

REFINITIV

DELTA REPORT

10-Q

BKU - BANKUNITED, INC.

10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 1610

■ CHANGES	321
■ DELETIONS	629
■ ADDITIONS	660

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

FORM 10-Q

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

OR

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

For the quarterly period ended **September 30, 2022** **March 31, 2023**

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 No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 o

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

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

Class	Trading Symbol	Name of Exchange on Which Registered
Common Stock, \$0.01 Par Value	BKU	New York Stock Exchange

The number of outstanding shares of the registrant common stock, \$0.01 par value, as of **October 31, 2022** **April 28, 2023** was **77,270,109** **74,406,617**.

BANKUNITED, INC.
Form 10-Q
For the Quarter Ended **September 30, 2022** **March 31, 2023**
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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.

ACL	Allowance for credit losses
AFS	Available for sale
ALCO	Asset/Liability Committee
ALM	Asset Liability Management
AOCI	Accumulated other comprehensive income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BFG	Bridge Funding Group, Inc.
BKU	BankUnited, Inc.
BankUnited	BankUnited, National Association
The Bank	BankUnited, National Association
Bridge	Bridge Funding Group, Inc.
BTFP	Bank Term Funding Program
Buyout loans	FHA and VA insured mortgages from third party servicers who have exercised their right to purchase these loans out of GNM securitizations
CCAR	Comprehensive Capital Analysis and Review
CECL	Current expected credit losses
CET1	Common Equity Tier 1 capital
C&I	Commercial and Industrial loans, including owner-occupied commercial real estate
CLO	Collateralized loan obligations
CMBS	Commercial mortgage-backed securities
CMOs	Collateralized mortgage obligations
COVID-19 COLI	Coronavirus disease of 2019 Company Owned Life Insurance
CRE	Commercial real estate loans, including multi-family ; non-owner occupied commercial real estate ; estate and construction and land
DSCR	Debt Service Coverage Ratio
EVE	Economic value of equity
FASB	Financial Accounting Standards Board
FDIA	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FICO	Fair Isaac Corporation (credit score)
FRB	Federal Reserve Bank
GAAP	U.S. generally accepted accounting principles
GDP	Gross Domestic Product
GNMA	Government National Mortgage Association
HPI	Home price indices
HTM	Held to maturity
ICS	Insured Cash Sweep
ISDA	International Swaps and Derivatives Association
LGD	Loss Given Default
LIBOR	London InterBank Offered Rate
LIHTC	Low Income Housing Tax Credits
LTV	Loan-to-value

MBS	Mortgage-backed securities
MSA	Metropolitan Statistical Area
MWL	Mortgage warehouse lending
NRSRO	Nationally recognized statistical rating organization
OREO	Other real estate owned
PCD	Purchased credit-deteriorated
PD	Probability of default
Pinnacle	Pinnacle Public Finance, Inc.
REIT	Real Estate Investment Trust
SBA	U.S. Small Business Administration
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
S&P 500	Standard & Poor's 500 Index
TDR	Troubled-debt restructuring
Tri-State	New York, New Jersey and Connecticut
UPB	Unpaid principal balance
VA loan	Loan guaranteed by the U.S. Department of Veterans Affairs

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

ASSETS	ASSETS	September 30, 2022		December 31, 2021		ASSETS	March 31, 2023		December 31, 2022	
Cash and due from banks:	Cash and due from banks:					Cash and due from banks:				
Non-interest bearing	Non-interest bearing \$	18,380	\$	19,143		Non-interest bearing \$	15,740	\$	16,068	
Interest bearing	Interest bearing	707,758		295,714		Interest bearing	888,258		556,579	
Cash and cash equivalents	Cash and cash equivalents	726,138		314,857		Cash and cash equivalents	903,998		572,647	
Investment securities (including securities recorded at fair value of \$9,787,427 and \$10,054,198)		9,797,427		10,064,198		Investment securities (including securities recorded at fair value of \$9,523,599 and \$9,745,327)		9,533,599		9,755,327
Investment securities (including securities reported at fair value of \$9,523,599 and \$9,745,327)						Non-marketable equity securities	384,697		294,172	
Non-marketable equity securities	Non-marketable equity securities	261,784		135,859		Loans	24,892,894		24,885,988	
Loans	Loans	24,266,732		23,765,053		Allowance for credit losses	(158,792)		(147,946)	
Allowance for credit losses	Allowance for credit losses	(130,671)		(126,457)		Loans, net	24,734,102		24,738,042	
Loans, net	Loans, net	24,136,061		23,638,596		Bank owned life insurance	318,305		308,212	
Bank owned life insurance	Bank owned life insurance	308,176		309,477						

Operating lease equipment, net	Operating lease equipment, net	579,693	640,726	Operating lease equipment, net	526,311	539,799
Goodwill	Goodwill	77,637	77,637	Goodwill	77,637	77,637
Other assets	Other assets	707,978	634,046	Other assets	710,554	740,876
Total assets	Total assets	\$ 36,594,894	\$ 35,815,396	Total assets	\$ 37,189,203	\$ 37,026,712
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY			LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:	Liabilities:			Liabilities:		
Demand deposits:	Demand deposits:			Demand deposits:		
Non-interest bearing	Non-interest bearing	\$ 8,794,109	\$ 8,975,621	Non-interest bearing	\$ 7,366,642	\$ 8,037,848
Interest bearing	Interest bearing	2,341,342	3,709,493	Interest bearing	2,505,150	2,142,067
Savings and money market	Savings and money market	12,513,398	13,368,745	Savings and money market	10,601,129	13,061,341
Time	Time	3,700,226	3,384,243	Time	5,249,977	4,268,078
Total deposits	Total deposits	27,349,075	29,438,102	Total deposits	25,722,898	27,509,334
Federal funds purchased	Federal funds purchased	—	199,000	Federal funds purchased	—	190,000
FHLB advances	FHLB advances	5,295,000	1,905,000	FHLB advances	7,550,000	5,420,000
Notes and other borrowings	Notes and other borrowings	721,045	721,416	Notes and other borrowings	720,787	720,923
Other liabilities	Other liabilities	748,789	514,117	Other liabilities	714,124	750,474
Total liabilities	Total liabilities	34,113,909	32,777,635	Total liabilities	34,707,809	34,590,731
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 77,599,408 and 85,647,986 shares issued and outstanding		776	856	Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 74,423,365 and 75,674,587 shares issued and outstanding		744
Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 74,423,365 and 75,674,587 shares issued and outstanding				Common stock, par value \$0.01 per share, 400,000,000 shares authorized; 74,423,365 and 75,674,587 shares issued and outstanding		757
Paid-in capital	Paid-in capital	381,411	707,503	Paid-in capital	269,353	321,729
Retained earnings	Retained earnings	2,506,539	2,345,342	Retained earnings	2,585,981	2,551,400
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(407,741)	(15,940)	Accumulated other comprehensive loss	(374,684)	(437,905)
Total stockholders' equity	Total stockholders' equity	2,480,985	3,037,761	Total stockholders' equity	2,481,394	2,435,981
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 36,594,894	\$ 35,815,396	Total liabilities and stockholders' equity	\$ 37,189,203	\$ 37,026,712

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

BANKUNITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

(In thousands, except per share data)

		Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended March 31,			
		2022		2021		2022		2021		2023		2022	
Interest income:	Interest income:									Interest income:			
Loans	Loans	\$ 244,884	\$ 194,689	\$ 645,669	\$ 602,544					Loans	\$ 308,795	\$ 191,562	
Investment securities	Investment securities	77,109	38,243	174,928	114,418					Investment securities	118,758	43,048	
Other	Other	4,031	1,413	8,364	4,613					Other	12,863	1,354	
Total interest income	Total interest income	326,024	234,345	828,961	721,575					Total interest income	440,416	235,964	
Interest expense:	Interest expense:									Interest expense:			
Deposits	Deposits	53,206	14,273	85,569	53,965					Deposits	133,630	11,857	
Borrowings	Borrowings	36,982	24,950	73,498	77,937					Borrowings	78,912	15,465	
Total interest expense	Total interest expense	90,188	39,223	159,067	131,902					Total interest expense	212,542	27,322	
Net interest income before provision for credit losses	Net interest income before provision for credit losses	235,836	195,122	669,894	589,673					Net interest income before provision for credit losses	227,874	208,642	
Provision for (recovery of) credit losses		3,720	(11,842)	35,546	(67,365)								
Provision for credit losses										Provision for credit losses	19,788	7,830	
Net interest income after provision for credit losses	Net interest income after provision for credit losses	232,116	206,964	634,348	657,038					Net interest income after provision for credit losses	208,086	200,812	
Non-interest income:	Non-interest income:									Non-interest income:			
Deposit service charges and fees	Deposit service charges and fees	6,064	5,553	17,920	15,870					Deposit service charges and fees	5,545	5,960	
Gain (loss) on investment securities, net		135	(664)	(16,125)	5,856								
Loss on investment securities, net										Loss on investment securities, net	(12,549)	(7,868)	
Lease financing	Lease financing	13,180	13,212	39,958	39,222					Lease financing	13,109	13,415	
Other non-interest income	Other non-interest income	3,693	7,377	9,070	27,583					Other non-interest income	10,430	2,794	
Total non-interest income	Total non-interest income	23,072	25,478	50,823	88,531					Total non-interest income	16,535	14,301	
Non-interest expense:	Non-interest expense:									Non-interest expense:			
Employee compensation and benefits	Employee compensation and benefits	66,097	57,224	195,646	172,971					Employee compensation and benefits	71,051	67,088	
Occupancy and equipment	Occupancy and equipment	11,719	11,760	34,630	35,127					Occupancy and equipment	10,802	11,512	
Deposit insurance expense	Deposit insurance expense	4,398	3,552	11,794	15,224					Deposit insurance expense	7,907	3,403	
Professional fees	Professional fees	3,184	2,312	8,702	6,363					Professional fees	2,918	2,262	

Technology	Technology	19,813	16,687	54,715	49,279	Technology	21,726	17,004
Depreciation of operating lease equipment		12,646	12,944	37,841	37,995			
Depreciation and impairment of operating lease equipment						Depreciation and impairment of operating lease equipment		
Other non-interest expense	Other non-interest expense	20,248	13,563	48,503	42,756	Other non-interest expense	26,855	12,445
Total non-interest expense	Total non-interest expense	138,105	118,042	391,831	359,715	Total non-interest expense	152,780	126,324
Income before income taxes	Income before income taxes	117,083	114,400	293,340	385,854	Income before income taxes	71,841	88,789
Provision for income taxes	Provision for income taxes	29,233	27,459	72,576	96,125	Provision for income taxes	18,959	21,639
Net income	Net income	\$ 87,850	\$ 86,941	\$ 220,764	\$ 289,729	Net income	\$ 52,882	\$ 67,150
Earnings per common share, basic	Earnings per common share, basic	\$ 1.13	\$ 0.94	\$ 2.73	\$ 3.12	Earnings per common share, basic	\$ 0.71	\$ 0.79
Earnings per common share, diluted	Earnings per common share, diluted	\$ 1.12	\$ 0.94	\$ 2.71	\$ 3.12	Earnings per common share, diluted	\$ 0.70	\$ 0.79

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

BANKUNITED, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED (In thousands)								
Three Months Ended September 30,			Nine Months Ended September 30,			Three Months Ended March 31,		
Net income	Net income	\$ 87,850	\$ 86,941	\$ 220,764	\$ 289,729	Net income	\$ 52,882	\$ 67,150
Other comprehensive income (loss), net of tax:	Other comprehensive income (loss), net of tax:					Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:					Unrealized gains (losses) on investment securities available for sale:		
Net unrealized holding gain (loss) arising during the period	Net unrealized holding gain (loss) arising during the period	(117,300)	(16,205)	(470,249)	(24,764)	Net unrealized holding gain (loss) arising during the period	74,936	(174,980)

Reclassification adjustment for net securities gains realized in income	Reclassification adjustment for net securities gains realized in income	(258)	(606)	(2,906)	(5,679)	Reclassification adjustment for net securities gains realized in income	(556)	(1,978)
Net change in unrealized gains (losses) on securities available for sale	Net change in unrealized gains (losses) on securities available for sale	(117,558)	(16,811)	(473,155)	(30,443)	Net change in unrealized gains (losses) on securities available for sale	74,380	(176,958)
Unrealized gains (losses) on derivative instruments:	Unrealized gains (losses) on derivative instruments:					Unrealized gains (losses) on derivative instruments:		
Net unrealized holding gain (loss) arising during the period		30,495	1,263	74,540	16,930	Net unrealized holding gain (loss) arising during the period	(2,165)	31,179
Net unrealized holding gains (losses) arising during the period						Net unrealized holding gains (losses) arising during the period		
Reclassification adjustment for net (gains) losses realized in income	Reclassification adjustment for net (gains) losses realized in income	(283)	10,359	6,814	32,603	Reclassification adjustment for net (gains) losses realized in income	(8,994)	4,020
Net change in unrealized gains (losses) on derivative instruments	Net change in unrealized gains (losses) on derivative instruments	30,212	11,622	81,354	49,533	Net change in unrealized gains (losses) on derivative instruments	(11,159)	35,199
Other comprehensive income (loss)	Other comprehensive income (loss)	(87,346)	(5,189)	(391,801)	19,090	Other comprehensive income (loss)	63,221	(141,759)
Comprehensive income (loss)	Comprehensive income (loss)	\$ 504	\$ 81,752	\$ (171,037)	\$ 308,819	Comprehensive income (loss)	\$ 116,103	\$ (74,609)

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

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

Cash flows from operating activities:	Cash flows from operating activities:	Nine Months Ended September 30,		Three Months Ended March 31,	
		2022	2021	2023	2022
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:	
Net income	Net income	\$ 220,764	\$ 289,729	Net income	\$ 52,882
					\$ 67,150

Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and accretion, net	Amortization and accretion, net	(5,444)	(16,294)
Provision for (recovery of) credit losses	35,546	(67,365)	
Provision for credit losses			Provision for credit losses 19,788 7,830
(Gain) loss on investment securities, net	16,125	(5,856)	
Loss on investment securities, net			Loss on investment securities, net 12,549 7,868
Equity based compensation	Equity based compensation	18,178	17,510
Depreciation and amortization	Depreciation and amortization	57,737	56,122
Deferred income taxes	Deferred income taxes	13,647	7,835
Proceeds from sale of loans held for sale	589,681	651,840	
Proceeds from sale of loans held for sale, net			Proceeds from sale of loans held for sale, net 103,679 248,843
Other:			Other:
(Increase) decrease in other assets	(Increase) decrease in other assets	259,044	(128,937)
Increase in other liabilities	111,863	148,437	
(Decrease) increase in other liabilities			(Decrease) increase in other liabilities (25,782) 35,269
Net cash provided by operating activities	Net cash provided by operating activities	1,317,141	953,021
Cash flows from investing activities:	Cash flows from investing activities:		
Purchases of investment securities	Purchases of investment securities	(2,713,761)	(4,378,200)
Proceeds from repayments and calls of investment securities	Proceeds from repayments and calls of investment securities	1,514,500	1,980,551
Proceeds from sale of investment securities	Proceeds from sale of investment securities	798,205	1,348,346

Purchases of non-marketable equity securities	Purchases of non-marketable equity securities	(336,375)	(16,199)	Purchases of non-marketable equity securities	(263,500)	(106,875)
Proceeds from redemption of non-marketable equity securities	Proceeds from redemption of non-marketable equity securities	210,450	56,480	Proceeds from redemption of non-marketable equity securities	172,975	52,200
Purchases of loans	Purchases of loans	(2,000,568)	(3,681,706)	Purchases of loans	(186,792)	(862,163)
Loan originations and repayments, net	Loan originations and repayments, net	872,339	3,907,957	Loan originations and repayments, net	73,367	1,000,544
Proceeds from sale of loans, net		21,327	210,525			
(Acquisition) disposition of operating lease equipment, net		23,256	(44,179)			
Other investing activities	Other investing activities	(34,639)	(13,270)	Other investing activities	(9,032)	(6,805)
Net cash used in investing activities		(1,645,266)	(629,695)			
Net cash provided by (used in) investing activities				Net cash provided by (used in) investing activities		
				96,224	(579,622)	

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

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

Cash flows from financing activities:	Nine Months Ended September 30,		Three Months Ended March 31,	
			2023	2022
	2022	2021		
Cash flows from financing activities:			Cash flows from financing activities:	
Net increase (decrease) in deposits	(2,089,027)	620,457		
Net increase (decrease) in federal funds purchased	(199,000)	19,000		
Net decrease in deposits			Net decrease in deposits	(1,786,436)
Net decrease in federal funds purchased			Net decrease in federal funds purchased	(896,827)
Additions to FHLB borrowings	4,075,000	1,231,001	Additions to FHLB borrowings	2,455,000
Repayments of FHLB borrowings	(685,000)	(1,921,000)	Repayments of FHLB borrowings	(325,000)
Dividends paid	(60,082)	(65,114)	Dividends paid	(19,346)
Repurchase of common stock	(336,533)	(136,686)	Repurchase of common stock	(55,022)
				(82,103)

Other financing activities	Other financing activities	34,048	38,322	Other financing activities	14,563	13,773
Net cash provided by (used in) financing activities		739,406	(214,020)			
Net cash provided by financing activities					Net cash provided by financing activities	
Net increase in cash and cash equivalents	Net increase in cash and cash equivalents	411,281	109,306	Net increase in cash and cash equivalents	331,351	382,635
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	314,857	397,716	Cash and cash equivalents, beginning of period	572,647	314,857
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	\$ 726,138	\$ 507,022	Cash and cash equivalents, end of period	\$ 903,998	\$ 697,492
<u>Supplemental disclosure of cash flow information:</u>	<u>Supplemental disclosure of cash flow information:</u>			<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	Interest paid	\$ 138,143	\$ 125,834	Interest paid	\$ 184,657	\$ 17,616
Income taxes (refunded) paid, net		\$ (117,145)	\$ 247,798			
Income taxes paid (refunded), net				Income taxes paid (refunded), net		\$ 8,947 \$ (13,092)
<u>Supplemental schedule of non-cash investing and financing activities:</u>	<u>Supplemental schedule of non-cash investing and financing activities:</u>			<u>Supplemental schedule of non-cash investing and financing activities:</u>		
Transfers from loans to loans held for sale	Transfers from loans to loans held for sale	\$ 613,243	\$ 832,903	Transfers from loans to loans held for sale	\$ 103,398	\$ 254,826
Dividends declared, not paid	Dividends declared, not paid	\$ 19,361	\$ 20,676	Dividends declared, not paid	\$ 19,637	\$ 20,966
Unsettled securities trades, net		\$ —	\$ 154,285			
Obligations incurred in acquisition of affordable housing limited partnerships		\$ 65,000	\$ —			

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

	Accumulated						
	Common		Common		Other		Total
	Shares	Outstanding	Stock	Paid-in	Retained	Comprehensive	Stockholders'
					Earnings	Loss	Equity
Balance at June 30, 2022		77,944,216	\$ 779	\$ 387,583	\$ 2,438,050	\$ (320,395)	\$ 2,506,017
Comprehensive income		—	—	—	87,850	(87,346)	504
Dividends (\$0.25 per common share)		—	—	—	(19,361)	—	(19,361)
Equity based compensation		4,300	—	4,647	—	—	4,647
Forfeiture of unvested shares and shares surrendered for tax withholding obligations		(34,999)	—	(30)	—	—	(30)
Repurchase of common stock		(314,109)	(3)	(10,789)	—	—	(10,792)
Balance at September 30, 2022		77,599,408	\$ 776	\$ 381,411	\$ 2,506,539	\$ (407,741)	\$ 2,480,985
Balance at June 30, 2021	93,238,553	\$ 932	\$ 1,011,786	\$ 2,173,698	\$ (24,873)	\$ 3,161,543	
Comprehensive income	—	—	—	86,941	(5,189)	81,752	
Dividends (\$0.23 per common share)	—	—	—	(20,676)	—	(20,676)	
Equity based compensation	9,756	1	3,554	—	—	—	3,555
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(13,007)	(1)	(76)	—	—	—	(77)
Repurchase of common stock	(3,185,976)	(32)	(129,391)	—	—	—	(129,423)
Balance at September 30, 2021	90,049,326	\$ 900	\$ 885,873	\$ 2,239,963	\$ (30,062)	\$ 3,096,674	

	Accumulated						Accumulated							
	Common			Other			Common			Other			Total	
	Shares	Outstanding	Stock	Paid-in Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Shares	Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Comprehensive Loss	Stockholders' Equity
Balance at December 31, 2021	85,647,986	\$ 856	\$ 707,503	\$ 2,345,342	\$ (15,940)	\$ 3,037,761								
Comprehensive loss	—	—	—	220,764	(391,801)	(171,037)								
Dividends (\$0.75 per common share)	—	—	—	(59,567)	—	(59,567)								
Balance at December 31, 2022							Balance at December 31, 2022							
Impact of adoption of ASU 2022-02							Impact of adoption of ASU 2022-02							
Balance at January 1, 2023							Balance at January 1, 2023							
Comprehensive income							Comprehensive income							
Dividends (\$0.27 per common share)							Dividends (\$0.27 per common share)							
Equity based compensation	Equity based compensation	496,361	5	15,592	—	—	Equity based compensation	596,979	5	9,584	—	—	9,589	
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(199,339)	(2)	(5,234)	—	—	Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(213,956)	(2)	(6,954)	—	—	(6,956)	
Repurchase of common stock	Repurchase of common stock	(8,345,600)	(83)	(336,450)	—	—	Repurchase of common stock	(1,634,245)	(16)	(55,006)	—	—	(55,022)	
Balance at September 30, 2022		77,599,408	\$ 776	\$ 381,411	\$ 2,506,539	\$ (407,741)								
Balance at March 31, 2023							Balance at March 31, 2023							
Balance at December 31, 2020	93,067,500	\$ 931	\$ 1,017,518	\$ 2,013,715	\$ (49,152)	\$ 2,983,012								

Comprehensive income	—	—	—	289,729	19,090	308,819							
Dividends (\$0.69 per common share)	—	—	—	(63,481)	—	(63,481)							
Balance at December 31, 2021							Balance at December 31, 2021	85,647,986	\$ 856	\$ 707,503	\$ 2,345,342	\$ (15,940) \$ 3,037,761	
Comprehensive loss							Comprehensive loss	—	—	—	67,150	(141,759) (74,609)	
Dividends (\$0.25 per common share)							Dividends (\$0.25 per common share)	—	—	—	(20,966)	— (20,966)	
Equity based compensation	Equity based compensation	568,936	6	10,772	—	—	10,778	Equity based compensation	468,050	5	6,326	—	— 6,331
Forfeiture of unvested shares and shares surrendered for tax withholding obligations	Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(197,639)	(3)	(5,790)	—	—	(5,793)	Forfeiture of unvested shares and shares surrendered for tax withholding obligations	(132,112)	(1)	(5,181)	—	— (5,182)
Exercise of stock options		1,569	—	25	—	—	25						
Repurchase of common stock	Repurchase of common stock	(3,391,040)	(34)	(136,652)	—	—	(136,686)	Repurchase of common stock	(1,931,903)	(19)	(82,084)	—	— (82,103)
Balance at September 30, 2021		90,049,326	\$ 900	\$ 885,873	\$ 2,239,963	\$ (30,062)	\$ 3,096,674						
Balance at March 31, 2022							Balance at March 31, 2022	84,052,021	\$ 841	\$ 626,564	\$ 2,391,526	\$ (157,699) \$ 2,861,232	

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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 September 30, 2022 March 31, 2023

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 58 banking centers located in 12 Florida, counties, 4 banking centers located in the New York metropolitan area and 1 banking center located in Dallas, Texas at **September 30, 2022** **March 31, 2023**. The Bank also offers certain commercial lending and deposit products through national platforms and regional wholesale banking offices.

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, these 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, 2021** **December 31, 2022** 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 nine months ended **September 30, 2022** **March 31, 2023** are not necessarily indicative of the results that may be expected in future periods.

The Company has a single operating segment and thus a single reportable segment. While management monitors the revenue streams of its various business units, the business units serve a similar base of primarily commercial clients, providing a similar range of products and services, managed through similar processes and platforms. The Company's chief operating decision maker makes company-wide resource allocation decisions and assessments of performance based on a collective assessment of the Company's operations.

Accounting Estimates

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

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

New Accounting Pronouncements Adopted During the Nine Three Months Ended September 30, 2022 March 31, 2023

ASU No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* 2022-02, *Financial Instruments—Credit Losses (Topic 326)*. This ASU **simplifies** eliminated the accounting guidance for convertible debt TDRs by creditors in Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*. The ASU enhanced disclosure requirements for certain loan refinancings and convertible preferred stock restructurings by reducing the number creditors when a borrower is experiencing financial difficulty, updated certain requirements related to accounting for credit losses under ASC 326 and required disclosure of accounting models for these instruments, resulting in fewer embedded conversion features being separately recognized from the host contract. Additionally, this ASU revises the criteria for determining whether contracts in an entity's own equity meet the scope exception from derivative accounting, which will change the population current-period gross charge-offs of contracts that are recognized as assets or liabilities. The amendments in this ASU also revise certain aspects financing receivables by year of the guidance on calculating earnings per share with respect to convertible instruments and instruments that may be settled in the entity's own shares, origination. The Company adopted this ASU in the first quarter of 2023, prospectively, except with respect to the recognition and measurement of TDRs, for which the modified retrospective transition method was applied. The Company recorded a reduction to the ACL of \$1.8 million and a cumulative-effect adjustment, net of tax, to retained earnings of \$1.3 million on January 1, 2022, with no material impact on the Company's consolidated financial position, results of operations, and cash flows. January 1, 2023.

Accounting Pronouncements Not Yet Adopted

ASU No. 2022-01, 2023-02—*Fair Value Hedging—Portfolio Layer Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures using the Proportional Amortization Method (A Consensus of the Emerging Issues Task Force)* (Topic 815). This ASU **expands** was issued to expand use of the portfolio layer proportional amortization method of **hedge** accounting prescribed to equity investments in tax credit programs beyond those in LIHTC programs. The ASU No. 2017-12 to allow multiple hedged layers of a single closed portfolio and to include portfolios of both prepayable and non-prepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same accounting proportional amortization method, to similar hedging strategies. The ASU also specifies eligible hedging instruments on a tax-credit-program-by-tax-credit-program basis, for all equity investments in a single-layer hedge, provides additional guidance on accounting and disclosure of hedge basis adjustments and specifies how hedge basis adjustments should be considered in determining tax credit losses for assets in programs meeting the designated closed portfolio. **eligibility criteria established**. This ASU is effective for public business entities the Company for interim and annual periods in fiscal years beginning after December 15, 2022 December 15, 2023. The Company adopted this ASU upon its release in March 2022 with no material impact on Currently, all of the Company's consolidated financial position, results of operations, and cash flows. **equity investments in tax credit programs are in LIHTC programs accounted for using the proportional amortization method.**

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
September 30, 2022 March 31, 2023

Accounting Pronouncements Not Yet Adopted

ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326)*. This ASU eliminates the accounting guidance for TDRs by creditors in Subtopic 310-40, *Receivables - Troubled Debt Restructurings by Creditors*. The ASU enhances disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty, updates certain requirements related to accounting for credit losses under ASC 326 and requires disclosure of current-period gross write offs of financing receivables by year of origination. The ASU is effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company is currently completing its evaluation of the impact of adoption of this ASU, however, the impact of adoption on the Company's consolidated financial position, results of operations, and cash flows is not expected to be material. Adoption will lead to additional and revised disclosures in the Company's financial statements.

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):

	Basic earnings per common share:	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,			
		2022		2021		2022		2021	
		Numerator:	Net income	Distributed and undistributed earnings allocated to participating securities	Net income	Distributed and undistributed earnings allocated to participating securities	Net income	Distributed and undistributed earnings allocated to participating securities	Net income
Basic earnings per common share:	Basic earnings per common share:								
Numerator:	Numerator:								
Net income	Net income	\$ 87,850	\$ 86,941	\$ 220,764	\$ 289,729	Net income	\$ 52,882	\$ 67,150	
Distributed and undistributed earnings allocated to participating securities	Distributed and undistributed earnings allocated to participating securities	(1,343)	(1,112)	(3,258)	(3,701)	Distributed and undistributed earnings allocated to participating securities	(798)	(929)	

Income allocated to common stockholders for basic earnings per common share	Income allocated to common stockholders for basic earnings per common share \$ 86,507	\$ 85,829	\$ 217,506	\$ 286,028	Income allocated to common stockholders for basic earnings per common share \$ 52,084	\$ 66,221
Denominator:	Denominator:				Denominator:	
Weighted average common shares outstanding	Weighted average common shares outstanding 77,912,320	92,053,714	81,039,561	92,787,824	Weighted average common shares outstanding 74,755,002	84,983,873
Less average unvested stock awards	Less average unvested stock awards (1,221,971)	(1,208,304)	(1,230,396)	(1,218,416)	Less average unvested stock awards (1,193,881)	(1,211,807)
Weighted average shares for basic earnings per common share	Weighted average shares for basic earnings per common share 76,690,349	90,845,410	79,809,165	91,569,408	Weighted average shares for basic earnings per common share 73,561,121	83,772,066
Basic earnings per common share	Basic earnings per common share \$ 1.13	\$ 0.94	\$ 2.73	\$ 3.12	Basic earnings per common share \$ 0.71	\$ 0.79
Diluted earnings per common share:	Diluted earnings per common share:				Diluted earnings per common share:	
Numerator:	Numerator:				Numerator:	
Income allocated to common stockholders for basic earnings per common share	Income allocated to common stockholders for basic earnings per common share \$ 86,507	\$ 85,829	\$ 217,506	\$ 286,028	Income allocated to common stockholders for basic earnings per common share \$ 52,084	\$ 66,221
Adjustment for earnings reallocated from participating securities	Adjustment for earnings reallocated from participating securities 6	2	9	5	Adjustment for earnings reallocated from participating securities 3	1
Income used in calculating diluted earnings per common share	Income used in calculating diluted earnings per common share \$ 86,513	\$ 85,831	\$ 217,515	\$ 286,033	Income used in calculating diluted earnings per common share \$ 52,087	\$ 66,222
Denominator:	Denominator:				Denominator:	
Weighted average shares for basic earnings per common share	Weighted average shares for basic earnings per common share 76,690,349	90,845,410	79,809,165	91,569,408	Weighted average shares for basic earnings per common share 73,561,121	83,772,066
Dilutive effect of certain share-based awards	Dilutive effect of certain share-based awards 433,472	182,448	308,608	152,675	Dilutive effect of certain share-based awards 447,581	137,704
Weighted average shares for diluted earnings per common share	Weighted average shares for diluted earnings per common share 77,123,821	91,027,858	80,117,773	91,722,083	Weighted average shares for diluted earnings per common share 74,008,702	83,909,770

Diluted earnings per common share	Diluted earnings per common share	Diluted earnings per common share
\$ 1.12	\$ 0.94	\$ 2.71
\$ 3.12	\$ 0.70	\$ 0.79

Potentially dilutive unvested shares totaling 1,213,029 1,190,511 and 1,205,136 1,267,676 were outstanding at September 30, 2022 March 31, 2023 and 2021, 2022, respectively, but excluded from the calculation of diluted earnings per common share because their inclusion would have been anti-dilutive.

