and $408 million, respectively. The accretable yield on ACI loans represents the amount by which undiscounted expected future cash flows exceed recorded investment. Changes in the accretable yield on ACI loans for the years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

Balance at December 31, 2016	$ 675,385
Reclassifications from non-accretable difference	81,501
Accretion	(301,827)
Balance at December 31, 2017	455,059
Reclassifications from non-accretable difference, net	128,499
Accretion	(369,915)
Other changes, net [(1)]	78,204
Balance at December 31, 2018	291,847
Reclassifications to non-accretable difference, net	(565)
Accretion	(63,853)
Other changes, net [(1)]	(15,789)
Balance at December 31, 2019	$ 211,640

(1) Represents changes in cash flows expected to be collected due to the impact of changes in prepayment assumptions or changes in benchmark interest rates.

Allowance for loan and lease losses

Activity in the ALLL for the years ended December 31, 2019, 2018 and 2017 is summarized in the table below (in thousands):

	2019			2018			2017		
	Residential and Other Consumer	Commercial	Total	Residential and Other Consumer	Commercial	Total	Residential and Other Consumer	Commercial	Total
Beginning balance	$ 10,788	$ 99,143	$ 109,931	$ 10,720	$ 134,075	$ 144,795	$ 11,503	$ 141,450	$ 152,953
Provision	154	8,750	8,904	1,032	24,893	25,925	2,452	66,295	68,747
Charge-offs [(1)] [(2)]	—	(17,541)	(17,541)	(1,465)	(65,619)	(67,084)	(3,328)	(77,865)	(81,193)
Recoveries	212	7,165	7,377	501	5,794	6,295	93	4,195	4,288
Ending balance	$ 11,154	$ 97,517	$ 108,671	$ 10,788	$ 99,143	$ 109,931	$ 10,720	$ 134,075	$ 144,795

(1) Includes charge-offs of $39.7 million and $56.6 million related to taxi medallion loans during the years ended December 31, 2018 and 2017, respectively.
(2) Includes charge-offs of $1.2 million and $3.3 million related to formerly covered residential loans during the years ended December 31, 2018 and 2017, respectively.

The following table presents information about the balance of the ALLL and related loans as of December 31, 2019 and 2018 (in thousands):

	2019			2018		
	Residential and Other Consumer	Commercial	Total	Residential and Other Consumer	Commercial	Total
Allowance for loan and lease losses:						
Ending balance	$ 11,154	$ 97,517	$ 108,671	$ 10,788	$ 99,143	$ 109,931
Ending balance: loans individually evaluated for impairment	$ 9	$ 20,481	$ 20,490	$ 134	$ 12,143	$ 12,277
Ending balance: loans collectively evaluated for impairment	$ 11,145	$ 77,036	$ 88,181	$ 10,654	$ 87,000	$ 97,654
Ending balance: ACI loans	$ —	$ —	$ —	$ —	$ —	$ —
Loans:						
Ending balance	$ 5,661,119	$ 17,493,869	$ 23,154,988	$ 4,948,989	$ 17,028,019	$ 21,977,008
Ending balance: loans individually evaluated for impairment (1)	$ 57,117	$ 187,788	$ 244,905	$ 7,690	$ 108,841	$ 116,531
Ending balance: loans collectively evaluated for impairment	$ 5,454,422	$ 17,288,901	$ 22,743,323	$ 4,751,076	$ 16,901,253	$ 21,652,329
Ending balance: ACI loans	$ 149,580	$ 17,180	$ 166,760	$ 190,223	$ 17,925	$ 208,148

(1) Includes government insured residential loans modified in TDRs of $53.4 million at December 31, 2019.

Credit quality information

The table below presents information about loans identified as impaired as of December 31, 2019 and 2018 (in thousands):

	2019			2018		
	Recorded Investment	UPB	Related Specific Allowance	Recorded Investment	UPB	Related Specific Allowance
With no specific allowance recorded:						
1-4 single family residential	$ 992	$ 989	$ —	$ 2,204	$ 2,170	$ —
Government insured residential	53,428	53,350	—	3,520	3,435	—
Multi-family	6,138	6,169	—	25,560	25,592	—
Non-owner occupied commercial real estate	38,345	38,450	—	12,293	12,209	—
Construction and land	3,191	3,155	—	9,923	9,925	—
Owner occupied commercial real estate	17,419	17,488	—	9,007	9,024	—
Commercial and industrial	10,585	10,574	—	13,514	13,519	—
Bridge - franchise finance	4,115	4,117	—	3,152	3,149	—
Bridge - equipment finance	6,807	6,793	—	—	—	—
With a specific allowance recorded:						
1-4 single family residential	2,697	2,652	9	1,966	1,941	134
Non-owner occupied commercial real estate	—	—	—	1,666	1,667	731
Owner occupied commercial real estate	2,522	2,509	401	3,316	3,322	844
Commercial and industrial	63,531	63,709	13,992	10,939	10,946	3,831
Bridge - franchise finance	21,011	21,050	2,953	2,047	2,046	1,427
Bridge - equipment finance	14,124	14,024	3,135	17,424	17,339	5,310
Total:						
Residential and other consumer	$ 57,117	$ 56,991	$ 9	$ 7,690	$ 7,546	$ 134
Commercial	187,788	188,038	20,481	108,841	108,738	12,143
	$ 244,905	$ 245,029	$ 20,490	$ 116,531	$ 116,284	$ 12,277

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Included in the table above is the guaranteed portion of impaired SBA loans totaling $46.1 million and $13.1 million at December 31, 2019 and 2018, respectively. Interest income recognized on impaired loans was $1.9 million and $9.6 million for the years ended December 31, 2019 and 2017, respectively. The interest income recognized on impaired loans was immaterial for the year ended December 31, 2018.

The following table presents the average recorded investment in impaired loans for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Residential and other consumer:			
1-4 single family residential	$ 4,525	$ 5,227	$ 3,213
Government insured residential	18,574	1,426	—
Home equity loans and lines of credit	—	—	12,265
	23,099	6,653	15,478
Commercial:			
Multi-family	20,972	25,679	4,259
Non-owner occupied commercial real estate	25,814	14,106	5,537
Construction and land	7,621	6,551	2,789
Owner occupied commercial real estate	14,250	16,207	19,882
Commercial and industrial (1)	36,698	97,388	147,252
Bridge - franchise finance	10,195	1,986	14,438
Bridge - equipment finance	13,981	7,771	8,427
	129,531	169,688	202,584
	$ 152,630	$ 176,341	$ 218,062

(1) Includes average recorded investment in taxi medallion loans totaling $80 million and $109 million during the years ended December 31, 2018 and 2017, respectively.

