BARCLAYS

Equity Research

Financial Services | U.S. Small-Cap Banks

5 February 2015

BankUnited, Inc.

Buy the Near-term EPS Dip; Initiate at Overweight

Skepticism around BankUnited is gradually fading as it executes on its goals. Following its early 2011 IPO, the market questioned how a company established through the purchase of a failed Florida thrift in 2009 would develop into a premier, regional bank. However, we think its experienced management team led by renowned banker, CEO John Kanas, is delivering on this objective ahead of plan.

We view its pending EPS trough as a buying opportunity. BKU faces EPS pressure in 1H15 from its high-yielding FDIC-covered loans running off, but this headwind should moderate as its new loans continue to grow. Importantly, the interest income contribution from its new loans exceeded that of its covered loans for the first time in 4Q14. We look for a 2H15 EPS rebound to keep its 2015 EPS stable with 2014.

Beyond its tale of two EPS halves in 2015, there are several reasons to own BKU. We are attracted to its positioning in two of the East Coast's most vibrant markets (Miami and New York City), industry leading loan growth (CAGR of 44% from 2011-2014), management team's track record for creating shareholder value, and prospects for participating in industry consolidation.

A discounted valuation and strong EPS growth make for a compelling combination. BKU trades at 1.5x tangible book, which compares to a 1.7x average for peers and recent mid-sized bank deals. It trades at 15x our 2015E EPS vs. a 16x peer average. Our $33 price target implies a 1.7x tangible book multiple, which we consider reasonable given our outlook for EPS to increase at an above average 12% CAGR through 2017.

Risks to our Overweight rating relate to its growth and geographic concentration. If its new loan growth slows more than we anticipate, the financial impact from its covered loan runoff will be more noticeable. Although Florida (~40% of new loans) is enjoying an economic resurgence, this market is subject to boom and bust cycles.

BKU: Quarterly and Annual EPS (USD)

	2014	2015			2016			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.53A	N/A	0.42E	0.44E	N/A	N/A	0.56E	-21%	N/A
Q2	0.46A	N/A	0.45E	0.47E	N/A	N/A	0.60E	-2%	N/A
Q3	0.51A	N/A	0.55E	0.51E	N/A	N/A	0.65E	8%	N/A
Q4	0.45A	N/A	0.53E	0.54E	N/A	N/A	0.68E	18%	N/A
Year	1.95A	N/A	1.95E	1.96E	N/A	2.30E	2.41E	0%	18%
P/E	15.1		15.1			12.8			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

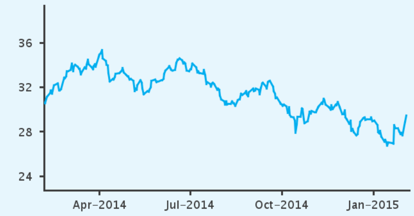
Stock Rating	OVERWEIGHT from N/A
Industry View	NEUTRAL Unchanged
Price Target	USD 33.00 from N/A

Price (04-Feb-2015)	USD 29.44
Potential Upside/Downside	+12%
Tickers	BKU

Market Cap (USD mn)	2993
Shares Outstanding (mn)	101.66
Free Float (%)	97.45
52 Wk Avg Daily Volume (mn)	0.7
Dividend Yield (%)	2.8
Return on Equity TTM (%)	9.86
Current BVPS (USD)	20.19

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 35.65-26.69



Link to Barclays Live for interactive charting

U.S. Small-Cap Banks

Matthew J. Keating, CFA
1.212.526.8572
matthew.keating@barclays.com
BCI, New York

Jason M. Goldberg, CFA
1.212.526.8580
jason.goldberg@barclays.com
BCI, New York

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 24.