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
September 30, 2022 March 31, 2023

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 the dates indicated (in thousands):

Investment securities available for sale:	Investment securities available for sale:	September 30, 2022					March 31, 2023				
		Gross Unrealized			(1)	Carrying Value	Gross Unrealized			(1)	Carrying Value
		Amortized Cost	Gains	Losses			Amortized Cost	Gains	Losses		
U.S. Treasury securities	U.S. Treasury securities	\$ 109,441	\$ —	\$ (13,509)	\$ 95,932	Investment securities available for sale:	U.S. Treasury securities	\$ 129,140	\$ 290	\$ (11,047)	\$ 118,383
U.S. Government agency and sponsored enterprise residential MBS	U.S. Government agency and sponsored enterprise residential MBS	2,049,680	432	(48,813)	2,001,299	U.S. Government agency and sponsored enterprise residential MBS	2,028,070	1,528	(49,065)	1,980,533	
U.S. Government agency and sponsored enterprise commercial MBS	U.S. Government agency and sponsored enterprise commercial MBS	612,022	57	(76,813)	535,266	U.S. Government agency and sponsored enterprise commercial MBS	584,464	140	(66,222)	518,382	
Private label residential MBS and CMOs	Private label residential MBS and CMOs	2,893,779	562	(306,755)	2,587,586	Private label residential MBS and CMOs	2,825,107	807	(300,432)	2,525,482	
Private label commercial MBS	Private label commercial MBS	2,693,231	124	(109,467)	2,583,888	Private label commercial MBS	2,533,319	887	(99,387)	2,434,819	
Single family real estate-backed securities	Single family real estate-backed securities	505,288	14	(27,247)	478,055	Single family real estate-backed securities	468,225	—	(19,724)	448,501	
Collateralized loan obligations	Collateralized loan obligations	1,094,064	208	(34,749)	1,059,523	Collateralized loan obligations	1,126,532	416	(20,870)	1,106,078	
Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	106,672	1	(6,550)	100,123	Non-mortgage asset-backed securities	98,812	—	(4,713)	94,099	
State and municipal obligations	State and municipal obligations	122,966	1	(9,443)	113,524	State and municipal obligations	106,897	926	(3,873)	103,950	

SBA securities	SBA securities	145,216	545	(4,135)	141,626	SBA securities	127,959	310	(3,666)	124,603
		10,332,359	\$ 1,944	\$ (637,481)	9,696,822		10,028,525	\$ 5,304	\$ (578,999)	9,454,830
Investment securities held to maturity	Investment securities held to maturity	10,000		10,000		Investment securities held to maturity	10,000		10,000	
		\$ 10,342,359		9,706,822			\$ 10,038,525		9,464,830	
Marketable equity securities	Marketable equity securities			90,605		Marketable equity securities			68,769	
				\$ 9,797,427					\$ 9,533,599	

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BANKUNITED, INC. AND SUBSIDIARIES
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September 30, 2022 March 31, 2023

		December 31, 2021					December 31, 2022				
		Gross Unrealized			Carrying Value (1)	Gross Unrealized			Carrying Value (1)		
		Amortized Cost	Gains	Losses		Amortized Cost	Gains	Losses			
Investment securities available for sale:	Investment securities available for sale:				Investment securities available for sale:						
U.S. Treasury securities	U.S. Treasury securities	\$ 114,385	\$ 173	\$ (2,898)	\$ 111,660	U.S. Treasury securities	\$ 148,956	\$ 63	\$ (13,178)	\$ 135,841	
U.S. Government agency and sponsored enterprise residential MBS	U.S. Government agency and sponsored enterprise residential MBS	2,093,283	12,934	(8,421)	2,097,796	U.S. Government agency and sponsored enterprise residential MBS	2,036,693	1,334	(54,859)	1,983,168	
U.S. Government agency and sponsored enterprise commercial MBS	U.S. Government agency and sponsored enterprise commercial MBS	861,925	5,287	(10,313)	856,899	U.S. Government agency and sponsored enterprise commercial MBS	600,517	—	(75,423)	525,094	
Private label residential MBS and CMOs	Private label residential MBS and CMOs	2,160,136	3,575	(14,291)	2,149,420	Private label residential MBS and CMOs	2,864,589	54	(333,980)	2,530,663	
Private label commercial MBS	Private label commercial MBS	2,604,690	7,843	(8,523)	2,604,010	Private label commercial MBS	2,645,168	176	(120,990)	2,524,354	
Single family real estate-backed securities	Single family real estate-backed securities	474,845	5,031	(2,908)	476,968	Single family real estate-backed securities	502,194	—	(31,753)	470,441	
Collateralized loan obligations	Collateralized loan obligations	1,079,217	598	(1,529)	1,078,286	Collateralized loan obligations	1,166,838	151	(30,526)	1,136,463	
Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	151,091	1,419	—	152,510	Non-mortgage asset-backed securities	102,194	—	(6,218)	95,976	

State and municipal obligations	State and municipal obligations	205,718	16,559	—	222,277	State and municipal obligations	122,181	695	(6,215)	116,661
SBA securities	SBA securities	184,296	2,027	(2,728)	183,595	SBA securities	139,320	381	(3,919)	135,782
		9,929,586	\$ 55,446	\$ (51,611)	9,933,421		10,328,650	\$ 2,854	\$ (677,061)	9,654,443
Investment securities held to maturity	Investment securities held to maturity	10,000			10,000	Investment securities held to maturity	10,000			10,000
		\$ 9,939,586			9,943,421		\$ 10,338,650			9,664,443
Marketable equity securities	Marketable equity securities				120,777	Marketable equity securities				90,884
					\$ 10,064,198					\$ 9,755,327

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

Investment securities held to maturity at **September 30, 2022** **March 31, 2023** and **December 31, 2021** **December 31, 2022** consisted of one State of Israel bond maturing in 2024. Accrued interest receivable on investments totaled **\$26 million** **\$36 million** and **\$16 million** **\$34 million** at **September 30, 2022** **March 31, 2023** and **December 31, 2021** **December 31, 2022**, respectively, and is included in other assets in the accompanying consolidated balance sheets.

At **September 30, 2022** **March 31, 2023**, contractual maturities of investment securities available for sale, adjusted for anticipated prepayments when applicable, were as follows (in thousands):

Due in one year or less	Due in one year or less	Amortized Cost		Fair Value	Due in one year or less	Amortized Cost		Fair Value
		\$ 1,500,564	\$ 1,423,985			\$ 1,399,602	\$ 1,345,012	
Due after one year through five years	Due after one year through five years	6,082,491		5,801,161	Due after one year through five years	5,563,191		5,343,463
Due after five years through ten years	Due after five years through ten years	1,911,964		1,725,139	Due after five years through ten years	1,811,023		1,648,170
Due after ten years	Due after ten years	837,340		746,537	Due after ten years	1,254,709		1,118,185
		\$ 10,332,359		\$ 9,696,822		\$ 10,028,525		\$ 9,454,830

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 **\$3.9 billion** **\$8.4 billion** and **\$4.0 billion** **\$4.1 billion** at **September 30, 2022** **March 31, 2023** and **December 31, 2021** **December 31, 2022**, respectively.

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BANKUNITED, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED **September 30, 2022** **March 31, 2023**

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

Proceeds from sale of investment securities AFS	Three Months Ended September 30,		Nine Months Ended September 30,		2023	2022
	2022	2021	2022	2021		
	\$ 87,436	\$ 548,290	\$ 798,205	\$ 1,348,346		
Three Months Ended March 31,					2023	2022

Gross realized gains on investment securities	Gross realized gains on AFS securities	AFS	\$ 352	\$ 821	\$ 4,058	\$ 7,683	Gross realized gains on investment securities	AFS	\$ 772	\$ 2,750			
Gross realized losses on investment securities	Gross realized losses on AFS securities	AFS	(3)	(6)	(131)	(60)	Gross realized losses on investment securities	AFS	(20)	(77)			
Net realized gain	Net realized gain		349	815	3,927	7,623	Net realized gain		752	2,673			
Net unrealized losses on marketable equity securities recognized in earnings			(214)	(1,479)	(20,052)	(1,767)							
Gain (loss) on investment securities, net			\$ 135	\$ (664)	\$ (16,125)	\$ 5,856							
Net losses on marketable equity securities recognized in earnings							Net losses on marketable equity securities recognized in earnings						
Loss on investment securities, net							Loss on investment securities, net						

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

		September 30, 2022						March 31, 2023						
		Less than 12 Months		12 Months or Greater		Total		Less than 12 Months		12 Months or Greater		Total		
		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		
		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	
U.S. Treasury securities	U.S. Treasury securities	\$ 9,559	\$ (480)	\$ 86,373	\$ (13,029)	\$ 95,932	\$ (13,509)	U.S. Treasury securities	\$ —	\$ 98,433	\$ (11,047)	\$ 98,433		
U.S. Government agency and sponsored enterprise	U.S. Government agency and sponsored enterprise							U.S. Government agency and sponsored enterprise						
residential	residential													
MBS	MBS	1,351,890	(23,657)	515,107	(25,156)	1,866,997	(48,813)	MBS	450,166	(4,814)	1,426,663	(44,251)	1,876,829	
U.S. Government agency and sponsored enterprise	U.S. Government agency and sponsored enterprise							U.S. Government agency and sponsored enterprise						
commercial	commercial													
MBS	MBS	321,279	(19,599)	193,727	(57,214)	515,006	(76,813)	MBS	85,834	(2,507)	418,940	(63,715)	504,774	
Private label residential MBS and CMOs	Private label residential MBS and CMOs	1,530,765	(134,382)	1,004,759	(172,373)	2,535,524	(306,755)	Private label residential MBS and CMOs	132,246	(4,089)	2,283,623	(296,343)	2,415,869	
Private label commercial MBS	Private label commercial MBS	1,831,435	(61,419)	657,575	(48,048)	2,489,010	(109,467)	Private label commercial MBS	292,200	(5,388)	1,967,412	(93,999)	2,259,612	

Single family real estate-backed securities	Single family real estate-backed securities	339,472	(18,424)	80,875	(8,823)	420,347	(27,247)	Single family real estate-backed securities	69,334	(117)	379,167	(19,607)	448,501
Collateralized loan obligations	Collateralized loan obligations	706,698	(26,217)	314,073	(8,532)	1,020,771	(34,749)	Collateralized loan obligations	191,045	(1,455)	862,512	(19,415)	1,053,557
Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	99,227	(6,550)	—	—	99,227	(6,550)	Non-mortgage asset-backed securities	8,184	(54)	85,915	(4,659)	94,099
State and municipal obligations	State and municipal obligations	87,329	(9,443)	—	—	87,329	(9,443)	State and municipal obligations	6,352	(74)	27,842	(3,799)	34,194
SBA securities	SBA securities	37,304	(328)	78,622	(3,807)	115,926	(4,135)	SBA securities	41,923	(567)	66,337	(3,099)	108,260
		<u>\$6,314,958</u>	<u>(\$300,499)</u>	<u>\$2,931,111</u>	<u>\$(\$336,982)</u>	<u>\$9,246,069</u>	<u>(\$637,481)</u>		<u>\$1,277,284</u>	<u>(\$19,065)</u>	<u>\$7,616,844</u>	<u>\$(\$559,934)</u>	<u>\$8,894,128</u>

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September 30, 2022 **March 31, 2023**

		December 31, 2021						December 31, 2022												
		Less than 12 Months			12 Months or Greater			Total			Less than 12 Months			12 Months or Greater						
		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized				
		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value				
U.S. Treasury securities	U.S. Treasury securities	\$ 49,328	\$ (591)	\$ 47,102	\$ (2,307)	\$ 96,430	\$ (2,898)	U.S. Treasury securities	\$ 29,198	\$ (495)	\$ 86,744	\$ (12,683)	\$ 115,942	\$ (1,159)	U.S. Treasury securities	\$ 29,198	\$ (495)	\$ 86,744	\$ (12,683)	\$ 115,942
U.S. Government agency and sponsored enterprise residential MBS	U.S. Government agency and sponsored enterprise residential MBS	436,744	(4,549)	401,022	(3,872)	837,766	(8,421)	U.S. Government agency and sponsored enterprise residential MBS	1,243,286	(26,789)	672,322	(28,070)	1,915,608	(1,915,608)	U.S. Government agency and sponsored enterprise residential MBS	1,243,286	(26,789)	672,322	(28,070)	1,915,608
U.S. Government agency and sponsored enterprise commercial MBS	U.S. Government agency and sponsored enterprise commercial MBS	247,323	(4,084)	163,380	(6,229)	410,703	(10,313)	U.S. Government agency and sponsored enterprise commercial MBS	236,102	(5,736)	288,992	(69,687)	525,094	(525,094)	U.S. Government agency and sponsored enterprise commercial MBS	236,102	(5,736)	288,992	(69,687)	525,094
Private label residential MBS and CMOs	Private label residential MBS and CMOs	1,552,946	(13,933)	23,355	(358)	1,576,301	(14,291)	Private label residential MBS and CMOs	1,103,578	(93,480)	1,413,642	(240,500)	2,517,220	(2,517,220)	Private label residential MBS and CMOs	1,103,578	(93,480)	1,413,642	(240,500)	2,517,220
Private label commercial MBS	Private label commercial MBS	1,338,288	(6,085)	171,490	(2,438)	1,509,778	(8,523)	Private label commercial MBS	1,191,969	(39,729)	1,223,223	(81,261)	2,415,192	(2,415,192)	Private label commercial MBS	1,191,969	(39,729)	1,223,223	(81,261)	2,415,192
Single family real estate-backed securities	Single family real estate-backed securities	154,552	(2,908)	—	—	154,552	(2,908)	Single family real estate-backed securities	391,421	(22,293)	79,020	(9,460)	470,441	(470,441)	Single family real estate-backed securities	391,421	(22,293)	79,020	(9,460)	470,441
Collateralized loan obligations	Collateralized loan obligations	318,555	(445)	319,192	(1,084)	637,747	(1,529)	Collateralized loan obligations	596,803	(14,020)	494,945	(16,506)	1,091,748	(1,091,748)	Collateralized loan obligations	596,803	(14,020)	494,945	(16,506)	1,091,748

Non-mortgage						Non-mortgage							
asset-backed securities						asset-backed securities							
State and municipal obligations						State and municipal obligations							
SBA securities	SBA securities	496	—	99,599	(2,728)	100,095	(2,728)	SBA securities	42,900	(553)	74,291	(3,366)	117,191
		\$4,098,232	\$32,595	\$1,225,140	\$19,016	\$5,323,372	\$51,611		\$4,998,677	\$215,467	\$4,334,293	\$461,594	\$9,332,970

The Company monitors its investment securities available for sale for credit loss impairment on an individual security basis. No securities were determined to be credit loss impaired during the three and nine months ended **September 30, 2022** **March 31, 2023** and **2021**. At **September 30, 2022** **March 31, 2023**, the Company did not have an intent to sell securities that were in unrealized loss positions and it was not more likely than not that the Company would be required to sell these securities before recovery of the amortized cost basis, which may be at maturity. In making this determination, the Company considered its current and projected liquidity position, its investment policy as to permissible holdings and concentration limits, regulatory requirements and other relevant factors. While recent events impacting the banking sector have impacted the liquidity profile of many banks, including BankUnited, the substantial majority of our investment securities are pledgeable at either the FHLB or FRB. We have not sold, and do not anticipate the need to sell, securities in unrealized loss positions to generate liquidity.

At **September 30, 2022** **March 31, 2023**, 579 569 securities available for sale were in unrealized loss positions. The amount of impairment related to 96 102 of these securities was considered insignificant both individually and in the aggregate, totaling approximately \$0.9 million and no further analysis with respect to these securities was considered necessary.

The basis for concluding that AFS securities were not credit loss impaired and no ACL was considered necessary at **September 30, 2022** **March 31, 2023** is further discussed below.

Unrealized losses were generally attributable to rising interest rates and widening spreads related to the Federal Reserve's quantitative tightening and benchmark interest rate increases. Continuing uncertainty with respect to the trajectory of the economy and geopolitical events have also led to market uncertainty, producing some yield curve dislocations. The investment securities AFS portfolio was in a net unrealized loss position of \$573.7 million at March 31, 2023, compared to \$674.2 million at December 31, 2022, improving by \$100 million during the three months ended March 31, 2023.

U.S. Government, U.S. Government Agency and Government Sponsored Enterprise Securities

At **September 30, 2022** **March 31, 2023**, five U.S. treasury, 149 150 U.S. Government agency and sponsored enterprise residential MBS, 27 26 U.S. Government agency and sponsored enterprise commercial MBS, and 15 18 SBA securities were in unrealized loss positions. The timely payment of principal and interest on these securities is explicitly or implicitly guaranteed by the U.S. Government. As such, there is an assumption of zero credit loss and the Company expects to recover the amortized cost basis of these securities.

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Private Label Securities:

None of the impaired private label securities had missed principal or interest payments or had been downgraded by a NRSRO at **September 30, 2022** **March 31, 2023**. The Company performed an analysis comparing the present value of cash flows expected to be collected to the amortized cost basis of impaired securities. This analysis was based on a scenario that we believe to be generally more conservative than our reasonable and supportable economic forecast at **September 30, 2022** **March 31, 2023**, and incorporated assumptions about voluntary prepayment rates, collateral defaults, delinquencies, severity and other relevant factors as described further below. Our analysis also considered the structural characteristics of each security and the level of credit enhancement provided by that structure.

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Private label residential MBS and CMOs:

At **September 30, 2022** **March 31, 2023**, 115 114 private label residential MBS and CMOs were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, voluntary prepayment rates, loss severity, delinquencies and recovery lag. In developing those assumptions, we took into account collateral quality measures such as FICO, LTV, documentation, loan type, property type, agency availability criteria and performing status. We also regularly monitor sector data including home price appreciation, forbearance, delinquency and prepay trends as well as other economic data that could be indicative of stress in the sector. Our **September 30, 2022** **March 31, 2023** analysis projected weighted average collateral losses for impaired securities in this category of 3% 2% compared to weighted

average credit support of 18%. As of **September 30, 2022** **March 31, 2023**, **94%** **95%** of impaired securities in this category, based on carrying value, were externally rated AAA, 1% were rated AA and **5%** **4%** were rated A.

Private label commercial MBS

At **September 30, 2022** **March 31, 2023**, **109** **104** private label commercial MBS were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, voluntary prepayment rates, loss severity, delinquencies and recovery lag. In developing those assumptions, we took into account collateral quality and type, loan size, loan purpose and other qualitative factors. We also regularly monitor collateral watch lists, bankruptcy data, defeasance data, special servicing trends, delinquency and other economic data that could be indicative of stress in the sector. Our **September 30, 2022** **March 31, 2023** analysis projected weighted average collateral losses for impaired securities in this category of 7% compared to weighted average credit support of 43%. As of **September 30, 2022** **March 31, 2023**, **84%** **85%** of impaired securities in this category, based on carrying value, were externally rated AAA, **12%** **11%** were rated AA and 4% were rated A.

Single family real estate-backed securities

At **September 30, 2022** **March 31, 2023**, **16** **15** single family rental real estate-backed securities were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, loss severity, delinquencies and recovery lag. We regularly monitor sector data including home price appreciation, forbearance, delinquency and prepay trends as well as other economic data that could be indicative of stress in the sector. Our **September 30, 2022** **March 31, 2023** analysis projected weighted average collateral losses for this category of **8%** **7%** compared to weighted average credit support of **50%** **51%**. As of **September 30, 2022** **March 31, 2023**, **63%** **62%** of impaired securities in this category, based on carrying value, were externally rated AAA, **14%** **15%** were rated AA and one security was not externally rated.

Collateralized loan obligations

At **September 30, 2022** **March 31, 2023**, 26 collateralized loan obligations were in unrealized loss positions. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, loss severity, and delinquencies, calibrated to take into account idiosyncratic risks associated with the underlying collateral. In developing those assumptions, we took into account each sector's performance pre-, during and post the 2008 financial crisis. We regularly engage with bond managers to monitor trends in underlying collateral including potential downgrades and subsequent cash flow diversions, liquidity, ratings migration, and any other relevant developments. Our **September 30, 2022** **March 31, 2023** analysis projected weighted average collateral losses for impaired securities in this category of **9%** **10%** compared to weighted average credit support of **42%** **44%**. As of **September 30, 2022** **March 31, 2023**, **77%** **80%** of the impaired securities in this category, based on carrying value, were externally rated AAA, **19%** **16%** were rated AA and 4% were rated A.

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BANKUNITED, INC. AND SUBSIDIARIES **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED** **March 31, 2023**

Non-mortgage asset-backed securities

At **September 30, 2022** **March 31, 2023**, seven non-mortgage asset-backed securities were in unrealized loss positions. These securities are backed by student loan collateral. Our analysis of cash flows expected to be collected on these securities incorporated assumptions about collateral default rates, loss severity, delinquencies, voluntary prepayment rates and recovery lag. In developing assumptions, we took into account collateral type, delineated by whether collateral consisted of loans to borrowers in school, refinancing, or a mixture. Our **September 30, 2022** **March 31, 2023** analysis projected weighted average collateral losses for impaired securities in this category of 4% compared to weighted average credit support of **23%** **24%**. As of **September 30, 2022** **March 31, 2023**, **51%** **47%** of the impaired securities in this category, based on carrying value, were externally rated AAA, and **49%** **53%** were rated AA.

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BANKUNITED, INC. AND SUBSIDIARIES **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED** **September 30, 2022**

State and Municipal Obligations

At **September 30, 2022** **March 31, 2023**, **14** **two** state and municipal obligations were in unrealized loss positions. Our analysis of potential credit loss impairment for these securities incorporates a quantitative measure of the underlying obligor's credit worthiness provided by a third-party vendor as well as other relevant qualitative considerations. As of **September 30, 2022** **March 31, 2023**, **61%** **all** of the impaired securities in this category, based on carrying value, were externally rated AAA, 16% were rated AA, and 23% were rated A. AAA.

Note 4 Loans and Allowance for Credit Losses

Loans consisted of the following at the dates indicated (dollars in thousands):

September 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022	
	Percent of		Percent of		Percent of		Percent of
Total	Total	Total	Total	Total	Total	Total	Total

Residential and other consumer:											
Residential:						Residential:					
1-4 single family residential	1-4 single family residential	\$ 6,999,868	28.8 %	\$ 6,338,225	26.7 %	1-4 single family residential	\$ 7,133,615	28.6 %	\$ 7,128,834	28.6 %	
Government insured residential	Government insured residential	1,849,343	7.6 %	2,023,221	8.5 %	Government insured residential	1,656,129	6.7 %	1,771,880	7.1 %	
Other consumer loans		4,673	— %	6,934	— %						
		8,853,884	36.4 %	8,368,380	35.2 %		\$ 8,789,744	35.3 %	\$ 8,900,714	35.7 %	
Commercial:	Commercial:					Commercial:					
Multi-family		962,546	4.0 %	1,154,738	4.9 %						
Non-owner occupied commercial real estate	Non-owner occupied commercial real estate	4,368,686	18.1 %	4,381,610	18.4 %	Non-owner occupied commercial real estate	5,346,895	21.5 %	5,405,597	21.7 %	
Construction and land	Construction and land	246,202	1.0 %	165,390	0.7 %	Construction and land	324,805	1.3 %	294,360	1.2 %	
Owner occupied commercial real estate	Owner occupied commercial real estate	1,919,074	7.9 %	1,944,658	8.2 %	Owner occupied commercial real estate	1,863,333	7.5 %	1,890,813	7.6 %	
Commercial and industrial	Commercial and industrial	5,786,907	23.9 %	4,790,275	20.2 %	Commercial and industrial	6,617,716	26.5 %	6,417,721	25.9 %	
PPP		10,191	— %	248,505	1.0 %						
Pinnacle	Pinnacle	932,187	3.8 %	919,641	3.9 %	Pinnacle	919,584	3.7 %	912,122	3.7 %	
Bridge - franchise finance	Bridge - franchise finance	254,137	1.0 %	342,124	1.4 %	Bridge - franchise finance	239,205	1.0 %	253,774	1.0 %	
Bridge - equipment finance	Bridge - equipment finance	310,035	1.3 %	357,599	1.5 %	Bridge - equipment finance	266,715	1.1 %	286,147	1.1 %	
Mortgage warehouse lending	Mortgage warehouse lending	622,883	2.6 %	1,092,133	4.6 %	Mortgage warehouse lending	524,897	2.1 %	524,740	2.1 %	
		15,412,848	63.6 %	15,396,673	64.8 %		16,103,150	64.7 %	15,985,274	64.3 %	
Total loans	Total loans	24,266,732	100.0 %	23,765,053	100.0 %	Total loans	24,892,894	100.0 %	24,885,988	100.0 %	
Allowance for credit losses	Allowance for credit losses	(130,671)		(126,457)		Allowance for credit losses	(158,792)		(147,946)		
Loans, net	Loans, net	\$ 24,136,061		\$ 23,638,596		Loans, net	\$ 24,734,102		\$ 24,738,042		

Premiums, discounts and deferred fees and costs, excluding the non-credit related discount on PCD loans, totaled \$65 million \$56 million and \$67 million \$61 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

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The following table presents the amortized cost basis of residential PCD loans and the related amount of non-credit discount, net of the related ACL, at the dates indicated (in thousands):

UPB	September 30, 2022		December 31, 2021	
	\$	101,396	\$	124,963

Non-credit discount	(47,122)	(59,759)
Total amortized cost of PCD loans	54,274	65,204
ACL related to PCD loans	(441)	(476)
PCD loans, net	\$ 53,833	\$ 64,728

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	March 31, 2023	December 31, 2022
UPB	\$ 93,051	\$ 96,437
Non-credit discount	(42,357)	(44,354)
Total amortized cost of PCD loans	50,694	52,083
ACL related to PCD loans	(381)	(409)
PCD loans, net	\$ 50,313	\$ 51,674

Included in loans, net are direct or sales type finance leases totaling \$663 million \$641 million and \$652 million \$634 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively. The amount of income recognized from direct or sales type finance leases for the three and nine months ended September 30, 2022 March 31, 2023 and 2021 2022 totaled \$4.6 million, \$13.6 million, \$4.4 \$4.3 million and \$14.2 \$4.6 million, respectively and is included in interest income on loans in the consolidated statements of income.

During the three and nine months ended September 30, 2022 March 31, 2023 and 2021 2022, the Company purchased residential loans totaling \$425 million, \$2.0 billion, \$1.4 billion \$187 million and \$3.7 billion \$862 million, respectively.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the Company had pledged loans with a carrying value of approximately \$11.1 \$13.2 billion and \$10.6 \$12.4 billion, respectively, as security for FHLB advances and Federal Reserve discount window capacity.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, accrued interest receivable on loans totaled \$115 million \$132 million and \$98 million \$129 million, respectively, and is included in other assets in the accompanying consolidated balance sheets. The amount of interest income reversed on non-accrual loans was not material for the three and nine months ended September 30, 2022 March 31, 2023 and 2021 2022.

Allowance for credit losses

The ACL was determined utilizing a 2-year reasonable and supportable forecast period. The quantitative portion of the ACL was determined using a single third-party provided economic scenario. The qualitative component was informed by alternate scenarios. Activity in the ACL is summarized below for the periods indicated (in thousands):

Three Months Ended September 30,																					
2022										2021											
Residential and Other Consumer										Residential and Other Consumer											
Beginning balance	\$ 9,010	\$ 121,229	\$ 130,239	Beginning balance	\$ 11,909	\$ 163,733	\$ 175,642	Beginning balance	\$ 2,384	369	2,753	(2,127)	(9,427)	(11,554)	Beginning balance	\$ 1,958	1,959	4	341	345	
Provision (recovery)				Charge-offs				Recoveries							Ending balance	\$ 11,395	\$ 119,276	\$ 130,671	\$ 9,496	\$ 150,119	\$ 159,615
Nine Months Ended September 30,										Three Months Ended March 31,											
2022										2023											
Residential and Other Consumer										Residential and Other Consumer											
Beginning	Beginning	Residential	Residential	Residential	Residential	Residential	Residential	Residential	Residential	Beginning	Residential	Residential	Residential	Residential	Residential	Residential	Residential	Residential	Residential		
Beginning	balance	\$ 9,187	\$ 117,270	\$ 126,457	\$ 18,719	\$ 238,604	\$ 257,323	Beginning	\$ 11,741	\$ 136,205	\$ 147,946	\$ 9,187	\$ 117,270	\$ 126,457	Beginning	\$ 11,741	\$ 136,205	\$ 147,946	\$ 9,187	\$ 117,270	\$ 126,457
Impact of	adoption of									Impact of											
ASU 2022-	02									ASU 2022-											
										Impact of											
										adoption of											
										ASU 2022-											
										02											

							Balance after adoption of ASU 2022-02	2022-02	11,624	134,528	146,152	9,1
Provision (recovery)	Provision (recovery)	2,576	30,830	33,406	(8,929)	(56,594)	(65,523)	Provision (recovery)	170	17,425	17,595	(256)
Charge-offs	Charge-offs	(412)	(35,518)	(35,930)	(304)	(34,908)	(35,212)	Charge-offs	—	(7,899)	(7,899)	—
Recoveries	Recoveries	44	6,694	6,738	10	3,017	3,027	Recoveries	3	2,941	2,944	26
Ending balance	Ending balance	\$ 11,395	\$ 119,276	\$ 130,671	\$ 9,496	\$ 150,119	\$ 159,615	Ending balance	\$ 11,797	\$ 146,995	\$ 158,792	\$ 8,957
												\$ 116,486
												\$ 125,443

The ACL increased by \$4.2 million \$10.8 million, from 0.59% to 0.64% of total loans, at September 30, 2022 March 31, 2023 compared to December 31, 2021, remaining largely consistent as a percentage of total loans. The provision for credit losses for the nine months ended September 30, 2022 was largely offset by net charge-offs, December 31, 2022. The more significant factors impacting the provision for credit losses for the nine three months ended September 30, 2022, March 31, 2023 included increases in specific reserves a deteriorating economic forecast and qualitative loss factors, loan growth, the decline in criticized and classified assets, and changes an increase in certain assumptions including prepayment speeds. specific reserves.

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BANKUNITED, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED September 30, 2022 March 31, 2023

The following table presents gross charge-offs during the three months ended March 31, 2023, by year of origination (in thousands):

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Total
CRE	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35	\$ —	\$ 35
C&I	—	64	24	—	265	935	309	1,597
Bridge - franchise finance	—	—	—	33	2,409	3,825	—	6,267
	\$ —	\$ 64	\$ 24	\$ 33	\$ 2,674	\$ 4,795	\$ 309	\$ 7,899

The following table presents the components of the provision for (recovery of) credit losses for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022		2021	
	2022	2021	2022	2021
Amount related to funded portion of loans	\$ 2,753	\$ (11,554)	\$ 33,406	\$ (65,523)
Amount related to off-balance sheet credit exposures	967	280	2,267	(640)
Amount related to accrued interest receivable	—	(568)	(127)	(838)
Amount related to AFS debt securities	—	—	—	(364)
Total provision for (recovery of) credit losses	\$ 3,720	\$ (11,842)	\$ 35,546	\$ (67,365)

	Three Months Ended March 31,	
	2023	
	2023	2022
Amount related to funded portion of loans	\$ 17,595	\$ 7,446
Amount related to off-balance sheet credit exposures	2,193	384
Total provision for credit losses	\$ 19,788	\$ 7,830

Credit quality information

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

Credit quality indicators for residential loans

Management considers delinquency status to be the most meaningful indicator of the credit quality of residential and other consumer loans, other than government insured residential loans. Delinquency statistics are updated at least monthly. LTV and FICO scores are also important indicators of credit quality for 1-4 single family residential loans other

than government insured loans. FICO scores are generally updated **at least annually**, **semi-annually**, and were most recently updated in the **third** **first** quarter of **2022** **2023**. LTVs are typically at origination since we do not routinely update residential appraisals. Substantially all of the government insured residential loans are government insured buyout loans, which the Company buys out of GNMA securitizations upon default. For these loans, traditional measures of credit quality are not particularly relevant considering the guaranteed nature of the loans and the underlying business model. Factors that impact risk inherent in the residential portfolio segment include national and regional economic conditions such as levels of unemployment, **wages** and **wages, interest rates**, as well as residential property values.

