BankUnited, Inc.
Form 10-Q
August 05, 2016

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

FORM 10-Q

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

For the quarterly period ended June 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

BankUnited, Inc.
(Exact name of registrant as specified in its charter)

Delaware	27-0162450
(State or other jurisdiction 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
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 ý 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 ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer o
Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	August 3, 2016
Common Stock, $0.01 Par Value	104,149,469

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GLOSSARY OF DEFINED TERMS

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

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

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

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - UNAUDITED
(In thousands, except share and per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks:		
Non-interest bearing	$35,866	$31,515
Interest bearing	98,336	39,613
Interest bearing deposits at Federal Reserve Bank	221,946	192,366
Federal funds sold	3,526	4,006
Cash and cash equivalents	359,674	267,500
Investment securities available for sale, at fair value	5,685,432	4,859,539
Investment securities held to maturity	10,000	10,000
Non-marketable equity securities	271,734	219,997
Loans held for sale	32,582	47,410
Loans (including covered loans of $716,593 and $809,540)	18,219,602	16,636,603
Allowance for loan and lease losses	(135,718)	(125,828)
Loans, net	18,083,884	16,510,775
FDIC indemnification asset	633,744	739,880
Bank owned life insurance	235,596	225,867
Equipment under operating lease, net	478,937	483,518
Deferred tax asset, net	72,046	105,577
Goodwill and other intangible assets	78,185	78,330
Other assets	367,378	335,074
Total assets	$26,309,192	$23,883,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Demand deposits:		
Non-interest bearing	$2,986,794	$2,874,533
Interest bearing	1,429,028	1,167,537
Savings and money market	8,319,729	8,288,340
Time	5,496,502	4,608,091
Total deposits	18,232,053	16,938,501
Federal Home Loan Bank advances	4,943,903	4,008,464
Notes and other borrowings	402,762	402,545
Other liabilities	399,328	290,059
Total liabilities	23,978,046	21,639,569
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share, 400,000,000 shares authorized; 104,166,800 and 103,626,255 shares issued and outstanding	1,042	1,036
Paid-in capital	1,415,758	1,406,786
Retained earnings	880,531	813,894

Accumulated other comprehensive income	33,815	22,182
Total stockholders' equity	2,331,146	2,243,898
Total liabilities and stockholders' equity	$26,309,192	$23,883,467

The accompanying notes are an integral part of these consolidated financial statements.
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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest income:				
Loans	$220,630	$184,010	$435,206	$355,389
Investment securities	36,710	26,284	70,251	54,504
Other	3,124	2,340	5,814	4,623
Total interest income	260,464	212,634	511,271	414,516
Interest expense:				
Deposits	28,833	21,855	55,459	41,859
Borrowings	17,321	9,801	34,661	18,951
Total interest expense	46,154	31,656	90,120	60,810
Net interest income before provision for loan losses	214,310	180,978	421,151	353,706
Provision for (recovery of) loan losses (including $57, $45, $(674) and $(406) for covered loans)	14,333	8,421	18,041	16,568
Net interest income after provision for loan losses	199,977	172,557	403,110	337,138
Non-interest income:				
Income from resolution of covered assets, net	9,545	13,743	17,543	28,897
Net loss on FDIC indemnification	(4,114)	(16,771)	(10,403)	(37,036)
Service charges and fees	4,796	4,492	9,358	8,943
Gain (loss) on sale of loans, net (including gain (loss) related to covered loans of $(4,151), $7,417, $(4,863) and $17,423)	(903)	8,223	587	18,389
Gain on investment securities available for sale, net	3,858	1,128	7,057	3,150
Lease financing	10,974	7,044	21,574	13,281
Other non-interest income	4,701	3,199	6,339	6,175
Total non-interest income	28,857	21,058	52,055	41,799
Non-interest expense:				
Employee compensation and benefits	55,752	51,845	111,212	101,324
Occupancy and equipment	18,784	18,934	37,775	37,104
Amortization of FDIC indemnification asset	38,060	26,460	77,754	48,465
Deposit insurance expense	4,231	3,163	7,923	6,081
Professional fees	3,604	2,680	6,235	5,978
Telecommunications and data processing	3,721	3,345	7,054	6,816
Depreciation of equipment under operating lease	6,647	4,073	13,149	7,511
Other non-interest expense	13,313	12,948	25,118	24,313
Total non-interest expense	144,112	123,448	286,220	237,592
Income before income taxes	84,722	70,167	168,945	141,345
Provision for income taxes	27,997	23,530	57,346	48,251
Net income	$56,725	$46,637	$111,599	$93,094
Earnings per common share, basic (see Note 2)	$0.53	$0.44	$1.04	$0.88
Earnings per common share, diluted (see Note 2)	$0.52	$0.43	$1.03	$0.87
Cash dividends declared per common share	$0.21	$0.21	$0.42	$0.42