The following table presents the recorded investment in loans on non-accrual status as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Residential and other consumer:		
1-4 single family residential	$ 18,877	$ 6,316
Other consumer loans	17	288
	18,894	6,604
Commercial:		
Multi-family	6,138	25,560
Non-owner occupied commercial real estate	40,097	16,050
Construction and land	3,191	9,923
Owner occupied commercial real estate	27,141	19,789
Commercial and industrial	74,757	28,584
Bridge - franchise finance	13,631	5,308
Bridge - equipment finance	20,939	17,425
	185,894	122,639
	$ 204,788	$ 129,243

Included in the table above is the guaranteed portion of non-accrual SBA loans totaling $45.7 million and $17.8 million at December 31, 2019 and 2018, respectively. 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 $7.5 million and $5.0 million for the years ended December 31, 2019 and 2018, respectively.

Management considers delinquency status to be the most meaningful indicator of the credit quality of 1-4 single family residential, home equity and consumer loans. Delinquency statistics are updated at least monthly. See "Aging of loans" below for more information on the delinquency status of loans. Original LTV and original FICO score are also important indicators of credit quality for 1-4 single family residential loans, other than the FSB loans and government insured loans.

Internal risk ratings are considered the most meaningful indicator of credit quality for commercial loans. Internal risk ratings are a key factor in identifying loans that are individually evaluated for impairment and impact management’s estimates of loss factors used in determining the amount of the ALLL. 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. Loans exhibiting potential credit weaknesses that deserve management’s close attention and that if left uncorrected may result in deterioration of the repayment capacity of the borrower are categorized as special mention. Loans with well-defined credit weaknesses, including payment defaults, declining collateral values, frequent overdrafts, operating losses, increasing balance sheet leverage, inadequate cash flow, 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.

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The following tables summarize key indicators of credit quality for the Company's loans as of December 31, 2019 and 2018 (in thousands):

1-4 Single Family Residential credit exposure for loans, excluding FSB loans and government insured residential loans, based on original LTV and FICO score:

	2019				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
Less than 61%	$ 118,914	$ 126,349	$ 188,526	$ 792,065	$ 1,225,854
61% - 70%	135,062	118,652	189,188	660,414	1,103,316
71% - 80%	192,761	239,697	434,013	1,392,906	2,259,377
More than 80%	18,660	27,247	32,147	128,928	206,982
	$ 465,397	$ 511,945	$ 843,874	$ 2,974,313	$ 4,795,529

	2018				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
Less than 61%	$ 105,812	$ 123,877	$ 197,492	$ 813,944	$ 1,241,125
61% - 70%	120,982	109,207	170,531	597,659	998,379
71% - 80%	156,519	203,121	374,311	1,264,491	1,998,442
More than 80%	17,352	35,036	36,723	136,487	225,598
	$ 400,665	$ 471,241	$ 779,057	$ 2,812,581	$ 4,463,544

Commercial credit exposure, based on internal risk rating:

	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	32,934	92,794	3,191	43,382	118,288	—	54,758	20,939	—	366,286
	$ 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

	2018									
	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	$ 2,547,835	$ 4,611,029	$ 216,917	$ 2,077,611	$ 4,285,478	$ 1,462,655	$ 492,853	$ 612,968	$ 421,188	$ 16,728,534
Special mention	2,932	16,516	—	13,368	27,611	—	9,232	925	10,486	81,070
Substandard	34,654	61,335	9,923	28,901	43,691	—	15,220	16,302	—	210,026
Doubtful	—	—	—	—	1,746	—	—	6,643	—	8,389
	$ 2,585,421	$ 4,688,880	$ 226,840	$ 2,119,880	$ 4,358,526	$ 1,462,655	$ 517,305	$ 636,838	$ 431,674	$ 17,028,019

Aging of loans:

The following table presents an aging of loans as of December 31, 2019 and 2018 (in thousands):

	2019					2018				
	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	$ 4,887,618	$ 45,634	$ 9,578	$ 11,106	$ 4,953,936	$ 4,640,771	$ 15,070	$ 2,126	$ 6,953	$ 4,664,920
Government insured residential	93,560	45,347	30,426	529,311	698,644	31,348	8,342	8,871	218,168	266,729
Home equity loans and lines of credit	1,320	—	—	—	1,320	1,393	—	—	—	1,393
Other consumer loans	7,219	—	—	—	7,219	15,947	—	—	—	15,947
Multi-family	2,217,705	—	—	—	2,217,705	2,585,421	—	—	—	2,585,421
Non-owner occupied commercial real estate	5,015,458	—	928	14,518	5,030,904	4,682,443	3,621	1,374	1,442	4,688,880
Construction and land	240,647	2,396	—	882	243,925	224,828	916	—	1,096	226,840
Owner occupied commercial real estate	2,041,352	1,336	4,420	15,700	2,062,808	2,106,104	2,826	1,087	9,863	2,119,880
Commercial and industrial	4,595,847	2,313	4,301	52,888	4,655,349	4,341,304	6,732	926	9,564	4,358,526
Pinnacle	1,202,430	—	—	—	1,202,430	1,462,655	—	—	—	1,462,655
Bridge - franchise finance	610,315	3,840	2,501	10,826	627,482	516,077	—	—	1,228	517,305
Bridge - equipment finance	677,089	7,705	—	—	684,794	636,235	603	—	—	636,838
Mortgage warehouse lending	768,472	—	—	—	768,472	431,674	—	—	—	431,674
	$ 22,359,032	$ 108,571	$ 52,154	$ 635,231	$ 23,154,988	$ 21,676,200	$ 38,110	$ 14,384	$ 248,314	$ 21,977,008

Included in the table above is the guaranteed portion of SBA loans past due by 90 days or more totaling $36.3 million and $8.8 million at December 31, 2019 and 2018, respectively. Loans contractually delinquent by 90 days or more and still accruing totaled $531 million, of which $529 million were government insured residential loans at December 31, 2019 and $219 million, of which $218 million were government insured residential loans at December 31, 2018.