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

September 30, 2022													
Amortized Cost By Origination Year													
	2022	2021	2020	2019	2018	Prior	Total		2022	2021	2020	2019	
Current	\$ 940,289	\$ 3,195,017	\$ 932,886	\$ 327,797	\$ 182,832	\$ 1,365,697	\$ 6,944,518						
30 - 59 Days Past Due	12,277	15,401	3,502	785	201	3,805	35,971						
60 - 89 Days Past Due	2,546	2,280	144	256	165	—	5,391						
90 Days or More Past Due	—	—	2,194	2,688	2,673	6,433	13,988						
	\$ 955,112	\$ 3,212,698	\$ 938,726	\$ 331,526	\$ 185,871	\$ 1,375,935	\$ 6,999,868						
December 31, 2021													
Amortized Cost By Origination Year													
	2021	2020	2019	2018	2017	Prior	Total		2023	2022	2021	2020	
Current	Current \$ 2,884,761	\$ 1,062,348	\$ 395,453	\$ 224,175	\$ 342,414	\$ 1,352,844	\$ 6,261,995	Current	\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	
30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	
60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	
90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	
	\$ 2,919,080	\$ 1,065,053	\$ 403,294	\$ 233,205	\$ 349,309	\$ 1,368,284	\$ 6,338,225		\$ 117,258	\$ 1,199,845	\$ 3,130,498	\$ 906,742	\$ 316,340
	\$ 2,919,080	\$ 1,065,053	\$ 403,294	\$ 233,205	\$ 349,309	\$ 1,368,284	\$ 6,338,225		\$ 117,258	\$ 1,199,845	\$ 3,130,498	\$ 906,742	\$ 316,340
March 31, 2023													
Amortized Cost By Origination Year													
	2023	2022	2021	2020	2019	Prior	Total		2023	2022	2021	2020	
Current	Current \$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	\$ 312,977	\$ 1,447,072	\$ 7,069,078	Current	\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	
30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	30 - 59 Days Past Due	
60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	60 - 89 Days Past Due	
90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	90 Days or More Past Due	
	\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	\$ 312,977	\$ 1,447,072	\$ 7,069,078		\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	\$ 312,977
	\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	\$ 312,977	\$ 1,447,072	\$ 7,069,078		\$ 117,258	\$ 1,179,778	\$ 3,111,081	\$ 900,912	\$ 312,977

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December 31, 2022													
Amortized Cost By Origination Year													
	2022	2021	2020	2019	2018	Prior	Total		2023	2022	2021	2020	
Current	\$ 1,185,611	\$ 3,149,299	\$ 916,923	\$ 316,023	\$ 177,891	\$ 1,321,011	\$ 7,066,758	Current	\$ 1,185,611	\$ 3,149,299	\$ 916,923	\$ 316,023	
30 - 59 Days Past Due	12,752	16,432	3,266	2,953	1,854	5,759	43,016	30 - 59 Days Past Due	12,752	16,432	3,266	2,953	
60 - 89 Days Past Due	252	1,196	229	1,347	—	1,052	4,076	60 - 89 Days Past Due	252	1,196	229	1,347	
90 Days or More Past Due	2,589	2,158	2,173	360	3,069	4,635	14,984	90 Days or More Past Due	2,589	2,158	2,173	360	
	\$ 1,201,204	\$ 3,169,085	\$ 922,591	\$ 320,683	\$ 182,814	\$ 1,332,457	\$ 7,128,834		\$ 1,201,204	\$ 3,169,085	\$ 922,591	\$ 320,683	\$ 182,814

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

September 30, 2022												
Amortized Cost By Origination Year												
LTV	2022	2021	2020	2019	2018	Prior	Total	LTV	2023	2022	2021	2020

Less than 61%		Less than 61%										Less than 71%		Less than 71%																			
-	-	241,581 868,908 234,386 81,008 49,465 327,164 1,802,512 70% 23,708 296,695 848,469 228,400 78,531 348,041										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
70%	70%	241,581 868,908 234,386 81,008 49,465 327,164 1,802,512 70% 23,708 296,695 848,469 228,400 78,531 348,041										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
71%	71%	241,581 868,908 234,386 81,008 49,465 327,164 1,802,512 70% 23,708 296,695 848,469 228,400 78,531 348,041										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
-	-	241,581 868,908 234,386 81,008 49,465 327,164 1,802,512 70% 23,708 296,695 848,469 228,400 78,531 348,041										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
80%	80%	470,272 989,789 342,737 166,165 88,649 526,731 2,584,343 80% 80,800 619,158 964,695 333,590 156,693 580,755 2,735,691										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
More	More	470,272 989,789 342,737 166,165 88,649 526,731 2,584,343 80% 80,800 619,158 964,695 333,590 156,693 580,755 2,735,691										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
than	than	470,272 989,789 342,737 166,165 88,649 526,731 2,584,343 80% 80,800 619,158 964,695 333,590 156,693 580,755 2,735,691										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
80%	80%	2,690 35,439 74 5,519 4,463 43,715 91,900 80% — 2,993 35,085 73 5,464 42,166 85,781										1,282,249 344,679 75,652 491,970 2,488,299 61% 12,750 280,999																					
		\$ 955,112 \$ 3,212,698 \$ 938,726 \$ 331,526 \$ 185,871 \$ 1,375,935 \$ 6,999,868										\$ 117,258 \$ 1,199,845 \$ 3,130,498 \$ 906,742 \$ 316,340 \$ 1,462,932 \$ 7,133,615																					
December 31, 2021												December 31, 2022																					
Amortized Cost By Origination Year												Amortized Cost By Origination Year																					
LTV	LTV	2021	2020	2019	2018	2017	Prior	Total	LTV	2022	2021	2020	2019	2018	Prior	Total																	
Less	Less	Less than 61%										Less than 61%																					
61%	61%	1,222,510 \$ 399,512 \$ 89,078 \$ 54,301 \$ 111,540 \$ 476,170 \$ 2,353,111										282,940 \$ 1,301,279 \$ 354,720 \$ 76,404 \$ 42,864 \$ 472,090 \$ 2,530,297																					
61%	61%	1,222,510 \$ 399,512 \$ 89,078 \$ 54,301 \$ 111,540 \$ 476,170 \$ 2,353,111										282,940 \$ 1,301,279 \$ 354,720 \$ 76,404 \$ 42,864 \$ 472,090 \$ 2,530,297																					
70%	70%	791,935 269,739 92,282 59,425 66,641 343,654 1,623,676										295,206 857,008 231,732 80,383 49,047 310,649 1,824,025																					
71%	71%	791,935 269,739 92,282 59,425 66,641 343,654 1,623,676										295,206 857,008 231,732 80,383 49,047 310,649 1,824,025																					
80%	80%	899,400 395,726 212,649 111,276 145,413 518,817 2,283,281										620,049 975,542 336,066 158,406 86,463 510,633 2,687,159																					
More	More	899,400 395,726 212,649 111,276 145,413 518,817 2,283,281										620,049 975,542 336,066 158,406 86,463 510,633 2,687,159																					
than	than	899,400 395,726 212,649 111,276 145,413 518,817 2,283,281										620,049 975,542 336,066 158,406 86,463 510,633 2,687,159																					
80%	80%	5,235 76 9,285 8,203 25,715 29,643 78,157										3,009 35,256 73 5,490 4,440 39,085 87,353																					
		\$ 2,919,080 \$ 1,065,053 \$ 403,294 \$ 233,205 \$ 349,309 \$ 1,368,284 \$ 6,338,225										\$ 1,201,204 \$ 3,169,085 \$ 922,591 \$ 320,683 \$ 182,814 \$ 1,332,457 \$ 7,128,834																					

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

September 30, 2022												March 31, 2023												
Amortized Cost By Origination Year												Amortized Cost By Origination Year												
FICO	FICO	2022	2021	2020	2019	2018	Prior	Total	FICO	2023	2022	2021	2020	2019	Prior	Total								
760 or	760 or	Less than 61%										Less than 61%												
720 -	720 -	720 -										720 -												
759	759	759										35,448 245,748 429,084 122,827 52,140 244,446 1,129,693												
719 or	719 or	719 or										7,744 144,655 213,353 71,226 43,144 223,347 703,469												
less	less	89,384 173,559 68,280 51,171 40,349 170,211 592,954										\$ 117,258 \$ 1,199,845 \$ 3,130,498 \$ 906,742 \$ 316,340 \$ 1,462,932 \$ 7,133,615												
December 31, 2021												December 31, 2022												
FICO	FICO	2021	2020	2019	2018	2017	Prior	Total	FICO	2022	2021	2020	2019	2018	Prior	Total								
760 or	760 or	Less than 61%										Less than 61%												
720 -	720 -	720 -										720 -												
759	759	562,763 194,068 91,276 53,576 54,080 219,561 1,175,324										285,507 485,528 132,928 62,301 45,857 216,047 1,228,168												
719 or	719 or	719 or																						

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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Credit quality indicators for commercial loans

Factors that impact risk inherent in commercial portfolio segments include but are not limited to levels of economic activity, health of the national and regional economy, **interest rates**, industry trends, patterns of and trends in customer behavior that influence demand for our borrowers' products and services, and commercial real estate values. Internal risk ratings are considered the most meaningful indicator of credit quality for commercial loans. Internal risk ratings are generally indicative of the likelihood that a borrower will default, are a key factor influencing the level and nature of ongoing monitoring of loans and may impact the estimation of the ACL. Internal risk ratings are updated on a continuous basis. Generally, relationships with balances in excess of defined thresholds, ranging from \$1 million to \$3 million, are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. **Loans** The special mention rating is considered a transitional rating for loans exhibiting potential credit weaknesses that deserve management's close attention and that could result in deterioration of repayment prospects at some future date if not checked or corrected are categorized as special mention, and that deserve management's close attention. These borrowers may exhibit declining cash flows or revenues or increasing leverage. Loans with well-defined credit weaknesses including 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, declining collateral values, frequent overdrafts, inadequate cash flows from current operations, operating losses, increasing balance sheet leverage, inadequate cash flow from current

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operations, project cost overruns, unreasonable construction delays, exhausted interest reserves, declining collateral values, frequent overdrafts or past due real estate taxes or exhausted interest reserves, are assigned an internal risk rating of substandard. A loan taxes. Loans with a weakness weaknesses so severe that collection in full is highly questionable or improbable, but because of certain reasonably specific pending factors has have not been charged off, will be assigned an internal risk rating of doubtful.

Commercial credit exposure based on internal risk rating:

		September 30, 2022							March 31, 2023								
		Amortized Cost By Origination Year						Revolving	Loans	Total	Amortized Cost By Origination Year						
		2022	2021	2020	2019	2018	Prior				2023	2022	2021	2020	2019	Prior	
CRE	CRE										CRE						
Pass	Pass	\$ 948,372	\$ 849,293	\$ 548,136	\$ 1,171,466	\$ 519,138	\$ 1,026,487	\$ 105,404	\$ 5,168,296		Pass	\$ 66,399	\$ 1,248,325	\$ 732,160	\$ 546,742	\$ 1,106,358	\$ 10,220
Special mention	Special mention	—	—	—	1,775	—	1,089	—	2,864		Special mention	—	42,950	2,150	—	17,913	—
Substandard	Substandard	12,435	17,660	25,249	125,454	57,301	168,175	—	406,274		Substandard	—	12,263	1,355	19,008	119,227	—
Total CRE	Total CRE	\$ 960,807	\$ 866,953	\$ 573,385	\$ 1,298,695	\$ 576,439	\$ 1,195,751	\$ 105,404	\$ 5,577,434		Total CRE	\$ 66,399	\$ 1,303,538	\$ 735,665	\$ 565,750	\$ 1,243,498	\$ 10,220
C&I (i)	C&I (i)										C&I (i)						
Pass	Pass	\$ 1,438,322	\$ 845,448	\$ 490,571	\$ 724,835	\$ 428,081	\$ 906,089	\$ 2,527,448	\$ 7,360,794		Pass	\$ 320,398	\$ 1,768,713	\$ 762,133	\$ 428,383	\$ 605,736	\$ 10,220
Special mention	Special mention	47	2,349	212	3,968	414	1,699	15,386	24,075		Special mention	38	2,955	433	—	2,534	—
Substandard	Substandard	1,248	13,212	27,708	109,133	24,240	111,475	18,809	305,825		Substandard	9	54,757	11,705	18,988	53,187	—
Doubtful	Doubtful	—	21,958	—	—	—	—	3,520	25,478		Doubtful	—	—	—	—	6,985	—
Total C&I	Total C&I	\$ 1,439,617	\$ 882,967	\$ 518,491	\$ 837,936	\$ 452,735	\$ 1,019,263	\$ 2,565,163	\$ 7,716,172		Total C&I	\$ 320,445	\$ 1,826,425	\$ 774,271	\$ 447,371	\$ 668,442	\$ 10,220
Pinnacle	Pinnacle										Pinnacle						
Pass	Pass	\$ 166,488	\$ 116,573	\$ 71,996	\$ 68,115	\$ 30,613	\$ 478,402	\$ —	\$ 932,187		Pass	\$ 42,815	\$ 170,252	\$ 107,137	\$ 62,406	\$ 62,354	\$ —
Total	Total										Total						
Total Pinnacle	Total Pinnacle	\$ 166,488	\$ 116,573	\$ 71,996	\$ 68,115	\$ 30,613	\$ 478,402	\$ —	\$ 932,187		Pinnacle	\$ 42,815	\$ 170,252	\$ 107,137	\$ 62,406	\$ 62,354	\$ —
Bridge - Franchise Finance											Bridge - Franchise Finance						
Pass											Pass	\$ 2,389	\$ 28,106	\$ 38,134	\$ 36,376	\$ 26,549	\$ —
Special mention											Special mention	—	—	—	—	5,120	—
Substandard											Substandard	—	281	1,499	1,936	21,548	—
Total Bridge - Franchise Finance											Total Bridge - Franchise Finance	\$ 2,389	\$ 28,387	\$ 39,633	\$ 38,312	\$ 53,217	\$ —

Bridge -	Bridge -											Bridge -										
Equipment	Equipment											Finance										
Finance	Finance																					
Pass	Pass	\$ 24,384	\$ 62,829	\$ 17,029	\$ 96,994	\$ 37,263	\$ 69,981	\$ —	\$ 308,480	Pass	\$ —	\$ 26,280	\$ 51,539	\$ 15,922	\$ 83,887	\$ —	\$ —	\$ —				
Substandard	Substandard	—	—	—	1,555	—	—	—	1,555	Substandard	—	—	—	—	—	—	1,153	—	—			
Total Bridge -	Total Bridge											- Equipment										
Equipment	- Equipment											Finance	\$ 24,384	\$ 62,829	\$ 17,029	\$ 98,549	\$ 37,263	\$ 69,981	\$ —			
Finance	Finance	\$ 24,384	\$ 62,829	\$ 17,029	\$ 98,549	\$ 37,263	\$ 69,981	\$ —	\$ 310,035	Finance	\$ —	\$ 26,280	\$ 51,539	\$ 15,922	\$ 85,040	\$ —	\$ —	\$ —				
Bridge - Franchise Finance																						
Pass		\$ 40,586	\$ 33,743	\$ 39,793	\$ 60,311	\$ 11,320	\$ 7,713	\$ —	\$ 193,466													
Substandard		—	1,771	2,561	22,564	17,714	9,446	—	54,056													
Doubtful		—	—	—	2,557	4,058	—	—	6,615													
Total Bridge - Franchise												Finance	\$ 40,586	\$ 35,514	\$ 42,354	\$ 85,432	\$ 33,092	\$ 17,159	\$ —	\$ 254,137		
Mortgage	Mortgage											Warehouse										
Warehouse	Warehouse											Lending										
Lending	Lending																					
Pass	Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 622,883	Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			
Total	Total											Mortgage										
Mortgage	Mortgage											Warehouse										
Warehouse	Warehouse											Lending										
Lending	Lending	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 622,883	\$ 622,883	\$ —	Lending	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —			

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Amortized Cost By Origination Year												Amortized Cost By Origination Year														
CRE		2021										Revolving		2022		2021										
		2021	2020	2019	2018	2017	Prior	Loans	Total							2021	2020	2019	2018	Prior						
CRE	CRE											CRE														
Pass	Pass	\$ 869,852	\$ 619,056	\$ 1,283,401	\$ 676,151	\$ 455,965	\$ 986,427	\$ 119,308	\$ 5,010,160	Pass	\$ 1,256,300	\$ 758,025	\$ 550,133	\$ 1,138,113	\$ 512,125	\$ —										
Special	Special											Special														
mention	mention	985	—	29,573	—	—	1,704	—	32,262	mention	—	—	—	—	18,006	—										
Substandard	Substandard	—	14,227	187,284	55,944	115,944	285,917	—	659,316	Substandard	12,332	1,355	20,103	98,438	56,974	—										
Total CRE	Total CRE	\$ 870,837	\$ 633,283	\$ 1,500,258	\$ 732,095	\$ 571,909	\$ 1,274,048	\$ 119,308	\$ 5,701,738	Total CRE	\$ 1,268,632	\$ 759,380	\$ 570,236	\$ 1,254,557	\$ 569,099	\$ —										
C&I (i)	C&I (i)											C&I (i)														
Pass	Pass	\$ 1,280,160	\$ 666,437	\$ 870,797	\$ 406,145	\$ 353,590	\$ 669,308	\$ 2,120,693	\$ 6,367,130	Pass	\$ 1,880,853	\$ 825,410	\$ 445,988	\$ 689,003	\$ 416,287	\$ —										
Special	Special											Special														
mention	mention	6,051	19,861	39,647	17,185	1,854	11,640	20,093	116,331	mention	63	—	208	3,880	—	—										
Substandard	Substandard	365	22,106	167,496	59,349	51,117	122,663	49,119	472,215	Substandard	25,898	13,916	3,319	103,625	19,715	—										
Doubtful	Doubtful	—	—	900	—	—	—	26,862	27,762	Doubtful	—	—	—	—	—	—	—	—	647	—						
Total C&I	Total C&I	\$ 1,286,576	\$ 708,404	\$ 1,078,840	\$ 482,679	\$ 406,561	\$ 803,611	\$ 2,216,767	\$ 6,983,438	Total C&I	\$ 1,906,814	\$ 839,326	\$ 449,515	\$ 796,508	\$ 436,649	\$ —										
Pinnacle	Pinnacle											Pinnacle														
Pass	Pass	\$ 143,063	\$ 113,785	\$ 88,206	\$ 36,761	\$ 177,258	\$ 360,568	\$ —	\$ 919,641	Pass	\$ 179,223	\$ 110,510	\$ 66,592	\$ 66,514	\$ 29,783	\$ —										
Total	Total											Total														
Total Pinnacle	Pinnacle	\$ 143,063	\$ 113,785	\$ 88,206	\$ 36,761	\$ 177,258	\$ 360,568	\$ —	\$ 919,641	Pinnacle	\$ 179,223	\$ 110,510	\$ 66,592	\$ 66,514	\$ 29,783	\$ —										
Bridge -	Bridge -											Franchise														
Finance	Finance											Finance														
Pass	Pass											Pass	\$ 81,146	\$ 19,251	\$ 38,293	\$ 34,483	\$ 8,617	\$ —								
Special	Special											Special														
mention	mention											mention	—	—	—	—	5,432	2,168	—							

Substandard		Substandard	—	1,617	1,295	22,058	17,148
Doubtful		Doubtful	—	—	1,013	2,447	3,883
Total Bridge		Total Bridge					
- Franchise		- Franchise					
Finance		Finance	\$ 81,146	\$ 20,868	\$ 40,601	\$ 64,420	\$ 31,816
Bridge -	Bridge -	Bridge -					
Equipment	Equipment	Equipment					
Finance	Finance	Finance					
Pass	Pass	\$ 73,190	\$ 18,763	\$ 108,990	\$ 43,826	\$ 23,684	\$ 48,471
Substandard	Substandard	—	—	12,875	4,775	23,025	—
Total Bridge -	Total Bridge						
Equipment	- Equipment						
Finance	Finance	\$ 73,190	\$ 18,763	\$ 121,865	\$ 48,601	\$ 46,709	\$ 48,471
Bridge - Franchise Finance							
Mortgage		Mortgage					
Warehouse		Warehouse					
Lending		Lending					
Pass	Pass	\$ 49,949	\$ 51,057	\$ 104,299	\$ 10,199	\$ 7,039	\$ 5,838
Substandard		—	7,351	39,588	30,134	8,660	8,018
Doubtful		—	—	7,718	12,274	—	—
Total Bridge - Franchise							
Finance	Finance	\$ 49,949	\$ 58,408	\$ 151,605	\$ 52,607	\$ 15,699	\$ 13,856
Mortgage Warehouse Lending							
Pass		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,092,133
Total	Total						
Mortgage	Mortgage						
Warehouse	Warehouse						
Lending	Lending	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,092,133

(1) Includes PPP loans

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the balance of revolving loans converted to term loans was immaterial.

The following tables summarize the Company's table presents criticized and classified commercial credit exposure based on internal risk rating, in aggregate, loans at the dates indicated (in thousands):

September 30, 2022												
	Non-Owner											
	Occupied						Owner Occupied					
	Multi-Family	Commercial Real	Construction	Commercial Real	Commercial and	PPP	Pinnacle	Bridge - Franchise	Bridge - Equipment	Mortgage	Warehouse Lending	Total
Pass	\$ 807,537	\$ 4,131,403	\$ 229,356	\$ 1,791,869	\$ 5,558,734	\$ 10,191	\$ 932,187	\$ 193,466	\$ 308,480	\$ 622,883	\$ 14,586,106	
Special mention	—	1,089	1,775	7,379	16,696	—	—	—	—	—	—	26,939
Substandard - accruing	152,871	219,370	9,544	99,635	133,641	—	—	46,100	1,555	—	—	662,716
Substandard non-accruing	2,138	16,824	5,527	20,191	52,358	—	—	7,956	—	—	—	104,994
Doubtful	—	—	—	—	25,478	—	—	6,615	—	—	—	32,093
	\$ 962,546	\$ 4,368,686	\$ 246,202	\$ 1,919,074	\$ 5,786,907	\$ 10,191	\$ 932,187	\$ 254,137	\$ 310,035	\$ 622,883	\$ 15,412,848	
March 31, 2023												
Special mention								\$ 101,781	\$ 51,433			
Substandard - accruing								596,054	605,965			
Substandard - non-accruing								82,840	75,125			
Doubtful								7,699	7,990			
Total								\$ 788,374	\$ 740,513			

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December 31, 2021													
	Non-Owner												
	Occupied		Owner Occupied										
	Multi-Family	Commercial Real Estate	Construction and Land	Commercial Real Estate	Commercial and Industrial	PPP	Pinnacle	Bridge - Finance	Bridge - Franchise	Bridge - Equipment	Mortgage Finance	Warehouse Lending	Total
Pass	\$ 970,337	\$ 3,892,353	\$ 147,470	\$ 1,750,035	\$ 4,368,590	\$ 248,505	\$ 919,641	\$ 228,381	\$ 316,924	\$ 1,092,133	\$ 13,934,369		
Special mention	—	26,088	6,174	14,010	102,321	—	—	—	—	—	—	—	148,593
Substandard -accruing	173,536	423,918	6,582	160,159	250,644	—	—	80,864	40,675	—	—	—	1,136,378
Substandard non-accruing	10,865	39,251	5,164	20,454	40,958	—	—	12,887	—	—	—	—	129,579
Doubtful	—	—	—	—	27,762	—	—	19,992	—	—	—	—	47,754
	\$ 1,154,738	\$ 4,381,610	\$ 165,390	\$ 1,944,658	\$ 4,790,275	\$ 248,505	\$ 919,641	\$ 342,124	\$ 357,599	\$ 1,092,133	\$ 15,396,673		

The COVID 19 pandemic led to an increase in the level of criticized and classified commercial loans compared to pre-pandemic levels; while criticized and classified assets are evidencing a declining trend, those levels remain elevated.

Past Due and Non-Accrual Loans:

The following table presents an aging of loans at the dates indicated (in thousands):

	September 30, 2022								December 31, 2021								
	30 - 59		60 - 89		90 Days or More Past				30 - 59		60 - 89		90 Days or More Past				
	Days Past		Days Past		Days Past				Days Past		Days Past		Days Past				
	Current	Due	Current	Due	Total	Current	Due	Total	Current	Due	Total	Current	Due	Total	Current	Due	Total
1-4 single family residential	\$ 6,944,518	\$ 35,971	\$ 5,391	\$ 13,988	\$ 6,999,868	\$ 6,261,995	\$ 53,092	\$ 5,650	\$ 17,488	\$ 6,338,225							
Government insured residential	1,019,859	157,285	93,548	578,651	1,849,343	1,034,686	143,672	115,028	729,835	2,023,221							
Other consumer loans	4,644	29	—	—	4,673	6,919	15	—	—	6,934							
Multi-family	960,408	—	—	2,138	962,546	1,135,363	6,017	11,220	2,138	1,154,738							
Non-owner occupied commercial real estate	4,350,062	7,640	2,222	8,762	4,368,686	4,359,671	2,727	29	19,183	4,381,610							
Construction and land	232,322	—	12,868	1,012	246,202	160,183	492	4,369	346	165,390							
Owner occupied commercial real estate	1,904,731	—	120	14,223	1,919,074	1,930,932	—	1,402	12,324	1,944,658							
Commercial and industrial	5,744,035	22,520	649	19,703	5,786,907	4,763,976	2,114	11,016	13,169	4,790,275							
PPP	8,628	—	970	593	10,191	247,740	765	—	—	248,505							
Pinnacle	932,187	—	—	—	932,187	919,641	—	—	—	919,641							
Bridge - franchise finance	243,280	1,031	—	9,826	254,137	331,397	—	6,735	3,992	342,124							
Bridge - equipment finance	310,035	—	—	—	310,035	357,599	—	—	—	357,599							
Mortgage warehouse lending	622,883	—	—	—	622,883	1,092,133	—	—	—	1,092,133							
	\$ 23,277,592	\$ 224,476	\$ 115,768	\$ 648,896	\$ 24,266,732	\$ 22,602,235	\$ 208,894	\$ 155,449	\$ 798,475	\$ 23,765,053							

	March 31, 2023								December 31, 2022								
	30 - 59		60 - 89		90 Days or More Past				30 - 59		60 - 89		90 Days or More Past				
	Days Past		Days Past		Days Past				Days Past		Days Past		Days Past				
	Current	Due	Current	Due	Total	Current	Due	Total	Current	Due	Total	Current	Due	Total	Current	Due	Total
1-4 single family residential	\$ 7,069,078	\$ 44,339	\$ 4,761	\$ 15,437	\$ 7,133,615	\$ 7,066,758	\$ 43,016	\$ 4,076	\$ 14,984	\$ 7,128,834							
Government insured residential	969,134	167,880	81,457	437,658	1,656,129	1,025,523	159,461	94,294	492,602	1,771,880							
CRE	5,657,401	2,723	—	11,576	5,671,700	5,680,829	4,328	4,773	10,027	5,699,957							
C&I	8,433,706	19,573	2,570	25,200	8,481,049	8,280,321	2,508	1,028	24,677	8,308,534							
Pinnacle	919,584	—	—	—	919,584	912,122	—	—	—	912,122							
Bridge - franchise finance	236,063	1,094	—	2,048	239,205	243,574	1,321	—	8,879	253,774							
Bridge - equipment finance	266,715	—	—	—	266,715	286,147	—	—	—	286,147							

Mortgage warehouse lending	524,897	—	—	—	524,897	524,740	—	—	—	524,740
	\$ 24,076,578	\$ 235,609	\$ 88,788	\$ 491,919	\$ 24,892,894	\$ 24,020,014	\$ 210,634	\$ 104,171	\$ 551,169	\$ 24,885,988

Included in the table above is the guaranteed portion of SBA loans past due by 90 days or more totaling \$32.2 million \$32.9 million and \$31.3 million \$30.8 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Loans contractually delinquent by 90 days or more and still accruing totaled \$580 million \$439 million and \$730 million \$494 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively, substantially all of which were government insured residential loans. These loans are government insured pool buyout loans, which the Company buys out of GNMA securitizations upon default.

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The following table presents information about loans on non-accrual status at the dates indicated (in thousands):

	September 30, 2022				December 31, 2021			
			Amortized Cost With No Related Allowance				Amortized Cost With No Related Allowance	
	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance
Residential and other consumer	\$ 18,660	\$ 118	\$ 28,553	\$ 1,684				
Commercial:								
Multi-family	2,138	2,138	10,865	10,865				
Non-owner occupied commercial real estate	16,824	2,725	39,251	20,929				
Construction and land	5,527	4,087	5,164	4,369				
Owner occupied commercial real estate	20,191	7,615	20,453	4,457				
Commercial and industrial	77,906	12,424	68,720	10,083				
Bridge - franchise finance	14,571	1,868	32,879	16,808				
	\$ 155,817	\$ 30,975	\$ 205,885	\$ 69,195				

	March 31, 2023				December 31, 2022			
			Amortized Cost With No Related Allowance				Amortized Cost With No Related Allowance	
	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance	Amortized Cost	Related Allowance
1-4 single family residential	\$ 23,102	\$ —	\$ 21,311	\$ —				
CRE	17,137	2,860	22,352	6,911				
C&I	67,245	14,652	47,473	15,642				
Bridge - franchise finance	6,157	2,479	13,290	1,668				
	\$ 113,641	\$ 19,991	\$ 104,426	\$ 24,221				

Included in the table above is the guaranteed portion of non-accrual SBA loans totaling \$41.8 million \$36.9 million and \$46.1 million \$40.3 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively. The amount of interest income recognized on non-accrual loans was insignificant for the three and nine months ended September 30, 2022 March 31, 2023 and 2021, 2022. 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 \$2.1 million \$1.9 million and \$5.2 million \$1.3 million for the three and nine months ended September 30, 2022, respectively March 31, 2023 and \$2.7 million and \$8.0 million for the three and nine months ended September 30, 2021, 2022, respectively.

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Collateral dependent loans:

The following table presents the amortized cost basis of collateral dependent loans at the dates indicated (in thousands):

	September 30, 2022			December 31, 2021		
	Amortized Cost	Extent to Which Secured by		Amortized Cost	Extent to Which Secured by	
		Collateral			Collateral	
Residential and other consumer	\$ 736	\$ 736		\$ 2,317	\$ 2,295	
Commercial:						
Multi-family	2,138	2,138		10,865	10,865	
Non-owner occupied commercial real estate	15,274	14,142		29,001	28,486	
Construction and land	4,433	4,433		4,715	4,715	
Owner occupied commercial real estate	15,998	15,998		15,198	15,155	
Commercial and industrial	59,365	43,874		45,015	37,020	
Bridge - franchise finance	11,022	6,545		26,055	18,740	
Total commercial	108,230	87,130		130,849	114,981	
	\$ 108,966	\$ 87,866		\$ 133,166	\$ 117,276	

	March 31, 2023			December 31, 2022		
	Amortized Cost	Extent to Which Secured by		Amortized Cost	Extent to Which Secured by	
		Collateral			Collateral	
1-4 single family residential	\$ —	\$ —		\$ 730	\$ 730	
Commercial:						
CRE	14,990	14,527		19,486	18,353	
C&I	22,184	21,470		26,404	25,344	
Bridge - franchise finance	4,808	3,560		11,445	3,729	
Total commercial	41,982	39,557		57,335	47,426	
	\$ 41,982	\$ 39,557		\$ 58,065	\$ 48,156	

Collateral for the multi-family, non-owner occupied commercial real estate and owner-occupied commercial real estate CRE loan classes class generally consists of commercial real estate. Collateral estate, or for certain construction and land loans, is typically residential or commercial real estate. Collateral for commercial and industrial C&I loans generally consists of equipment, accounts receivable, inventory and other business assets; owner-occupied commercial real estate loans may also be collateralized by these types of assets. Bridge franchise finance loans may be collateralized by franchise value or by equipment. Bridge equipment finance loans are secured by the financed equipment. Residential loans are collateralized by residential real estate. There have been were no significant changes to the extent to which collateral secures collateral dependent loans during the nine three months ended September 30, 2022 March 31, 2023.

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Foreclosure of residential real estate

The recorded investment in residential loans in the process of foreclosure was \$451 million \$382 million, of which \$443 million \$369 million was government insured, at September 30, 2022 March 31, 2023 and \$208 million \$413 million, of which \$202 million \$400 million was government insured, at December 31, 2021 December 31, 2022. The carrying amount of foreclosed residential real estate included in other assets in the accompanying consolidated balance sheet was insignificant at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022.