U.S. Small-Cap Banks — **Industry View: NEUTRAL**

BankUnited, Inc. (BKU)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2014A	2015E	2016E	2017E	CAGR
Net interest income	691	735	820	901	9.2%
Operating expenses	355	367	382	397	3.8%
Pre-provision earnings	336	365	442	514	15.2%
Loan loss provisions	42	48	75	87	27.9%
Pre-tax income	293	301	352	412	12.0%
Net income (adj)	196	197	232	272	11.5%
Balance sheet ($mn)					**Average**
Total assets	19	24	29	33	26
Risk-weighted assets	12	15	18	21	16
Non-performing loans	33	26	25	23	27
Allowance for loan losses	0	0	0	0	0
Loans	12	16	19	22	17
Deposits	14	16	19	22	18
Tier 1 capital	2	2	2	2	2
Tier 1 common capital	2	2	2	2	2
Shareholders' equity	2	2	2	2	2
Tangible common equity	2	2	2	2	2
Loan/deposit ratio (%)	88.2	92.4	92.6	92.9	91.5
Valuation and leverage metrics					**Average**
P/E (reported) (x)	15.1	15.1	12.8	10.9	13.5
P/BV (tangible) (x)	1.5	1.4	1.3	1.2	1.4
Dividend yield (%)	2.9	2.9	2.9	2.8	2.9
P/PPE (x)	8.8	8.1	6.7	5.8	7.3
Tier 1 (%)	15.5	13.0	11.7	11.1	12.8
Tier 1 Common (%)	15.5	13.0	11.7	11.1	12.8
Tang assets/tang equity (x)	9.6	11.5	12.9	13.7	11.9
Margin and return data					**Average**
Return on RWAs (%)	1.7	1.4	1.3	1.4	1.4
ROA (%)	1.2	1.0	0.9	1.0	1.0
ROE (tangible common) (%)	10.3	9.8	10.7	11.5	10.6
Fee income/revenue (%)	-0.0	-0.3	0.6	1.1	0.4
Net interest margin (%)	4.6	3.9	3.6	3.4	3.9
Cost/income (%)	51.3	50.2	46.4	43.5	47.9
Credit quality ratios					**Average**
Loan loss provs/loans (%)	0.4	0.4	0.5	0.5	0.4
NCO ratio (%)	0.1	0.1	0.2	0.2	0.1
Coverage ratio (%)	289.7	502.8	739.9	996.2	632.2
NPL ratio (%)	0.3	0.2	0.1	0.1	0.2
Reserves/loans (%)	0.8	0.9	1.0	1.1	0.9
Per share data ($)					**Average**
EPS (reported)	1.95	1.95	2.30	2.70	2.23
DPS	0.84	0.84	0.84	0.84	0.84
BVPS (tangible)	19.52	20.62	22.06	23.90	21.52
Payout ratio (%)	43.1	43.0	36.5	31.0	38.4
Diluted shares (mn)	100.6	100.7	100.7	100.7	100.7

Price (04-Feb-2015)	USD 29.44
Price Target	USD 33.00

Why Overweight? We appreciate the long-term growth opportunities afforded by its positioning in the attractive Miami and New York City markets, top tier commercial lending talent, and solid capital base. As it continues to deliver above average loan growth, we expect its valuation discount vs. the group to close.

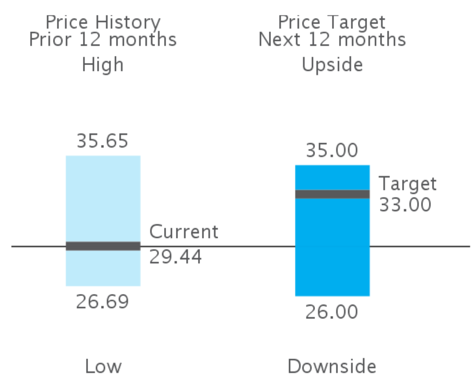
Upside case USD 35.00

If its level of accretion from covered loans exceeds our forecast, its 2015 NIM could approach 4.00% vs. 3.88% and its 2015 EPS could increase to $2.12 from $1.95. In this scenario, shares could be valued at $35 or ~17x EPS.

Downside case USD 26.00

If its balance sheet growth slows due to a more intense competitive environment and core expenses grow closer to 6% than 4% in 2015, 2015 EPS could fall to $1.65 from $1.95. In this environment, shares could be valued at $26 or 16x EPS.