The accompanying notes are an integral part of these consolidated financial statements.
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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$56,725	$46,637	$111,599	$93,094
Other comprehensive income, net of tax:				
Unrealized gains on investment securities available for sale:				
Net unrealized holding gain (loss) arising during the period	42,555	(11,142)	50,274	1,845
Reclassification adjustment for net securities gains realized in income	(2,334)	(683)	(4,270)	(1,906)
Net change in unrealized gains on securities available for sale	40,221	(11,825)	46,004	(61)
Unrealized losses on derivative instruments:				
Net unrealized holding gain (loss) arising during the period	(14,638)	9,640	(40,003)	(3,067)
Reclassification adjustment for net losses realized in income	2,604	3,891	5,632	7,910
Net change in unrealized losses on derivative instruments	(12,034)	13,531	(34,371)	4,843
Other comprehensive income	28,187	1,706	11,633	4,782
Comprehensive income	$84,912	$48,343	$123,232	$97,876

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

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

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net income	$111,599	$ 93,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion, net	(61,404)	(83,758)
Provision for loan losses	18,041	16,568
Income from resolution of covered assets, net	(17,543)	(28,897)
Net loss on FDIC indemnification	10,403	37,036
Gain on sale of loans, net	(587)	(18,389)
Increase in cash surrender value of bank owned life insurance	(2,029)	(1,877)
Gain on investment securities available for sale, net	(7,057)	(3,150)
Equity based compensation	8,688	7,224
Depreciation and amortization	26,013	19,477
Deferred income taxes	25,936	33,124
Proceeds from sale of loans held for sale	89,537	73,358
Loans originated for sale, net of repayments	(71,168)	(51,364)
Realized tax benefits from dividend equivalents and equity based compensation	(552)	(208)
Other:		
Increase in other assets	(15,617)	(19,423)
Increase in other liabilities	29,171	3,433
Net cash provided by operating activities	143,431	76,248
Cash flows from investing activities:		
Net cash paid in business combination	—	(277,553)
Purchase of investment securities	(1,529,380)	(1,071,655)
Proceeds from repayments and calls of investment securities available for sale	283,318	284,891
Proceeds from sale of investment securities available for sale	494,185	474,914
Purchase of non-marketable equity securities	(122,500)	(68,359)
Proceeds from redemption of non-marketable equity securities	70,763	56,963
Purchases of loans	(581,982)	(435,433)
Loan originations, repayments and resolutions, net	(945,908)	(1,227,595)
Proceeds from sale of loans, net	83,490	98,611
Decrease in FDIC indemnification asset for claims filed	18,028	29,079
Purchase of premises and equipment, net	(4,413)	(16,025)
Acquisition of equipment under operating lease, net	(8,568)	(111,136)
Proceeds from sale of OREO and repossessed assets	10,554	9,764
Other investing activities	(22,026)	(11,481)
Net cash used in investing activities	(2,254,439)	(2,265,015)

(Continued)

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

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

	Six Months Ended June 30, 2016		2015	
Cash flows from financing activities:				
Net increase in deposits	1,293,552		1,734,942	
Additions to Federal Home Loan Bank advances	10,215,000		3,230,000	
Repayments of Federal Home Loan Bank advances	(9,280,000	)	(2,805,100	)
Dividends paid	(44,860	)	(44,288	)
Realized tax benefits from dividend equivalents and equity based compensation	552		208	
Exercise of stock options	222		33,151	
Other financing activities	18,716		17,197	
Net cash provided by financing activities	2,203,182		2,166,110	
Net increase (decrease) in cash and cash equivalents	92,174		(22,657	)
Cash and cash equivalents, beginning of period	267,500		187,517	
Cash and cash equivalents, end of period	$ 359,674		$ 164,860	
Supplemental disclosure of cash flow information:				
Interest paid	$ 89,129		$ 56,772	
Income taxes paid, net	$ 937		$ 19,159	
Supplemental schedule of non-cash investing and financing activities:				
Transfers from loans to other real estate owned and other	$ 13,141		$ 6,091	

repossessed assets				
Dividends declared, not paid	$	22,482	$	22,338
Unsettled purchases of investment securities available for sale	$	—	$	25,249

The accompanying notes are an integral part of these consolidated financial statements.
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BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - UNAUDITED
(In thousands, except share data)

	Common Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2015	103,626,255	$ 1,036	$ 1,406,786	$ 813,894	$ 22,182	$ 2,243,898
Comprehensive income	—	—	—	111,599	11,633	123,232
Dividends	—	—	—	(44,962)	—	(44,962)
Equity based compensation	617,617	7	8,197	—	—	8,204
Forfeiture of unvested shares	(87,072)	(1)	1	—	—	—
Exercise of stock options	10,000	—	222	—	—	222
Tax benefits from dividend equivalents and equity based compensation	—	—	552	—	—	552
Balance at June 30, 2016	104,166,800	$ 1,042	$ 1,415,758	$ 880,531	$ 33,815	$ 2,331,146
Balance at December 31, 2014	101,656,702	$ 1,017	$ 1,353,538	$ 651,627	$ 46,352	$ 2,052,534
Comprehensive income	—	—	—	93,094	4,782	97,876
Dividends	—	—	—	(44,658)	—	(44,658)
Equity based compensation	605,115	6	7,218	—	—	7,224
Forfeiture of unvested shares	(35,240)	—	—	—	—	—
Exercise of stock options	1,249,335	12	33,139	—	—	33,151
Tax benefits from dividend equivalents and equity based compensation	—	—	208	—	—	208
Balance at June 30, 2015	103,475,912	$ 1,035	$ 1,394,103	$ 700,063	$ 51,134	$ 2,146,335