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, 2019 and 2018 (dollars in thousands):

	2019		2018	
	Total	Percent of Total	Total	Percent of Total
California	$ 1,280,243	25.8%	$ 1,177,221	25.2%
New York	1,057,926	21.4%	977,146	20.9%
Florida	597,359	12.1%	645,020	13.8%
Virginia	189,869	3.8%	184,756	4.0%
New Jersey	189,018	3.8%	158,863	3.5%
All others	1,639,521	33.1%	1,521,914	32.6%
	$ 4,953,936	100.0%	$ 4,664,920	100.0%

The following table presents the largest geographic concentrations of commercial real estate loans and commercial and industrial loans, including owner-occupied commercial real estate loans at December 31, 2019 and 2018:

	2019		2018	
	Commercial Real Estate	Commercial and Industrial	Commercial Real Estate	Commercial and Industrial
Florida	46.4%	40.5%	42.8%	46.3%
New York Tri-state	45.7%	21.1%	50.3%	18.5%
Other	7.9%	38.4%	6.9%	35.2%
	100.0%	100.0%	100.0%	100.0%

Foreclosure of residential real estate

The recorded investment in residential loans in the process of foreclosure was $257 million, of which $248 million was government insured, at December 31, 2019 and $85 million, all of which was government insured, at December 31, 2018. The carrying amount of foreclosed residential real estate included in "Other assets" in the accompanying consolidated balance sheet was zero and $6 million at December 31, 2019 and 2018, respectively.

Troubled debt restructurings

The following tables summarize loans that were modified in TDRs during the years ended December 31, 2019, 2018 and 2017, as well as loans modified during the years ended December 31, 2019, 2018 and 2017 that experienced payment defaults during the periods (dollars in thousands):

	2019			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment
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	Recorded Investment	Number of TDRs	Recorded Investment
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

	2017			
	Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment
1-4 single family residential	7	$ 676	5	$ 595
Multi-family	2	23,173	—	—
Owner occupied commercial real estate	3	4,685	—	—
Commercial and industrial[(1)]	112	49,904	8	2,725
	124	$ 78,438	13	$ 3,320

(1) Includes taxi medallion loans totaling $48.5 million modified during the year ended December 31, 2017.

Modifications during the years ended December 31, 2019, 2018 and 2017 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. Modified ACI loans accounted for in pools are not considered TDRs, are not separated from the pools and are not classified as impaired loans.

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 15 years, some of which include extension options.

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

ROU assets:	
Operating leases	$ 92,553
Finance leases	31,587
	$ 124,140
Lease liabilities:	
Operating leases	$ 102,264
Finance leases	34,248
	$ 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.

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

Weighted average remaining lease term:	
Operating leases	7.66 years
Finance leases	13.55 years
Weighted average discount rate:	
Operating leases	3.3%
Finance leases	2.9%

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

Operating lease cost:		
Fixed costs	$	20,284
Impairment of ROU assets		1,278
Total operating lease cost	$	21,562
Finance lease cost:		
Amortization of ROU assets	$	1,642
Interest on lease liabilities		1,002
Total finance lease cost	$	2,644
Variable lease cost	$	3,950

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

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

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	1,002
Operating cash flows from operating leases		20,795
Financing cash flows from finance leases		2,529
	$	24,326
Lease liabilities recognized from obtaining ROU assets:		
Operating lease liabilities recognized upon adoption of ASC 842	$	104,064
Operating leases		15,778
Finance leases		27,415
	$	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, 2019 were as follows (in thousands):

	Operating Leases	Finance Leases	Total
Years ending December 31:			
2020	$ 19,817	$ 2,916	$ 22,733
2021	18,232	3,088	21,320
2022	15,045	2,525	17,570
2023	12,990	2,603	15,593
2024	11,550	2,701	14,251
Thereafter	38,419	27,996	66,415
Total future minimum lease payments	116,053	41,829	157,882
Less: interest component	(13,789)	(7,581)	(21,370)
Lease liabilities	$ 102,264	$ 34,248	$ 136,512

At December 31, 2018, future minimum rentals under non-cancelable operating leases with initial or remaining terms in excess of one year were as follows (in thousands):

Years ending December 31:	
2019	$ 21,207
2020	17,629
2021	15,858
2022	12,114
2023	10,311
Thereafter	42,984
	$ 120,103

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, 2019 and 2018 (in thousands):

	2019	2018
Total minimum lease payments to be received	$ 804,103	$ 808,921
Estimated unguaranteed residual value of leased assets	8,471	7,355
Gross investment in direct or sales type financing leases	812,574	816,276
Unearned income	(84,175)	(81,864)
Initial direct costs	4,453	4,833
	$ 732,852	$ 739,245

At December 31, 2019, future minimum lease payments to be received under direct or sales type financing leases were as follows (in thousands):

Years Ending December 31:		
2020	$	199,591
2021		149,480
2022		100,849
2023		78,914
2024		61,969
Thereafter		213,300
	$	804,103

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, 2019 and 2018 (in thousands):

	2019		2018	
Operating lease equipment	$	844,015	$	802,302
Less: accumulated depreciation		(145,862)		(99,948)
Operating lease equipment, net	$	698,153	$	702,354

The Company recognized impairment of $1.9 million during the year ended December 31, 2019. This impairment charge is included in "depreciation of operating lease equipment" in the accompanying consolidated statements of income. No impairment was recognized during the years ended December 31, 2018 and 2017.