Troubled debt restructurings Loan Modifications

The following table summarizes loans that were modified for borrowers experiencing financial difficulty, by type of modification, during the period indicated (dollars in thousands):

	Three Months Ended March 31, 2023						
	Interest Rate Reduction		Term Extension		Combination - Interest Rate Reduction and Term Extension		
	Total	% (1)	Total	% (1)	Total	% (1)	Total
1-4 single family residential	\$ 766	— %	\$ —	— %	\$ —	— %	\$ 766
Government insured residential	109	— %	36,920	2 %	2,312	— %	39,341

C&I	—	— %	4,918	— %	—	— %	4,918
	\$ 875		\$ 41,838		\$ 2,312		\$ 45,025

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

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The following table summarizes the financial effect of the modifications made to borrowers experiencing difficulty, during the periods indicated:

	Financial Effect
Interest Rate Reduction:	
1-4 single family residential	Reduced weighted average contractual interest rate from 3.8% to 3.1%.
Government insured residential	Reduced weighted average contractual interest rate from 4.8% to 3.8%.
Term Extension:	
Residential	Added a weighted average 9.6 years to the term of the modified loans.
C&I	Added a weighted average 0.7 years to the term of the modified loans.
Combination - Interest Rate Reduction and Term Extension:	
Government insured residential	Reduced weighted average contractual interest rate from 5.8% to 4.9% and added a weighted average 6.9 years to the term of the modified loans.

The following table presents the aging at March 31, 2023, of loans that were modified since January 1, 2023, the date of adoption of ASU 2022-02 (in thousands):

	30-59 Days Past		60-89 Days Past		90 Days or More		Total
	Current	Due	Due	Past Due			
1-4 single family residential	\$ 766	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 766
Government insured residential	22,346	11,083	4,683	1,229			39,341
C&I	4,918	—	—	—			4,918
	<u>\$ 28,030</u>	<u>\$ 11,083</u>	<u>\$ 4,683</u>	<u>\$ 1,229</u>			<u>\$ 45,025</u>

The following table summarizes loans that were modified since January 1, 2023, the date of adoption of ASU 2022-02 and subsequently defaulted, during the period indicated (in thousands):

	Three Months Ended March 31, 2023				
	Combination - Interest Rate Reduction and Term				
	Interest Rate Reduction	Term Extension	Extension	Total	
Government insured residential	\$ 109	\$ 5,070	\$ 733	\$	\$ 5,912

Disclosures Prescribed by Legacy GAAP (Before Adoption of ASU 2022-02) for Prior Periods

The following table summarizes loans that were modified in TDRs during the periods indicated, as well as loans modified during the twelve months preceding September 30, 2022 and 2021 March 31, 2022 that experienced payment defaults during those the periods indicated (dollars in thousands):

	Three Months Ended September 30,							
	2022				2021			
	Loans Modified in TDRs		TDRs Experiencing Payment		Loans Modified in TDRs		TDRs Experiencing Payment	
	During the Period		Defaults During the Period		During the Period		Defaults During the Period	
	Number of		Number of		Number of		Number of	
	TDRs	Amortized Cost	TDRs	Amortized Cost	TDRs	Amortized Cost	TDRs	Amortized Cost
1-4 single family residential	1	\$ 96	—	\$ —	—	\$ —	—	\$ —
Government insured residential	559	85,200	730	113,330	134	23,394	63	12,435
Owner occupied commercial real estate	1	417	—	—	—	—	—	—
Commercial and industrial	3	7,194	1	1,199	—	—	—	—
Bridge - franchise finance	4	6,615	4	6,615	—	—	—	—

568	\$ 99,522	735	\$ 121,144	134	\$ 23,394	63	\$ 12,435
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Nine Months Ended September 30,							
2022				2021			
Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period		Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost
1-4 single family residential	10 \$ 5,385	—	—	—	—	—	—
Government insured residential	2,094	327,635	825	128,169	218	39,900	70 13,491
Non-owner occupied commercial real estate	—	—	—	1	2,810	—	—
Owner occupied commercial real estate	1 417	—	—	—	—	—	—
Commercial and industrial	17 41,222	1	1,199	—	—	—	—
Bridge - franchise finance	4 6,615	4	6,615	—	—	—	—
	2,126 \$ 381,274	830 \$ 135,983		219 \$ 42,710		70 \$ 13,491	

Three Months Ended March 31,							
2022				2021			
Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period		Loans Modified in TDRs During the Period		TDRs Experiencing Payment Defaults During the Period	
Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost	Number of TDRs	Amortized Cost
1-4 single family residential	4 \$ 1,992	—	—	—	—	—	—
Government insured residential	390	63,539	125	21,391			
C&I	8 15,219	—	—	—	—	—	—
	402 \$ 80,750			125 \$ 21,391			

TDRs during the three and nine months ended September 30, 2022 and 2021 March 31, 2022 generally included interest rate reductions and extensions of maturity. 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.

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Note 5 Income Taxes

The Company's effective income tax rate was 25.0% 26.4% and 24.7% 24.4% for the three and nine months ended September 30, 2022, respectively, March 31, 2023 and 24.0% and 24.9% for the three and nine months ended September 30, 2021, 2022, respectively. The effective income tax rates differed from the statutory federal income tax rate of 21% due primarily to the impact of state income taxes, partially offset by the benefit of income not subject to federal tax.

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Note 6 Derivative Financial Instruments

Derivatives and Hedging Activities designated as hedging instruments

The Company has entered into interest rate swaps, caps and collars designated as cash flow hedges with the objective of limiting the variability of interest payment cash flows. The Company has also entered into interest rate swaps designated as fair value hedges designed to hedge changes in the fair value of outstanding fixed rate instruments caused by

fluctuations in the benchmark interest rate. 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.

The following table summarizes the Company's derivatives designated as hedging instruments as of the dates indicated (in thousands):

	March 31, 2023			December 31, 2022		
	Notional Amount	Fair Value ⁽¹⁾		Notional Amount	Fair Value ⁽¹⁾	
		Asset	Liability		Asset	Liability
Derivatives designated as cash flow hedges:						
Interest rate swaps	\$ 1,750,000	\$ 152	\$ —	\$ 1,970,000	\$ 941	\$ (1,514)
Interest rate caps purchased, indexed to Fed Funds effective rate	200,000	13,583	—	200,000	15,673	—
Interest rate collar, indexed to 1-month SOFR ⁽²⁾	125,000	90	—	125,000	—	(203)
Derivatives designated as fair value hedges:						
Pay-fixed interest rate swaps	100,000	—	—	100,000	—	—
	\$ 2,175,000	\$ 13,825	\$ —	\$ 2,395,000	\$ 16,614	\$ (1,717)

(1) The fair values of derivatives are included in other assets or other liabilities in the consolidated balance sheets.

(2) The interest rate collar consists of a combination of zero-premium interest rate options. The Company sold a pay-variable cap with a strike price of 5.58%; sold a 0% floor; and purchased a receive-variable floor with a strike price of 1.50%.

Derivatives designated as cash flow hedges

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 periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Location of gain (loss) reclassified from AOCI into income:		
Interest expense on borrowings	\$ 7,497	\$ (4,710)
Interest expense on deposits	5,049	(722)
Interest income on loans	(392)	—
	\$ 12,154	\$ (5,432)

During the three months ended March 31, 2023 and 2022, 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 March 31, 2023, the amount of net gain expected to be reclassified from AOCI into earnings during the next twelve months was \$37.1 million. See Note 7 to the consolidated financial statements for additional information about the reclassification adjustments from AOCI into earnings.

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BANKUNITED, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED March 31, 2023

Derivatives designated as fair value hedges

The amount of gain (loss) related to derivatives designated as fair value hedges recognized in earnings was insignificant for the three months ended March 31, 2023 and 2022. The following table provides information about the hedged items related to derivatives designated as fair value hedges at the date indicated (in thousands):

	March 31, 2023	Location in Consolidated Balance Sheets
Contractual balance outstanding of hedged item ⁽¹⁾	\$ 100,000	Loans
Cumulative fair value hedging adjustments	\$ (3,114)	Loans

(1) This amount is included in the amortized cost basis of a closed portfolio of loans used to designate hedging relationships in a portfolio layer method hedge in which the hedged item is anticipated to be outstanding for the designated hedge period. At March 31, 2023, the amortized cost basis of the closed portfolio used in this hedging relationship was \$1.0 billion.

Derivatives not designated as hedging instruments

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 three and nine months ended **September 30, 2022** **March 31, 2023** and **2021, 2022**, the impact on earnings related to changes in fair value of these derivatives was not material.

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

The CME legally characterizes variation margin payments for centrally cleared derivatives as settlements of the derivatives' exposures rather than collateral. As a result, the variation margin payment and the related derivative instruments are considered a single unit of account for accounting and financial reporting purposes. The Company's clearing agent for interest rate derivative contracts centrally cleared through the CME settles the variation margin daily with the CME; therefore, those interest rate derivative contracts the Company clears through the CME are reported at a fair value of zero at both **September 30, 2022** and **December 31, 2021**.

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

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September 30, 2022									
Hedged Item	Weighted Average	Weighted Average	Weighted Average	Remaining Life in Years	Notional Amount	Balance Sheet Location	Fair Value		
	Pay Rate / Strike Price	Receive Rate / Strike Price	Asset				Liability	Asset	Liability
	Strike Price	Strike Price	Fair Value				Fair Value	Fair Value	Fair Value
Derivatives designated as cash flow hedges:									
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	2.36%	3-Month LIBOR	2.3	\$ 745,000	Other assets	\$ 1,263	\$ —	\$ —
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	2.31%	SOFR	2.0	675,000		—	—	—
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate liabilities	1.22%	Fed Funds Effective Rate	1.9	400,000		—	—	—
Interest rate caps purchased, indexed to Fed Funds effective rate	Variability of interest cash flows on variable rate liabilities	0.88%		2.7	200,000	Other assets	16,119	—	—
Interest rate collar, indexed to 1-month SOFR ⁽¹⁾	Variability of interest cash flows on variable rate loans	5.58%	1.50%	3.9	125,000	Other liabilities	—	(886)	—
Derivatives designated as fair value hedges:									
Pay-fixed interest rate swaps	Variability of fair value of fixed rate loans	1.94%	SOFR	1.8	100,000		—	—	—
Derivatives not designated as hedges:									
Pay-fixed interest rate swaps		3.57%	1-Month LIBOR	4.2	1,401,769	Other assets / Other liabilities	25,608	(520)	—
Pay-variable interest rate swaps		1-Month LIBOR	3.57%	4.2	1,401,769	Other assets / Other liabilities	520	(102,423)	—
Pay-fixed interest rate swaps		4.20%	SOFR	6.2	495,554	Other assets / Other liabilities	27,771	(629)	—
Pay-variable interest rate swaps		SOFR	4.20%	6.2	495,554	Other assets / Other liabilities	630	(27,774)	—
Interest rate caps purchased, indexed to 1-month LIBOR		2.25%		3.0	42,920	Other assets	2,078	—	—
Interest rate caps sold, indexed to 1-month LIBOR		2.25%		3.0	42,920	Other liabilities	—	(2,075)	—
					\$ 6,125,486		\$ 73,989	\$ (134,307)	

obligations

(1) The interest rate collar consists of a combination of zero-premium interest rate options. The Company sold a pay-variable cap with a strike price of 5.58%; sold a 0% floor; and purchased a receive-variable floor with a strike price of 1.50%.

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	Hedged Item	December 31, 2021						Fair Value	
		Weighted Average	Weighted Average	Weighted Average	Remaining Life in Years	Notional Amount	Balance Sheet Location	Asset	Liability
		Pay Rate / Strike Price	Receive Rate / Strike Price	Remaining Life in Years					
Derivatives designated as cash flow hedges:									
		Variability of interest cash flows							
Pay-fixed interest rate swaps	on variable rate borrowings	2.35%	3-Month LIBOR	2.6	\$ 905,000	Other liabilities	\$ —	\$ —	(2,687)
Pay-fixed forward-starting interest rate swaps	Variability of interest cash flows on variable rate liabilities	0.87%	Fed Funds Effective Rate	2.5	200,000	Other liabilities	—	—	—
Interest rate caps purchased, indexed to Fed Funds effective rate	Variability of interest cash flows on variable rate liabilities	1.00%		3.5	200,000	Other assets	3,260	—	—
Derivatives not designated as hedges:									
		Indexed to 1-month LIBOR or SOFR					Other assets / Other liabilities		
Pay-fixed interest rate swaps		3.57%	LIBOR or SOFR	5.0	1,668,517	liabilities	3,369	(15,347)	
		Indexed to 1-month LIBOR or SOFR					Other assets / Other liabilities		
Pay-variable interest rate swaps		3.57%	5.0		1,668,517	liabilities	51,947	(6,837)	
Interest rate caps purchased, indexed to 1-month LIBOR		1.00%	4.0		25,000	Other assets	443	—	—
Interest rate caps sold, indexed to 1-month LIBOR		1.00%	4.0		25,000	Other liabilities	—	(443)	
					\$ 4,692,034		\$ 59,019	\$ (25,314)	

The following table provides information about summarizes the amount of loss related to Company's derivatives not designated as cash flow hedges reclassified from AOCI into interest expense for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Location of loss reclassified from AOCI into income:				
Interest expense on borrowings	\$ (590)	\$ (13,905)	\$ (9,003)	\$ (43,762)
Interest expense on deposits	972	—	(205)	—
	\$ 382	\$ (13,905)	\$ (9,208)	\$ (43,762)

During the three and nine months ended September 30, 2022 and 2021, no derivative positions designated hedging instruments 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 September 30, 2022, the amount of net gain expected to be reclassified from AOCI into earnings during the next twelve months was \$35.6 million. See Note 7 to the consolidated financial statements for additional information about the reclassification adjustments from AOCI into earnings.

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The following table provides information about the amount of gain (loss) related to derivatives designated as fair value hedges recognized in earnings for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Location of Gain (Loss) in Consolidated Statements of Income
	2022	2021	2022	2021	
Variability of fair value of fixed rate loans:					
Fair value adjustment on derivatives	\$ 1,929	\$ —	\$ 3,826	\$ —	Interest income on loans
Fair value adjustment on hedged items	(1,985)	—	(3,970)	—	Interest income on loans
Loss recognized on fair value hedges (ineffective portion)	\$ (56)	\$ —	\$ (144)	\$ —	
Variability of fair value of fixed rate borrowings:					
Fair value adjustment on derivatives	\$ —	\$ (491)	\$ —	\$ (1,987)	Interest expense on borrowings
Fair value adjustment on hedged items	—	491	—	1,986	Interest expense on borrowings
Loss recognized on fair value hedges (ineffective portion)	\$ —	\$ —	\$ —	\$ (1)	

Included in the table above are fair value hedges on fixed rate borrowings which matured during the year ended December 31, 2021.

The following table provides information about the hedged items related to derivatives designated as fair value hedges at the dates indicated (in thousands):

	September 30, 2022		December 31, 2021		Location in Consolidated Balance Sheets	
	Notional Amount	Fair Value ⁽¹⁾	Notional Amount	Fair Value ⁽¹⁾	Asset	Liability
Contractual balance outstanding of hedged item⁽¹⁾						
Contractual balance outstanding of hedged item ⁽¹⁾	\$ 100,000	\$ —	\$ —	\$ —	Loans	
Cumulative fair value hedging adjustments						
Cumulative fair value hedging adjustments	\$ (3,970)	\$ —	\$ —	\$ —	Loans	
Derivatives not designated as hedges:						
Pay-fixed interest rate swaps	\$ 1,857,402	\$ 62,302	\$ (5,155)	\$ 1,916,719	\$ 67,942	\$ (2,195)
Pay-variable interest rate swaps	1,857,402	5,249	(92,488)	1,916,719	2,195	(120,320)
Interest rate caps purchased	42,920	1,830	—	42,920	1,988	—
Interest rate caps sold	42,920	—	(1,830)	42,920	—	(1,988)
	\$ 3,800,644	\$ 69,381	\$ (99,473)	\$ 3,919,278	\$ 72,125	\$ (124,503)

(1) This amount is Fair value asset and liability derivatives are included in other assets and other liabilities, respectively in the amortized cost basis of a closed portfolio of loans used to designate hedging relationships in a portfolio layer method hedge in which the hedged item is anticipated to be outstanding for the designated hedge period. At September 30, 2022, the amortized cost basis of the closed portfolio used in this hedging relationship was \$1.1 billion consolidation balance sheets.

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.

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Master netting agreements

The Company does not offset assets and liabilities under master netting agreements for financial reporting purposes. Information on interest rate swaps and caps subject to these agreements is as follows at the dates indicated (in thousands):

	September 30, 2022						March 31, 2023					
	Gross Amounts Not Offset in						Gross Amounts Not Offset in					
	Gross Amounts		Net Amounts		Balance Sheet		Gross Amounts		Net Amounts		Balance Sheet	
	Gross Amounts Recognized	Offset in Balance Sheet	Presented in Balance Sheet	Derivative Instruments	Collateral Pledged	Net Amount	Gross Amounts Recognized	Offset in Balance Sheet	Derivative Instruments	Presented in Balance Sheet	Derivative Instruments	Net Amount
Derivative assets	Derivative assets	\$ 72,839	\$ —	\$ 72,839	\$ (2,035)	\$ (67,982)	\$ 2,822	Derivative assets	\$ 77,957	\$ —	\$ 77,957	\$ 77,957

Derivative liabilities	(2,035)	—	(2,035)	2,035	—	—	Derivative liabilities	(5,155)	—	(5,155)
	\$ 70,804	\$ —	\$ 70,804	\$ —	\$ (67,982)	\$ 2,822		\$ 72,802	\$ —	\$ 72,802

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	December 31, 2021										December 31, 2022										
	Gross Amounts Not Offset in										Gross Amounts Net Amount										
	Balance Sheet					Derivative Instruments					Balance Sheet					Derivative Instruments					
	Gross Amounts	Offset in Balance Sheet	Presented in Balance Sheet	Derivative Instruments	Collateral Pledged	Gross Amounts	Offset in Balance Sheet	Presented in Balance Sheet	Derivative Instruments	Net Amount	Gross Amounts	Offset in Balance Sheet	Presented in Balance Sheet	Derivative Instruments	Collateral Pledged	Gross Amounts	Offset in Balance Sheet	Presented in Balance Sheet	Derivative Instruments	Net Amount	
Derivative assets	\$ 7,072	\$ —	\$ 7,072	\$ (3,104)	\$ (3,915)	\$ 53	\$ 86,544	\$ —	\$ 86,544	\$ 86,544	\$ 86,544	\$ —	\$ —	\$ —	\$ —	\$ 82,632	\$ —	\$ —	\$ 82,632	\$ 82,632	
Derivative liabilities	(18,034)	—	(18,034)	3,104	14,557	(373)	(3,912)	—	(3,912)	(3,912)	(3,912)	—	—	—	—	(320)	\$ 82,632	\$ —	—	\$ 82,632	\$ 82,632
	<u>\$ (10,962)</u>	<u>\$ —</u>	<u>\$ (10,962)</u>	<u>\$ —</u>	<u>\$ 10,642</u>	<u>\$ (320)</u>	<u>\$ 82,632</u>	<u>\$ —</u>	<u>\$ 82,632</u>	<u>\$ 82,632</u>	<u>\$ 82,632</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 82,632</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 82,632</u>	<u>\$ 82,632</u>	

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.

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Note 7 Stockholders' Equity

Accumulated Other Comprehensive Income

Changes in other comprehensive income are summarized as follows for the periods indicated (in thousands):

	Three Months Ended September 30,						Three Months Ended March 31,					
	2022			2021			2023			2022		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:	Unrealized gains (losses) on investment securities available for sale:
Unrealized gains (losses) on investment securities available for sale:	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period
	\$ (158,514)	\$ 41,214	\$ (117,300)	\$ (21,751)	\$ 5,546	\$ (16,205)	\$ 101,265	\$ (26,329)	\$ 74,936	\$ (236,434)	\$ 61,454	\$ (174,980)

Amounts reclassified to gain on investment securities available for sale, net	Amounts reclassified to gain on investment securities available for sale, net	(349)	91	(258)	(814)	208	(606)	Amounts reclassified to gain on investment securities available for sale, net	(752)	196	(556)	(2,673)	695	(1,978)
Net change in unrealized gains (losses) on investment securities available for sale	Net change in unrealized gains (losses) on investment securities available for sale	(158,863)	41,305	(117,558)	(22,565)	5,754	(16,811)	Net change in unrealized gains (losses) on investment securities available for sale	100,513	(26,133)	74,380	(239,107)	62,149	(176,958)
Unrealized gains (losses) on derivative instruments:	Unrealized gains (losses) on derivative instruments:							Unrealized gains (losses) on derivative instruments:						
Net unrealized holding gains (losses) arising during the period	Net unrealized holding gains (losses) arising during the period	41,209	(10,714)	30,495	1,695	(432)	1,263	Net unrealized holding gains (losses) arising during the period	(2,926)	761	(2,165)	41,963	(10,784)	31,179
Amounts reclassified to interest expense on deposits	Amounts reclassified to interest expense on deposits	(972)	253	(719)	—	—	—	Amounts reclassified to interest expense on deposits	(5,049)	1,313	(3,736)	722	(188)	534
Amounts reclassified to interest expense on borrowings	Amounts reclassified to interest expense on borrowings	590	(154)	436	13,905	(3,546)	10,359	Amounts reclassified to interest expense on borrowings	(7,497)	1,949	(5,548)	4,710	(1,224)	3,486
Amounts reclassified to interest income on loans	Amounts reclassified to interest income on loans							Amounts reclassified to interest income on loans	392	(102)	290	—	—	—
Net change in unrealized gains (losses) on derivative instruments	Net change in unrealized gains (losses) on derivative instruments	40,827	(10,615)	30,212	15,600	(3,978)	11,622	Net change in unrealized gains (losses) on derivative instruments	(15,080)	3,921	(11,159)	47,395	(12,196)	35,199
Other comprehensive loss		\$ (118,036)	\$ 30,690	\$ (87,346)	\$ (6,965)	\$ 1,776	\$ (5,189)							
Other comprehensive income (loss)	Other comprehensive income (loss)													

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	Nine Months Ended September 30,					
	2022			2021		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Unrealized gains (losses) on investment securities available for sale:						
Net unrealized holding losses arising during the period	\$ (635,446)	\$ 165,197	\$ (470,249)	\$ (33,240)	\$ 8,476	\$ (24,764)
Amounts reclassified to gain on investment securities available for sale, net	(3,927)	1,021	(2,906)	(7,623)	1,944	(5,679)
Net change in unrealized gains (losses) on investment securities available for sale	(639,373)	166,218	(473,155)	(40,863)	10,420	(30,443)
Unrealized gains (losses) on derivative instruments:						
Net unrealized holding gains arising during the period	100,559	(26,019)	74,540	22,725	(5,795)	16,930
Amounts reclassified to interest expense on deposits	205	(53)	152	—	—	—
Amounts reclassified to interest expense on borrowings	9,003	(2,341)	6,662	43,762	(11,159)	32,603
Net change in unrealized gains (losses) on derivative instruments	109,767	(28,413)	81,354	66,487	(16,954)	49,533
Other comprehensive income (loss)	\$ (529,606)	\$ 137,805	\$ (391,801)	\$ 25,624	\$ (6,534)	\$ 19,090

The categories of AOCI and changes therein are presented below for the periods indicated (in thousands):

	Three Months Ended September 30,					
	Unrealized Gain (Loss) on Investment Securities		Unrealized Gain (Loss) on Derivative Instruments		Total	
	Available for Sale					
Balance at June 30, 2022						
Other comprehensive income (loss)	\$ (352,738)	\$		32,343	\$	(320,395)
	(117,558)			30,212		(87,346)
Balance at September 30, 2022	\$ (470,296)	\$		62,555	\$	(407,741)
Balance at June 30, 2021						
Other comprehensive income (loss)	\$ 50,167	\$		(75,040)	\$	(24,873)
	(16,811)			11,622		(5,189)
Balance at September 30, 2021	\$ 33,356	\$		(63,418)	\$	(30,062)

	Unrealized Gain (Loss) on Investment Securities					
	Available for Sale		on Derivative Instruments		Total	
Balance at December 31, 2022						
Other comprehensive income (loss)	\$ (498,911)	\$		61,006	\$	(437,905)
	74,380			(11,159)		63,221
Balance at March 31, 2023	\$ (424,531)	\$		49,847	\$	(374,684)
Balance at December 31, 2021						
Other comprehensive income (loss)	\$ 2,859	\$		(18,799)	\$	(15,940)
	(176,958)			35,199		(141,759)
Balance at March 31, 2022	\$ (174,099)	\$		16,400	\$	(157,699)

	Nine Months Ended September 30,					
	Unrealized Gain (Loss) on Investment Securities		Unrealized Gain (Loss) on Derivative Instruments		Total	
	Available for Sale					
Balance at December 31, 2021						
Other comprehensive income (loss)	\$ 2,859	\$		(18,799)	\$	(15,940)
	(473,155)			81,354		(391,801)
Balance at September 30, 2022	\$ (470,296)	\$		62,555	\$	(407,741)
Balance at December 31, 2020						
Other comprehensive income (loss)	\$ 63,799	\$		(112,951)	\$	(49,152)
	(30,443)			49,533		19,090
Balance at September 30, 2021	\$ 33,356	\$		(63,418)	\$	(30,062)

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Note 8 Fair Value Measurements**Assets and liabilities measured at fair value on a recurring basis**

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

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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 real estate-backed securities, private label residential MBS and CMOs, private label commercial MBS, collateralized loan obligations and state and municipal obligations. Pricing of these securities is generally primarily spread driven. Observable inputs that may impact the valuation of these securities include benchmark yield curves, credit spreads, reported trades, dealer quotes, bids, issuer spreads, current rating, historical constant prepayment rates, historical voluntary prepayment rates, structural and waterfall features of individual securities, published collateral data, and for certain securities, historical constant default rates and default severities.

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

Derivative financial instruments—Fair values of interest rate swaps, caps and collars 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 benchmark swap rates and benchmark forward yield curves. These fair value measurements are generally classified within level 2 of the fair value hierarchy.

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The following tables present assets and liabilities measured at fair value on a recurring basis at the dates indicated (in thousands):

		September 30, 2022			March 31, 2023			
		Level 1	Level 2	Total	Level 1	Level 2	Total	
Investment securities available for sale:	Investment securities available for sale:				Investment securities available for sale:			
U.S. Treasury securities	U.S. Treasury securities	\$ 95,932	\$ —	\$ 95,932	U.S. Treasury securities	\$ 118,383	\$ —	\$ 118,383

U.S. Government agency and sponsored enterprise residential MBS	U.S. Government agency and sponsored enterprise residential MBS	—	2,001,299	2,001,299	U.S. Government agency and sponsored enterprise residential MBS	—	1,980,533	1,980,533
U.S. Government agency and sponsored enterprise commercial MBS	U.S. Government agency and sponsored enterprise commercial MBS	—	535,266	535,266	U.S. Government agency and sponsored enterprise commercial MBS	—	518,382	518,382
Private label residential MBS and CMOs	Private label residential MBS and CMOs	—	2,587,586	2,587,586	Private label residential MBS and CMOs	—	2,525,482	2,525,482
Private label commercial MBS	Private label commercial MBS	—	2,583,888	2,583,888	Private label commercial MBS	—	2,434,819	2,434,819
Single family real estate-backed securities	Single family real estate-backed securities	—	478,055	478,055	Single family real estate-backed securities	—	448,501	448,501
Collateralized loan obligations	Collateralized loan obligations	—	1,059,523	1,059,523	Collateralized loan obligations	—	1,106,078	1,106,078
Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	—	100,123	100,123	Non-mortgage asset-backed securities	—	94,099	94,099
State and municipal obligations	State and municipal obligations	—	113,524	113,524	State and municipal obligations	—	103,950	103,950
SBA securities	SBA securities	—	141,626	141,626	SBA securities	—	124,603	124,603
Marketable equity securities	Marketable equity securities	90,605	—	90,605	Marketable equity securities	68,769	—	68,769
Derivative assets	Derivative assets	—	73,989	73,989	Derivative assets	—	83,206	83,206
Total assets at fair value	Total assets at fair value	\$ 186,537	\$ 9,674,879	\$ 9,861,416	Total assets at fair value	\$ 187,152	\$ 9,419,653	\$ 9,606,805
Derivative liabilities	Derivative liabilities	\$ —	\$ (134,307)	\$ (134,307)	Derivative liabilities	\$ —	\$ (99,473)	\$ (99,473)
Total liabilities at fair value	Total liabilities at fair value	\$ —	\$ (134,307)	\$ (134,307)	Total liabilities at fair value	\$ —	\$ (99,473)	\$ (99,473)

December 31, 2021					
			Level 1	Level 2	Total
Investment securities available for sale:					
U.S. Treasury securities		\$ 111,660	\$ —	\$ 111,660	
U.S. Government agency and sponsored enterprise residential MBS		—	2,097,796	2,097,796	
U.S. Government agency and sponsored enterprise commercial MBS		—	856,899	856,899	
Private label residential MBS and CMOs		—	2,149,420	2,149,420	
Private label commercial MBS		—	2,604,010	2,604,010	
Single family real estate-backed securities		—	476,968	476,968	
Collateralized loan obligations		—	1,078,286	1,078,286	
Non-mortgage asset-backed securities		—	152,510	152,510	
State and municipal obligations		—	222,277	222,277	
SBA securities		—	183,595	183,595	

Marketable equity securities	120,777	—	120,777
Servicing rights	—	5,152	5,152
Derivative assets	—	59,019	59,019
Total assets at fair value	\$ 232,437	\$ 9,885,932	\$ 10,118,369
Derivative liabilities	\$ —	\$ (25,314)	\$ (25,314)
Total liabilities at fair value	\$ —	\$ (25,314)	\$ (25,314)

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	December 31, 2022		
	Level 1	Level 2	Total
Investment securities available for sale:			
U.S. Treasury securities	\$ 135,841	\$ —	\$ 135,841
U.S. Government agency and sponsored enterprise residential MBS	—	1,983,168	1,983,168
U.S. Government agency and sponsored enterprise commercial MBS	—	525,094	525,094
Private label residential MBS and CMOs	—	2,530,663	2,530,663
Private label commercial MBS	—	2,524,354	2,524,354
Single family real estate-backed securities	—	470,441	470,441
Collateralized loan obligations	—	1,136,463	1,136,463
Non-mortgage asset-backed securities	—	95,976	95,976
State and municipal obligations	—	116,661	116,661
SBA securities	—	135,782	135,782
Marketable equity securities	90,884	—	90,884
Derivative assets	—	88,739	88,739
Total assets at fair value	\$ 226,725	\$ 9,607,341	\$ 9,834,066
Derivative liabilities	\$ —	\$ (126,220)	\$ (126,220)
Total liabilities at fair value	\$ —	\$ (126,220)	\$ (126,220)

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.

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Collateral dependent loans and OREO—The carrying amount of collateral dependent loans is typically based on the fair value of the underlying collateral, which may be real estate, enterprise value or other business assets, less estimated costs to sell when repayment is expected to come from the sale of the collateral. The carrying value of OREO is initially measured based on the fair value of the real estate acquired in foreclosure and subsequently adjusted to the lower of cost or estimated fair value, less estimated cost to sell. Fair values of real estate collateral and OREO are typically based on third-party real estate appraisals which utilize market and income approaches to valuation incorporating both observable and unobservable inputs.

Fair value measurements related to collateral dependent loans and OREO 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.