Upside/Downside scenarios



Source: Company data, Barclays Research
Note: FY End Dec

Business Model Analysis

FIGURE 1

BankUnited Inc. – SWOT analysis

Strengths	Weaknesses
• Exemplary loan growth: among a select number of growth U.S. banks; total loans increased at a 44% CAGR from 2011-2014	• High-yielding covered loan run-off: the ongoing decline in its comparatively high-yielding covered loans will continue to pressure its net interest margin, financial return profile, and quarterly EPS
• Experienced leadership team: its Chairman & CEO, John Kanas, has led significantly larger financial institutions and possesses long-standing relationships in the New York Metropolitan area	• Comparatively high deposit costs: although much improved, its average cost of deposits is still significantly above peer institutions reflecting its legacy as a wholesale, residential mortgage originator
• Serves attractive markets: Miami and New York City account for more than 80% of total deposits	• Geographic concentration in Florida: around 40% of non-covered loans and 88% of deposits are from Florida
• Fortress balance sheet: 15% Tier 1 capital ratio and 11% leverage ratio provide it with one of the strongest capital positions in the industry	• Comparatively limited operating track record: only established in May of 2009 and went public in January 2011

Opportunities	Threats
• Ability to participate in industry consolidation: strong capital position allows for potential acquisitions, while strong asset growth makes it an attractive target for potential acquirers	• The Miami and broader Florida real estate market taking a leg down: over the years Florida is known for its "boom and bust" real estate cycles
• Accelerate the redeployment of its excess capital: institute a share repurchase program or increase its already above average dividend yield	• Succession planning: given the large role that Chairman & CEO John Kanas plays as the face of the organization, there is risk that clients and employees depart should he decide to separate from the organization
• Invest more in the New York franchise: it entered New York through its 2012 acquisition of Herald National Bank and has only recently established a critical mass in this market (26% of non-covered loans and ~11% of deposits at 3Q14)	• Telegraphed trough in EPS proves deeper than anticipated: a trough in EPS should not be a surprise as it was called for some two years ago, but if this decline is deeper than forecasted its shares could face pressure
• Hire more commercial lending teams: increasing its pace of new commercial lender hires would drive faster new loan growth to offset the impact of its high yielding covered loans running off	• Increased competition slows loan growth: as competition increases in terms of both rate and terms, it is becoming more selective with its loan decisions

Source: Barclays Research

Business & branch overview

Headquartered in Miami Lakes, Florida, BankUnited (BKU) is a national bank holding company that provides a full range of banking services to individual and corporate customers across a network of 108 branches in Florida (102 branches) and New York (6). It maintains more than $19bn in assets, $12bn in loans, and $13bn in deposits. Based on deposits, BKU is the 63rd largest bank in the U.S. and 9th largest in the state of Florida. It employs more than 1,600 full-time equivalents.

BKU was established in May of 2009, when its current Chairman, President and CEO, John Kanas, along with a group of investors (including Blackstone Group LP, Carlyle Group LP, WL Ross & Co, and Centerbridge Partners) acquired substantially all of the assets and liabilities of BankUnited, FSB from the Federal Deposit Insurance Corporation (FDIC) for $945mn. Following this purchase, BKU was transformed into one of the most well capitalized financial institutions in the country. It completed its $900mn (33.4mn shares at $27.00) IPO on January 27, 2011 and its initial private equity backers exited their stakes through a series of secondary share offerings by March of 2014. Its goal is to build a premier, large regional bank with a low-risk, long-term value-oriented business model focused on small and medium sized businesses and consumers.

Its primary banking markets are Florida (especially the Miami metropolitan statistical area) and the Tri-State market of New York, New Jersey and Connecticut. It plans to continue growing its market share in the coastal regions of Florida and in the New York Metropolitan area. Of its $10.0bn in new loans at 3Q14, $4.0bn or 40% were from Florida, $2.5bn or 26% were from New York, and $3.4bn or 34% were attributable to its national platforms (its residential mortgage purchase program and three commercial lending subsidiaries). Its New York operation's contribution to total loans is expected to increase over time, as it has only operated there since its 2012 acquisition of Herald National Bank.