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

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2016

Note 1 Basis of Presentation and Summary of Significant Accounting Policies

BankUnited, Inc. is a national bank holding company with one wholly-owned subsidiary, BankUnited, collectively, the Company. BankUnited, a national banking association headquartered in Miami Lakes, Florida, provides a full range of banking and related services to individual and corporate customers through 95 branches located in 15 Florida counties and 6 banking centers located in the New York metropolitan area at June 30, 2016. 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 consist 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 provides for FDIC loss sharing and the Bank’s reimbursement for recoveries to the FDIC through May 21, 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 continues to provide for the Bank’s reimbursement of recoveries to the FDIC through May 21, 2017 for all other covered assets, including commercial real estate, commercial and industrial and consumer loans, certain investment securities and commercial OREO. Gains realized on the sale of formerly covered investment securities are included in recoveries subject to reimbursement. Pursuant to the terms of the Loss Sharing Agreements, the covered assets are subject to a stated loss threshold whereby the FDIC will reimburse BankUnited for 80% of losses 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.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP and should be read in conjunction with the Company’s consolidated financial statements and the notes thereto appearing in BKU’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected in future periods.

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

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, the amount and timing of expected cash flows from covered assets and the FDIC indemnification asset, and the fair values of investment securities and other financial instruments. Management has used information provided by third party valuation specialists to assist in the determination of the fair values of investment securities.

Loan Servicing Assets

Effective January 1, 2016, the Company made an irrevocable election to subsequently measure residential MSRs at fair value. Previously, residential MSRs were subsequently measured using the amortization method. This change had no impact on opening retained earnings at January 1, 2016.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Accounting Standards Codification. The amendments in this update affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts, including leases and insurance contracts, are within the scope of other standards. The amendments establish a core principle requiring the recognition of revenue to depict the transfer of goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The amendments also require expanded disclosures concerning the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. Financial instruments and lease contracts are generally outside the scope of the ASU. The FASB has issued subsequent ASUs to clarify certain aspects of ASU 2014-09, without changing the core principle of the guidance and to defer the effective date of ASU 2014-09 to annual periods and interim periods within fiscal years beginning after December 15, 2017. Management continues to evaluate the impact of adoption.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in the ASU that are expected to be most applicable to the Company 1) require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, 2) eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, and 3) require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2017. Management has not completed its evaluation of the impact of adoption of this ASU.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this ASU 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 lease terms longer than one year. Accounting for leases by a lessor will not be significantly impacted by this ASU. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2018. Management has not yet made an evaluation of the impact of adoption of this ASU.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments. The amendments in this ASU clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. A company performing the assessment under these amendments is required to assess the embedded call (put) options solely in accordance with a four-step decision sequence, without consideration of whether the contingency is related to interest rates or credit risks. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2016 and will be applied on a modified retrospective basis. While management does not currently expect adoption to have a material impact on the Company's consolidated financial position, results of operations or cash flows, management has not completed its evaluation of the impact of adoption of this ASU.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU simplify several aspects of the accounting for share-based payment transactions. The amendments provide, among other items, that a) excess tax benefits and deficiencies be recognized as income tax expense or benefit in the income statement, as opposed to additional paid-in-capital; b) excess tax benefits and deficiencies be classified with other income tax cash flows as an operating activity in the statement of cash flows; and c) an entity may make an entity-wide election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2016. Management is currently evaluating the impact of this ASU on the financial statements and related disclosures, including the alternative methods of adoption. The adoption is not expected to materially impact the Company's consolidated financial position, results of operations, or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). The ASU introduces new guidance for the accounting for credit losses on certain types of financial instruments. The ASU also modifies the impairment model for available for sale securities. 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 and held-to-maturity debt securities. The CECL model requires an entity to estimate credit losses expected over the life of an exposure, considering historical, current and forecast information. The ASU amends the current OTTI model for debt securities and requires an estimate of expected credit losses only when the fair value of an available for sale debt security is below its amortized cost. Credit losses on available for sale debt securities will be limited to the difference between the security's amortized cost basis and its fair value. The ASU also provides for a simplified accounting model for purchased financial assets with more than insignificant credit deterioration since their origination. The amendments in this ASU are effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2019. Management has not yet made an evaluation of the impact of adoption of this ASU.

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2016

Note 2 Earnings Per Common Share
The computation of basic and diluted earnings per common share is presented below for the periods indicated (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
c	2016	2015	2016	2015
Basic earnings per common share:				
Numerator:				
Net income	$56,725	$ 46,637	$111,599	$ 93,094
Distributed and undistributed earnings allocated to participating securities	(2,282)	(1,810)	(4,490)	(3,582)
Income allocated to common stockholders for basic earnings per common share	$54,443	$ 44,827	$107,109	$ 89,512
Denominator:				
Weighted average common shares outstanding	104,160,894	103,444,183	104,039,977	102,841,376
Less average unvested stock awards	(1,193,517)	(1,174,496)	(1,173,213)	(1,094,366)
Weighted average shares for basic earnings per common share	102,967,377	102,269,687	102,866,764	101,747,010
Basic earnings per common share	$0.53	$ 0.44	$1.04	$ 0.88
Diluted earnings per common share:				
Numerator:				
Income allocated to common stockholders for basic earnings per common share	$54,443	$ 44,827	$107,109	$ 89,512
Adjustment for earnings reallocated from participating securities	(81)	5	(182)	10
Income used in calculating diluted earnings per common share	$54,362	$ 44,832	$106,927	$ 89,522
Denominator:				
Weighted average shares for basic earnings per common share	102,967,377	102,269,687	102,866,764	101,747,010
Dilutive effect of stock options	764,435	863,380	771,592	763,202
Weighted average shares for diluted earnings per common share	103,731,812	103,133,067	103,638,356	102,510,212
Diluted earnings per common share	$0.52	$ 0.43	$1.03	$ 0.87