The following table presents the net carrying value of assets classified within level 3 of the fair value hierarchy at the dates indicated, for which non-recurring changes in fair value were recorded during the period then ended (in thousands):

		September 30, 2022	December 31, 2021		March 31, 2023		December 31, 2022
Collateral dependent loans	Collateral dependent loans	\$ 37,390	\$ 70,433		Collateral dependent loans	\$ 25,320	\$ 31,789
OREO	OREO	693	2,788		OREO	—	693
Operating lease equipment		—	11,429				
		\$ 38,083	\$ 84,650			\$ 25,320	\$ 32,482

The following table presents the carrying value and fair value of financial instruments and the level within the fair value hierarchy in which those measurements are classified at the dates indicated (dollars in thousands):

		September 30, 2022				December 31, 2021				March 31, 2023				December 31, 2022			
		Level	Carrying Value	Fair Value	Carrying Value	Fair Value	Level	Carrying Value	Fair Value	Level	Carrying Value	Fair Value	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:																	
Cash and cash equivalents	Cash and cash equivalents	1	\$ 726,138	\$ 726,138	\$ 314,857	\$ 314,857	1	\$ 903,998	\$ 903,998	1	\$ 572,647	\$ 572,647					
Investment securities	Investment securities	1/2	\$ 9,797,427	\$ 9,797,467	\$ 10,064,198	\$ 10,064,887	1/2	\$ 9,533,599	\$ 9,533,448	1/2	\$ 9,755,327	\$ 9,755,190					
Non-marketable equity securities	Non-marketable equity securities	2	\$ 261,784	\$ 261,784	\$ 135,859	\$ 135,859	2	\$ 384,697	\$ 384,697	2	\$ 294,172	\$ 294,172					
Loans, net	Loans, net	3	\$ 24,136,061	\$ 22,779,267	\$ 23,638,596	\$ 24,088,190	3	\$ 24,734,102	\$ 23,595,163	3	\$ 24,738,042	\$ 23,342,950					
Derivative assets	Derivative assets	2	\$ 73,989	\$ 73,989	\$ 59,019	\$ 59,019	2	\$ 83,206	\$ 83,206	2	\$ 88,739	\$ 88,739					
Liabilities:																	
Demand, savings and money market deposits	Demand, savings and money market deposits	2	\$ 23,648,849	\$ 23,648,849	\$ 26,053,859	\$ 26,053,859	2	\$ 20,472,921	\$ 20,472,921	2	\$ 23,241,256	\$ 23,241,256					
Time deposits	Time deposits	2	\$ 3,700,226	\$ 3,666,917	\$ 3,384,243	\$ 3,388,435	2	\$ 5,249,977	\$ 5,198,220	2	\$ 4,268,078	\$ 4,231,167					
Federal funds purchased	Federal funds purchased	2	\$ —	\$ —	\$ 199,000	\$ 199,000	2	\$ —	\$ —	2	\$ 190,000	\$ 190,000					
FHLB advances	FHLB advances	2	\$ 5,295,000	\$ 5,293,836	\$ 1,905,000	\$ 1,905,629	2	\$ 7,550,000	\$ 7,545,355	2	\$ 5,420,000	\$ 5,419,588					
Notes and other borrowings	Notes and other borrowings	2	\$ 721,045	\$ 691,841	\$ 721,416	\$ 813,095	2	\$ 720,787	\$ 642,239	2	\$ 720,923	\$ 698,359					
Derivative liabilities	Derivative liabilities	2	\$ 134,307	\$ 134,307	\$ 25,314	\$ 25,314	2	\$ 99,473	\$ 99,473	2	\$ 126,220	\$ 126,220					

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
September 30, 2022

Note 9 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.

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
March 31, 2023

Unfunded commitments under lines of credit

Unfunded commitments under lines of credit include commercial, commercial real estate and **an insignificant amount** of consumer lines of credit to existing customers, for many of which additional extensions of credit are subject to borrowing base requirements. Some of these commitments may mature without being fully funded, so may not necessarily represent future liquidity requirements.

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 **September 30, 2022** **March 31, 2023** were as follows (in thousands):

Commitments to fund loans	\$ 618,765	478,149
Unfunded commitments under lines of credit	5,386,312	5,928,956
Commercial and standby letters of credit	113,730	161,092
<hr/>		\$ 6,118,807
		6,568,197

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.

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BANKUNITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
March 31, 2023

Note 10 Deposits

The following table presents average balances and weighted average rates paid on deposits for the periods indicated (dollars in thousands):

	Three Months Ended March 31,			
	2023		2022	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand deposits:				
Non-interest bearing	\$ 7,458,221	— %	\$ 9,047,864	— %
Interest bearing	2,283,505	1.87 %	3,078,037	0.18 %
Savings and money market	12,145,922	3.06 %	13,401,332	0.21 %
Time	4,526,480	2.81 %	3,319,585	0.44 %
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 26,414,128	2.05 %	\$ 28,846,818	0.17 %

Time deposit accounts with balances greater than \$250,000 totaled \$819 million and \$730 million at March 31, 2023 and December 31, 2022, respectively.

The following table presents maturities of time deposits as of March 31, 2023 (in thousands):

Maturing in:		
2023		\$ 3,534,369
2024		1,306,729
2025		97,271
2026		310,548
2027		1,032
Thereafter		28
		\$ 5,249,977

Included in deposits at March 31, 2023 are public funds deposits of \$3.6 billion and brokered deposits of \$5.2 billion.

Interest expense on deposits for the periods indicated was as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Interest bearing demand	\$ 10,545	\$ 1,364
Savings and money market	91,724	6,931
Time	31,361	3,562
	\$ 133,630	\$ 11,857

Certain of our non-interest bearing demand deposit accounts participate in various customer rebate programs. During the three months ended March 31, 2023 and 2022, costs related to these programs totaled \$8.5 million and \$1.6 million, respectively. These expenses are included in "other non-interest expense" in the accompanying consolidated statements of income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to focus on significant matters impacting and changes in the financial condition and results of operations of the Company during the ~~nine~~ three months ended ~~September 30, 2022~~ March 31, 2023 and should be read in conjunction with the consolidated financial statements and notes hereto included in this Quarterly Report on Form 10-Q and BKU's ~~2021~~ 2022 Annual Report on Form 10-K for the year ended ~~December 31, 2021~~ December 31, 2022 (the ~~2021~~ 2022 Annual Report on Form 10-K").

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Company's current views with respect to, among other things, future events and financial performance. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "future" and similar expressions identify forward-looking statements. These forward-looking statements are based on the historical performance of the Company or on the Company's current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by the Company that the future plans, estimates or expectations so contemplated will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to the Company's operations, financial results, financial condition, business prospects, growth strategy and liquidity, including as impacted by external circumstances outside the Company's direct control, such as adverse events impacting the financial services industry. 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 may vary materially from those indicated in these statements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, the risk factors described in Part I, Item 1A of the ~~2021~~ 2022 Annual Report on Form 10-K and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K. The Company does not undertake any obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

Overview

Recent Industry Developments

During March and April of 2023, three highly publicized regional bank closures led to industry-wide concerns and volatility related to bank valuations, liquidity, deposit outflows, unrealized securities losses and eroding customer confidence in the banking system. Despite these recent developments, our business is stable, our liquidity position is strong and our capital base remains robust. The Company took the following actions in response to these industry-wide developments:

- Activated our contingency funding plan, enhancing daily monitoring and reporting of liquidity trends and deposit flows, and optimized same day available liquidity by increasing cash levels and pledging additional assets to the FHLB and FRB;
- Equipped our relationship managers and branch personnel with information they could use in their outreach to customers;
- Supported our customers by offering our pre-existing ICS reciprocal insured deposit program to those with concerns about deposit insurance;
- Held regular company-wide calls to provide timely information to our employees;
- Maintained a regular cadence of communication with funding sources, counterparties and regulators;
- Made senior management available to customers as needed; and

- Are re-evaluating the Bank's concentration limits around certain types of larger deposits.

Quarterly Highlights

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

Quarterly highlights include:

- Net income for the three months ended September 30, 2022 March 31, 2023 was \$87.9 million \$52.9 million, or \$1.12 \$0.70 per diluted share, compared to \$65.8 million \$64.2 million or \$0.82 per diluted share for the immediately preceding three months ended June 30, 2022 December 31, 2022 and \$86.9 million \$67.2 million, or \$0.94 \$0.79 per diluted share, for the three months ended September 30, 2021 March 31, 2022. Net income for the nine months ended September 30, 2022 was \$220.8 million, or \$2.71 per diluted share, compared to \$289.7 million, or \$3.12 per diluted share, for the nine months ended September 30, 2021. Earnings for the nine months ended September 30, 2021 were favorably impacted by a \$67.4 million recovery of the provision for credit losses.
- PPNR CET1 was \$120.8 million 10.8% at the holding company and 12.5% at the Bank at March 31, 2023. Pro-forma CET1 at the holding company, including accumulated other comprehensive income, was 9.4% at March 31, 2023.
- Our liquidity position is strong. At March 31, 2023, the Bank had total same day available liquidity of approximately \$9.4 billion. As of April 21, 2023, available liquidity had increased to approximately \$12.3 billion. At March 31, 2023, the Bank's ratio of estimated insured and collateralized deposits to total deposits was 62% and its available liquidity to estimated uninsured, uncollateralized deposits ratio was 95%. The ratio of available liquidity to estimated uninsured, uncollateralized deposits improved to 128% at April 21, 2023.
- During the week immediately following the onset of recent events impacting the banking sector, the Bank experienced elevated deposit outflows; deposit flows stabilized thereafter. Total deposits declined by \$1.79 billion during the three months ended March 31, 2023, while non-interest bearing demand deposits declined by \$671 million. Net deposit outflows the week of March 13, 2023 totaled \$1.75 billion. Outflows totaling \$1.9 billion that week were attributable to a small number of larger institutional customers. For the weeks of March 20 and March 27, 2023, there were net deposit inflows totaling \$245 million.
- Non-interest bearing demand deposits were 29% of total deposits at both March 31, 2023 and December 31, 2022.
- Net interest income and the net interest margin for the three months ended September 30, 2022 compared March 31, 2023 were negatively impacted by an increase in the cost of funds which more than offset the increased yield on interest-earning assets. A greater than anticipated decline in average non-interest bearing deposits and an increase in on-balance sheet liquidity led to \$111.5 million for the immediately preceding three months ended June 30, 2022 an increase in higher cost deposits and \$102.6 million for the three months ended September 30, 2021.
- FHLB advances. The net interest margin, calculated on a tax-equivalent basis, expanded to 2.76% was 2.62% for the three months ended September 30, 2022 from 2.63% for the immediately preceding quarter and 2.33% March 31, 2023, compared to 2.81% for the three months ended September 30, 2021 December 31, 2022 and 2.50% for the three months ended March 31, 2022. Net interest income increased decreased by \$10.4 million compared to the immediately preceding three months ended June 30, 2022 and by \$40.7 million \$15.2 million, compared to the three months ended September 30, 2021 December 31, 2022 and increased by \$19.2 million compared to the three months ended March 31, 2022.
- In response to the rising interest rate environment, tightening liquidity conditions and recent events impacting the banking sector, the average cost of total deposits increased rose to 0.78% 2.05% for the three months ended September 30, 2022 March 31, 2023, from 0.30% 1.42% for the immediately preceding three months ended June 30, 2022 December 31, 2022 and 0.20% for the three months ended September 30, 2021. The yield on average interest earning assets increased to 3.80% 5.05% for the three months ended September 30, 2022 March 31, 2023, from 3.11% 4.60% for the immediately preceding quarter and 2.79% for the three months ended September 30, 2021 months.
- For the three months ended September 30, 2022 March 31, 2023, the Company recorded a provision for credit losses of \$3.7 million compared to a provision of \$24.0 million for the immediately preceding three months ended June 30, 2022 and a recovery of the provision for credit losses was \$19.8 million compared to provisions of \$(11.8) million \$39.6 million and \$7.8 million for the three months ended September 30, 2021 December 31, 2022 and March 31, 2022, respectively. The ratio of the ACL to total loans was consistent with the prior quarter-end increased to 0.64%, at 0.54% March 31, 2023 from 0.59% at December 31, 2022.
- Loans, excluding the runoff of PPP loans, grew by \$186 million Non-interest income for the three months ended September 30, 2022 March 31, 2023 included a \$13.3 million net loss on certain preferred equity investments.
- Total loans was flat quarter-over-quarter, with a \$111 million decline in residential offsetting net growth in the commercial segments of \$118 million. The core C&I and commercial real estate CRE portfolio segments grew by a total of \$444 million. As expected given the market-wide decline in mortgage origination activity, mortgage warehouse loans declined by \$194 million \$144 million.
- Total deposits declined The pre-tax net unrealized loss on investment securities AFS improved by \$1.1 billion \$100 million during the three months ended September 30, 2022 March 31, 2023 to \$574 million from \$674 million at December 31, 2022. Non-interest bearing demand deposits declined by \$851 million The duration of the AFS

portfolio was 1.95 at March 31, 2023. Securities held to 32% maturity totaled only \$10 million at March 31, 2023.

- The Company announced an increase of total deposits, from 34% of total deposits at June 30, 2022. Year to date, non-interest bearing demand deposits declined by \$182 million. Time deposits grew by \$976 million during \$0.02 per share in its common stock dividend for the three months ended September 30, 2022 March 31, 2023, to \$0.27 per common share, reflecting a strategy to extend an 8% increase from the term previous level of deposits, \$0.25 per share.
- The positive trend in levels of criticized and classified loans continued during the three months ended September 30, 2022, declining by \$175 million; the annualized net charge-off ratio was 0.16% compared to 0.29% for the year ended December 31, 2021. The ratio of non-performing loans to total loans was 0.64% at September 30, 2022. The guaranteed portion of SBA loans on non-accrual status represented 0.17% of total loans and 27% of non-performing loans at September 30, 2022.
- Book value per common share and tangible book value per common share were \$31.97 and \$30.97, respectively, at September 30, 2022.
- In September 2022, the Company's Board of Directors authorized the repurchase of up to an additional \$150 million in shares of its outstanding common stock. During the three months ended September 30, 2022 March 31, 2023, the Company repurchased approximately 0.3 million 1.6 million shares of its common stock for an aggregate purchase price of \$10.8 million \$55.0 million, at a weighted average price of \$34.36 \$33.41 per share. In light of the current macro-environment, we have suspended share repurchase activity.
- Book value and tangible book value per common share improved to \$33.34 and \$32.30, respectively, at March 31, 2023, from \$32.19 and \$31.16, respectively at December 31, 2022.

Hurricane Ian

In September 2022, Hurricane Ian made landfall on the southwest Florida coast. The Company did not sustain significant damage or disruption to facilities or operations. The Company had approximately \$2.3 billion UPB, based on September 30, 2022 balances, of loans within a 20 county assessment area most impacted by the storm. As of October 25, 2022, we have contacted borrowers representing approximately 75% of this exposure. No borrowers reported severe impact from the storm; borrowers representing approximately \$159 million in UPB reported mild or moderate impact on their properties or businesses. Based on information collected to date, we do not expect the impact of the storm to be material to our financial condition or results of operations.

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. For the quarter ended March 31, 2023, the mix of interest bearing liabilities was negatively impacted by a higher rate environment, the quantitative tightening policy stance of the FRB which has led to a decline in deposit levels across the banking industry and deposit outflows related to events that impacted the banking sector in March, 2023. These factors contributed to a decline in average non-interest bearing demand deposits and to an increase in higher cost funding sources, including wholesale funding such as FHLB advances.

The following table presents, for the periods indicated, 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 loans are included in the average balances presented in this table; however, interest income foregone on non-accrual loans is not included. Interest income, yields, spread and margin have been calculated on a tax-equivalent basis for loans and investment securities that are exempt from federal income taxes, at a federal tax rate of 21% (dollars in thousands):

	Assets:	Three Months Ended September 30, 2022			Three Months Ended June 30, 2022			Three Months Ended September 30, 2021			Three Months Ended March 31, 2022						
											December 31, 2022			March 31, 2022			
		Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance
Assets:	Assets:																
Interest earning assets:	Interest earning assets:																
Loans	Loans	\$24,053,742	\$248,168	4.11 %	\$23,709,190	\$212,395	3.59 %	\$22,879,654	\$197,995	3.45 %	Loans	\$24,724,296	\$312,125	5.10 %	\$24,624,062	\$292,272	4.72 %
Investment securities (3)	Investment securities (3)	9,981,486	77,840	3.12 %	10,477,600	55,488	2.12 %	10,452,255	38,939	1.49 %	Investment securities (3)	9,672,514	119,666	4.95 %	9,788,969	106,034	4.33 %
Other interest earning assets	Other interest earning assets	596,879	4,031	2.68 %	718,904	2,979	1.66 %	750,700	1,413	0.75 %	Other interest earning assets	1,039,563	12,863	5.02 %	710,315	7,345	4.10 %

Total interest earning assets	Total interest earning assets	34,632,107	330,039	3.80 %	34,905,694	270,862	3.11 %	34,082,609	238,347	2.79 %	Total interest earning assets	35,436,373	444,654	5.05 %	35,123,346	405,651	4.60 %	34,1	
Allowance for credit losses	Allowance for credit losses	(133,828)			(127,864)			(171,381)			Allowance for credit losses	(151,071)			(137,300)			(1	
Non-interest earning assets	Non-interest earning assets	1,703,371			1,669,689			1,856,608			Non-interest earning assets	1,793,000			1,837,156			1,6	
Total assets	Total assets	<u>\$36,201,650</u>			<u>\$36,447,519</u>			<u>\$35,767,836</u>			Total assets	<u>\$37,078,302</u>			<u>\$36,823,202</u>			<u>\$35,6</u>	
Liabilities and Stockholders' Equity:	Liabilities and Stockholders' Equity:										Liabilities and Stockholders' Equity:								
Interest bearing liabilities:	Interest bearing liabilities:										Interest bearing liabilities:								
Interest bearing demand deposits	Interest bearing demand deposits	\$ 2,306,906	\$ 4,104	0.71 %	\$ 2,576,257	\$ 1,742	0.27 %	\$ 3,038,038	\$ 1,701	0.22 %	Interest bearing demand deposits	\$ 2,283,505	10,545	1.87 %	\$ 2,183,854	6,704	1.22 %	\$ 3,0	
Savings and money market deposits	Savings and money market deposits	13,001,566	39,838	1.22 %	13,052,566	15,213	0.47 %	13,554,572	10,029	0.29 %	Savings and money market deposits	12,145,922	91,724	3.06 %	12,054,892	68,001	2.24 %	13,4	
Time deposits	Time deposits	3,255,869	9,264	1.13 %	2,812,988	3,546	0.51 %	2,866,746	2,543	0.35 %	Time deposits	4,526,480	31,361	2.81 %	3,960,111	19,698	1.97 %	3,3	
Total interest bearing deposits	Total interest bearing deposits	18,564,341	53,206	1.14 %	18,441,811	20,501	0.45 %	19,459,356	14,273	0.29 %	Total interest bearing deposits	18,955,907	133,630	2.86 %	18,198,857	94,403	2.06 %	19,7	
Federal funds purchased	Federal funds purchased	153,905	833	2.12 %	115,146	155	0.53 %	70,054	15	0.08 %	Federal funds purchased	143,580	1,611	4.49 %	175,637	1,677	3.74 %	1	
FHLB advances	FHLB advances	4,739,457	26,890	2.25 %	4,373,736	11,644	1.07 %	2,647,314	15,678	2.35 %	FHLB advances	6,465,000	68,039	4.27 %	6,125,435	53,084	3.44 %	2,2	
Notes and other borrowings	Notes and other borrowings	721,164	9,259	5.14 %	721,284	9,257	5.13 %	721,638	9,257	5.13 %	Notes and other borrowings	720,906	9,262	5.14 %	721,044	9,260	5.14 %	7	
Total interest bearing liabilities	Total interest bearing liabilities	24,178,867	90,188	1.48 %	23,651,977	41,557	0.70 %	22,898,362	39,223	0.68 %	Total interest bearing liabilities	26,285,393	212,542	3.28 %	25,220,973	158,424	2.49 %	22,5	
Non-interest bearing demand deposits	Non-interest bearing demand deposits	8,749,794			9,419,025			8,912,960			Non-interest bearing demand deposits	7,458,221			8,237,885			9,0	
Other non-interest bearing liabilities	Other non-interest bearing liabilities	697,440			654,162			752,774			Other non-interest bearing liabilities	821,419			879,207			6	
Total liabilities	Total liabilities	33,626,101			33,725,164			32,564,096			Total liabilities	34,565,033			34,338,065			32,6	
Stockholders' equity	Stockholders' equity	2,575,549			2,722,355			3,203,740			Stockholders' equity	2,513,269			2,485,137			3,0	
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	<u>\$36,201,650</u>			<u>\$36,447,519</u>			<u>\$35,767,836</u>			Total liabilities and stockholders' equity	<u>\$37,078,302</u>			<u>\$36,823,202</u>			<u>\$35,6</u>	
Net interest income	Net interest income		\$239,851			\$229,305			\$199,124			Net interest income	\$232,112			\$247,227			
Interest rate spread	Interest rate spread		2.32 %			2.41 %			2.11 %	spread			1.77 %			2.11 %			
Net interest margin	Net interest margin		2.76 %			2.63 %			2.33 %	margin			2.62 %			2.81 %			

(1) On a tax-equivalent basis where applicable. The tax-equivalent adjustment for tax-exempt loans was \$3.3 million, \$3.2 million and \$3.3 million for the three months ended September 30, 2022, June 30, 2022 March 31, 2023 and September 30, 2021, respectively. \$3.0 million for both the three months ended December 31, 2022 and March 31, 2022. The tax-equivalent adjustment for tax-exempt investment securities was \$0.9 million for both the three months ended March 31, 2023 and December 31, 2022, and \$0.7 million for all periods presented, the three months ended March 31, 2022.

(2) Annualized. Annualized

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

	Nine Months Ended September 30,					
	2022			2021		
	Average Balance	Interest (1)	Yield/Rate (1)(2)	Average Balance	Interest (1)	Yield/Rate (1)(2)
Assets:						
Interest earning assets:						
Loans	\$ 23,706,606	\$ 655,114	3.69 %	\$ 23,139,389	\$ 612,756	3.54 %
Investment securities (3)	10,180,351	177,047	2.32 %	9,792,350	116,464	1.59 %
Other interest earning assets	663,189	8,364	1.69 %	1,063,476	4,613	0.58 %
Total interest earning assets	34,550,146	840,525	3.25 %	33,995,215	733,833	2.88 %
Allowance for credit losses	(130,258)			(213,352)		
Non-interest earning assets	1,682,618			1,771,639		
Total assets	\$ 36,102,506			\$ 35,553,502		
Liabilities and Stockholders' Equity:						
Interest bearing liabilities:						
Interest bearing demand deposits	\$ 2,658,558	7,215	0.36 %	\$ 3,017,301	7,069	0.31 %
Savings and money market deposits	13,150,357	62,704	0.64 %	13,299,066	33,463	0.34 %
Time deposits	3,129,247	15,650	0.67 %	3,520,674	13,433	0.51 %
Total interest bearing deposits	18,938,162	85,569	0.60 %	19,837,041	53,965	0.36 %
Federal funds purchased	152,028	1,046	0.92 %	26,245	17	0.09 %
FHLB advances	3,796,484	44,680	1.57 %	2,863,093	50,158	2.34 %
Notes and other borrowings	721,283	27,772	5.13 %	721,897	27,762	5.13 %
Total interest bearing liabilities	23,607,957	159,067	0.90 %	23,448,276	131,902	0.75 %
Non-interest bearing demand deposits	9,071,135			8,194,570		
Other non-interest bearing liabilities	650,936			783,618		
Total liabilities	33,330,028			32,426,464		
Stockholders' equity	2,772,478			3,127,038		
Total liabilities and stockholders' equity	\$ 36,102,506			\$ 35,553,502		
Net interest income	\$ 681,458			\$ 601,931		
Interest rate spread		2.35 %			2.13 %	
Net interest margin		2.63 %			2.36 %	

(1) On a tax-equivalent basis where applicable. The tax-equivalent adjustment for tax-exempt loans was \$9.4 million and \$10.2 million for the nine months ended September 30, 2022 and 2021, respectively. The tax-equivalent adjustment for tax-exempt investment securities was \$2.1 million and \$2.0 million for the nine months ended September 30, 2022 and 2021, respectively.

(2) Annualized.

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

Three months ended September 30, 2022 March 31, 2023 compared to the immediately preceding three months ended June 30, 2022 December 31, 2022

Net interest income, calculated on a tax-equivalent basis, was \$239.9 million \$232.1 million for the three months ended September 30, 2022 March 31, 2023, compared to \$229.3 million \$247.2 million for the three months ended June 30, 2022 December 31, 2022, an increase a decrease of \$10.5 million \$15.1 million. The increase decrease in net interest income was comprised of an increase increases in tax-equivalent interest income and interest expense of \$39.0 million and \$54.1 million, respectively, for the \$59.2 million three months ended March 31, 2023 partially offset, compared to the three months ended December 31, 2022. Overall, the net interest margin was negatively impacted by an increase in the cost of \$48.6 million interest-bearing deposits and FHLB advances, more than offsetting the increased yield on interest earnings assets. A decline in interest expense. The average non-interest bearing deposits and an increase in interest income reflected higher yields on loans and investment securities. The on-balance sheet liquidity contributed to an increase in interest expense reflected a higher cost of interest bearing deposits in response to the rising interest rate environment, higher-cost funding.

The net interest margin, calculated on a tax-equivalent basis, was 2.76% 2.62% for the three months ended September 30, 2022 March 31, 2023, compared to 2.63% 2.81% for the three months ended June 30, 2022 December 31, 2022. Offsetting More detail about factors impacting the net interest margin for the three months ended September 30,

2022 March 31, 2023 compared to the immediately preceding three months ended June 30, 2022 December 31, 2022 included:

- The tax-equivalent yield on investment securities increased to 3.12% 4.95% for the three months ended March 31, 2023, from 2.12% 4.33% for the three months ended December 31, 2022. This increase resulted primarily from the reset of coupon rates on variable rate securities as well as purchases of securities at higher yields.
- The tax-equivalent yield on loans increased to 4.11% 5.10% for the three months ended March 31, 2023, from 3.59% 4.72% for the three months ended December 31, 2022. Factors contributing to this increase were the resetting of variable rate loans at higher coupon rates and originations of new loans at higher rates.
- The average rate paid on interest bearing deposits increased to 1.14% 2.86% for the three months ended March 31, 2023, from 2.06% for the 0.45% three months ended December 31, 2022, primarily in response to the rising interest rate environment. Growth in time deposits as a percentage of interest environment, tightening liquidity conditions and the shift from non-interest bearing deposits also contributed to this increase, as we implemented a strategy to extend the term of interest bearing deposits, deposits priced at current, higher market rates.
- The average rate paid on FHLB advances increased to 2.25% 4.27% for the three months ended March 31, 2023, from 3.44% for the three months ended September 30, 2022 December 31, 2022, from 1.07% primarily due to higher prevailing rates.
- Average non-interest bearing demand deposits declined by \$780 million while average cash balances increased by \$313 million for the three months ended March 31, 2023. Correspondingly, the increase in average interest-bearing sources of funds added to the balance sheet at higher current rates totaled \$1.1 billion for the three months ended March 31, 2023. The estimated impact of this shift on the net interest margin for the three months ended June 30, 2022, primarily in response to the rising interest rate environment, March 31, 2023 was 0.14%.

Three and nine months ended September 30, 2022 March 31, 2023 compared to the three and nine months ended September 30, 2021 March 31, 2022

Net interest income, calculated on a tax-equivalent basis, was \$239.9 232.1 million for the three months ended September 30, 2022 March 31, 2023, compared to \$199.1 212.3 million for the three months ended September 30, 2021 March 31, 2022, an increase of \$40.7 million. Net interest income, calculated on a tax-equivalent basis, was \$681.5 million for the nine months ended September 30, 2022, compared to \$601.9 million for the nine months ended September 30, 2021, an increase of \$79.5 million \$19.8 million. The increases increase in net interest income were was comprised of increases in tax-equivalent interest income and interest expense of \$205.0 million and \$185.2 million, respectively, for the \$91.7 million and \$106.7 million partially offset three months ended March 31, 2023, compared to the three months ended March 31, 2022. The increase in tax equivalent interest income was driven primarily by increases in interest expense income from loans and investment securities of \$51.0 million \$117.6 million and \$27.2 million \$75.9 million, respectively, for the three and nine months ended September 30, 2022, respectively, March 31, 2023 compared to the three and nine months ended September 30, 2021 March 31, 2022. The increase in interest expense was driven by increases in interest expense on deposits and borrowings of \$121.8 million and \$63.4 million, respectively, respectively, for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Increases in interest income for the three and nine months ended September 30, 2022, March 31, 2023 compared to the three and nine months ended September 30, 2021, March 31, 2022 reflected increases in both the average balance of and the yields on loans and rising yields on investment securities. Increases in interest expense for the three and nine months ended September 30, 2022, March 31, 2023 compared to the three and nine months ended September 30, 2021, March 31, 2022 reflected the increased increase in the cost of interest bearing interest-bearing deposits related to the rising rate environment, partially offset by declines in the related average balances. For the comparative three-month periods, interest expense on FHLB advances increased mainly due to an increase a decline in the average balance while for the comparative nine-month periods, interest expense on FHLB advances declined due to a decrease in the weighted average rate, partially offset by and an increase in both the cost and average balance, balance of FHLB advances. A decline in average non-interest bearing deposits and an increase in on-balance sheet liquidity also contributed to the increase in interest expense.

The net interest margin, calculated on a tax-equivalent basis, was 2.76% 2.62% for the three months ended September 30, 2022, March 31, 2023 compared to 2.33% 2.50% for the three months ended September 30, 2021. The net interest margin, calculated on a tax-equivalent basis, was 2.63% for the nine months ended September 30, 2022, compared to 2.36% for the nine months ended September 30, 2021 March 31, 2022. Offsetting factors impacting the net interest margin for the three and nine months ended September 30, 2022, March 31, 2023 compared to the three and nine months ended September 30, 2021 March 31, 2022 included:

- The tax-equivalent yield on loans expanded to 4.11% and 3.69% 5.10% for the three and nine months ended September 30, 2022, March 31, 2023, respectively, from 3.45% and 3.54% 3.36% for the three and nine months ended September 30, 2021, respectively, March 31, 2022. Factors contributing to this increase were the increases in the tax-equivalent yield on resetting of variable rate loans for the three at higher coupon rates and nine months ended September 30, 2022, compared to the comparable periods in 2021 were largely consistent with those discussed above. originations of new loans at higher rates.
- The tax-equivalent yield on investment securities increased to 3.12% and 2.32% 4.95% for the three and nine months ended September 30, 2022, respectively, March 31, 2023 from 1.49% and 1.59% 1.73% for the three and nine months ended September 30, 2021, respectively. The March 31, 2022. This increase resulted primarily from the reset of coupon rates on variable rate securities as well as purchases of higher-yielding securities and slowing prepayment speeds on securities purchased at a premium contributed to these increases in higher yields.
- The average rate paid on interest bearing deposits increased to 1.14% and 0.60% 2.86% for the three and nine months ended September 30, 2022, respectively, March 31, 2023 from 0.29% and 0.36% 0.24% for the three and nine months ended September 30, 2021 March 31, 2022, respectively, reflecting primarily in response to the increasing trend in the Fed's benchmark rate, rising interest rate environment and tightening liquidity conditions.
- The average rate paid on FHLB advances decreased increased to 4.27% 2.25% and 1.57% for the three and nine months ended September 30, 2022, respectively, March 31, 2023 from 2.35% and 2.34% 1.11% for the three and nine months ended September 30, 2021 March 31, 2022, respectively. The decreases resulted from the maturity

of primarily due to higher rate advances and the termination of certain cash flow hedges in the fourth quarter of 2021, coupled with the addition of FHLB advances at lower prevailing rates.

Provision for Credit Losses

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

The following table presents the components of the provision for (recovery of) credit losses for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Amount related to funded portion of loans	\$ 2,753	\$ (11,554)	\$ 33,406	\$ (65,523)
Amount related to off-balance sheet credit exposures	967	280	2,267	(640)
Amount related to accrued interest receivable	—	(568)	(127)	(838)
Amount related to AFS debt securities	—	—	—	(364)
Total provision for (recovery of) credit losses	\$ 3,720	\$ (11,842)	\$ 35,546	\$ (67,365)

	Three Months Ended March 31,	
	2023	2022
Amount related to funded portion of loans	\$ 17,595	\$ 7,446
Amount related to off-balance sheet credit exposures	2,193	384
Total provision for credit losses	\$ 19,788	\$ 7,830

The most significant factors impacting the provision for credit losses for the three months ended September 30, 2022, included March 31, 2023 were a deteriorating economic forecast and an increase related to the updated economic forecast, increases in specific reserves, loan growth and a \$5 million provision related to the potential impact of Hurricane Ian, partially offset by decreases in certain qualitative factors and the impact of improving borrower financial results.

The provision for credit losses for the nine months ended September 30, 2022 was impacted by increases in specific reserves, the \$5 million provision related to Hurricane Ian, loan growth, the decline in criticized and classified assets, and changes in certain assumptions, particularly prepayment speeds.