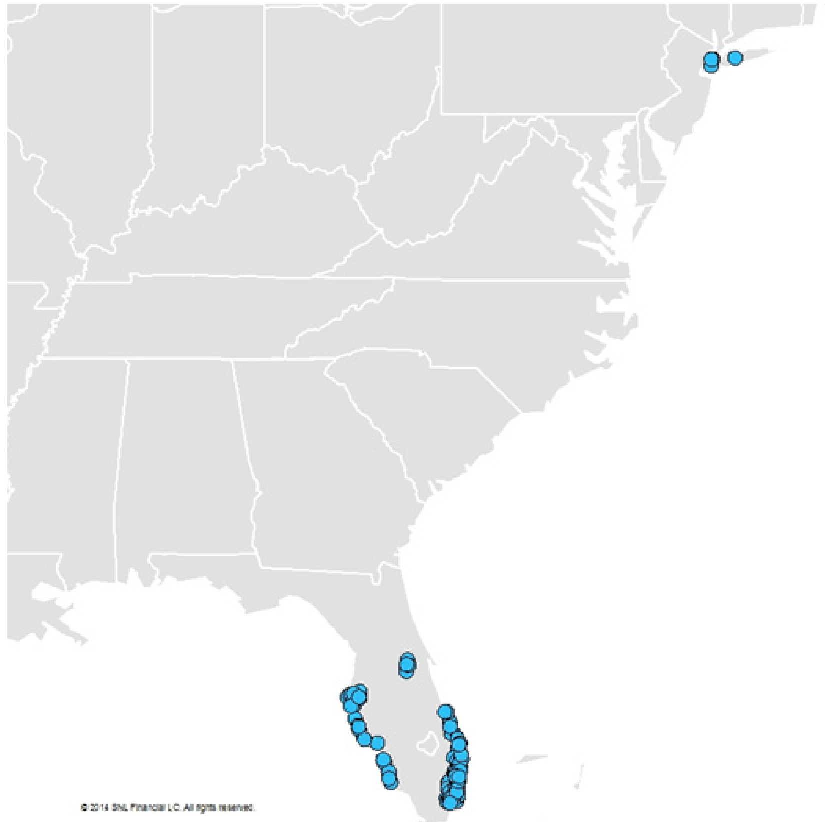
It is organized to serve commercial and middle-market businesses, their executives, and consumers. BKU offers a full array of lending products including small business loans, CRE loans, equipment loans and leases, term loans, formula-based loans, municipal loans and leases, commercial lines of credit, letters of credit, residential mortgages and consumer loans. It also purchases performing residential loans through established correspondent channels on a national basis. Its non-covered loan mix was 31% C&I, 25% CRE, 23% residential, 15% multi-family, 4% lease financing, and 1% construction at 3Q14. BKU's branch network is highly concentrated. Miami, its largest metropolitan statistical area (MSA), accounts for more than 72% of its deposits. In addition, its two largest MSAs (Miami and New York) represent a full 83% of its national deposit franchise.

Figure 2: BKU's branch footprint by state

State	Market Rank	Number of Branches	Company Deposits in Market ($000)	Deposit Market Share (%)	Percent of National Deposit Franchise (%)
Florida	9	102	10,876,381	2.41	88.82
New York	54	6	1,369,033	0.11	11.18
Totals:		**108**	**12,245,414**		**100.00**

Source: Barclays Research and SNL Financial

Figure 3: BKU's branch footprint



Source: Barclays Research and SNL Financial

Based on the number branches within one square mile of one of its branch locations, its major competitors include: JPM (151% branch overlap), BAC (127%), WFC (101%), C (69%), BBT (63%), and TD Bank (62%). Its largest banking competitors in Florida include: BAC, BBT, JPM, RF, STI, TD Bank, and WFC. In the New York Metropolitan area, it competes against the likes of COF, SBNY, NYCB, VLY, and MTB.