At December 31, 2019, scheduled minimum rental payments under operating leases were as follows (in thousands):

Years Ending December 31:	
2020	$ 60,176
2021	51,155
2022	44,368
2023	37,060
2024	31,930
Thereafter	80,196
	$ 304,885

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

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

Note 6 Deposits

The following table presents average balances and weighted average rates paid on deposits for the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

	2019		2018		2017	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand deposits:						
Non-interest bearing	$ 3,950,612	—%	$ 3,389,191	—%	$ 3,069,565	—%
Interest bearing	1,824,803	1.37%	1,627,828	1.13%	1,586,390	0.81%
Money market	10,716,274	1.84%	10,350,772	1.41%	9,364,498	0.85%
Savings	206,545	0.24%	284,198	0.26%	365,603	0.21%
Time	6,928,499	2.34%	6,617,006	1.81%	6,094,336	1.27%
	$ 23,626,733	1.63%	$ 22,268,995	1.28%	$ 20,480,392	0.83%

Time deposit accounts with balances of $100,000 or more totaled approximately $3.5 billion and $4.1 billion at December 31, 2019 and 2018, respectively. Time deposit accounts with balances of $250,000 or more totaled $1.9 billion and $2.4 billion at December 31, 2019 and 2018, respectively.

The following table presents maturities of time deposits as of December 31, 2019 (in thousands):

Maturing in:	
2020	$ 7,196,988
2021	106,416
2022	24,289
2023	17,898
2024	1,656
	$ 7,347,247

Included in deposits at December 31, 2019 are public funds deposits of $2.6 billion and brokered deposits of $3.7 billion. Investment securities available for sale with a carrying value of $1.0 billion were pledged as security for public funds deposits at December 31, 2019.

Interest expense on deposits for the years ended December 31, 2019, 2018 and 2017 was as follows (in thousands):

	2019	2018	2017
Interest bearing demand	$ 25,054	$ 18,391	$ 12,873
Money market	197,445	145,585	79,645
Savings	497	739	752
Time	162,184	119,848	77,663
	$ 385,180	$ 284,563	$ 170,933

Note 7 Borrowings

The following table presents information about outstanding FHLB advances as of December 31, 2019 (dollars in thousands):

		Range of Interest Rates		
	Amount	Minimum	Maximum	Weighted Average Rate
Maturing in:				
2020 - One month or less	$ 760,000	1.66%	2.02%	1.77%
2020 - Over one month	3,471,000	1.67%	2.90%	1.98%
2021	250,000	2.75%	3.02%	2.91%
Total contractual balance outstanding	4,481,000			
Cumulative fair value hedging adjustments	(499)			
Carrying value	$ 4,480,501			

The table above reflects contractual maturities of outstanding advances and does not incorporate the impact that interest rate swaps designated as cash flow 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, 2019, the Company had pledged investment securities and real estate loans with an aggregate carrying amount of approximately $11.5 billion as collateral for advances from the FHLB.

At December 31, 2019 and 2018 outstanding senior notes payable and other borrowings consisted of the following (dollars in thousands):

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	2019	2018
Principal amount of 4.875% senior notes	$ 400,000	$ 400,000
Unamortized discount and debt issuance costs	(4,910)	(5,610)
	395,090	394,390
Finance leases	34,248	8,359
	$ 429,338	$ 402,749

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.

At December 31, 2019, BankUnited had available borrowing capacity at the FHLB of approximately $4.3 billion, unused borrowing capacity at the FRB of approximately $637 million and unused Federal funds lines of credit with other financial institutions totaling $185 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, 2019 and 2018 (in thousands):

	2019	2018
Buildings and improvements	$ —	$ 7,938
Leasehold improvements	72,627	69,651
Furniture, fixtures and equipment	36,492	36,581
Computer equipment	22,729	22,218
Software and software licensing rights	57,687	47,727
Aircraft and automobiles	11,593	11,614
Capitalized implementation costs of CCA	1,881	805
	203,009	196,534
Less: accumulated depreciation	(144,905)	(130,702)
Premises, equipment and software, net	$ 58,104	$ 65,832
Buildings held for sale, net	$ 6,789	$ —

Depreciation and amortization expense related to premises, equipment and software was $19.2 million, $17.5 million and $18.4 million for the years ended December 31, 2019, 2018 and 2017, 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 (benefit) for income taxes for the years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

	2019	2018	2017
Current:			
Federal	$ 58,996	$ 2,172	$ (251,880)
State	7,373	20,834	(15,733)
	66,369	23,006	(267,613)
Deferred:			
Federal	8,255	51,303	46,377
State	16,274	16,475	11,424
	24,529	67,778	57,801
	$ 90,898	$ 90,784	$ (209,812)

A reconciliation of expected income tax expense at the statutory federal income tax rate of 21% for the years ended December 31, 2019 and 2018 and 35% for the year ended December 31, 2017, to the Company's effective income tax rate follows (dollars in thousands):

	2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax expense calculated at the statutory federal income tax rate	$ 84,839	21.00 %	$ 87,286	21.00 %	$ 141,561	35.00 %
Increases (decreases) resulting from:						
Income not subject to tax	(17,950)	(4.44)%	(18,923)	(4.55)%	(29,511)	(7.30)%
State income taxes, net of federal tax benefit	19,956	4.94 %	31,182	7.50 %	19,332	4.78 %
Discrete income tax benefit	—	— %	—	— %	(327,945)	(81.08)%
Other, net	4,053	1.00 %	(8,761)	(2.11)%	(13,249)	(3.27)%
	$ 90,898	22.50 %	$ 90,784	21.84 %	$ (209,812)	(51.87)%

The discrete income tax benefit recognized in the year ended December 31, 2017 related to a matter that arose during an ongoing audit of the Company's 2013 federal income tax return. During that audit, the Company asserted that U.S. federal income taxes paid in respect of certain income previously reported by the Company on its 2012, 2013 and 2014 federal income tax returns related to the basis assigned to certain loans acquired in the FSB Acquisition should be refunded to the Company, in light of guidance issued after the relevant returns had been filed.

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The components of deferred tax assets and liabilities at December 31, 2019 and 2018 were as follows (in thousands):

	2019	2018
Deferred tax assets:		
Excess of tax basis over carrying value of acquired loans	$ 50,089	$ 52,341
Allowance for loan and lease losses	23,151	25,599
Net operating loss and tax credit carryforwards	5,947	17,209
Net unrealized loss on investment securities available for sale and cash flow hedges	11,475	—
Other	55,205	33,330
Gross deferred tax assets	145,867	128,479
Deferred tax liabilities:		
Lease financing, due to differences in depreciation	176,269	167,856
Other	31,227	10,952
Gross deferred tax liabilities	207,496	178,808
Net deferred tax liability	$ (61,629)	$ (50,329)

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, 2019, remaining net operating loss and tax credit carryforwards included federal net operating loss carryforwards in the amount of $5.3 million, expiring from 2029 through 2032, and Florida net operating loss carryforwards in the amount of $111.1 million. Florida net operating loss carryforwards consisted of $106.1 million expiring from 2030 through 2037 and $5.0 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 $57 million and $64 million at December 31, 2019 and 2018, respectively. Unfunded commitments for affordable housing investments, included in other liabilities in the accompanying consolidated balance sheet, were $8 million and $21 million at December 31, 2019 and 2018, respectively. The maximum exposure to loss as a result of the Company's involvement with these limited partnerships at December 31, 2019 was approximately $78 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, 2019, 2018 and 2017.