The provision for credit losses may continue to be volatile and the level of the ACL may change materially from current levels. Future levels of the ACL could be significantly impacted, in either direction, by changes in factors such as economic conditions or the economic outlook, in composition of the loan portfolio, in the financial condition of our borrowers and collateral values.

The determination of the amount of the ACL is complex and involves a high degree of judgment and subjectivity. See "Analysis of the Allowance for Credit Losses" below for more information about how we determine the appropriate level of the ACL and about factors that impacted the ACL and provision for the three and nine months ended September 30, 2022, credit losses.

Non-Interest Income

The following table presents a comparison of the categories of non-interest income for the periods indicated (in thousands):

	Deposit	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2022	2021	2022	2021	2023	2022
Deposit service	Deposit service					Deposit service	
charges and fees	charges and fees	\$ 6,064	\$ 5,553	\$ 17,920	\$ 15,870	charges and fees	\$ 5,545
	Gain (loss)					Gain (loss)	\$ 5,960
Gain (loss) on investment securities:	on investment securities:					on investment securities:	

Net realized gain on sale of securities	Net realized gain on sale of securities							
AFS	AFS	349	815	3,927	7,623	AFS	752	2,673
Net unrealized loss on marketable equity securities		(214)	(1,479)	(20,052)	(1,767)			
Gain (loss) on investment securities, net		135	(664)	(16,125)	5,856			
Net loss on marketable equity securities recognized in earnings						Net loss on marketable equity securities recognized in earnings	(13,301)	(10,541)
Loss on investment securities, net						Loss on investment securities, net	(12,549)	(7,868)
Lease financing	Lease financing	13,180	13,212	39,958	39,222	Lease financing	13,109	13,415
Other non-interest income	Other non-interest income	3,693	7,377	9,070	27,583	Other non-interest income	10,430	2,794
		\$ 23,072	\$ 25,478	\$ 50,823	\$ 88,531		\$ 16,535	\$ 14,301

The unrealized losses loss on marketable equity investment securities reflected in during both the table above were three months ended March 31, 2023 and March 31, 2022 was attributable to the decline in the fair value of losses related to certain preferred stock investments resulting from rising market interest rates and widening spreads. equity investments.

The most significant factors factor leading to the decrease increase in other non-interest income for the three and nine months ended September 30, 2022 March 31, 2023, compared to the three and nine months ended September 30, 2021 March 31, 2022, were declines was an increase in BOLI revenue income related to the rising interest rate environment COLI assets supporting our deferred compensation plan. Lending related fees and lower gains gain on sale of loans. Lower gains on sale of loans related to a less favorable environment for the re-pooling of GNMA early buyout loans again related to the rising interest rate environment also increased comparatively.

Non-Interest Expense

The following table presents the components of non-interest expense for the periods indicated (in thousands):

	Employee compensation and benefits	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,		
		2022	2021	2022	2021	2023	2022	
Employee compensation and benefits	Employee compensation and benefits	\$ 66,097	\$ 57,224	\$ 195,646	\$ 172,971	Employee compensation and benefits	\$ 71,051	\$ 67,088
Occupancy and equipment	Occupancy and equipment	11,719	11,760	34,630	35,127	Occupancy and equipment	10,802	11,512
Deposit insurance expense	Deposit insurance expense	4,398	3,552	11,794	15,224	Deposit insurance expense	7,907	3,403
Professional fees	Professional fees	3,184	2,312	8,702	6,363	Professional fees	2,918	2,262
Technology	Technology	19,813	16,687	54,715	49,279	Technology	21,726	17,004
Depreciation of operating lease equipment		12,646	12,944	37,841	37,995			

Depreciation and impairment of operating lease equipment					Depreciation and impairment of operating lease equipment	11,521	12,610
Other non-interest expense	Other non-interest expense	20,248	13,563	48,503	42,756	Other non-interest expense	26,855
Total non-interest expense	Total non-interest expense	\$ 138,105	\$ 118,042	\$ 391,831	\$ 359,715	Total non-interest expense	\$ 152,780
							\$ 126,324

Non-interest expense increased by \$20.1 million and \$32.1 million for the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021. As expected, an increasing trend was reflected Increases in the employee compensation and benefits and technology categories, as we continue to invest expenses reflected labor market dynamics and continuing investment in people and technology to support future growth. Compensation

Deposit insurance expense also reflects increasing costs related to the competitive labor market and medical benefits. The increase in other non-interest expense includes a \$2.3 million write-off of a technology investment during increased by \$4.5 million for the three months ended September 30, 2022 March 31, 2023, compared to the three months ended March 31, 2022, reflecting an increase in the assessment rate.

Other non-interest expense for the three months ended March 31, 2023 included \$4.4 million related to certain operational and fraud losses. Costs related to deposit rebate and commissions programs increased by \$6.9 million for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Income Taxes

See Note 5 to the consolidated financial statements for information about income taxes.

Analysis of Financial Condition

Average interest-earning assets increased Influenced by \$555 million to \$34.6 billion for recent events impacting the nine months ended September 30, 2022 from \$34.0 billion for banking sector, the nine months ended September 30, 2021, reflecting increases in average balances of both loans and investment securities. Average interest bearing liabilities increased by \$160 million. Average FHLB advances increased by \$933 million. Average interest-bearing deposits declined by \$899 million, while average non-interest bearing deposits increased by \$877 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021; average total deposits was stable for the comparative nine-month periods. During Company's funding mix shifted during the three months ended September 30, 2022 March 31, 2023, in response to as total deposits declined by \$1.8 billion, while FHLB advances and Fed Funds purchased grew by a net \$1.9 billion. The funding mix was also impacted by the rising interest rate environment, and quantitative tightening by the Fed, average interest bearing liabilities increased by \$527 million, while average non-interest as customers sought higher yields on their cash balances. Non-interest bearing demand deposits decreased by \$671 million, while time deposits grew by \$982 million during the quarter ended March 31, 2023.

Cash and cash equivalents grew by \$331 million for the quarter to \$904 million at March 31, 2023, while investment securities declined by \$669 million. \$222 million, inclusive of a \$100 million improvement in the level of net unrealized losses. Total loans was essentially flat to December 31, 2022, growing by \$6.9 million for the three months ended March 31, 2023, with a decline in residential being offset by net growth in the commercial segments.

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 the dates indicated (in thousands):

	U.S. Treasury securities	September 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022		
		Amortized		Amortized		Amortized		Amortized		
		Cost	Carrying Value	Cost	Carrying Value	Cost	Carrying Value	Cost	Carrying Value	
U.S. Treasury securities	U.S. Treasury securities	\$ 109,441	\$ 95,932	\$ 114,385	\$ 111,660	U.S. Treasury securities	\$ 129,140	\$ 118,383	\$ 148,956	\$ 135,841
U.S. Government agency and sponsored enterprise residential	U.S. Government agency and sponsored enterprise residential					U.S. Government agency and sponsored enterprise residential				
MBS	MBS	2,049,680	2,001,299	2,093,283	2,097,796	MBS	2,028,070	1,980,533	2,036,693	1,983,168

U.S. Government agency and sponsored enterprise commercial MBS	U.S. Government agency and sponsored enterprise commercial MBS	612,022	535,266	861,925	856,899	U.S. Government agency and sponsored enterprise commercial MBS	584,464	518,382	600,517	525,094
Private label residential MBS and CMOs	Private label residential MBS and CMOs	2,893,779	2,587,586	2,160,136	2,149,420	Private label residential MBS and CMOs	2,825,107	2,525,482	2,864,589	2,530,663
Private label commercial MBS	Private label commercial MBS	2,693,231	2,583,888	2,604,690	2,604,010	Private label commercial MBS	2,533,319	2,434,819	2,645,168	2,524,354
Single family real estate-backed securities	Single family real estate-backed securities	505,288	478,055	474,845	476,968	Single family real estate-backed securities	468,225	448,501	502,194	470,441
Collateralized loan obligations	Collateralized loan obligations	1,094,064	1,059,523	1,079,217	1,078,286	Collateralized loan obligations	1,126,532	1,106,078	1,166,838	1,136,463
Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	106,672	100,123	151,091	152,510	Non-mortgage asset-backed securities	98,812	94,099	102,194	95,976
State and municipal obligations	State and municipal obligations	122,966	113,524	205,718	222,277	State and municipal obligations	106,897	103,950	122,181	116,661
SBA securities	SBA securities	145,216	141,626	184,296	183,595	SBA securities	127,959	124,603	139,320	135,782
Investment securities held to maturity	Investment securities held to maturity	10,000	10,000	10,000	10,000	to maturity	10,000	10,000	10,000	10,000
		<u>\$ 10,342,359</u>	<u>9,706,822</u>	<u>\$ 9,939,586</u>	<u>9,943,421</u>		<u>\$ 10,038,525</u>	<u>9,464,830</u>	<u>\$ 10,338,650</u>	<u>9,664,443</u>
Marketable equity securities	Marketable equity securities		<u>90,605</u>		<u>120,777</u>	Marketable equity securities		<u>68,769</u>		<u>90,884</u>
			<u>\$ 9,797,427</u>		<u>\$ 10,064,198</u>		<u>\$ 9,533,599</u>		<u>\$ 9,755,327</u>	

Our investment strategy has focused on insuring adequate liquidity, maintaining a suitable balance of high credit quality, diverse assets, managing interest rate risk, and generating acceptable returns given our established risk parameters. We have sought to maintain liquidity by investing a significant portion of the portfolio in high quality liquid securities including U.S. Treasury and U.S. Government Agency and sponsored enterprise securities. Investment grade municipal securities provide liquidity and attractive tax-equivalent yields. We have also invested in highly rated structured products, including private-label commercial and residential MBS, collateralized loan obligations, single family real estate-backed securities and non-mortgage asset-backed securities that, while somewhat less liquid, although generally pledgeable at either the FHLB or the FRB, 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 September 30, 2022 March 31, 2023 was 4.75.3 years and the effective duration of the portfolio was 2.0 years. 1.95.

The investment securities available for sale AFS portfolio was in a net unrealized loss position of \$635.5 million \$573.7 million at September 30, 2022 March 31, 2023, compared to a net unrealized gain loss position of \$3.8 million \$674.2 million at December 31, 2021 December 31, 2022, improving by \$100 million during the quarter ended March 31, 2023. Net unrealized losses at September 30, 2022 March 31, 2023 included \$1.9 million \$5.3 million of gross unrealized gains and \$637.5 million \$579.0 million of gross unrealized losses. Investment securities available for sale in unrealized loss positions at September 30, 2022 March 31, 2023 had an aggregate fair value of \$9.2 billion \$8.9 billion. The unrealized losses resulted primarily from rising interest rates and widening spreads related to the Federal Reserve's quantitative tightening and benchmark interest rate increases. Continuing uncertainty with respect to the trajectory of the economy and geopolitical events have also led to market uncertainty, producing some yield curve dislocations. None of the unrealized losses were attributable to credit loss impairments.

The ratings distribution of our AFS securities portfolio at September 30, 2022 March 31, 2023 is depicted in the chart below:



We evaluate the credit quality of individual securities in the portfolio quarterly to determine whether we expect to recover the amortized cost basis of the investments in unrealized loss positions. This evaluation considers, but is not necessarily limited to, the following factors, the relative significance of which varies depending on the circumstances pertinent to each individual security:

- Whether we intend to sell the security prior to recovery of its amortized cost basis;
- Whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis;
- The extent to which fair value is less than amortized cost;
- Adverse conditions specifically related to the security, an industry or geographic area;
- Changes in the financial condition of the issuer or underlying loan obligors;
- The payment structure and remaining payment terms of the security, including levels of subordination or over-collateralization;
- Failure of the issuer to make scheduled payments;
- Changes in credit ratings;
- Relevant market data;
- Estimated prepayments, defaults, and the value and performance of underlying collateral at the individual security level.

We do not intend to sell securities in significant unrealized loss positions at **September 30, 2022** **March 31, 2023**. Based on an assessment of our liquidity position and internal and regulatory guidelines for permissible investments and concentrations, it is not more likely than not that we will be required to sell securities in significant unrealized loss positions prior to recovery of amortized cost basis, which may be at maturity. While recent events impacting the banking sector have impacted the liquidity profile of many banks, including BankUnited, the substantial majority of our investment securities are pledgeable at either the FHLB or FRB. We have not sold, and do not anticipate the need to sell, securities in unrealized loss positions to generate liquidity.

We regularly engage with bond managers to monitor trends in underlying collateral, including potential downgrades and subsequent cash flow diversions, liquidity, ratings migration, and any other relevant developments.

The following table presents subordination levels and average internal stress scenario losses for select **non-agency** portfolio segments at **September 30, 2022** **March 31, 2023**:

		Subordination						Weighted Average Stress Scenario	Subordination						Weighted Average Stress Scenario		
		Percent of			Rating				Percent of			Rating					
		Rating	Total	Minimum	Maximum	Average	Loss		Rating	Total	Minimum	Maximum	Average	Loss			
Private label	Private label							Private									
CMBS	CMBS	AAA	83.8 %	30.0	98.8	44.0	7.1	label CMBS	AAA	85.3 %	30.0	98.1	44.7	6.4			
		AA	12.1 %	29.3	92.9	43.6	7.6		AA	10.4 %	29.3	95.0	39.5	7.3			
		A	4.1 %	24.7	69.1	37.0	9.0		A	4.3 %	25.1	69.9	39.4	8.6			
Weighted average	Weighted average							Weighted average									
			100.0 %	29.7	96.9	43.7	7.2			100.0 %	29.7	96.6	43.9	6.6			
CLOs	CLOs	AAA	78.1 %	41.3	61.1	44.9	9.0	CLOs	AAA	79.7 %	41.4	60.2	46.5	10.4			
		AA	18.2 %	30.9	40.5	34.8	8.4		AA	16.7 %	31.0	38.1	34.8	9.2			
		A	3.7 %	24.9	28.2	26.2	8.4		A	3.6 %	27.3	31.5	28.9	9.2			
Weighted average	Weighted average							Weighted average									
			100.0 %	38.8	56.2	42.4	8.9			100.0 %	39.2	55.5	43.9	10.1			
Private label	Private label							Private									
residential	residential							label									
MBS and	MBS and							residential									
CMO	CMO	AAA	94.0 %	2.2	95.6	17.5	2.3	MBS and									
		AA	0.9 %	18.7	32.8	23.7	5.4	CMO	AAA	93.9 %	3.0	99.8	17.6	2.3			
		A	5.1 %	21.4	25.1	22.4	5.4		AA	0.9 %	19.1	33.5	24.3	5.3			
Weighted average	Weighted average							Weighted average									
			100.0 %	3.3	91.4	17.8	2.5			100.0 %	4.2	95.4	17.9	2.5			
Single family real estate-backed securities	Single family real estate-backed securities	AAA	67.5 %	34.5	72.6	53.0	6.0	securities	AAA	64.9 %	34.8	72.6	54.2	5.6			

	AA	12.7	%	51.6	55.3	53.5	9.8		AA	13.7	%	51.6	55.4	53.6	9.0
	NR	19.8	%	39.8	39.8	39.8	10.6		NR	21.4	%	39.8	39.8	39.8	10.6
Weighted average	Weighted average	100.0	%	37.7	63.9	50.5	7.4	Weighted average	100.0	%	38.2	63.3	51.0	7.2	

For further discussion of our analysis of impaired investment securities AFS for credit loss impairment, see Note 3 to the consolidated financial statements.

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

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 8 to the consolidated financial statements.

The following table shows the weighted average prospective yields, categorized by scheduled maturity, for AFS investment securities as of September 30, 2022 March 31, 2023. 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%:

	U.S. Treasury securities	After One Year					After Five Years					After One Year					After Five Years						
		Within One Year		Through Five Years		Through Ten Years	After Ten Years		Within One Year		Through Five Years		Through Ten Years	After Ten Years		Within One Year		Through Five Years		Through Ten Years	After Ten Years		
		0.69	%	—	%	—	%	—	0.69	%	—	%	—	%	—	0.63	%	—	%	—	%	0.63	%
U.S. Treasury securities	U.S. Treasury securities	0.69	%	—	%	—	%	—	0.69	%	—	%	—	%	—	0.63	%	—	%	—	%	0.63	%
U.S. Government agency and sponsored enterprise residential	U.S. Government agency and sponsored enterprise residential	3.59	%	3.63	%	3.60	%	3.30	%	3.61	%	MBS	4.95	%	5.02	%	5.18	%	4.75	%	5.03	%	
U.S. Government agency and sponsored enterprise commercial	U.S. Government agency and sponsored enterprise commercial	2.69	%	3.63	%	2.44	%	2.25	%	2.63	%	MBS	4.29	%	5.07	%	3.21	%	2.58	%	3.43	%	
Private label residential	Private label residential	3.18	%	3.20	%	3.19	%	3.57	%	3.27	%	CMOs	3.80	%	3.78	%	3.72	%	3.96	%	3.83	%	
Private label commercial	Private label commercial	4.47	%	4.71	%	1.99	%	3.29	%	4.52	%	MBS	6.04	%	6.38	%	1.93	%	3.29	%	6.05	%	
Single family real estate-backed securities	Single family real estate-backed securities	1.36	%	3.93	%	2.13	%	—	%	3.81	%	securities	1.36	%	4.05	%	1.36	%	—	%	4.04	%	
Collateralized loan obligations	Collateralized loan obligations	5.17	%	5.47	%	5.56	%	—	%	5.43	%	obligations	6.67	%	6.99	%	7.26	%	—	%	6.97	%	

Non-mortgage asset-backed securities	Non-mortgage asset-backed securities	3.32 %	3.32 %	4.13 %	— %	3.74 %	Non-mortgage asset-backed securities	3.26 %	3.50 %	5.67 %	— %	4.71 %
State and municipal obligations	State and municipal obligations	3.17 %	4.12 %	4.49 %	3.99 %	4.18 %	State and municipal obligations	3.17 %	4.15 %	4.49 %	3.99 %	4.20 %
SBA securities	SBA securities	2.78 %	2.70 %	2.59 %	2.44 %	2.69 %	SBA securities	5.34 %	5.27 %	5.15 %	4.98 %	5.25 %
		<u>3.65 %</u>	<u>4.17 %</u>	<u>3.27 %</u>	<u>3.33 %</u>	<u>3.86 %</u>		<u>4.87 %</u>	<u>5.51 %</u>	<u>4.12 %</u>	<u>3.85 %</u>	<u>4.96 %</u>

Loans

The loan portfolio comprises the Company's primary interest-earning asset. The following table shows the composition of the loan portfolio at the dates indicated (dollars in thousands):

		September 30, 2022	December 31, 2021		March 31, 2023		December 31, 2022	
		Total	Percent of Total	Total	Percent of Total	Total	Percent of Total	Total
Residential and other consumer loans	\$ 8,853,884	36.4 %	\$ 8,368,380	35.2 %				
Multi-family	962,546	4.0 %	1,154,738	4.9 %				
1-4 single family residential						1-4 single family residential	\$ 7,133,615	28.6 %
Government insured residential						Government insured residential	1,656,129	6.7 %
Non-owner occupied commercial real estate	Non-owner occupied commercial real estate	4,368,686	18.1 %	4,381,610	18.4 %	Non-owner occupied commercial real estate	5,346,895	21.5 %
Construction and land	Construction and land	246,202	1.0 %	165,390	0.7 %	Construction and land	324,805	1.3 %
Owner occupied commercial real estate	Owner occupied commercial real estate	1,919,074	7.9 %	1,944,658	8.2 %	Owner occupied commercial real estate	1,863,333	7.5 %
Commercial and industrial	Commercial and industrial	5,786,907	23.9 %	4,790,275	20.2 %	Commercial and industrial	6,617,716	26.5 %
PPP		10,191	— %	248,505	1.0 %			
Pinnacle	Pinnacle	932,187	3.8 %	919,641	3.9 %	Pinnacle	919,584	3.7 %
Bridge - franchise finance	Bridge - franchise finance	254,137	1.0 %	342,124	1.4 %	Bridge - franchise finance	239,205	1.0 %
Bridge - equipment finance	Bridge - equipment finance	310,035	1.3 %	357,599	1.5 %	Bridge - equipment finance	266,715	1.1 %
Mortgage warehouse lending	Mortgage warehouse lending	622,883	2.6 %	1,092,133	4.6 %	Mortgage warehouse lending	524,897	2.1 %
Total loans	Total loans	<u>24,266,732</u>	<u>100.0 %</u>	<u>23,765,053</u>	<u>100.0 %</u>	Total loans	<u>24,892,894</u>	<u>100.0 %</u>
Allowance for credit losses	Allowance for credit losses	<u>(130,671)</u>		<u>(126,457)</u>		Allowance for credit losses	<u>(158,792)</u>	
Loans, net	Loans, net	<u>\$ 24,136,061</u>		<u>\$ 23,638,596</u>		Loans, net	<u>\$ 24,734,102</u>	
							<u>\$ 24,738,042</u>	

For the nine three months ended September 30, 2022 March 31, 2023, total loans grew by \$502 million, while total loans, excluding PPP loans, grew by \$740 million.

Growth \$173 million of growth in residential and other consumer loans for the nine months ended September 30, 2022 totaled \$486 million. Commercial commercial and industrial loans segment, including owner-occupied commercial real estate, grew and modest growth in Pinnacle was offset by \$971 million declines of \$111 million in residential, \$28 million in commercial real estate and \$34 million for the nine months ended September 30, 2022. Most of the remaining commercial portfolio segments showed declines during the nine months ended September 30, 2022. Bridge, while MVL declined by \$469 million for this period, with utilization declining to 32% at September 30, 2022, from 56% at December 31, 2021, as rising rates have led to lower refinancing and mortgage origination activity. PPP loans declined by \$238 million during the nine months ended September 30, 2022, resulting primarily from full or partial forgiveness from the SBA. balances remained flat.

Residential mortgages and other consumer loans

The following table shows the composition of residential and other consumer loans at the dates indicated (in thousands):

		September 30, 2022	December 31, 2021		March 31, 2023	December 31, 2022
1-4 single family residential	1-4 single family residential	\$ 6,999,868	\$ 6,338,225	1-4 single family residential	\$ 7,133,615	\$ 7,128,834
Government insured residential	Government insured residential	1,849,343	2,023,221	Government insured residential	1,656,129	1,771,880
Other consumer loans		4,673	6,934			
		\$ 8,853,884	\$ 8,368,380		\$ 8,789,744	\$ 8,900,714

The 1-4 single family residential loan portfolio, excluding government insured residential loans, is primarily comprised of prime jumbo 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 September 30, 2022 March 31, 2023, \$1.1 billion or 15% 16% 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. During the nine months ended September 30, 2022 and 2021, the Company purchased \$475 million and \$1.3 billion, respectively, of government insured residential loans. The balance of buyout loans totaled \$1.8 \$1.6 billion at September 30, 2022 March 31, 2023. 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 the dates indicated:



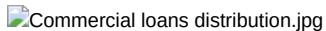
The following table presents the five states with the largest geographic concentrations of 1-4 single family residential loans, excluding government insured residential loans, at the dates indicated (dollars in thousands):

		September 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022		
		Percent of		Percent of		Percent of		Percent of		
		Total	Total	Total	Total	Total	Total	Total	Total	
California	California	\$ 2,253,304	32.2 %	\$ 2,056,100	32.4 %	California	\$ 2,266,711	31.8 %	\$ 2,274,432	31.9 %
New York	New York	1,413,066	20.2 %	1,293,825	20.4 %	New York	1,404,958	19.7 %	1,417,707	19.9 %
Florida	Florida	512,666	7.3 %	494,043	7.8 %	Florida	524,294	7.3 %	521,479	7.3 %
Illinois	Illinois	352,295	5.0 %	306,388	4.8 %	Illinois	361,030	5.1 %	360,529	5.1 %
Virginia	Virginia	299,953	4.3 %	280,898	4.4 %	Virginia	317,653	4.5 %	314,530	4.4 %
Others	Others	2,168,584	31.0 %	1,906,971	30.2 %	Others	2,258,969	31.6 %	2,240,157	31.4 %
		\$ 6,999,868	100.0 %	\$ 6,338,225	100.0 %		\$ 7,133,615	100.0 %	\$ 7,128,834	100.0 %

Commercial loans and leases

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

The following charts present the distribution of the commercial loan portfolio at the dates indicated (dollars in millions):



(1) Included in C&I are \$10 million of PPP loans at September 30, 2022.

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, medical and other office buildings, warehouse facilities, hotels and real estate secured lines of credit.

The following table presents the distribution of commercial real estate loans by property type, along with weighted average DSCRs and LTVs at September 30, 2022 March 31, 2023 (dollars in thousands):

		New York						New York						Weighted Average			
		Amortized Cost	Percent of Total	Tri			Amortized Cost	Percent of Total	Tri			DSCR	LTV				
				FL	State	Other			FL	State	Other						
Office	Office	\$1,879,047	33 %	58 %	25 %	17 %	Office	\$1,842,797	33 %	58 %	23 %	19 %	1.69	64.2 %			
Multi-family		1,102,430	20 %	50 %	49 %	1 %											
Warehouse/Industrial	Warehouse/Industrial	1,101,804	20 %	62 %	20 %	18 %	Warehouse/Industrial	1,217,698	21 %	64 %	15 %	21 %	2.00	52.0 %			
Multifamily							Multifamily	934,403	16 %	48 %	52 %	— %					
Retail	Retail	924,673	17 %	62 %	29 %	9 %	Retail	852,777	15 %	64 %	26 %	10 %	1.76	61.6 %			
Hotel	Hotel	436,943	8 %	81 %	12 %	7 %	Hotel	403,822	7 %	86 %	1 %	13 %	2.46	53.7 %			
Construction and Land							Construction and Land	324,805	6 %	49 %	49 %	2 %					
Other	Other	132,537	2 %	67 %	24 %	9 %	Other	95,398	2 %	77 %	7 %	16 %	1.81	48.3 %			
		\$5,577,434	100 %	60 %	29 %	11 %		\$5,671,700	100 %	60 %	26 %	14 %	1.92	56.8 %			

		Florida				NY Tri State			
		Weighted Average DSCR		Weighted Average LTV		Weighted Average DSCR		Weighted Average LTV	
		Office	Warehouse/Industrial	Multifamily	Retail	Hotel	Other	NY	Tri State
Office		1.79		65.1 %		1.69		60.1 %	
Warehouse/Industrial		2.08		51.2 %		1.40		47.6 %	
Multifamily		2.82		43.5 %		1.57		47.3 %	
Retail		2.01		59.2 %		1.24		65.3 %	
Hotel		2.63		50.0 %		1.04		72.0 %	
Other		2.03		45.8 %		1.22		67.6 %	
		2.13		55.7 %		1.53		55.2 %	

Geographic distribution in the tables above is based on location of the underlying collateral property. LTVs and DSCRs are based on the most recent available information; if current appraisals are not available, LTVs are adjusted by our models based on current and forecasted sub-market dynamics. DSCRs are calculated based on current contractually required payments, which may in some cases be interest only.

The following table presents the maturity profile of the CRE portfolio over the next 12 months by property type at March 31, 2023 (dollars in thousands):

		Maturing in the Next 12 Months		% Maturing in the Next 12 Months		Fixed Rate	Floating Rate Swapped	Fixed Rate to Borrower as a % of Total Portfolio		Floating Rate Not Swapped	
		Months	Months	Months	Fixed Rate			% of Total Portfolio	Swapped	Swapped	Swapped
Office		\$ 344,041		19 %	\$ 121,595	\$ 73,608		11 %	\$ 148,838		
Warehouse/Industrial		105,382		9 %	46,441	—		4 %	58,941		
Multifamily		158,129		17 %	78,598	—		8 %	79,531		
Retail		160,091		19 %	115,170	7,908		14 %	37,013		
Hotel		27,722		7 %	2,568	—		1 %	25,154		
Construction and Land		37,189		12 %	1,676	—		1 %	35,513		
Other		12,874		13 %	—	12,874		13 %	—		
		\$ 845,428		15 %	\$ 366,048	\$ 94,390		8 %	\$ 384,990		

The office segment totaled \$1.8 billion at March 31, 2023. The largest concentration of loans is in Florida, where we believe market dynamics to be favorable, at 58% of the segment. Over 90% of Florida office loans are suburban, and the majority are Class A or medical offices. The New York Tri-State market encompasses approximately 23% of the segment, with 9% of total office exposure in Manhattan and 14% in Long Island, the boroughs and the neighboring tri-state area. The remaining 19% of office loans are in other markets with no particular geographic concentration, typically made to high quality sponsors in our NY tri-state or FL customer base. Estimated rent rollover of the office portfolio in the next 12 months is approximately 10% of the portfolio. The office segment has de-minimis delinquent or nonperforming loans and five-year cumulative net charge-offs of approximately \$2 million.

The Company's commercial real estate underwriting standards most often provide for loan terms of five to seven years, with amortization schedules of no more than thirty years. Construction and land loans, included by property type in the table above, represented 1.0% of the total loan portfolio at September 30, 2022. The multi-family portfolio includes \$398 million of New York loans collateralized by properties with some or all of the units subject to rent regulation at September 30, 2022 years.

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, subscription finance lines of credit, trade finance, SBA product offerings, business acquisition finance credit facilities, credit facilities to institutional real estate entities such as REITs and commercial real estate investment funds, and a small amount of commercial credit cards. 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 In addition to financing provided by Pinnacle, the Bank also provides financing to state and local governmental entities generally within our geographic markets. Commercial

loans included loans meeting the regulatory definition of shared national credits totaling \$4.1 \$4.8 billion at September 30, 2022 March 31, 2023, the majority of which were relationship based loans to borrowers in Florida and the New York tri-state area. our primary geographic footprint. The Bank makes loans secured by owner-occupied commercial real estate that typically have risk profiles more closely aligned with that of commercial and industrial loans than with other types of commercial real estate loans.

The following table presents the exposure in the C&I portfolio excluding PPP loans, by industry, at September 30, 2022 March 31, 2023 (dollars in thousands):

Finance and Insurance	Finance and Insurance	Amortized Cost		Percent of Total		Finance and Insurance	Amortized Cost		Percent of Total	
		\$	1,470,997	19.1	%		\$	1,843,922	21.7	%
Manufacturing						Manufacturing			729,475	8.6 %
Educational Services	Educational Services	781,135	10.1	%	Educational Services	709,580	8.4	%		
Information						Information			670,683	7.9 %
Wholesale Trade	Wholesale Trade	653,646	8.5	%	Wholesale Trade	633,591	7.5	%		
Manufacturing		631,634	8.2	%						
Information		516,127	6.7	%						
Utilities						Utilities			568,385	6.7 %
Real Estate and Rental and Leasing	Real Estate and Rental and Leasing	485,462	6.3	%	Real Estate and Rental and Leasing	496,360	5.9	%		
Utilities		472,015	6.1	%						
Health Care and Social Assistance	Health Care and Social Assistance	409,575	5.3	%	Health Care and Social Assistance	478,032	5.6	%		
Transportation and Warehousing	Transportation and Warehousing	396,198	5.1	%	Transportation and Warehousing	375,385	4.4	%		
Construction	Construction	313,222	4.1	%	Construction	357,539	4.2	%		
Retail Trade	Retail Trade	293,644	3.8	%	Retail Trade	312,993	3.7	%		
Professional, Scientific, and Technical Services	Professional, Scientific, and Technical Services	278,014	3.6	%	Technical Services	277,375	3.3	%		
Other Services (except Public Administration)	Other Services (except Public Administration)	234,361	3.0	%	Other Services (except Public Administration)	231,337	2.7	%		
Public Administration	Public Administration	224,467	2.9	%	Administration	221,384	2.6	%		
Arts, Entertainment, and Recreation						Arts, Entertainment, and Recreation			177,214	2.1 %
Administrative and Support and Waste Management	Administrative and Support and Waste Management	176,605	2.3	%	Management	169,534	2.0	%		
Arts, Entertainment, and Recreation		159,755	2.1	%						
Accommodation and Food Services	Accommodation and Food Services	153,235	2.0	%	Food Services	159,888	1.9	%		
Other	Other	55,889	0.8	%	Other	68,372	0.8	%		
		\$ 7,705,981	100.0	%		\$ 8,481,049	100.0	%		

Through its commercial lending subsidiaries, Pinnacle and Bridge, the Bank provides equipment and franchise financing on a national basis using both loan and lease structures. Pinnacle provides essential-use equipment financing to state and local governmental entities directly and through vendor programs and alliances. Pinnacle offers a full

array of financing structures including equipment lease purchase agreements and direct (private placement) bond re-fundings and loan agreements. Bridge has two operating divisions. The franchise finance division offers franchise acquisition, expansion and equipment financing, typically to experienced operators in well-established concepts. The franchise finance portfolio is made up primarily of quick service restaurant and fitness concepts comprising 46% 41% and 50% 54% of the portfolio, respectively. The equipment finance division provides primarily transportation equipment financing through a variety of loan and lease structures.