FIGURE 4

BKU's branch competition

Company Name	HQ City	HQ State/ Country	Competing Branches	Deposits in Competing Branches
Focus Company				
BankUnited Inc.	Miami Lakes	FL	108	12,245,414
Competitors				
JPMorgan Chase & Co.	New York	NY	163	380,680,956
Bank of America Corp.	Charlotte	NC	137	66,907,962
Wells Fargo & Co.	San Francisco	CA	109	40,556,319
Citigroup Inc.	New York	NY	75	37,000,306
BB&T Corp.	Winston-Salem	NC	68	7,423,547
Toronto-Dominion Bank	Toronto	Canada	67	4,957,414
SunTrust Banks Inc.	Atlanta	GA	62	14,710,745
PNC Financial Services Group	Pittsburgh	PA	44	2,360,718
Regions Financial Corp.	Birmingham	AL	41	2,299,860
Capital One Financial Corp.	McLean	VA	34	62,540,200
HSBC	London	United Kingdom	31	19,680,702
Valley National Bancorp	Wayne	NJ	21	1,898,004
Fifth Third Bancorp	Cincinnati	OH	20	2,706,733
Total for All Competitors			**1,480**	**789,261,264**

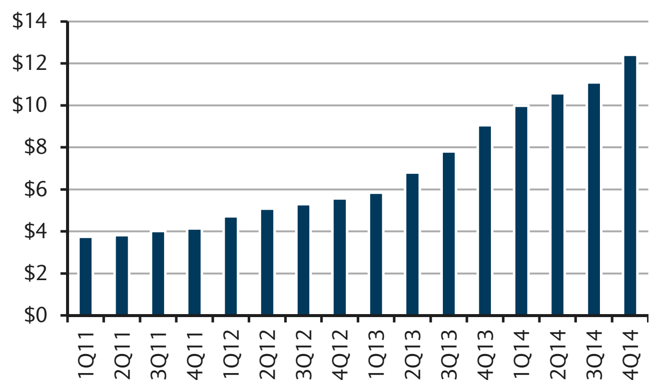
Source: Barclays Research and SNL Financial

Investment positives

Comparatively strong loan growth trends

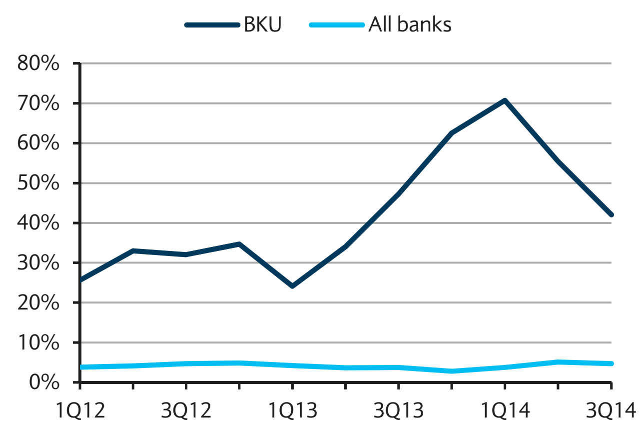
BKU is among a select number of growth companies in the U.S. banking industry. It increased its loans at a 44% CAGR from 2011 – 2014, far outpacing the industry's 4% growth. Its loan growth is particularly impressive since its covered loans declined to $1.0bn (8% of total loans) at 4Q14 from $2.4bn (58%) at 4Q11. Despite the runoff in its comparatively high yielding covered loans over this period, its net interest income growth (7% CAGR from 2011-2014) also exceeded the industry average (~1%). Its outsized loan growth continued in 4Q14, as total loans increased 37% y-o-y and 12% on a linked quarter basis. Its three-year plan filed with regulators calls for its loan growth to continue increasing each year.