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, 2019, 2018 and 2017 follows (in thousands):

	2019	2018	2017
Balance, beginning of period	$ 116,081	$ 59,220	$ 72,736
Additions for tax positions related to the current year	5,352	2,399	1,882
Additions for tax positions related to prior periods	280,449	77,101	1,661
Reductions due to change in tax position	(564)	(26,037)	(15,316)
Reductions due to lapse of the statute of limitations	(406)	(675)	(2,229)
	400,912	112,008	58,734
Interest and penalties	6,214	4,073	486
Balance, end of period	$ 407,126	$ 116,081	$ 59,220

As of December 31, 2019, 2018 and 2017, the Company had $368.9 million, $78.2 million and $43.6 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 state income tax contingencies that may decrease during the 12 months subsequent to December 31, 2019 as a result of settlements with taxing authorities range from zero to $44.5 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, 2019 and 2018, accrued interest and penalties included in the consolidated balance sheets, net of federal tax benefits, were $11.4 million and $6.5 million, respectively. The total amounts of interest and penalties, net of federal tax benefits, recognized through income tax expense were $4.9 million, $3.2 million and $0.3 million during the years ended December 31, 2019, 2018 and 2017, respectively.

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. Income tax returns for the tax years ended December 31, 2019, 2018, 2017, 2016, and 2015 remain subject to examination in the U.S. Federal and various state tax jurisdictions. The tax years ended December 31, 2009, 2010, 2011, 2012, 2013 and 2014 remain subject to examination by certain states.

Note 10 Derivatives and Hedging Activities

The Company enters into LIBOR-based interest rate swaps that are designated as cash flow hedges with the objective of limiting the variability of interest payment cash flows resulting from changes in the benchmark interest rate LIBOR. 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, 2019, 2018 and 2017, 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 $9.6 million, $2.1 million and $3.0 million, respectively.

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 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, 2019 and 2018.

The following tables set forth certain information concerning the Company's interest rate contract derivative financial instruments and related hedged items at December 31, 2019 and 2018 (dollars in thousands):

	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 fair value of 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)

	2018							
	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	2.38%	3-Month LIBOR	4.0	$ 2,846,000	Other assets / Other liabilities	$ 3,405	$ —
Derivatives not designated as hedges:								
Pay-fixed interest rate swaps		4.10%	Indexed to 1-month LIBOR	6.0	1,048,196	Other assets / Other liabilities	14,883	(6,991)
Pay-variable interest rate swaps		Indexed to 1-month LIBOR	4.10%	6.0	1,048,196	Other assets / Other liabilities	11,318	(16,874)
Interest rate caps purchased, indexed to 1-month LIBOR			3.43%	1.2	98,407	Other assets	9	—
Interest rate caps sold, indexed to 1-month LIBOR		3.43%		1.2	98,407	Other liabilities	—	(9)
					$ 5,139,206		$ 29,615	$ (23,874)

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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, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017	Location of Gain (Loss) Reclassified from AOCI into Income
Interest rate contracts	$ 2,627	$ 1,999	$ (9,621)	Interest expense on borrowings

During the years ended December 31, 2019, 2018 and 2017, 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, 2019, the amount of net loss expected to be reclassified from AOCI into earnings during the next twelve months was $20.0 million.

There were no fair value hedges during the years ended December 31, 2018 and 2017. The following table provides information about the amount of gain (loss) related to derivatives designated as fair value hedges recognized in earnings for the year ended December 31, 2019 (in thousands):

	2019	Location of Gain (Loss) in Consolidated Statements of Income
Fair value adjustment on derivatives	$ (486)	Interest expense on borrowings
Fair value adjustment on hedged items	499	Interest expense on borrowings
Gain recognized on fair value hedges (ineffective portion)	$ 13	

The following table provides information about the hedged items related to derivatives designated as fair value hedges at December 31, 2019 and 2018 (in thousands):

	2019	2018	Location in Consolidated Balance Sheets
Carrying value of hedged item	$ 250,000	$ —	Federal Home Loan Bank advances
Cumulative fair value hedging adjustments	$ (499)	$ —	Federal Home Loan Bank 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, 2019 and 2018 (dollars in thousands):

	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	$ —

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	2018											
							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	$	18,297	$	—	$	18,297	$	(5,264)	$	(13,129)	$	(96)
Derivative liabilities		(6,991)		—		(6,991)		5,264		436		(1,291)
	$	11,306	$	—	$	11,306	$	—	$	(12,693)	$	(1,387)

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, 2019, the Company had pledged net financial collateral of $18.4 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, 2019, 2018 and 2017 (in thousands):

	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)

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	2017		
	Before Tax	Tax Effect	Net of Tax
Unrealized gains on investment securities available for sale:			
Net unrealized holding gain arising during the period	$ 49,131	$ (19,407)	$ 29,724
Amounts reclassified to gain on investment securities available for sale, net	(33,466)	13,219	(20,247)
Net change in unrealized gains on investment securities available for sale	15,665	(6,188)	9,477
Unrealized losses on derivative instruments:			
Net unrealized holding loss arising during the period	(2,577)	1,018	(1,559)
Amounts reclassified to interest expense on borrowings	9,621	(3,800)	5,821
Net change in unrealized losses on derivative instruments	7,044	(2,782)	4,262
Other comprehensive income	$ 22,709	$ (8,970)	$ 13,739

The categories of AOCI and changes therein are presented below for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Unrealized Gain (Loss) on Investment Securities Available for Sale	Unrealized Gain (Loss) on Derivative Instruments	Total
Balance at December 31, 2016	$ 47,057	$ (5,810)	$ 41,247
Other comprehensive income	9,477	4,262	13,739
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)

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 118,847 shares remain available for issuance as of December 31, 2019. The number of shares of common stock authorized for award under the 2014 Plan is 4,000,000, of which 1,612,961 shares remain available for issuance as of December 31, 2019. 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 generally become fully vested in the event of a change in control, as defined.