The following table presents the franchise portfolio by concept at September 30, 2022 (dollars in thousands):

	Amortized Cost	Percent of Bridge - Franchise Finance
Restaurant concepts:		
Burger King	\$ 35,134	13.8 %
Dunkin Donuts	13,037	5.1 %
Ram Restaurant and Brewery	12,889	5.1 %
Other	55,942	22.0 %
	\$ 117,002	46.0 %
Non-restaurant concepts:		
Planet Fitness	\$ 81,757	32.3 %
Other Fitness Concepts	44,069	17.3 %
Other	11,309	4.4 %
	137,135	54.0 %
	\$ 254,137	100.0 %

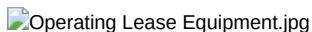
Geographic Concentrations

The Company's commercial and commercial real estate portfolios are concentrated in Florida and the Tri-state area. 60% and 29% 26% of commercial real estate loans were secured by collateral located in Florida and the Tri-state area, respectively; while 34% 31% and 25% 27% of all other commercial loans, including Pinnacle and Bridge, were to borrowers in Florida and the Tri-state area, respectively.

Operating lease equipment, net

Operating lease equipment, net of accumulated depreciation, totaled \$580 million \$526 million at September 30, 2022 March 31, 2023, including off-lease equipment, net of accumulated depreciation of \$72 million \$50 million.

The chart below presents operating lease equipment by type at the dates indicated:



At September 30, 2022 March 31, 2023, the breakdown of carrying values of operating lease equipment, excluding equipment off-lease, by the year leases are scheduled to expire was as follows (in thousands):

Years Ending December 31:	Years Ending December 31:	Years Ending December 31:
2022	\$ 63,796	
2023	67,813	2023 \$ 70,969
2024	45,824	2024 51,221
2025	62,625	2025 89,035
2026	79,127	2026 78,662
2027		2027 25,304
Thereafter through 2034	188,639	Thereafter through 2034 161,232
	\$ 507,824	\$ 476,423

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, portfolio management and workout and recovery departments. Generally, commercial relationships with balances in excess of defined thresholds are re-evaluated at least annually and more frequently if circumstances indicate that a change in risk rating may be warranted. The defined thresholds range from \$1 million to \$3 million. Homogenous groups of smaller balance commercial loans may be monitored collectively.

The credit quality and risk rating of commercial loans as well as our underwriting and portfolio management practices are regularly reviewed by our internal independent credit review department.

We believe internal risk rating is the best indicator of the credit quality of commercial loans. The Company utilizes a 16-grade internal asset risk classification system as part of its efforts to monitor and maintain commercial asset quality. The special mention rating is considered a transitional rating for loans exhibiting potential credit weaknesses that could result in deterioration of repayment prospects at some future date if not checked or corrected and that deserve management's close attention. These borrowers may exhibit declining cash flows or revenues or increasing leverage. Loans with well-defined credit weaknesses that may result in a loss if the deficiencies are not corrected are assigned a risk rating of substandard. These borrowers may exhibit payment defaults, inadequate cash flows from current operations, 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.

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

		September 30, 2022		June 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022	
		Percent of Commercial		Percent of Commercial		Percent of Commercial		Percent of Commercial		Percent of Commercial	
		Amortized Cost	Loans								
Pass	Pass	\$ 14,586,106	94.6 %	\$ 14,257,586	93.3 %	\$ 13,934,369	90.5 %	\$ 15,314,776	95.2 %	\$ 15,244,761	95.4 %
Special mention	Special mention	26,939	0.2 %	89,153	0.6 %	148,593	1.0 %	101,781	0.6 %	51,433	0.3 %
Substandard accruing	Substandard accruing	662,716	4.3 %	787,399	5.2 %	1,136,378	7.4 %	596,054	3.7 %	605,965	3.8 %
Substandard non-accruing	Substandard non-accruing	104,994	0.7 %	117,518	0.8 %	129,579	0.8 %	82,840	0.5 %	75,125	0.5 %
Doubtful	Doubtful	32,093	0.2 %	7,971	0.1 %	47,754	0.3 %	7,699	— %	7,990	— %
		\$ 15,412,848	100.0 %	\$ 15,259,627	100.0 %	\$ 15,396,673	100.0 %	\$ 16,103,150	100.0 %	\$ 15,985,274	100.0 %

Our internal risk ratings at September 30, 2022 continued to be influenced by the impact of the COVID-19 pandemic as sustained operating cash flows of some borrowers has yet to fully recover, although that impact continues to decline. Management took what it believed to be a proactive and objective approach to risk rating the commercial loan portfolio at the onset of the pandemic. Levels of criticized and classified loans, particularly the increase in the special mention loans at March 31, 2023 compared to December 31, 2022 relates primarily to one multi-family loan that migrated to special mention during the quarter and substandard accruing categories, increased over the course of 2020 as a direct result of the impact of the COVID-19 pandemic. Throughout 2021 and the nine months ended September 30, 2022, levels of criticized and classified loans declined paid off in response to the trajectory of the economic recovery and lessening impact of the pandemic.

April.

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

		September 30, 2022			June 30, 2022			December 31, 2021			March 31, 2023			December 31, 2022			
		% of Amortized Cost		% of Loan Segment		% of Amortized Cost		% of Loan Segment		% of Amortized Cost		% of Loan Segment		% of Amortized Cost		% of Loan Segment	
		Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment	Amortized Cost	Loan Segment
Special mention:	Special mention:																
CRE	CRE																
Hotel	Hotel	\$ 1,088	0.2 %	\$ 2,045	0.4 %	\$ 760	0.1 %	\$ 412	0.1 %	\$ 709	0.2 %						
Retail Multi-family																	
Office																	
Office		1,654	0.1 %	1,660	0.1 %	27,001	1.5 %										
Other		122	0.2 %	129	0.1 %	4,501	3.7 %										
		2,864		3,834		32,262		63,424		18,715							
Owner occupied commercial real estate	Owner occupied commercial real estate	7,379	0.4 %	9,065	0.5 %	14,010	0.7 %	7,111	0.4 %	24,101	1.3 %						

Commercial and industrial	Commercial and industrial	16,696	0.3 %	76,254	1.4 %	102,321	2.1 %	Commercial and industrial	24,043	0.4 %	1,017	— %
Bridge - franchise finance								Bridge - franchise finance				
Substandard accruing:	Substandard accruing:							Substandard accruing:				
CRE	CRE							CRE				
Hotel	Hotel	\$ 45,877	10.5 %	\$ 50,169	10.9 %	\$ 200,486	36.7 %	Hotel	\$ 40,012	9.9 %	\$ 14,538	3.6 %
Retail	Retail	99,893	10.8 %	83,539	9.3 %	140,081	13.0 %	Retail	76,798	9.0 %	72,421	8.4 %
Multi-family	Multi-family	152,871	15.9 %	188,032	18.5 %	173,536	15.0 %	Multi-family	136,863	14.6 %	146,235	15.5 %
Office	Office	73,506	3.9 %	60,675	3.3 %	83,121	4.6 %	Office	72,570	3.8 %	73,042	3.9 %
Industrial	Industrial	980	0.1 %	983	0.1 %	1,009	0.1 %	Industrial	—	— %	976	0.1 %
Other	Other	8,658	6.5 %	8,630	5.6 %	5,803	2.2 %	Other	4,742	1.1 %	7,989	2.6 %
		<u>381,785</u>		<u>392,028</u>		<u>604,036</u>			<u>330,985</u>		<u>315,201</u>	
Owner occupied commercial real estate	Owner occupied commercial real estate	99,635	5.2 %	111,082	5.8 %	160,159	8.2 %	Owner occupied commercial real estate	94,226	5.1 %	73,501	3.9 %
Commercial and industrial	Commercial and industrial	133,641	2.3 %	207,272	3.8 %	250,644	5.2 %	Commercial and industrial	128,301	1.9 %	171,613	2.7 %
Bridge - franchise finance	Bridge - franchise finance	46,100	18.1 %	53,633	20.4 %	80,864	23.6 %	Bridge - franchise finance	41,389	17.3 %	44,295	17.5 %
Bridge - equipment finance	Bridge - equipment finance	1,555	0.5 %	23,384	7.0 %	40,675	11.4 %	Bridge - equipment finance	1,153	0.4 %	1,355	0.5 %
		<u>\$662,716</u>		<u>\$787,399</u>		<u>\$1,136,378</u>			<u>\$596,054</u>		<u>\$605,965</u>	

Operating Lease Equipment, net

Operating leases with a carrying value of assets under lease totaling \$18 million, \$17 million were internally risk rated substandard at September 30, 2022 March 31, 2023. On a quarterly basis, management performs an impairment analysis on assets with indicators of potential impairment. Potential impairment indicators include evidence of changes in residual value, macro-economic conditions, an extended period of time off-lease, criticized or classified status, or management's intention to sell the asset at an amount potentially below its carrying value. There were no impairment charges recognized during the three and nine months ended September 30, 2022 March 31, 2023 and 2021, 2022.

Bridge had exposure to the energy industry of \$259 million \$244 million at September 30, 2022 March 31, 2023. The majority of the energy exposure was in the operating lease equipment portfolio where energy exposure totaled \$226 million, \$215 million, consisting primarily of railcars serving the petroleum industry.

Residential Loans

Our residential mortgage portfolio, excluding GNMA buyout loans, consists primarily of prime jumbo 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 are not individually risk rated. Delinquency status is the primary measure we use to monitor the credit quality of these loans. We also consider original LTV and most recently available FICO score to be significant indicators of credit quality for the 1-4 single family residential portfolio, excluding government insured residential loans.

The following charts present information about the 1-4 single family residential portfolio, excluding government insured loans, by FICO distribution, LTV distribution and vintage at September 30, 2022 March 31, 2023:



FICO scores are generally updated at least annually, semi-annually and were most recently updated in the third first quarter of 2022, 2023. LTVs are typically based on valuation at origination since we do not routinely update residential appraisals.

At **September 30, 2022** **March 31, 2023**, the majority of the 1-4 single family residential loan portfolio, excluding government insured residential loans, was owner-occupied, with **80%** **79%** primary residence, 5% second homes and **15%** **16%** investment properties.

1-4 single family residential loans excluding government insured residential loans past due more than 30 days totaled **\$55** **\$65** million and **\$76** **\$62** million at **September 30, 2022** **March 31, 2023** and **December 31, 2021** **December 31, 2022**, respectively. The amount of these loans 90 days or more past due was **\$14 million** **\$15 million** at both **March 31, 2023** and **\$17 million** at **September 30, 2022** and **December 31, 2021**, respectively. **December 31, 2022**.

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

Non-Performing Assets

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

The following table and charts summarize the Company's non-performing loans and non-performing assets at the dates indicated (dollars in thousands):

		September 30, 2022	December 31, 2021	March 31, 2023	December 31, 2022
Non-accrual loans:	Non-accrual loans:			Non-accrual loans:	
Residential and other consumer:					
1-4 single family residential	\$ 18,660	\$ 26,988			
Other consumer loans	—	1,565			
Total residential and other consumer loans	18,660	28,553			
Residential				Residential	\$ 23,102
Commercial: Commercial:			Commercial:		\$ 21,311
Multi-family	2,138	10,865			
Non-owner occupied commercial real estate	16,824	39,251	Non-owner occupied commercial real estate	16,461	16,657
Construction and land	5,527	5,164	Construction and land	676	5,695
Owner occupied commercial real estate	20,191	20,453	Owner occupied commercial real estate	15,357	17,751
Commercial and industrial	77,906	68,720	Commercial and industrial	51,888	29,722
Bridge - franchise finance	14,571	32,879	Bridge - franchise finance	6,157	13,290
Total commercial loans	137,157	177,332	Total commercial loans	90,539	83,115
Total non-accrual loans	155,817	205,885	Total non-accrual loans	113,641	104,426
Loans past due 90 days and still accruing	593	24	Loans past due 90 days and still accruing	593	593
Total non-performing loans	156,410	205,909	Total non-performing loans	114,234	105,019
OREO and other non-performing assets	923	2,275	OREO and other non-performing assets	3,237	1,932
Total non-performing assets	\$ 157,333	\$ 208,184	Total non-performing assets	\$ 117,471	\$ 106,951

Non-performing loans to total loans ⁽¹⁾	Non-performing loans to total loans ⁽¹⁾	0.64 %	0.87 %	Non-performing loans to total loans ⁽¹⁾	0.46 %	0.42 %
Non-performing assets to total assets ⁽¹⁾	Non-performing assets to total assets ⁽¹⁾	0.43 %	0.58 %	Non-performing assets to total assets ⁽¹⁾	0.32 %	0.29 %
ACL to total loans	ACL to total loans	0.54 %	0.53 %	ACL to total loans	0.64 %	0.59 %
ACL to non-performing loans	ACL to non-performing loans	83.54 %	61.41 %	ACL to non-performing loans	139.01 %	140.88 %
Net charge-offs to average loans ⁽²⁾	Net charge-offs to average loans ⁽²⁾	0.16 %	0.29 % ⁽²⁾	Net charge-offs to average loans	0.08 %	0.22 %

(1) (1) Non-performing loans and assets include the guaranteed portion of non-accrual SBA loans totaling \$41.8 million \$36.9 million or 0.17% 0.15% of total loans and 0.10% of total assets, at March 31, 2023, and \$40.3 million or 0.16% of total loans and 0.11% of total assets, at September 30, 2022, and \$46.1 million or 0.19% of total loans and 0.13% of total assets, at December 31, 2021 December 31, 2022.

(2) Annualized for September 30, 2022 the three months ended March 31, 2023; ratio presented for December 31, 2022 is for the full year ended December 31, 2022.

Contractually delinquent government insured residential loans are typically GNMA early buyout loans and 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 90 days or more was \$579 million \$438 million and \$730 million \$493 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

See "Results of Operations - Provision for Credit Losses" above and "Analysis of the Allowance for Credit Losses" below for further discussion of trends in the Provision for Credit Losses and the ACL.

The following chart presents trends in non-performing loans and non-performing assets. Levels of non-performing loans and non-performing assets have returned to below pre-pandemic levels.



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



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

TDRs

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

Under inter-agency and authoritative guidance and consistent with the CARES Act, short-term deferrals or modifications related to COVID-19 were typically not categorized as TDRs. Additionally, section 4013 of the CARES Act, as amended by the Consolidated Appropriations Act, effectively suspended the guidance related to TDRs codified in ASC 310-40 until January 1, 2022, the date the CARES Act expired.

The following table summarizes loans that had been modified in TDRs at the dates indicated (dollars in thousands):

	September 30, 2022			December 31, 2021		
	Number of TDRs	Related Specific		Number of TDRs	Related Specific	
		Amortized Cost	Allowance		Amortized Cost	Allowance
Residential and other consumer ⁽¹⁾	2,421	\$ 388,437	\$ 136	449	\$ 79,524	\$ 87
Commercial	35	61,543	6,862	16	29,309	1,377
	2,456	\$ 449,980	\$ 6,998	465	\$ 108,833	\$ 1,464

(1) Includes 2,397 government insured residential loans modified in TDRs totaling \$380.1 million at September 30, 2022, and 435 government insured residential loans modified in TDRs totaling \$76.4 million at December 31, 2021.

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

Loss Mitigation Strategies

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

Our servicers evaluate each residential loan in default to determine the most effective loss mitigation strategy, which may be modification, short sale, or foreclosure, and pursue the alternative most suitable to the consumer and to mitigate losses to the bank.

In response to the COVID-19 pandemic and its potential economic impact to our customers, we implemented a short-term program that complied with interagency guidance and the CARES Act under which we provided temporary relief, and in some cases longer term modifications, on a case by case basis to borrowers directly impacted by COVID-19 who were not more than 30 days past due as of December 31, 2019. The CARES Act expired effective January 1, 2022. At September 30, 2022, the amount of loans remaining under CARES Act modification was not significant.

Analysis of the Allowance for Credit Losses

The ACL is management's estimate of the amount of expected credit losses over the life of the loan portfolio, or the amount of amortized cost basis not expected to be collected, at the balance sheet date. This estimate encompasses information about historical events, current conditions and reasonable and supportable economic forecasts. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently uncertain. Given the current emerging level of economic uncertainty, the complexity of the ACL estimate and level of management judgment required, we believe it is possible that the ACL estimate could change, potentially materially, in future periods. Changes in the ACL may result from changes in current economic conditions, our economic forecast, loan portfolio composition, commercial real estate market dynamics in our geographic footprint and circumstances not currently known to us that may impact the financial condition and operations of our borrowers, among other factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, and TDRs, expected credit losses are estimated on an individual basis. Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments, generally excluding expected extensions, renewals, and modifications.

For the substantial majority of portfolio segments and subsegments, including residential loans other than government insured loans, and most commercial and commercial real estate loans, expected losses are estimated using econometric models. The models employ a factor based methodology, leveraging data sets containing extensive historical loss and recovery information by industry, geography, product type, collateral type and obligor characteristics, to estimate PD and LGD. Measures of PD for commercial loans incorporate current conditions through market cycle or credit cycle adjustments. For residential loans, the models consider FICO and adjusted LTVs. PDs and LGDs are then conditioned on the reasonable and supportable economic forecast. Projected PDs and LGDs, determined based on pool level characteristics, are applied to estimated exposure at default, considering the contractual term and payment structure of loans, adjusted for prepayments, to generate estimates of expected loss. For criticized or classified loans, PDs are adjusted to benchmark PDs established for each risk rating. The ACL estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the models.

A single economic scenario or a probability weighted blend of economic scenarios may be used. The models ingest numerous national, regional and MSA level variables and data points.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, we used a single externally provided baseline scenario in calculating the quantitative portion of the ACL. These externally provided scenarios in fact, represent the result of a probability weighting of thousands of individual scenario paths. At September 30, 2022 December 31, 2022, we incorporated a downside scenario to inform the amount of qualitative reserves.

Commercial Real Estate Model

Variables with reserves, which effectively equated the ACL for most significant impact on the commercial real estate model include portfolio segments to that determined using a 100% weighted downside scenario. The downside scenario reflected peak unemployment at both national 6.4% and regional levels, the CRE property forecast by property type and sub-market, 10-year treasury yield, Baa corporate yield and real a trough of negative GDP growth at the national level. Increases in unemployment and yields within the commercial real estate model generally result in increases in the ACL. Increases in real GDP growth and improvements in the CRE property forecasts reduce the reserve.

Commercial Model

Variables with the most significant impact on the commercial model include a stock market volatility index, the S&P 500 index, unemployment at both national and regional levels, and a variety of interest rates and spreads. Increases in the unemployment rate, the stock market volatility index, and the Baa corporate yield increase the reserve, while increases in real GDP growth and the steepening 3.7%. The substantial majority of the yield curve reduce the reserve.

Residential Model

Variables with the most significant impact on the residential model include HPI and unemployment qualitative adjustment related to economic uncertainty determined at regional levels, real GDP growth, and a 30-year mortgage rate. Increases December 31, 2022 remained in the unemployment rate and the 30-year mortgage rate increase the reserve, while increases in real GDP growth and HPI reduce the reserve.

The length of the reasonable and supportable forecast period is evaluated place at each reporting period and adjusted if deemed necessary. Currently, the Company uses a 2-year reasonable and supportable forecast period in estimating the quantitative portion of the ACL. After the reasonable and supportable forecast period, the models effectively revert to long-term mean losses on a straight-line basis over 12 months.

For certain less material portfolios including loans and leases to state and local government entities originated by Pinnacle, small balance commercial loans and consumer loans, the WARM method is used to estimate expected credit losses. Loss rates are applied to the exposure at default, after factoring in amortization and expected prepayments. Expected credit losses for the funded portion of mortgage warehouse lines of credit are estimated based primarily on the Company's historical loss experience. All loss estimates are conditioned as applicable on changes in current conditions and the reasonable and supportable economic forecast.

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

Qualitative factors

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

- Economic factors;
- Credit policy and staffing;
- Concentrations;
- Model imprecision; and
- Other factors deemed appropriate by management that may materially impact the amount of expected credit losses.

March 31, 2023.

See Note 1 to the consolidated financial statements of the Company's 2021 2022 Annual Report on Form 10-K for more detailed information about our ACL methodology.

The following table provides an analysis of the ACL, provision for (recovery of) credit losses related to the funded portion of loans and net charge-offs by loan segment for the periods indicated (dollars in thousands):

	Non-owner												Bridge -			Bridge -		
	Residential and		Occupied				Owner Occupied				Franchise		Equipment					
	Other Consumer		Commercial Real		Construction and		Commercial Real		Commercial and		Pinnacle	Finance	Finance	Finance				
	Loans	Multi-family	Estate	Land	Estate	Land	Estate	Land	Estate	Industrial	Pinnacle	Finance	Finance	Finance				
Balance at December 31, 2020	\$ 18,719	\$ 39,827	\$ 61,507	\$ 3,284	\$ 28,797	\$ 62,197	\$ 304	\$ 36,331	\$ 6,357	\$ 257,323								
Provision for (recovery of) credit losses	(8,929)	(28,940)	(34,063)	(2,210)	(3,601)	27,718	(125)	(13,166)	(2,207)	(65,523)								
Charge-offs	(304)	(6,470)	(2,697)	—	(453)	(15,703)	—	(9,585)	—	(35,212)								
Recoveries	10	233	155	—	91	2,538	—	—	—	3,027								
Balance at September 30, 2021	\$ 9,496	\$ 4,650	\$ 24,902	\$ 1,074	\$ 24,834	\$ 76,750	\$ 179	\$ 13,580	\$ 4,150	\$ 159,615								
Balance at December 31, 2021	\$ 9,187	\$ 1,512	\$ 26,268	\$ 1,031	\$ 21,638	\$ 46,312	\$ 170	\$ 16,746	\$ 3,593	\$ 126,457								
Provision for (recovery of) credit losses	2,576	54	1,374	512	(2,882)	29,621	(32)	3,791	(1,608)	33,406								
Charge-offs	(412)	—	(9,179)	(233)	(2,870)	(10,248)	—	(12,988)	—	(35,930)								
Recoveries	44	—	3,014	—	617	2,438	—	625	—	6,738								
Balance at September 30, 2022	\$ 11,395	\$ 1,566	\$ 21,477	\$ 1,310	\$ 16,503	\$ 68,123	\$ 138	\$ 8,174	\$ 1,985	\$ 130,671								
Net Charge-offs to Average Loans (1)																		
Nine Months Ended September 30, 2021	0.01 %	0.60 %	0.07 %	— %	0.02 %	0.30 %	— %	2.63 %	— %	0.19 %								
Nine Months Ended September 30, 2022	0.01 %	— %	0.19 %	0.16 %	0.16 %	0.17 %	— %	5.74 %	— %	0.16 %								

(1) Annualized.

	Non-owner												Bridge -			Bridge -		
	Residential		Occupied				Owner Occupied				Franchise		Equipment					
	Commercial	Real	Estate	Construction	and	Commercial	Real	Commercial	and	Industrial	Pinnacle	Finance	Finance	Finance				
	Residential		Estate	Land		Estate		Land		Industrial	Pinnacle	Finance	Finance	Finance				
Balance at December 31, 2021	\$ 9,187	\$ 27,780	\$ 1,031	\$ 21,638	\$ 46,312	\$ 170	\$ 16,746	\$ 3,593	\$ 126,457									
Provision for (recovery of) credit losses	(256)	12,887	358	(2,145)	376	(30)	(2,801)	(943)	7,446									
Charge-offs	—	(9,180)	—	(35)	(1,360)	—	(96)	—	(10,671)									
Recoveries	26	620	—	319	661	—	585	—	2,211									
Balance at March 31, 2022	\$ 8,957	\$ 32,107	\$ 1,389	\$ 19,777	\$ 45,989	\$ 140	\$ 14,434	\$ 2,650	\$ 125,443									
Balance at December 31, 2022	\$ 11,741	\$ 22,327	\$ 2,424	\$ 20,543	\$ 76,647	\$ 173	\$ 11,747	\$ 2,344	\$ 147,946									

Impact of adoption of ASU 2022-02	(117)	—	—	5	(1,676)	—	(6)	—	(1,794)
Balance at January 1, 2023	11,624	22,327	2,424	20,548	74,971	173	11,741	2,344	146,152
Provision for (recovery of) credit losses	170	2,004	(706)	(1,528)	17,702	5	70	(122)	17,595
Charge-offs	—	(35)	—	—	(1,597)	—	(6,267)	—	(7,899)
Recoveries	3	31	—	346	2,540	—	24	—	2,944
Balance at March 31, 2023	\$ 11,797	\$ 24,327	\$ 1,718	\$ 19,366	\$ 93,616	\$ 178	\$ 5,568	\$ 2,222	\$ 158,792
Net Charge-offs to Average Loans									
Three Months Ended									
March 31, 2022	— %	0.64 %	— %	(0.06)%	0.05 %	— %	(0.61)%	— %	0.15 %
Three Months Ended									
March 31, 2023	— %	— %	— %	(0.08)%	(0.05)%	— %	15.83 %	— %	0.08 %

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

	September 30, 2022		June 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022	
	Total	% ⁽¹⁾	Total	% ⁽¹⁾	Total	% ⁽¹⁾	Total	% ⁽¹⁾	Total	% ⁽¹⁾
Residential and other consumer	\$ 11,395	36.4 %	\$ 9,010	36.7 %	\$ 9,187	35.2 %				
Residential									Residential \$ 11,797	35.3 %
Multi-family	1,566	4.0 %	2,831	4.2 %	1,512	4.9 %			\$ 11,741	35.7 %
Non-owner occupied commercial real estate	Non-owner occupied commercial real estate	21,477	18.1 %	26,856	17.7 %	26,268	18.4 %	Non-owner occupied commercial real estate	24,327	21.5 %
Construction and land	Construction and land	1,310	1.0 %	1,507	0.9 %	1,031	0.7 %	Construction and land	1,718	1.3 %
CRE	CRE	24,353		31,194		28,811		CRE	26,045	
Owner occupied commercial real estate	Owner occupied commercial real estate	16,503	7.9 %	20,309	7.9 %	21,638	8.2 %	Owner occupied commercial real estate	19,366	7.5 %
Commercial and industrial	Commercial and industrial	68,123	26.5 %	60,530	26.0 %	46,312	25.8 %	Commercial and industrial	93,616	28.6 %
Pinnacle	Pinnacle	138	3.8 %	142	4.1 %	170	3.9 %	Pinnacle	178	3.7 %
Bridge - franchise finance	Bridge - franchise finance	8,174	1.0 %	6,259	1.1 %	16,746	1.4 %	Bridge - franchise finance	5,568	1.0 %
Bridge - equipment finance	Bridge - equipment finance	1,985	1.3 %	2,795	1.4 %	3,593	1.5 %	Bridge - equipment finance	2,222	1.1 %
		94,923		90,035		88,459			120,950	
		\$ 130,671	100.0 %	\$ 130,239	100.0 %	\$ 126,457	100.0 %		\$ 158,792	100.0 %
									\$ 147,946	
										100.0 %

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

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

	September 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022	
	2022	June 30, 2022	2021	2020	2023	2022	2021	2020
Residential and other consumer	0.13 %	0.10 %	0.11 %	0.11 %				
Residential							Residential	0.13 %
Commercial: Commercial:				Commercial:				0.13 %
Commercial real estate	0.44 %	0.57 %	0.51 %	0.51 %				

CRE	Commercial and industrial	Commercial and industrial	1.01 %	0.99 %	0.84 %	Commercial and industrial	1.25 %	1.10 %	CRE	0.46 %	0.43 %
Pinnacle	Pinnacle	Pinnacle	0.01 %	0.01 %	0.02 %	Pinnacle	0.02 %	0.02 %			
Bridge - franchise finance	Bridge - franchise finance	Bridge - franchise finance	3.22 %	2.38 %	4.90 %	Bridge - franchise finance	2.33 %	4.63 %			
Bridge - equipment finance	Bridge - equipment finance	Bridge - equipment finance	0.64 %	0.84 %	1.00 %	Bridge - equipment finance	0.83 %	0.82 %			
Total commercial	Total commercial	Total commercial	0.77 %	0.79 %	0.76 %	Total commercial	0.91 %	0.85 %			
			0.54 %	0.54 %	0.53 %		0.64 %	0.59 %			

Significant offsetting factors contributing to the change in the ACL during the three months ended **September 30, 2022** **March 31, 2023** are depicted in the chart below (in dollars in millions):



*Changes in the ACL during the three months ended **September 30, 2022** **March 31, 2023***

Overall, As depicted in the chart above, the primary drivers of the increase in the ACL from December 31, 2022 to March 31, 2023 were increases in specific reserves, changes in the economic forecast and new production, partially offset by net charge-offs and a decrease in certain qualitative loss factors. The ACL as a percentage of loans remained consistent was 0.64% at 0.54% at September 30, 2022 March 31, 2023, compared to June 30, 2022 0.59% at December 31, 2022. The qualitative portion of the ACL declined for the quarter ended September 30, 2022, as in management's judgment, the economic forecast underlying the quantitative estimate better captured the expected future trajectory of the economy; additionally, higher qualitative loss factors applied to certain portions of the portfolio more susceptible to the impact of the COVID -19 pandemic were reduced. These reductions in qualitative components were partially offset by a \$5 million increase related to the potential impact of Hurricane Ian.

The ACL for residential and other consumer segment increased by \$2.4 million during the three months ended September 30, 2022, from 0.10% to 0.13% of loans. The increase in the ACL for this segment was primarily driven by the economic forecast, particularly a decline in the HPI and increases in forecasted mortgage and unemployment rates.

The ACL for the CRE portfolio sub-segment, including multi-family, non-owner occupied CRE and construction and land, decreased by \$6.8 million during the three months ended September 30, 2022, from 0.57% to 0.44% of loans. The decrease in the ACL for CRE was driven mainly by a decrease in qualitative loss factors, and to a lesser extent, improved borrower financial performance, partially offset by an increase in quantitative loss factors. The increase in quantitative loss factors resulted from a decline in forecasted GDP, and increases in forecasted unemployment and interest rates, offset by improved rental and vacancy rates across asset classes.

The ACL for the commercial and industrial sub-segment, including owner-occupied commercial real estate, increased by \$3.8 million \$15.8 million during the three months ended **September 30, 2022** **March 31, 2023**, from 0.99% 1.10% to 1.01% 1.25% of loans. The increase most significant contributing factor was primarily attributable to an increase in certain specific reserves and a deteriorating reserves. Changes in the economic forecast partially offset by a decrease in qualitative loss factors also contributed to this increase.

The ACL for the BFG franchise finance portfolio segment increased decreased by \$1.9 million \$6.2 million during the three months ended **September 30, 2022** **March 31, 2023**, from 2.38% 4.63% to 3.22% 2.33% of loans primarily loans. Substantially all of this decrease was due to an increase in specific reserves.

The ACL the charge-off of a loan that had been fully reserved for the BFG equipment finance portfolio segment decreased \$0.8 million during the three months ended September 30, 2022, from 0.84% to 0.64% of loans, primarily due to risk rating updates.

at December 31, 2022.