Included in participating securities above are unvested shares and 3,023,314 dividend equivalent rights outstanding at June 30, 2016 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 June 30, 2016 and 2015, but excluded from the calculation of diluted earnings per common share for the periods indicated because their inclusion would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Unvested shares	1,328,003	1,202,969	1,328,003	1,202,969
Stock options and warrants	1,851,376	1,851,376	1,851,376	1,851,376

Note 3 Investment Securities

Investment securities available for sale consisted of the following at the dates indicated (in thousands):

	June 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$4,998	$19	$—	$5,017
U.S. Government agency and sponsored enterprise residential MBS	1,290,739	21,296	(1,326)	1,310,709
U.S. Government agency and sponsored enterprise commercial MBS	113,057	3,844	(18)	116,883
Re-Remics	60,857	937	(19)	61,775
Private label residential MBS and CMOs	469,078	49,037	(357)	517,758
Private label commercial MBS	1,365,610	19,368	(4,095)	1,380,883
Single family rental real estate-backed securities	807,331	5,166	(4,835)	807,662
Collateralized loan obligations	309,647	36	(2,764)	306,919
Non-mortgage asset-backed securities	171,995	3,550	—	175,545
Preferred stocks	66,297	9,884	—	76,181
State and municipal obligations	496,250	38,414	—	534,664
SBA securities	381,351	3,223	(880)	383,694
Other debt securities	3,928	3,814	—	7,742
	$5,541,138	$158,588	$(14,294)	$5,685,432

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$4,997	$—	$—	$4,997
U.S. Government agency and sponsored enterprise residential MBS	1,167,197	15,376	(4,255)	1,178,318
U.S. Government agency and sponsored enterprise commercial MBS	95,997	944	(127)	96,814
Re-Remics	88,658	1,138	(105)	89,691
Private label residential MBS and CMOs	502,723	44,822	(2,933)	544,612
Private label commercial MBS	1,219,355	5,533	(6,148)	1,218,740
Single family rental real estate-backed securities	646,156	284	(9,735)	636,705
Collateralized loan obligations	309,615	—	(2,738)	306,877
Non-mortgage asset-backed securities	54,981	1,519	—	56,500
Preferred stocks	75,742	7,467	—	83,209
State and municipal obligations	351,456	10,297	—	361,753
SBA securities	270,553	3,343	(560)	273,336
Other debt securities	3,854	4,133	—	7,987
	$4,791,284	$94,856	$(26,601)	$4,859,539

Investment securities held to maturity at June 30, 2016 and December 31, 2015 consisted of one State of Israel bond with a carrying value of $10 million. Fair value approximated carrying value at June 30, 2016 and December 31, 2015. The bond matures in 2024.

At June 30, 2016, contractual maturities of investment securities available for sale, adjusted for anticipated prepayments of mortgage-backed and other pass-through securities, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$471,043	$485,318
Due after one year through five years	2,793,194	2,825,645
Due after five years through ten years	1,863,069	1,933,619
Due after ten years	347,535	364,669
Preferred stocks with no stated maturity	66,297	76,181
	$5,541,138	$5,685,432

Based on the Company’s proprietary assumptions, the estimated weighted average life of the investment portfolio as of June 30, 2016 was 4.9 years. The effective duration of the investment portfolio as of June 30, 2016 was 1.8 years. The model results are based on assumptions that may differ from actual results.

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 $2.2 billion and $1.5 billion at June 30, 2016 and December 31, 2015, respectively.

The following table provides information about gains and losses on investment securities available for sale for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Proceeds from sale of investment securities available for sale	$272,838	$139,997	$494,185	$474,914
Gross realized gains	$3,858	$1,128	$7,057	$3,625
Gross realized losses	—	—	—	(475)
Gain on investment securities available for sale, net	$3,858	$1,128	$7,057	$3,150

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

	June 30, 2016					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency and sponsored enterprise residential MBS	$261,403	$(1,053)	$9,315	$(273)	$270,718	$(1,326)
U.S. Government agency and sponsored enterprise commercial MBS	36,307	(18)	—	—	36,307	(18)
Re-Remics	3,042	(19)	—	—	3,042	(19)
Private label residential MBS and CMOs	99,240	(264)	9,372	(93)	108,612	(357)
Private label commercial MBS	257,005	(2,125)	208,465	(1,970)	465,470	(4,095)
Single family rental real estate-backed securities	286,213	(1,598)	212,861	(3,237)	499,074	(4,835)
Collateralized loan obligations	242,434	(2,214)	49,450	(550)	291,884	(2,764)
SBA securities	57,772	(880)	—	—	57,772	(880)
	$1,243,416	$(8,171)	$489,463	$(6,123)	$1,732,879	$(14,294)