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Compensation Expense Related to Equity Based Awards

The following table summarizes compensation cost related to equity based awards for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Compensation cost of equity based awards:			
Unvested and restricted share awards	$ 17,334	$ 19,415	$ 18,087
Executive share-based awards	4,953	3,027	3,416
Incentive awards	1,189	798	1,289
Total compensation cost of equity based awards	23,476	23,240	22,792
Related tax benefits	(4,068)	(5,783)	(8,576)
Compensation cost of equity based awards, net of tax	$ 19,408	$ 17,457	$ 14,216

Share Awards

Unvested share awards

A summary of activity related to unvested share awards for the years ended December 31, 2019, 2018 and 2017 follows:

	Number of Share Awards	Weighted Average Grant Date Fair Value
Unvested share awards outstanding, December 31, 2016	1,120,700	$ 31.46
Granted	621,806	40.24
Vested	(553,007)	31.67
Canceled or forfeited	(81,022)	34.51
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

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 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, 2019, 2018 and 2017 (in thousands, except per share data):

	2019	2018	2017
Range of the closing price on date of grant	$31.07 - $36.65	$33.44 - $42.80	$33.21 - $40.84
Aggregate grant date fair value of shares vesting	$ 21,064	$ 18,451	$ 17,514

The total unrecognized compensation cost of $22.9 million for all unvested share awards outstanding at December 31, 2019 will be recognized over a weighted average remaining period of 2.23 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 awards issued prior to 2019 and over four years for awards issued in 2019. 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. The performance criteria established for the PSUs granted in 2019, 2018 and 2017 include both performance and market conditions. 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.

The Company has cash settled all tranches of RSUs and PSUs that have vested through December 31, 2018. RSUs and PSUs vested on December 31, 2019 have not yet settled. As a result of the previous cash settlements, 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, 2019, 2018 and 2017 follows:

	RSU	PSU
Unvested executive share-based awards outstanding, December 31, 2016	78,560	57,873
Granted	47,841	47,841
Vested	(35,238)	—
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

The total liability for these executive share-based awards was $6.4 million at December 31, 2019. The total unrecognized compensation cost of $5.9 million for unvested executive share-based awards at December 31, 2019 will be recognized over a weighted average remaining period of 2.13 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 the 2019 performance period 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. The total liability for incentive share awards for the 2019 performance period was $0.7 million at

December 31, 2019. The related total unrecognized compensation cost of $2.8 million for these incentive share awards at December 31, 2019 will be recognized over a weighted average remaining period of 4.00 years. The accrued liability and unrecognized compensation cost are based on management's current estimate of the likely outcome of the performance criteria established in the incentive arrangements and may differ from actual results.

The 591,739 unvested share awards granted during the year ended December 31, 2019, as discussed above, included 60,290 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, 2018.

Option Awards

A summary of activity related to stock option awards for the years ended December 31, 2019, 2018 and 2017 follows:

	Number of Option Awards	Weighted Average Exercise Price
Option awards outstanding, December 31, 2016	3,602,076	$ 26.74
Exercised	(2,331,388)	26.63
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 and exercisable, December 31, 2019	737,753	$ 26.64

The intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 was $2.3 million, $4.6 million, and $25.8 million, respectively. The related tax benefit of options exercised was $0.6 million, $1.1 million and $4.0 million during the years ended December 31, 2019, 2018 and 2017, respectively.

There were no option awards granted during the years ended December 31, 2019, 2018 and 2017. Additional information about options outstanding and exercisable at December 31, 2019 is presented in the following table:

	Outstanding and Exercisable Options		
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
$15.94 - $19.97	19,337	0.59	$ 361
$22.18 - $22.24	18,784	0.96	269
$27	699,632	1.08	6,688
	737,753	1.06	$ 7,318

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan for a select 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 $1.9 million, $1.3 million and $1.5 million for the years ended December 31, 2019, 2018 and 2017, respectively. Deferred compensation liabilities of $27 million and $24 million were included in other liabilities in the accompanying consolidated balance sheets at December 31, 2019 and 2018, 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, 2019, 2018 and 2017, BankUnited made matching contributions to the 401(k) Plan of approximately $6.1 million, $6.3 million and $5.5 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, 2019 and 2018, 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, 2019 and 2018 (dollars in thousands):

	2019							
	Actual		Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized		Required to be Considered Adequately Capitalized Under 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%

	2018							
	Actual		Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized		Required to be Considered Adequately Capitalized Under Capital Conservation Buffer	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
BankUnited, Inc.:								
Tier 1 leverage	$ 2,839,302	8.99%	N/A (1)	N/A (1)	$ 1,263,725	4.00%	N/A	N/A
CET1 risk-based capital	$ 2,839,302	12.57%	$ 1,467,693	6.50%	$ 1,016,095	4.50%	$ 1,580,593	7.00%
Tier 1 risk-based capital	$ 2,839,302	12.57%	$ 1,806,392	8.00%	$ 1,354,794	6.00%	$ 1,919,291	8.50%
Total risk based capital	$ 2,952,464	13.08%	$ 2,257,990	10.00%	$ 1,806,392	8.00%	$ 2,370,889	10.50%
BankUnited:								
Tier 1 leverage	$ 3,026,106	9.60%	$ 1,575,712	5.00%	$ 1,260,569	4.00%	N/A	N/A
CET1 risk-based capital	$ 3,026,106	13.45%	$ 1,462,054	6.50%	$ 1,012,191	4.50%	$ 1,574,519	7.00%
Tier 1 risk-based capital	$ 3,026,106	13.45%	$ 1,799,451	8.00%	$ 1,349,588	6.00%	$ 1,911,917	8.50%
Total risk based capital	$ 3,139,268	13.96%	$ 2,249,314	10.00%	$ 1,799,451	8.00%	$ 2,361,779	10.50%

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

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 future.