FIGURE 5
BKU's total loans ($s in bn)



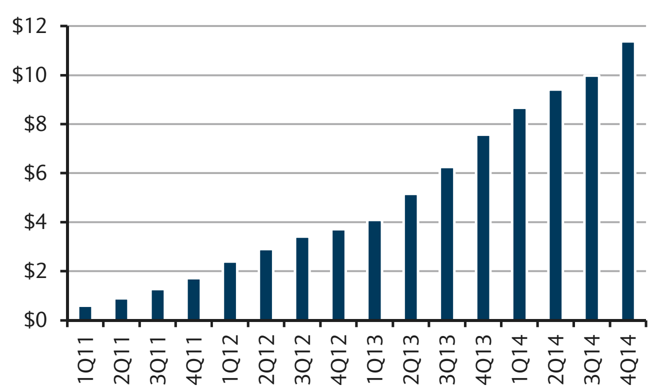
Source: Barclays Research and company reports

FIGURE 6
BKU's loan growth compared to the industry



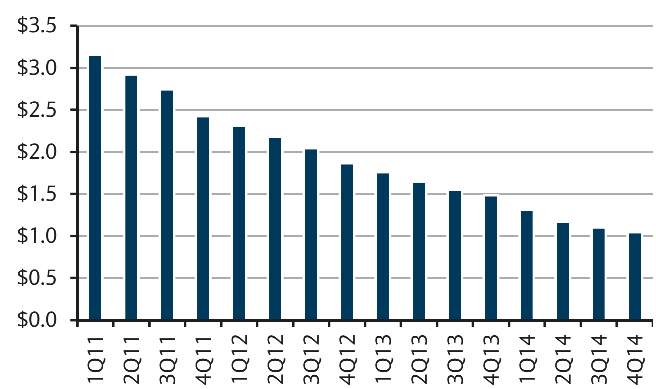
Source: Barclays Research, company reports, and FDIC

FIGURE 7
BKU's non-covered loans ($s in bn)



Source: Barclays Research and company reports

FIGURE 8
BKU's covered loans ($s in bn)



Source: Barclays Research and company reports

Operates in attractive markets with ample growth runway

BKU's impressive loan growth trends reflect its positioning in large and growing markets. To over simplify its strategy, it plans to remain a little piece of a big thing for a long time. Its franchise's geographic concentration around Miami and New York City are central to this goal. Its deposit market share in Miami increased to 4.73% in 2014 from 3.92% in 2013, while its share in New York City rose to 0.10% in 2014 from next to nothing in 2013. Miami is presently enjoying an economic upswing, as home prices recover from last cycle's speculative excesses. The company often points out that lately you need to dodge cranes when walking down Miami's Brickell Avenue due to the number of high rise projects underway. The sheer size of the New York City banking market (more than $1.3trn in deposits) means that BKU requires only modest market share gains to continue its healthy growth in this market. Since BKU does not dominate either of its main markets and is growing off a comparatively small asset base, it is afforded the luxury of discriminating between the types of assets placed on its balance sheet. Thanks to the growth of its New York franchise (~26% of non-covered loans at 3Q14), it can now influence the mix of its asset growth between Florida and New York based on changes in these markets' respective competitive environments.

FIGURE 9

Deposit market share in Miami MSA

2014 Rank	Bank	2014 Number of Branches	2014 Total Deposits in Market ($000)	2014 Total Market Share (%)
1	Wells Fargo & Co. (CA)	206	31,326,233	16.76
2	Bank of America Corp. (NC)	199	28,896,303	15.46
3	Citigroup Inc. (NY)	54	15,184,377	8.12
4	JPMorgan Chase & Co. (NY)	185	14,142,601	7.56
5	SunTrust Banks Inc. (GA)	101	11,316,959	6.05
6	**BankUnited Inc. (FL)**	**68**	**8,836,800**	**4.73**
7	BB&T Corp. (NC)	114	6,247,796	3.34
8	Mercantil Servicios	16	5,677,473	3.04
9	HSBC	17	5,309,264	2.84
10	Toronto-Dominion Bank	71	5,300,850	2.84