	December 31, 2015					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency and sponsored enterprise residential MBS	$321,143	$(3,065)	$54,290	$(1,190)	$375,433	$(4,255)
U.S. Government agency and sponsored enterprise commercial MBS	5,273	(127)	—	—	5,273	(127)
Re-Remics	20,421	(105)	—	—	20,421	(105)
Private label residential MBS and CMOs	289,312	(2,401)	16,342	(532)	305,654	(2,933)
Private label commercial MBS	739,376	(4,476)	106,280	(1,672)	845,656	(6,148)
Single family rental real estate-backed securities	381,033	(4,499)	212,491	(5,236)	593,524	(9,735)
Collateralized loan obligations	257,442	(2,173)	49,435	(565)	306,877	(2,738)
SBA securities	41,996	(543)	868	(17)	42,864	(560)
	$2,055,996	$(17,389)	$439,706	$(9,212)	$2,495,702	$(26,601)

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 six months ended June 30, 2016 or 2015. The Company does not intend to sell securities that are in significant unrealized loss positions 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 June 30, 2016, 62 securities were in unrealized loss positions. The amount of impairment related to 15 of these securities was considered insignificant, totaling approximately $188 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. Government agency and sponsored enterprise residential MBS

At June 30, 2016, eight U.S. Government agency and sponsored enterprise residential MBS were in unrealized loss positions. The substantial majority of the securities had been in unrealized loss positions for nine months or less and the amount of impairment was 1% or less of amortized cost. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. Given the generally limited severity and duration of impairment and the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

Private label residential MBS and CMOs

At June 30, 2016, five private label residential MBS were in unrealized loss positions. The amount of impairment of each of the individual securities was 3% or less of amortized cost. 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 that would result in the Company recovering less than its amortized cost basis related to any of these securities as of June 30, 2016. Given the limited severity of impairment and the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Private label commercial MBS:

At June 30, 2016, 12 private label commercial MBS were in unrealized loss positions. The unrealized losses were primarily attributable to widening credit spreads and, for certain securities, the assumed exercise of extension options, lengthening spread duration. 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. Each of the securities has greater than 30% current credit enhancement. Given the expectation of timely recovery of outstanding principal, the impairments were considered to be temporary.

Single family rental real estate-backed securities:

At June 30, 2016, 14 single family rental real estate-backed securities were in unrealized loss positions. The unrealized losses were primarily due to widening credit spreads, leading to increased extension risk. The amount of impairment of each of the individual securities was 2% or less of amortized cost. 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 limited severity of impairment and the absence of projected credit losses, the impairments were considered to be temporary.

Collateralized loan obligations:

At June 30, 2016, five collateralized loan obligations were in unrealized loss positions, due to widening credit spreads subsequent to acquisition. The amount of impairment of each of the individual securities was less than 2% of amortized cost. Given the limited severity of impairment, levels of subordination and the results of independent analyses of the credit quality of loans underlying the securities, the impairments were considered to be temporary.

SBA securities:

At June 30, 2016, three SBA securities were in unrealized loss positions. The majority of impairment related to one security and was less than 4% of amortized cost. This security was 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 this U.S. Government agency. Given the limited severity of impairment and the expectation of timely payment of principal and interest, the impairments were considered to be temporary.

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Note 4 Loans and Allowance for Loan and Lease Losses
The Company segregates its loan portfolio between covered and non-covered loans. Non-covered loans include those originated or purchased since the FSB Acquisition ("new loans") and loans acquired in the FSB Acquisition for which loss share coverage has terminated. Loans acquired in the FSB Acquisition are further segregated between ACI loans and non-ACI loans.
Loans consisted of the following at the dates indicated (dollars in thousands):

	June 30, 2016					
	Non-Covered Loans		Covered Loans			Percent of
	New Loans	ACI	ACI	Non-ACI	Total	Total
Residential:						
1-4 single family residential	$3,153,822	$—	$622,306	$40,482	$3,816,610	21.0 %
Home equity loans and lines of credit	1,172	—	3,510	57,174	61,856	0.3 %
	3,154,994	—	625,816	97,656	3,878,466	21.3 %
Commercial:						
Multi-family	3,675,945	24,577	—	—	3,700,522	20.3 %
Commercial real estate						
Owner occupied	1,582,084	9,638	—	—	1,591,722	8.8 %
Non-owner occupied	3,439,888	13,981	—	—	3,453,869	19.0 %
Construction and land	400,231	—	—	—	400,231	2.2 %
Commercial and industrial	2,981,955	1,031	—	—	2,982,986	16.4 %
Commercial lending subsidiaries	2,139,795	—	—	—	2,139,795	11.8 %
	14,219,898	49,227	—	—	14,269,125	78.5 %
Consumer	31,587	8	—	—	31,595	0.2 %
Total loans	17,406,479	49,235	625,816	97,656	18,179,186	100.0 %
Premiums, discounts and deferred fees and costs, net	47,295	—	—	(6,879)	40,416	
Loans including premiums, discounts and deferred fees and costs	17,453,774	49,235	625,816	90,777	18,219,602	
Allowance for loan and lease losses	(132,265)	—	—	(3,453)	(135,718)	
Loans, net	$17,321,509	$49,235	$625,816	$87,324	$18,083,884	