Beginning January 1, 2019, the Bank and the Company are required to maintain a capital conservation buffer composed of CET1 capital equal to 2.50% of risk-weighted assets above the amounts required to be adequately capitalized in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers.

BankUnited is required by the Board of Governors of the Federal Reserve System to maintain reserve balances in the form of vault cash or deposits with the FRB. At December 31, 2019, the reserve requirement for BankUnited was $177 million.

Note 14 Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis

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.

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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 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 as of December 31, 2019 and 2018 (in thousands):

	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)

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	2018			
	Level 1	Level 2	Level 3	Total
Investment securities available for sale:				
U.S. Treasury securities	$ 39,873	$ —	$ —	$ 39,873
U.S. Government agency and sponsored enterprise residential MBS	—	1,897,474	—	1,897,474
U.S. Government agency and sponsored enterprise commercial MBS	—	374,787	—	374,787
Private label residential MBS and CMOs	—	1,499,514	34,684	1,534,198
Private label commercial MBS	—	1,485,716	—	1,485,716
Single family rental real estate-backed securities	—	402,458	—	402,458
Collateralized loan obligations	—	1,235,198	—	1,235,198
Non-mortgage asset-backed securities	—	204,067	—	204,067
State and municipal obligations	—	398,429	—	398,429
SBA securities	—	519,313	—	519,313
Other debt securities	—	—	4,846	4,846
Marketable equity securities	60,519	—	—	60,519
Servicing rights	—	—	9,525	9,525
Derivative assets	—	29,615	—	29,615
Total assets at fair value	$ 100,392	$ 8,046,571	$ 49,055	$ 8,196,018
Derivative liabilities	$ —	$ (23,874)	$ —	$ (23,874)
Total liabilities at fair value	$ —	$ (23,874)	$ —	$ (23,874)

During the year ended December 31, 2019, the Company sold all of its level 3 securities and re-classified the servicing rights as level 2 within the fair value hierarchy.

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.

Impaired loans, OREO and other repossessed assets—The carrying amount of collateral dependent impaired 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. 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 primarily unobservable inputs.

Fair value measurements related to collateral dependent impaired loans, OREO and other repossessed assets are generally 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.

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The following tables present the carrying value of assets for which non-recurring changes in fair value have been recorded for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019				
	Level 1	Level 2	Level 3	Total	Losses from Fair Value Changes Year Ended December 31, 2019
OREO and repossessed assets	$ —	$ —	$ 1,098	$ 1,098	$ (2,351)
Impaired loans	$ —	$ —	$ 79,982	$ 79,982	$ (7,727)
Operating lease equipment	$ —	$ —	$ 2,919	$ 2,919	$ (1,856)

	2018				
	Level 1	Level 2	Level 3	Total	Losses from Fair Value Changes Year Ended December 31, 2018
OREO and repossessed assets	$ —	$ 1,085	$ 486	$ 1,571	$ (1,864)
Impaired loans	$ —	$ 775	$ 35,397	$ 36,172	$ (6,816)

	2017				
	Level 1	Level 2	Level 3	Total	Losses from Fair Value Changes Year Ended December 31, 2017
OREO and repossessed assets	$ —	$ —	$ 5,790	$ 5,790	$ (2,078)
Impaired loans	$ —	$ —	$ 93,051	$ 93,051	$ (65,716)

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 as of December 31, 2019 and 2018 (dollars in thousands):

		2019		2018	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:					
Cash and cash equivalents	1	$ 214,673	$ 214,673	$ 382,073	$ 382,073
Investment securities	1/2/3	$ 7,769,237	$ 7,769,949	$ 8,166,878	$ 8,167,127
Non-marketable equity securities	2	$ 253,664	$ 253,664	$ 267,052	$ 267,052
Loans held for sale	2	$ 37,926	$ 39,731	$ 36,992	$ 39,931
Loans	3	$ 23,046,317	$ 23,350,684	$ 21,867,077	$ 21,868,258
Derivative assets	2	$ 43,686	$ 43,686	$ 29,615	$ 29,615
Liabilities:					
Demand, savings and money market deposits	2	$ 17,047,344	$ 17,047,344	$ 16,654,465	$ 16,654,465
Time deposits	2	$ 7,347,247	$ 7,377,301	$ 6,819,758	$ 6,820,355
Federal funds purchased	2	$ 100,000	$ 100,000	$ 175,000	$ 175,000
FHLB advances	2	$ 4,480,501	$ 4,500,969	$ 4,796,000	$ 4,810,446
Notes and other borrowings	2	$ 429,338	$ 473,327	$ 402,749	$ 416,142
Derivative liabilities	2	$ 19,029	$ 19,029	$ 23,874	$ 23,874

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, home equity and consumer lines of credit to existing customers. 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, 2019 were as follows (in thousands):

Commitments to fund loans	$	182,549
Commitments to purchase loans		692,706
Unfunded commitments under lines of credit		3,310,006
Commercial and standby letters of credit		113,343
	$	4,298,604

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, 2019	December 31, 2018
Assets:		
Cash and cash equivalents	$ 204,589	$ 143,843
Investment securities available for sale, at fair value	60,572	60,519
Investment in BankUnited, N.A.	3,104,660	3,110,638
Other assets	42,454	37,407
Total assets	$ 3,412,275	$ 3,352,407
Liabilities and Stockholders' Equity:		
Notes payable	$ 395,090	$ 394,390
Other liabilities	36,406	34,184
Stockholders' equity	2,980,779	2,923,833
Total liabilities and stockholders' equity	$ 3,412,275	$ 3,352,407

Condensed Statements of Income

	Years Ended December 31,		
	2019	2018	2017
Income:			
Interest and dividends on investment securities available for sale	$ 3,595	$ 3,532	$ 3,580
Service fees from subsidiary	18,080	21,000	18,787
Equity in earnings of subsidiary	335,723	349,937	639,250
Gain (loss) on investment securities	2,690	(2,805)	—
Total	360,088	371,664	661,617
Expense:			
Interest on borrowings	20,200	20,165	20,132
Employee compensation and benefits	28,270	28,477	27,032
Other	4,396	5,617	5,047
Total	52,866	54,259	52,211
Income before income taxes	307,222	317,405	609,406
Benefit for income taxes	(5,876)	(7,461)	(4,867)
Net income	$ 313,098	$ 324,866	$ 614,273