Source: Barclays Research and SNL Financial

FIGURE 10

Deposit market share in New York City MSA

2014 Rank	Bank	2014 Number of Branches	2014 Total Deposits in Market ($000)	2014 Total Market Share (%)
1	JPMorgan Chase & Co. (NY)	965	473,657,605	35.51
2	Bank of New York Mellon Corp. (NY)	4	129,497,064	9.71
3	Bank of America Corp. (NC)	451	99,884,795	7.49
4	Citigroup Inc. (NY)	293	83,720,047	6.28
5	HSBC	160	75,369,073	5.65
6	Wells Fargo & Co. (CA)	327	50,495,736	3.79
7	Toronto-Dominion Bank	418	49,177,258	3.69
8	Capital One Financial Corp. (VA)	321	48,461,706	3.63
9	M&T Bank Corp. (NY)	177	24,853,652	1.86
10	New York Community Bancorp (NY)	204	21,564,745	1.62
56	**BankUnited Inc. (FL)**	**6**	**1,369,033**	**0.10**

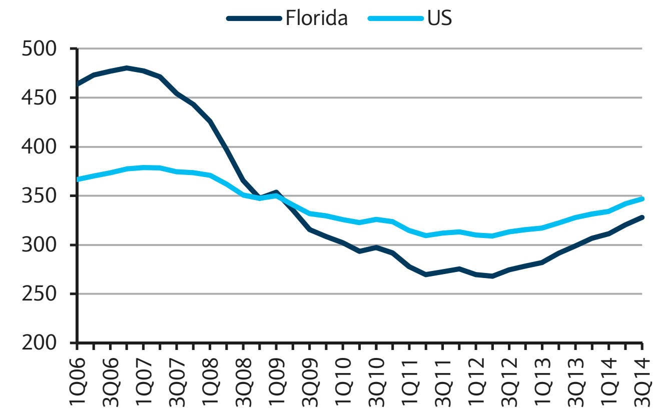
Source: Barclays Research and SNL Financial

Florida's near-term economic outlook is bright

Spurred by a recovery in its real estate markets, Florida is experiencing an economic resurgence. The FHFA's Florida House Price Index increased 10% y-o-y in 3Q14, which compares to 6% y-o-y growth for the U.S. overall. Florida's 5.6% unemployment rate is now in line with the national average. Since real estate is the focal point of Florida's economy, the satellite businesses which revolve around this area are doing well and providing banks with significant commercial lending opportunities. The University of Central Florida's Institute for Economic Competitiveness expects Florida's GDP to expand at an average annual rate of 3.1% and payroll job creation to average annual growth of 2.3% from 2014-2017. Both of these forecasts are above the expectations for the U.S. overall. Florida is projected to have the sixth fastest population growth rate in the country from 2014-2019, which should keep it the third most populous state in the nation after California and Texas.

FIGURE 11

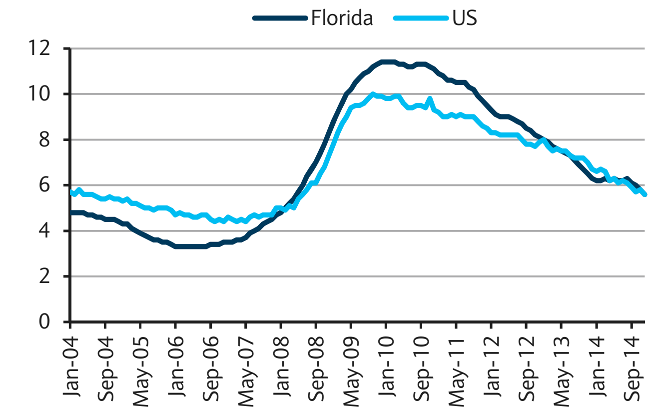
FHFA House Price Index (1Q80 = 100)



Source: Barclays Research, FHFA, and Haver Analytics

FIGURE 12

Unemployment rate (%)