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	December 31, 2015					
	Non-Covered Loans		Covered Loans			Percent of
	New Loans	ACI	ACI	Non-ACI	Total	Total
Residential:						
1-4 single family residential	$2,883,470	$—	$699,039	$46,110	$3,628,619	21.9 %
Home equity loans and lines of credit	806	—	4,831	67,493	73,130	0.4 %
	2,884,276	—	703,870	113,603	3,701,749	22.3 %
Commercial:						
Multi-family	3,447,526	24,636	—	—	3,472,162	20.9 %
Commercial real estate						
Owner occupied	1,338,184	16,567	—	—	1,354,751	8.2 %
Non-owner occupied	2,885,226	25,101	—	—	2,910,327	17.5 %
Construction and land	347,676	—	—	—	347,676	2.1 %
Commercial and industrial	2,769,813	1,062	—	—	2,770,875	16.7 %
Commercial lending subsidiaries	2,003,984	—	—	—	2,003,984	12.1 %
	12,792,409	67,366	—	—	12,859,775	77.5 %
Consumer	35,173	10	—	—	35,183	0.2 %
Total loans	15,711,858	67,376	703,870	113,603	16,596,707	100.0 %
Premiums, discounts and deferred fees and costs, net	47,829	—	—	(7,933)	39,896	
Loans including premiums, discounts and deferred fees and costs	15,759,687	67,376	703,870	105,670	16,636,603	
Allowance for loan and lease losses	(120,960)	—	—	(4,868)	(125,828)	
Loans, net	$15,638,727	$67,376	$703,870	$100,802	$16,510,775	

Through two subsidiaries, the Bank provides commercial and municipal equipment financing utilizing both loan and lease structures. At June 30, 2016 and December 31, 2015, the commercial lending subsidiaries portfolio included a net investment in direct financing leases of $556 million and $472 million, respectively.

During the three and six months ended June 30, 2016 and 2015, the Company purchased 1-4 single family residential loans totaling $328 million, $582 million, $266 million and $435 million, respectively.

At June 30, 2016, the Company had pledged real estate loans with UPB of approximately $9.0 billion and recorded investment of approximately $8.1 billion as security for FHLB advances.

At June 30, 2016 and December 31, 2015, the UPB of ACI loans was $1.8 billion and $2.0 billion, 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 six months ended June 30, 2016 and the year ended December 31, 2015 were as follows (in thousands):

Balance at December 31, 2014	$1,005,312
Reclassifications from non-accretable difference	192,291
Accretion	(295,038)
Balance at December 31, 2015	902,565
Reclassifications from non-accretable difference	54,275
Accretion	(153,440)
Balance at June 30, 2016	$803,400

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Covered loan sales
During the periods indicated, the Company sold covered residential loans to third parties on a non-recourse basis. The following table summarizes the impact of these transactions (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
UPB of loans sold	$58,699	$62,708	$115,552	$118,121
Cash proceeds, net of transaction costs	$40,954	$50,916	$83,490	$98,611
Recorded investment in loans sold	45,105	43,499	88,353	81,188
Gain (loss) on sale of covered loans, net	$(4,151)	$7,417	$(4,863)	$17,423
Gain (loss) on FDIC indemnification, net	$3,363	$(5,928)	$3,932	$(14,046)

Allowance for loan and lease losses
Activity in the ALLL is summarized as follows for the periods indicated (in thousands):

	Three Months Ended June 30,							
	2016				2015			
	Residential	Commercial	Consumer	Total	Residential	Commercial	Consumer	Total
Beginning balance	$13,594	$111,816	$ 234	$125,644	$13,202	$ 86,446	$ 188	$99,836
Provision for (recovery of) loan losses:								
Non-ACI loans	67	(10)	—	57	62	(17)	—	45
New loans	(876)	15,267	(115)	14,276	781	7,604	(9)	8,376
Total provision	(809)	15,257	(115)	14,333	843	7,587	(9)	8,421
Charge-offs:								
Non-ACI loans	(501)	—	—	(501)	(630)	—	—	(630)
New loans	—	(5,325)	—	(5,325)	—	(884)	—	(884)
Total charge-offs	(501)	(5,325)	—	(5,826)	(630)	(884)	—	(1,514)
Recoveries:								
Non-ACI loans	2	10	—	12	14	17	—	31
New loans	—	1,545	10	1,555	—	591	20	611
Total recoveries	2	1,555	10	1,567	14	608	20	642
Ending balance	$12,286	$123,303	$ 129	$135,718	$13,429	$ 93,757	$ 199	$107,385

	Six Months Ended June 30,							
	2016				2015			
	Residential	Commercial	Consumer	Total	Residential	Commercial	Consumer	Total
Beginning balance	$15,958	$109,617	$253	$125,828	$11,325	$84,027	$190	$95,542
Provision for (recovery of) loan losses:								
Non-ACI loans	(644)	(30)	—	(674)	(374)	(32)	—	(406)
New loans	(2,257)	21,109	(137)	18,715	3,726	13,262	(14)	16,974
Total provision	(2,901)	21,079	(137)	18,041	3,352	13,230	(14)	16,568
Charge-offs:								
Non-ACI loans	(839)	—	—	(839)	(1,269)	—	—	(1,269)
New loans	—	(9,133)	—	(9,133)	—	(4,283)	—	(4,283)
Total charge-offs	(839)	(9,133)	—	(9,972)	(1,269)	(4,283)	—	(5,552)
Recoveries:								
Non-ACI loans	68	30	—	98	21	32	—	53
New loans	—	1,710	13	1,723	—	751	23	774
Total recoveries	68	1,740	13	1,821	21	783	23	827
Ending balance	$12,286	$123,303	$129	$135,718	$13,429	$93,757	$199	$107,385