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Condensed Statements of Cash Flows

	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 313,098	$ 324,866	$ 614,273
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(30,723)	70,064	(519,250)
Equity based compensation	23,367	23,137	22,692
Other	(8,656)	(15,654)	3,343
Net cash provided by operating activities	297,086	402,413	121,058
Cash flows from investing activities:			
Capital contributions to subsidiary	—	—	(55,000)
Purchase of investment securities available for sale	(8,963)	—	—
Proceeds from repayments, sale, maturities and calls of investment securities available for sale	11,575	—	15,000
Other	(142)	(156)	(250)
Net cash provided by (used in) investing activities	2,470	(156)	(40,250)
Cash flows from financing activities:			
Dividends paid	(84,083)	(91,305)	(91,628)
Proceeds from exercise of stock options	5,817	7,727	62,095
Repurchase of common stock	(154,030)	(299,972)	—
Other	(6,514)	(6,560)	(7,297)
Net cash used in financing activities	(238,810)	(390,110)	(36,830)
Net increase in cash and cash equivalents	60,746	12,147	43,978
Cash and cash equivalents, beginning of period	143,843	131,696	87,718
Cash and cash equivalents, end of period	$ 204,589	$ 143,843	$ 131,696
Supplemental schedule of non-cash investing and financing activities:			
Dividends declared, not paid	$ 20,775	$ 21,673	$ 23,055

Dividends received by BankUnited, Inc. from the Bank totaled $305 million, $420 million and $120 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Note 17 Quarterly Financial Information (Unaudited)

Financial information by quarter for the years ended December 31, 2019 and 2018 follows (in thousands, except per share data):

	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 loan losses	185,311	185,690	190,883	190,901	752,785
Provision for (recovery of) loan losses	(469)	1,839	(2,747)	10,281	8,904
Net interest income after provision for loan 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

	2018				
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Total
Interest income	$ 414,796	$ 357,717	$ 348,855	$ 327,776	$ 1,449,144
Interest expense	119,743	105,749	93,592	79,967	399,051
Net interest income before provision for loan losses	295,053	251,968	255,263	247,809	1,050,093
Provision for loan losses	12,583	1,200	8,995	3,147	25,925
Net interest income after provision for loan losses	282,470	250,768	246,268	244,662	1,024,168
Non-interest income	33,328	38,735	31,973	27,986	132,022
Non-interest expense	246,678	170,798	161,247	161,817	740,540
Income before income taxes	69,120	118,705	116,994	110,831	415,650
Provision for income taxes	16,717	21,377	27,094	25,596	90,784
Net income	$ 52,403	$ 97,328	$ 89,900	$ 85,235	$ 324,866
Earnings per common share, basic	$ 0.50	$ 0.90	$ 0.82	$ 0.78	$ 3.01
Earnings per common share, diluted	$ 0.50	$ 0.90	$ 0.82	$ 0.77	$ 2.99

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, 2019.

Changes in Internal Control over Financial Reporting

None.

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, 2019 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 2020 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 2020 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 2020 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 2020 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 2020 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, 2019 and December 31, 2018

Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017

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
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
10.10a	Amended and Restated Employment Agreement, dated February 2, 2016, by and between BankUnited, Inc. and John A. Kanas	Exhibit 10.10 to the Annual Report on Form 10-K of the Company filed February 26, 2016
10.10b	Amendment, dated May 6, 2016, to Amended and Restated Employment Agreement, dated February 2, 2016, by and between BankUnited, Inc. and John A. Kanas	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed May 6, 2016
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
10.12	Advisor and Restrictive Covenant Agreement, dated December 29, 2016, by and between BankUnited, Inc. and John A. Kanas	Exhibit 10.1 to the Current Report on Form 8-K of the Company filed January 3, 2017
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

† 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 28, 2020	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 28, 2020
/s/ LESLIE N. LUNAK Leslie N. Lunak	Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2020
/s/ TERE BLANCA Tere Blanca	Director	February 28, 2020
/s/ JOHN N. DIGIACOMO John N. DiGiacomo	Director	February 28, 2020
/s/ MICHAEL J. DOWLING Michael J. Dowling	Director	February 28, 2020
/s/ DOUGLAS J. PAULS Douglas J. Pauls	Director	February 28, 2020
/s/ A. GAIL PRUDENTI A. Gail Prudenti	Director	February 28, 2020
/s/ SANJIV SOBTI Sanjiv Sobti	Director	February 28, 2020
/s/ LYNNE WINES Lynne Wines	Director	February 28, 2020

Exhibit 21.1

List of Subsidiaries

The following is a list of the subsidiaries of BankUnited, Inc. as of December 31, 2019, including the name of each subsidiary and its jurisdiction of incorporation:

1.	BankUnited, N.A.	USA
2.	Bridge Funding Group, Inc.	Delaware
3.	BU Delaware, Inc.	Delaware
4.	CRE Properties, Inc.	Florida
5.	Pinnacle Public Finance, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
BankUnited, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3ASR (No. 333-227995) and Form S-8 (Nos. 333-172035, 333-179800, 333-188925, 333-190586, 333-192222, and 333-197808) of BankUnited, Inc. and subsidiaries (the Company) of our reports dated February 28, 2020, with respect to the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and 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, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of the Company.

/s/KPMG LLP

Miami, Florida
February 28, 2020

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rajinder P. Singh, certify that:

1. I have reviewed this annual report on Form 10-K of BankUnited, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Rajinder P. Singh

Rajinder P. Singh
Chairman, President and Chief Executive Officer
Date: February 28, 2020

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Leslie N. Lunak, certify that:

1. I have reviewed this annual report on Form 10-K of BankUnited, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Leslie N. Lunak

Leslie N. Lunak
Chief Financial Officer
Date: February 28, 2020

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of BankUnited, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rajinder P. Singh, as Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rajinder P. Singh

Rajinder P. Singh
Chairman, President and Chief Executive Officer

Date: February 28, 2020

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of BankUnited, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Leslie N. Lunak, as Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Leslie N. Lunak

Leslie N. Lunak
Chief Financial Officer

Date: February 28, 2020