The estimate of the ACL at **September 30, 2022** **March 31, 2023** was informed by forecasted economic scenarios published in **September 2022**, **March 2023**, a wide variety of additional economic information provided by additional sources, data, information about borrower financial condition and collateral values and other relevant information. The economic forecast used in modeling the quantitative portion of the ACL as of **September 30, 2022** **March 31, 2023**, was a third-party provided baseline forecast. Also, see the preceding discussion related to incorporation of economic forecasts in the ACL estimate. Some of the assumptions and data points informing the reasonable and supportable economic forecast used in estimating the quantitative portion of the ACL at **September 30, 2022** **March 31, 2023** included:

- Labor market assumptions, which reflected national unemployment at 3.7% 3.5% for the fourth second quarter of 2022, 2023, increasing to 4.0% by the end of 2023 through 2024;
- Annualized growth in GDP at 1.0% for the second quarter of 2023, declining to 1%, averaging 1.9% for 2023 and 4.1% 2024;
- S&P 500 flat in the second quarter of 2023 with gains of 11.5% and 3.8% 2.4% by the end of 2023 and 2024, respectively;
- Annualized growth in GDP at 0.6% for the fourth quarter of 2022, and 1.4% and 2.6% for 2023 and 2024, respectively;
- S&P 500 bottoming out in the fourth quarter of 2022 with a decline of 14.3%, and forecasting gains of 5% and 1.6% by end of 2023 and 2024, respectively.
- HPI growth decline of 5.7% 5.2% in 2022, and the second quarter of 2023, with further declines of 3.3% 3.6% and 1.7% 3.5% by the end of 2023 and 2024, respectively.

Additional variables and assumptions not explicitly stated, including but not limited to residential and commercial property forecasts, projected stock market volatility indices and a variety of assumptions about market interest rates and spreads also contributed to the overall impact economic conditions and the economic forecast had on the ACL estimate. Furthermore, while the variables presented above are at the national level, many of the variables are regionalized at the market and submarket level in the models.

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

Deposits

Average balances The Company has a diverse deposit book by industry sector, with no deposits from venture capital or cryptocurrency-related businesses. Our largest deposit industry sector was title solutions, with approximately \$2.0 billion in total deposits, spread across over 8,000 accounts and rates paid on over 950 relationships at March 31, 2023; no other sectors exceeded \$1.0 billion at March 31, 2023. Over 85% of title sector deposits were in operating accounts. Approximately 61% of our deposits are commercial or municipal in nature, with over 80% of commercial deposits considered relationship-based.

The following table presents information about the Company's insured and collateralized deposits as follows for the periods indicated of March 31, 2023 (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Demand deposits:								
Non-interest bearing	\$ 8,749,794	— %	\$ 8,912,960	— %	\$ 9,071,135	— %	\$ 8,194,570	— %
Interest bearing	2,306,906	0.71 %	3,038,038	0.22 %	2,658,558	0.36 %	3,017,301	0.31 %
Savings and money market	13,001,566	1.22 %	13,554,572	0.29 %	13,150,357	0.64 %	13,299,066	0.34 %
Time	3,255,869	1.13 %	2,866,746	0.35 %	3,129,247	0.67 %	3,520,674	0.51 %
	<u>\$ 27,314,135</u>	<u>0.78 %</u>	<u>\$ 28,372,316</u>	<u>0.20 %</u>	<u>\$ 28,009,297</u>	<u>0.41 %</u>	<u>\$ 28,031,611</u>	<u>0.26 %</u>
Total deposits							\$ 25,722,898	
Estimated amount of uninsured deposits							\$ 12,961,274	
Less: collateralized deposits							(2,866,453)	
Less: affiliate deposits							(231,159)	
Adjusted uninsured deposits							\$ 9,863,662	
Estimated insured and collateralized deposits							\$ 15,859,236	
Insured and collateralized deposits to total deposits							62 %	

The estimated amount in response to the recent events impacting the banking sector, we increased deposits in the insured ICS program by \$164 million during the three months ended March 31, 2023 to \$282 million.

See the section entitled "Liquidity" below for a further discussion of uninsured deposits at September 30, 2022 and December 31, 2021 was \$18.9 billion and \$20.2 billion, respectively. the impact of March, 2023 events impacting the banking sector on the Bank's deposits.

Time deposit accounts with balances of \$250,000 or more totaled \$528 million \$819 million and \$603 \$730 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively. The following table shows scheduled maturities of uninsured time deposits as of September 30, 2022 March 31, 2023 (in thousands):

Three months or less	\$ 156,607	77,688
Over three through six months		95,259 181,972
Over six through twelve months		248,884 448,020
Over twelve months		10,038 5,593
	<u>\$ 510,788</u>	<u>713,273</u>

The estimated amount of uninsured deposits at March 31, 2023 and December 31, 2022 was \$13.0 billion and \$18.2 billion, respectively. Collateralized and affiliate deposits are included in these amounts.

For additional information about Deposits, see Note 10 to the consolidated financial statements.

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 were elevated at March 31, 2023 due to March, 2023 events impacting the banking industry. FHLB advances are secured by qualifying

residential first mortgage and commercial real estate loans and MBS. The following table presents information about the contractual balance of outstanding FHLB advances, as of **September 30, 2022** **March 31, 2023** (dollars in thousands):

	Amount	Weighted Average Rate
Maturing in:		
2022 - One month or less	\$ 4,095,000	2.83 %
2022 - Over one month	875,000	3.27 %
2023	325,000	3.15 %
Total contractual balance outstanding	\$ 5,295,000	

	Amount	Weighted Average Rate
Maturing in:		
2023 - One month or less	\$ 3,920,000	4.89 %
2023 - Over one month	3,630,000	5.09 %
Total contractual balance outstanding	\$ 7,550,000	

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 or cost of borrowings. FHLB advances drawn down in March, 2023 were typically one month advances to provide for maximum flexibility in managing liquidity during a volatile time. Management is currently evaluating the optimal term structure of the advance portfolio in light of the Bank's current liquidity and interest rate risk profile.

The table below presents information about outstanding interest rate swaps hedging the variability of interest cash flows on the FHLB advances included in the table above, as of **September 30, 2022** **March 31, 2023** (dollars in thousands):

Cash flow hedges	Cash flow hedges	Notional Amount		Weighted Average Rate		Notional Amount		Weighted Average Rate	
		maturing in:	maturing in:	%	maturing in:	%	maturing in:	%	maturing in:
2022	2022	\$ 50,000		2.99	%	2023	\$ 35,000	2.82	%
2023	2023	255,000		2.35	%	2024	535,000	2.40	%
2024	2024	535,000		2.40	%	2025	425,000	2.28	%
2025	2025	425,000		2.28	%	2026	130,000	1.93	%
2026	2026	130,000		1.93	%	Thereafter	25,000	2.50	%
Thereafter	Thereafter	25,000		2.50	%	Thereafter	25,000	2.50	%
		<u>\$ 1,420,000</u>		<u>2.33 %</u>			<u>\$ 1,150,000</u>		<u>2.32 %</u>

See Note 6 to the consolidated financial statements and "Interest Rate Risk" below for more information about derivative instruments.

Outstanding notes payable and other borrowings consisted of the following at the dates indicated (in thousands):

	September 30, 2022		December 31, 2021		March 31, 2023		December 31, 2022	
Senior notes:	Senior notes:				Senior notes:			
Principal amount of 4.875% senior notes maturing on November 17, 2025	Principal amount of 4.875% senior notes maturing on November 17, 2025	\$ 400,000	\$ 400,000		Principal amount of 4.875% senior notes maturing on November 17, 2025	\$ 400,000	\$ 400,000	
Unamortized discount and debt issuance costs	Unamortized discount and debt issuance costs	(2,793)	(3,400)		Unamortized discount and debt issuance costs	(2,376)	(2,586)	
		397,207	396,600			397,624	397,414	
Subordinated notes:	Subordinated notes:				Subordinated notes:			
Principal amount of 5.125% subordinated notes maturing on June 11, 2030	Principal amount of 5.125% subordinated notes maturing on June 11, 2030	300,000	300,000		Principal amount of 5.125% subordinated notes maturing on June 11, 2030	300,000	300,000	
Unamortized discount and debt issuance costs	Unamortized discount and debt issuance costs	(5,012)	(5,400)		Unamortized discount and debt issuance costs	(4,745)	(4,880)	

	294,988	294,600	295,255	295,120
Total notes	Total notes	692,195	691,200	692,879
Finance leases	Finance leases	28,850	30,216	27,908
Notes and other borrowings	Notes and other borrowings	\$ 721,045	\$ 721,416	\$ 720,787

Liquidity and Capital Resources

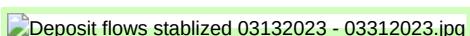
Liquidity

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

BankUnited's ongoing liquidity needs have historically been met primarily by cash flows from operations, deposit growth, the investment portfolio, its amortizing loan portfolio and FHLB advances. FRB discount window borrowings, reverse repurchase agreement capacity and a letter of credit with the FHLB provide an additional source of contingent liquidity. For the nine months ended September 30, 2022 March 31, 2023 and 2021, 2022 net cash provided by operating activities was \$1.3 billion \$141 million and \$953 million \$457 million, respectively. The decline in cash flows from operating activities for the comparative periods is primarily related to fluctuations in the daily cash settlement of derivative positions centrally cleared through the CME and a lower volume of re-securitization of early buyout loans.

Available liquidity sources includes cash, liquid cash; secured funding, such as borrowing capacity at the Federal Home Loan Bank of Atlanta, and the Federal Reserve Discount Window Federal Funds lines of credit and unpledged agency the BTFP; and unencumbered securities. Additional sources of liquidity include cash flows from operations, wholesale deposits, cash flow from the Bank's amortizing securities and loan portfolios, and the sale of investment securities. Management also has the ability to exert substantial control over the rate and timing of loan production, and resultant requirements for liquidity to fund new loans.

The closures of two regional banks in March, 2023 led to a heightened level of deposit outflows during the week following those events. Deposit flows subsequently stabilized and have since remained within the range of what management considers to be normal operating activity. The following graph depicts aggregate deposit flows for the quarter ended March 31, 2023:



During the week of 3/13/2023, there were deposit outflows totaling \$1.9 billion attributable to ten larger institutional customers. We reviewed the activity through March 31, 2023 for the remainder of the 200 largest depositors as of March 10, 2023 and did not see any significant indication of unusual deposit flow activity.

Following recent events impacting the banking system in March, we took prudent actions to maximize same-day available liquidity:

- Monetized securities and loan collateral by pledging to the FHLB and FRB;
- Increased the amount of cash held at the FRB;
- Increased deposits in the insured ICS program by increasing customer awareness of this product; and
- Maintained regular communication with funding sources and counterparties.

At March 31, 2023, the Bank had total same day available liquidity of approximately \$9.4 billion, consisting of cash of \$0.9 billion, borrowing capacity at the Federal Home Loan Bank of \$2.9 billion, borrowing capacity at the FRB of \$4.6 billion and unencumbered securities of \$1.0 billion. As of April 21, 2023, available liquidity increased to \$12.3 billion.

At March 31, 2023, the ratio of estimated insured and collateralized deposits to total deposits was 62% and the ratio of available liquidity to estimated uninsured, uncollateralized deposits was 95%. The ratio of available liquidity to estimated uninsured, uncollateralized deposits improved to 128% during the month of April, 2023.

The ALM policy establishes limits or operating thresholds and guidelines for a number of measures of liquidity which are typically monitored at least monthly by the ALCO and quarterly by the Board of Directors. In the current environment, many of these metrics are being monitored more frequently, at least weekly. The primary measures used to dimension liquidity risk are the ratio of available liquidity (excluding availability at the FRB) to volatile liabilities and a liquidity stress test coverage ratio. Other measures employed to monitor and manage liquidity include but are not limited to a 30-day total liquidity ratio (also excluding availability at the FRB), a one-year liquidity ratio, a wholesale funding ratio, concentrations of large deposits, a measure of on-balance sheet available liquidity, the ratio of FHLB advances to total assets 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. At September 30, 2022, BankUnited was in compliance with the limits prescribed by the ALM policy.

The ALM policy stipulates that BankUnited's liquidity is within policy limits if the available liquidity/volatile liabilities ratio and liquidity stress test ratios exceed 100%. At September 30, 2022 March 31, 2023, BankUnited's available liquidity/volatile liabilities ratio was 222% 169% on a trailing average basis and 136% on a spot basis and the liquidity stress test ratio was 168% 150%. Due to the events impacting the banking industry in March and the resultant increase in FHLB advances, the wholesale funding ratio was elevated at March 31, 2023; because additional assets were pledged to the FHLB and FRB, the on-balance sheet available liquidity metric was lower than is typical. The Company 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 securities portfolio. There are regulatory limitations that may affect the ability of the Bank to pay dividends to BankUnited, Inc. Management believes that such limitations will not impact our ability to meet our ongoing near-term cash obligations.

Macro factors, including the initiation of recent events impacting the banking sector and the FRB's quantitative tightening by the Fed, policy stance, have recently led to reduced deposit levels across the banking system. As depicted above, BankUnited's total deposits declined by \$1.1 billion \$1.8 billion during the quarter three months ended September 30,

2022 March 31, 2023, and there is uncertainty as to the future impact of monetary policy on deposit levels both system-wide and at BankUnited. We believe that we have sufficient on-balance sheet and contingent sources of liquidity, through the sources as described above, to satisfy our liquidity needs and cash requirements over the next twelve months.

Capital

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 September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the Company and the Bank had capital levels that exceeded both the regulatory well-capitalized guidelines and all internal capital ratio targets.

The following table provides information regarding regulatory capital for the Company and the Bank as of September 30, 2022 (dollars in thousands):

	Actual				Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized		Required to be Considered Capitalized Including Capital Conservation Buffer	
	Amount		Ratio		Amount		Ratio		Amount	
BankUnited, Inc.:										
Tier 1 leverage	\$ 2,822,240	7.71 %	N/A (1)	N/A (1)	\$ 1,464,536	4.00 %	N/A (1)	N/A (1)		
CET1 risk-based capital	\$ 2,822,240	11.35 %	\$ 1,616,539	6.50 %	\$ 1,119,142	4.50 %	\$ 1,740,888	7.00 %		
Tier 1 risk-based capital	\$ 2,822,240	11.35 %	\$ 1,989,586	8.00 %	\$ 1,492,190	6.00 %	\$ 2,113,935	8.50 %		
Total risk-based capital	\$ 3,235,818	13.01 %	\$ 2,486,983	10.00 %	\$ 1,989,586	8.00 %	\$ 2,611,332	10.50 %		
BankUnited:										
Tier 1 leverage	\$ 3,202,664	8.78 %	\$ 1,824,177	5.00 %	\$ 1,459,341	4.00 %	N/A	N/A		
CET1 risk-based capital	\$ 3,202,664	12.94 %	\$ 1,608,190	6.50 %	\$ 1,113,362	4.50 %	\$ 1,731,896	7.00 %		
Tier 1 risk-based capital	\$ 3,202,664	12.94 %	\$ 1,979,310	8.00 %	\$ 1,484,483	6.00 %	\$ 2,103,017	8.50 %		
Total risk-based capital	\$ 3,316,242	13.40 %	\$ 2,474,138	10.00 %	\$ 1,979,310	8.00 %	\$ 2,597,845	10.50 %		

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

Upon adoption of ASU 2016-13 on January 1, 2020, the Company elected the option to temporarily delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period.

The following table provides information regarding regulatory capital for the Company and the Bank as of March 31, 2023 (dollars in thousands):

	March 31, 2023											
	Actual				Required to be Considered Well Capitalized		Required to be Considered Adequately Capitalized					
	Amount		Ratio		Amount		Ratio					
BankUnited, Inc.:												
Tier 1 leverage	\$ 2,785,134	7.40 %	N/A (1)	N/A (1)	\$ 1,504,788	4.00 %	N/A (1)	N/A (1)				
CET1 risk-based capital	\$ 2,785,134	10.81 %	\$ 1,675,144	6.50 %	\$ 1,159,715	4.50 %	\$ 1,804,002	7.00 %				
Tier 1 risk-based capital	\$ 2,785,134	10.81 %	\$ 2,061,716	8.00 %	\$ 1,546,287	6.00 %	\$ 2,190,574	8.50 %				
Total risk-based capital	\$ 3,235,366	12.55 %	\$ 2,577,145	10.00 %	\$ 2,061,716	8.00 %	\$ 2,706,003	10.50 %				
BankUnited:												
Tier 1 leverage	\$ 3,215,157	8.58 %	\$ 1,874,365	5.00 %	\$ 1,499,492	4.00 %	N/A	N/A				
CET1 risk-based capital	\$ 3,215,157	12.52 %	\$ 1,668,717	6.50 %	\$ 1,155,266	4.50 %	\$ 1,797,080	7.00 %				
Tier 1 risk-based capital	\$ 3,215,157	12.52 %	\$ 2,053,806	8.00 %	\$ 1,540,354	6.00 %	\$ 2,182,168	8.50 %				
Total risk-based capital	\$ 3,365,388	13.11 %	\$ 2,567,257	10.00 %	\$ 2,053,806	8.00 %	\$ 2,695,620	10.50 %				

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

We believe we are well positioned, from a capital perspective, to withstand a severe downturn in the economy, an economic downturn. CET1 risk-based capital, including AOCI would be 9.4% at BankUnited, Inc. and 11.1% at BankUnited N.A. as of March 31, 2023. We continue to evolve continually re-evaluate our stress testing framework and adapt it to evolving macro-economic conditions as necessary. The majority of our commercial portfolio is subject to quarterly stress test analysis. On an annual basis, we also run a rigorous stress test of our entire balance sheet and, where applicable, we incorporate considerations for incorporating the FRB's CCAR scenarios as well as additional idiosyncratic scenarios reflective of evolving macro-economic themes.

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.

Interest Rate Risk

A principal component of the Company's risk of loss arising from adverse changes in the fair value of financial instruments, or market risk, is interest rate risk, including the risk that assets and liabilities with similar re-pricing characteristics may not reprice at the same time or to the same degree. A primary objective of the Company's asset/liability management activities is to maximize net interest income, while maintaining acceptable levels of interest rate risk. The ALCO is responsible for establishing policies to manage exposure to interest rate risk, and to ensure procedures are established to monitor compliance with these policies. The policies established by the ALCO are approved at least annually by the Board of Directors or its Risk Committee.

Management believes that the simulation of net interest income in different interest rate environments provides the most meaningful measure of interest rate risk. Income simulation analysis is designed to capture not only the potential of all assets and liabilities to mature or reprice, but also the probability that they will do so. Income simulation also attends to the relative interest rate sensitivities of these items, and projects their behavior over an extended period of time. Finally, income simulation permits management to assess the probable effects on the balance sheet not only of changes in interest rates, but also of proposed strategies for responding to them.

The income simulation model analyzes interest rate sensitivity by projecting net interest income over twelve and twenty-four month periods in a most likely rate scenario based on a consensus forward interest rate curves curve versus net interest income in alternative rate scenarios. Management continually reviews and refines its interest rate risk management process in response to changes in the interest rate environment, the economic climate and observed customer behavior. Currently, our interest rate risk policy framework is based on modeling instantaneous rate shocks to a static balance sheet of plus and minus 100, 200, 300 and 400

basis point shifts.

We also model a variety of yield curve slope, depositor behavior assumptions and dynamic balance sheet scenarios. We continually evaluate the scenarios being modeled with a view toward adapting them to changing economic conditions, expectations and trends.

The following table presents the impact on forecasted net interest income compared to a "most likely" scenario in static balance sheet, parallel rate shock scenarios of plus 100, 200, 300 and 400 basis points at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, as well as minus 100, 200 and 200 300 basis points scenario scenarios at September 30, 2022 March 31, 2023 and December 31, 2022. At September 30, 2022 March 31, 2023, the most likely rate scenario incorporated a bear flattening yield reflected the consensus forward curve as of April 3, 2023 and floored all indices at 0%. We did not apply

	Down 300	Down 200	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Model Results at March 31, 2023 - increase (decrease)							
In year 1	(12)%	(5)%	(2)%	1 %	— %	(1)%	(2)%
In year 2	(20)%	(9)%	(3)%	2 %	2 %	2 %	— %
Model Results at December 31, 2022 - increase (decrease)							
In year 1	(10)%	(5)%	(2)%	— %	(1)%	(1)%	(3)%
In year 2	(18)%	(8)%	(3)%	2 %	2 %	2 %	1 %

There are a variety of hedging strategies available and currently under evaluation by management to hedge exposure in a falling rate scenario at December 31, 2021 due to the low prevailing interest rate environment at that time.

	Down 200	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Model Results at September 30, 2022 - increase (decrease)						
In year 1	(8.1)%	(4.0)%	1.2 %	1.3 %	1.6 %	1.7 %
In year 2	(11.4)%	(4.2)%	3.4 %	5.5 %	7.2 %	7.5 %
Model Results at December 31, 2021 - increase						
In year 1	N/A	N/A	2.5 %	3.9 %	4.3 %	4.2 %
In year 2	N/A	N/A	6.6 %	11.5 %	15.8 %	20.4 %

environment.

Management also simulates changes in EVE in various interest rate environments. The following table illustrates the modeled change in EVE in the indicated scenarios at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022:

	Down 200	Down 100	Plus 100	Plus 200	Plus 300	Plus 400
Model Results at September 30, 2022 - increase (decrease):	2.9 %	3.0 %	(3.0)%	(7.2)%	(10.9)%	(14.2)%
Model Results at December 31, 2021 - increase (decrease):	N/A	N/A	0.4 %	(1.0)%	(3.2)%	(5.0)%
Model Results at March 31, 2023 - increase (decrease):						
	3 %	5 %	4 %	(6)%	(12)%	(18)%

Model Results at December 31, 2022 - increase (decrease):	(1)%	4 %	4 %	(5)%	(11)%	(17)%	(23)%
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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 and Hedging Activities

Interest rate derivatives 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 liabilities and to changes in the fair value of fixed rate financial instruments, in each case caused by fluctuations in benchmark interest rates, as well as to manage duration of liabilities.

The **fair value** following table provides information about the Company's derivatives designated as hedging instruments as of March 31, 2023 (dollars in thousands):

	Hedged Item	Notional Amount	Weighted Average		Weighted Average Remaining
			Pay Rate / Strike	Average Receive Rate	
			/ Strike Price	Life in Years	
Derivatives designated as cash flow hedges:					
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	\$ 475,000	2.34%	3-Month LIBOR	2.9
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate borrowings	675,000	2.31%	Daily SOFR	1.5
Pay-fixed interest rate swaps	Variability of interest cash flows on variable rate liabilities	400,000	1.22%	Fed Funds Effective Rate	1.4
Pay-variable interest rate swaps	Variability of interest cash flows on variable rate loans	200,000	Term SOFR	3.72%	3.1
Interest rate caps purchased, indexed to Fed Funds effective rate	Variability of interest cash flows on variable rate liabilities	200,000	0.88%		2.2
Interest rate collar, indexed to 1-month SOFR ⁽¹⁾	Variability of interest cash flows on variable rate loans	125,000	5.58%	1.50%	3.4
Derivatives designated as fair value hedges:					
Pay-fixed interest rate swaps	Variability of fair value of fixed rate loans	100,000	1.94%	Daily SOFR	1.3
		\$ 2,175,000			

(1)The interest rate collar consists of a combination of zero-premium interest rate options. The Company sold a pay-variable cap with a strike price of 5.58%; sold a 0% floor; and purchased a receive-variable floor with a strike price of 1.50%.

In addition to 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 September 30, 2022, outstanding interest rate swaps, caps and collars designated as cash flow hedges had an aggregate notional amount of \$2.1 billion and outstanding interest rate swaps designated as fair value hedges had an aggregate notional amount of \$100 million.

Interest rate swaps and caps not designated as hedges had an aggregate notional amount of \$3.9 billion at September 30, 2022. These interest rate swaps and caps were entered into as accommodations. Company has issued callable CDs to certain of our commercial borrowers. To mitigate hedge interest rate risk associated with these derivatives, in a falling rate environment, the Company enters into offsetting derivative positions with primary dealers. The amount of such instruments outstanding at March 31, 2023 was \$653 million. The short duration of our AFS portfolio (1.95 at March 31, 2023) also provides a natural offset from an interest rate risk perspective to the longer duration of the residential mortgage portfolio.

See Note 6 to the consolidated financial statements for additional information about derivative financial instruments.

LIBOR Transition

The Company has implemented and is in the process of executing a detailed plan to facilitate the transition from LIBOR to alternative reference rates, with SOFR being the preferred alternative to LIBOR. A discussion of the Company's LIBOR transition plan and activities appears in the "LIBOR Transition" section in the MD&A of the Company's **2021** **2022** Annual Report on Form 10-K.

The following table **below** presents information about the Company's exposure to instruments that reference LIBOR as of **September 30, 2022** **March 31, 2023** (in thousands):

		Maturing		Total
		Prior to June 30, 2023	After June 30, 2023	
Investment securities		\$ —	\$ 3,821,646	\$ 3,821,646
Loans		479,767	4,760,961	5,240,728

Interest rate derivative contracts ⁽¹⁾	312,966	3,278,819	3,591,785
	\$ 792,733	\$ 11,861,426	\$ 12,654,159

⁽¹⁾ We believe the fallback provisions of these instruments will provide for a smooth transition to an alternative reference rate prior to or as of the June 30, 2023 termination date.

	Maturing		
	Prior to June 30, 2023	After June 30, 2023	Total
Investment securities	\$ —	\$ 3,551,397	\$ 3,551,397
Loans	57,395	2,884,759	2,942,154
Interest rate derivative contracts ⁽¹⁾	4,782	1,748,985	1,753,767
	\$ 62,177	\$ 8,185,141	\$ 8,247,318

⁽¹⁾ Represents notional amount.

Impact of the COVID-19 Pandemic

A detailed discussion of the effects the COVID-19 pandemic had during 2021 on our Company appears in the "Impact of the COVID-19 Pandemic and Our Response" section in the MD&A of the Company's 2021 Annual Report on Form 10-K.

2021 and 2022 were characterized broadly by recovery of the U.S. economy from the impact of the COVID-19 pandemic. The actual and expected impact of the pandemic on our financial condition and results of operations continues to decline. Levels of criticized and classified assets remain elevated at September 30, 2022, when compared to pre-pandemic levels although they continue to trend downward. The composition of the balance sheet at September 30, 2022 and corresponding levels of net interest income reflect the opportunity cost of the decline in commercial loans and the increase in residential loans and securities that occurred over the course of the pandemic. Historically, commercial loans have generally tended to be higher yielding assets than residential loans and securities. During the first quarter of 2022, we welcomed our employees back to the office, adopting a hybrid work model for most non-branch employees. This model will likely continue to evolve over the near to medium term.

Non-GAAP Financial Measures

PPNR is a non-GAAP financial measure. Management believes this measure is relevant to understanding the performance of the Company attributable to elements other than the provision for credit losses and the ability of the Company to generate earnings sufficient to cover estimated credit losses, particularly in view of the volatility of the provision for credit losses. This measure also provides a meaningful basis for comparison to other financial institutions since it is commonly employed and is a measure frequently cited by investors and analysts. The following table reconciles the non-GAAP financial measurement of PPNR to the comparable GAAP financial measurement of income before income taxes for the periods indicated (in thousands).

	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Three Months Ended September 30, 2021
Income before income taxes (GAAP)	\$ 117,083	\$ 87,468	\$ 114,400
Plus: Provision for (recovery of) credit losses	3,720	23,996	(11,842)
PPNR (non-GAAP)	\$ 120,803	\$ 111,464	\$ 102,558

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

	September 30, 2022	December 31, 2021	March 31, 2023	December 31, 2022
Total stockholders' equity	Total stockholders' equity	\$ 2,480,985	\$ 3,037,761	\$ 2,481,394
Less: goodwill and other intangible assets	Less: goodwill and other intangible assets	77,637	77,637	77,637
Tangible stockholders' equity	Tangible stockholders' equity	\$ 2,403,348	\$ 2,960,124	\$ 2,403,757
Common shares issued and outstanding	Common shares issued and outstanding	77,599,408	85,647,986	74,423,365
Book value per common share	Book value per common share	\$ 31.97	\$ 35.47	\$ 33.34
				\$ 32.19

Tangible book value per common share	Tangible book value per common share	\$ 30.97	\$ 34.56	Tangible book value per common share	\$ 32.30	\$ 31.16
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Item 3.7A. Quantitative and Qualitative Disclosures About Market Risk

See the section entitled "Interest Rate Risk" included in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Form 10-Q, 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.

During the quarter ended **September 30, 2022** **March 31, 2023**, there were no changes in the Company's internal control over financial reporting, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 currently available information and the advice of legal counsel, the likelihood is remote that the impact of these proceedings, either individually or in the aggregate, would be material to the Company's consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors

Geopolitical Except as set forth below there have been no material changes in the risk factors such as disclosed by the conflict between Russia Company in its 2022 Annual Report on Form 10-K filed with the Securities and Ukraine Exchange Commission on February 22, 2023.

Recent events affecting the banking industry predicated by the failure of three regional banks and resulting media coverage may have eroded customer confidence in the banking system and have adversely impacted liquidity, particularly for regional banks like BankUnited.

Recent bank failures have generated significant market volatility and adversely impacted stock prices among publicly traded bank holding companies and, in particular, regional banks like the Company. Many regional banks, including BankUnited, experienced higher than normal deposit outflows immediately following the first regional bank failures in March 2023. These developments have negatively impacted customer confidence in the safety and soundness of regional banks. As a result of these recent events, customers may choose to maintain deposits with larger financial institutions or similar events in other higher yielding alternatives, which could negatively materially adversely impact our business the Company's liquidity, loan funding capacity, net interest margin, capital and results of operations.

We are monitoring While the impact Department of the conflict between Russia Treasury, the Federal Reserve, and Ukraine on our business. While we do not currently expect the FDIC have made statements regarding the safety and soundness of the banking system and taken actions to ensure that depositors of recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the conflict will banking system more broadly.

These recent events may result in potentially adverse changes to laws or regulations governing banks and bank holding companies or in the impositions of restrictions through supervisory or enforcement activities, including higher capital or liquidity requirements, which could have a direct material impact on our business, financial condition business. The cost of resolving the recent bank failures may prompt the FDIC to increase its deposit insurance premiums or results of operations, collateral effects of the geopolitical instability, such as the imposition of sanctions against Russia and Russia's response to such sanctions, including retaliatory acts like cyber-attacks and sanctions against other countries, or escalation or further spread of the conflict could adversely affect the global economy or domestic markets, including ours. assessments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Issuer Purchases of Equity Securities				Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (2)(3)
	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs		
July 1 - July 31, 2022	—	\$ —	—	—	\$ 758,337
August 1 - August 31, 2022	—	\$ —	—	—	\$ 758,337
September 1 - September 30, 2022	314,109	\$ 34.36	314,109	\$ 314,109	139,965,810
Total	314,109	\$ 34.36	314,109	314,109	

Issuer Purchases of Equity Securities

Period	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⁾
January 1 - January 31, 2023	934,888	\$ 33.89	934,888	\$ 43,531,065
February 1 - February 28, 2023	94,920	\$ 34.97	94,920	\$ 40,211,428
March 1 - March 31, 2023	604,437	\$ 32.44	604,437	\$ 20,603,265
Total	1,634,245	\$ 33.42	1,634,245	

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

(2) On May 2, 2022, the Company's Board of Directors authorized the repurchase of up to an additional \$150 million in shares of its outstanding common stock. No time limit was set for the completion of the share repurchase program, and the program may be suspended or discontinued without prior notice at any time. The authorization does not require the Company to acquire any specified number of common shares. The Company completed its repurchases pursuant to the May 2 authorization in September 2022.

(3) On September 13, 2022, the Company's Board of Directors authorized the repurchase of up to an additional \$150 million in shares of its outstanding common stock. No time limit was set for the completion of the share repurchase program, and the program may be suspended or discontinued without prior notice at any time. The authorization does not require the Company to acquire any specified number of common shares.

Item 6. Exhibits

Exhibit Number	Description	Location
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
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	Filed herewith
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	Filed herewith
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL 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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this **1st** **2nd** day of **November 2022**, **May 2023**.

/s/ Rajinder P. Singh

Rajinder P. Singh

Chairman, President and Chief Executive Officer

/s/ Leslie N. Lunak

Leslie N. Lunak

Chief Financial Officer

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 quarterly report on Form 10-Q 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: November 1, 2022 May 2, 2023

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 quarterly report on Form 10-Q 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: **November 1, 2022** **May 2, 2023**

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 Quarterly Report of BankUnited, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2022** **March 31, 2023**, 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

**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 Quarterly Report of BankUnited, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 March 31, 2023, 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

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