Beginning in the first quarter of 2016, the methodology for calculation of the ALLL was changed to extend the loss experience period used to calculate historical average net charge-off rates from 12 quarters to 16 quarters. We believe this extension of the look back period is appropriate at this time to capture a sufficient range of observations reflecting the performance of our loans, most of which were originated in the current economic cycle, and to reflect recent indications that the U.S. economy continues to move through the credit cycle. Extending the look back period to 16 quarters resulted in an increase in the ALLL of approximately $9 million as of March 31, 2016, as compared to using a 12-quarter look back period at the same date. This increase was largely offset by reductions in certain qualitative factors.

The following table presents information about the balance of the ALLL and related loans at the dates indicated (in thousands):

	June 30, 2016				December 31, 2015			
	Residential	Commercial	Consumer	Total	Residential	Commercial	Consumer	Total
Allowance for loan and lease losses:								
Ending balance	$12,286	$123,303	$129	$135,718	$15,958	$109,617	$253	$125,828
Ending balance: non-ACI and new loans individually evaluated for impairment	$605	$11,711	$—	$12,316	$978	$5,439	$—	$6,417
Ending balance: non-ACI and new loans collectively evaluated for impairment	$11,681	$111,592	$129	$123,402	$14,980	$104,178	$253	$119,411
Ending balance: ACI	$—	$—	$—	$—	$—	$—	$—	$—
Ending balance: non-ACI	$3,453	$—	$—	$3,453	$4,868	$—	$—	$4,868
Ending balance: new loans	$8,833	$123,303	$129	$132,265	$11,090	$109,617	$253	$120,960
Loans:								
Ending balance	$3,913,311	$14,274,777	$31,514	$18,219,602	$3,734,967	$12,866,548	$35,088	$16,636,603
Ending balance: non-ACI and new loans individually evaluated for impairment	$12,139	$117,115	$—	$129,254	$12,240	$54,128	$—	$66,368
Ending balance: non-ACI and new loans collectively evaluated for impairment	$3,275,356	$14,108,435	$31,506	$17,415,297	$3,018,857	$12,745,054	$35,078	$15,798,989
Ending balance: ACI loans	$625,816	$49,227	$8	$675,051	$703,870	$67,366	$10	$771,246

Credit quality information

New and non-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 on non-accrual status with committed balances greater than or equal to $1.0 million that have internal risk ratings of substandard or doubtful, as well as loans that have been modified in TDRs, are individually evaluated for impairment. 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.

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The tables below present information about new and non-ACI loans identified as impaired as of the dates indicated (in thousands):

	June 30, 2016			December 31, 2015		
	Recorded Investment	UPB	Related Specific Allowance	Recorded Investment	UPB	Related Specific Allowance
New loans:						
With no specific allowance recorded:						
Commercial real estate						
Owner occupied	$10,436	$10,450	$ —	$6,194	$6,015	$ —
Non-owner occupied	—	—	—	548	533	—
Commercial and industrial	18,530	18,530	—	3,561	3,559	—
Commercial lending subsidiaries	7,419	7,399	—	3,839	3,821	—
With a specific allowance recorded:						
1-4 single family residential	344	330	6	—	—	—
Commercial real estate						
Owner occupied	8,460	7,835	857	—	—	—
Construction and land	1,331	1,238	202	—	—	—
Commercial and industrial	70,939	70,926	10,652	34,340	34,370	3,799
Commercial lending subsidiaries	—	—	—	5,646	5,628	1,640
Total:						
Residential	$344	$330	$ 6	$—	$—	$ —
Commercial	117,115	116,378	11,711	54,128	53,926	5,439
	$117,459	$116,708	$ 11,717	$54,128	$53,926	$ 5,439
Non-ACI loans:						
With no specific allowance recorded:						
1-4 single family residential	$1,188	$1,396	$ —	$417	$490	$ —
Home equity loans and lines of credit	1,724	1,750	—	1,607	1,633	—
With a specific allowance recorded:						
1-4 single family residential	1,831	2,152	280	3,301	3,828	570
Home equity loans and lines of credit	7,052	7,158	319	6,915	7,028	408
Total:						
Residential	$11,795	$12,456	$ 599	$12,240	$12,979	$ 978
Commercial	—	—	—	—	—	—
	$11,795	$12,456	$ 599	$12,240	$12,979	$ 978

One non-owner occupied commercial real estate ACI loan modified in a TDR was impaired as of June 30, 2016 and December 31, 2015, with a carrying value of $505 thousand and $500 thousand, respectively. Interest income recognized on impaired loans after impairment was not significant during the periods presented.

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The following tables present the average recorded investment in impaired loans for the periods indicated (in thousands):

	Three Months Ended June 30,					
	2016			2015		
	New Loans	Non-ACI Loans	ACI Loans	New Loans	Non-ACI Loans	ACI Loans
Residential:						
1-4 single family residential	$291	$3,104	$—	$110	$3,681	$—
Home equity loans and lines of credit	—	8,669	—	—	4,032	—
	291	11,773	—	110	7,713	—
Commercial:						
Commercial real estate						
Owner occupied	14,627	—	—	4,764	—	—
Non-owner occupied	273	—	504	649	—	508
Construction and land	666	—	—	—	—	—
Commercial and industrial	70,186	—	—	22,414	—	—
Commercial lending subsidiaries	9,487	—	—	20,272	—	—
	95,239	—	504	48,099	—	508
	$95,530	$11,773	$504	$48,209	$7,713	$508

	Six Months Ended June 30,					
	2016			2015		
	New Loans	Non-ACI Loans	ACI Loans	New Loans	Non-ACI Loans	ACI Loans
Residential:						
1-4 single family residential	$205	$3,279	$—	$73	$3,738	$—
Home equity loans and lines of credit	—	8,605	—	—	3,539	—
	205	11,884	—	73	7,277	—
Commercial:						
Commercial real estate						
Owner occupied	11,452	—	—	4,171	—	—
Non-owner occupied	410	—	502	874	—	338
Construction and land	333	—	—	—	—	—
Commercial and industrial	57,294	—	—	20,270	—	—
Commercial lending subsidiaries	10,004	—	—	16,410	—	—
	79,493	—	502	41,725	—	338
	$79,698	$11,884	$502	$41,798	$7,277	$338

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The following table presents the recorded investment in new and non-ACI loans on non-accrual status as of the dates indicated (in thousands):

	June 30, 2016		December 31, 2015	
	New Loans	Non-ACI Loans	New Loans	Non-ACI Loans
Residential:				
1-4 single family residential	$375	$ 930	$2,007	$ 594
Home equity loans and lines of credit	—	2,768	—	4,724
	375	3,698	2,007	5,318
Commercial:				
Commercial real estate				
Owner occupied	21,050	—	8,274	—
Non-owner occupied	563	—	—	—
Construction and land	1,331	—	—	—
Commercial and industrial	49,591	—	37,782	—
Commercial lending subsidiaries	7,784	—	9,920	—
	80,319	—	55,976	—
Consumer	6	—	7	—
	$80,700	$ 3,698	$57,990	$ 5,318

There were no new and non-ACI loans contractually delinquent by 90 days or more and still accruing at June 30, 2016 or December 31, 2015. 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 $0.9 million and $1.5 million for the three and six months ended June 30, 2016, 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 the new 1-4 single family residential portfolio.

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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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
June 30, 2016

The following tables summarize key indicators of credit quality for the Company's loans at the dates indicated. Amounts include premiums, discounts and deferred fees and costs (in thousands):
1-4 Single Family Residential credit exposure for new loans, based on original LTV and FICO score:

	June 30, 2016				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
60% or less	$81,944	$104,943	$154,216	$717,319	$1,058,422
60% - 70%	77,054	91,345	122,688	496,097	787,184
70% - 80%	91,843	128,468	247,908	838,137	1,306,356
More than 80%	24,317	3,636	2,989	12,642	43,584
	$275,158	$328,392	$527,801	$2,064,195	$3,195,546

	December 31, 2015				
	FICO				
LTV	720 or less	721 - 740	741 - 760	761 or greater	Total
60% or less	$78,836	$99,094	$143,864	$667,420	$989,214
60% - 70%	71,046	76,878	111,343	479,344	738,611
70% - 80%	63,380	100,271	211,299	772,646	1,147,596
More than 80%	28,338	3,938	3,481	13,443	49,200
	$241,600	$280,181	$469,987	$1,932,853	$2,924,621

Commercial credit exposure, based on internal risk rating:

	June 30, 2016						
		Commercial Real Estate					
	Multi-Family	Owner Occupied	Non-Owner Occupied	Construction and Land	Commercial and Industrial	Commercial Lending Subsidiaries	Total
New loans:							
Pass	$3,680,308	$1,540,467	$3,432,194	$ 398,507	$2,745,072	$2,109,319	$13,905,867
Special mention	—	10,414	—	—	57,134	14,966	82,514
Substandard	399	31,472	1,272	1,222	171,675	24,571	230,611
Doubtful	—	597	—	109	5,852	—	6,558
	$3,680,707	$1,582,950	$3,433,466	$ 399,838	$2,979,733	$2,148,856	$14,225,550
ACI loans:							
Pass	$24,283	$8,796	$13,736	$ —	$1,024	$—	$47,839
Special mention	—	—	—	—	—	—	—
Substandard	294	842	245	—	7	—	1,388
	$24,577	$9,638	$13,981	$ —	$1,031	$—	$49,227

	December 31, 2015						
		Commercial Real Estate					
	Multi-Family	Owner Occupied	Non-Owner Occupied	Construction and Land	Commercial and Industrial	Commercial Lending Subsidiaries	Total
New loans:							
Pass	$3,451,571	$1,317,081	$2,879,135	$ 346,795	$2,587,801	$1,981,068	$12,563,451
Special mention	—	4,824	548	—	7,556	18,584	31,512
Substandard	402	17,042	434	176	168,875	11,018	197,947
Doubtful	—	—	—	—	4,296	1,976	6,272
	$3,451,973	$1,338,947	$2,880,117	$ 346,971	$2,768,528		