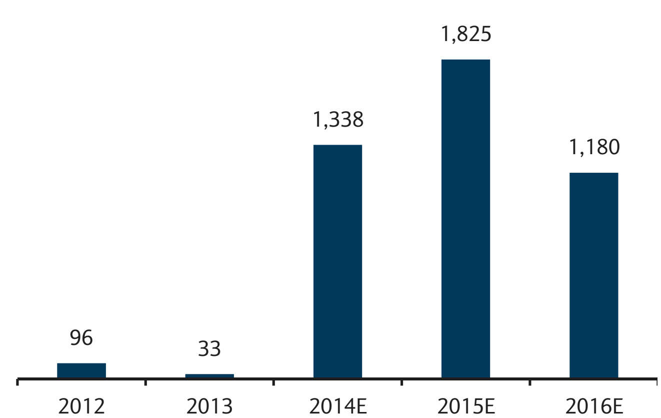


Source: Barclays Research, Bureau of Labor Statistics, and Haver Analytics

Florida's strongest economic growth is occurring in and around Miami, where most of BKU's business in the state is focused. The condo glut in Miami from units started prior to the Great Recession was substantially absorbed by the end of 2013, with 2014 bringing forth truly new condo product to market. Unlike most urban U.S. cities, Miami's economy is not driven solely by job and wage growth to support new residential construction. Instead, over 90% of its recent sales of new downtown residential units were to foreign buyers. According to a recent study by Integra Realty Resources, condo pricing (resale) of newer post-2003 product has appreciated 75% (from $230/SF to $400/SF) in the last two years. Units currently under construction typically cost $450 to $550 a square foot and projects that have not yet broken ground are averaging $550 to $675 a square foot. The current condo boom is facilitated by the "South American Financing Model," which requires large deposits (~50% of purchase price) from prospective buyers before and during the construction phases of projects. This change in financing structure is important since it should mitigate some of this market's historical volatility.

FIGURE 13

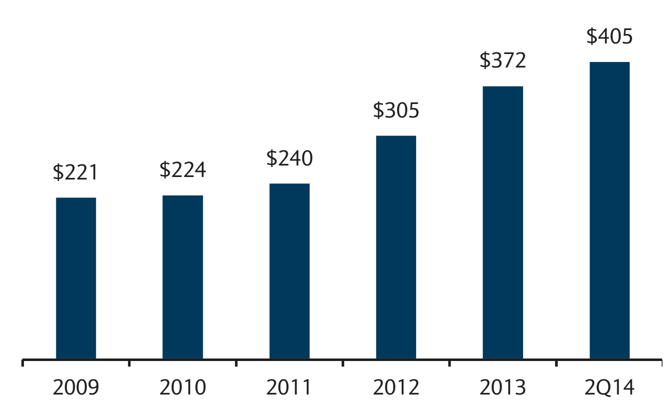
New condo units completed in greater downtown Miami



Source: Barclays Research, CraneSpotter.com, and The Wall Street Journal

FIGURE 14

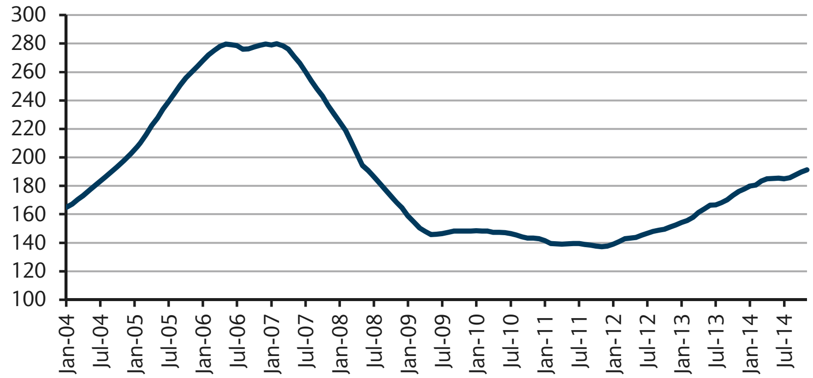
Average resale $/SF sale price - greater downtown Miami



Source: Barclays Research and Integra Realty Resources

FIGURE 15

S&P/Case-Shiller FL-Miami Home Price Index (January 2000 = 100; seasonally-adjusted)



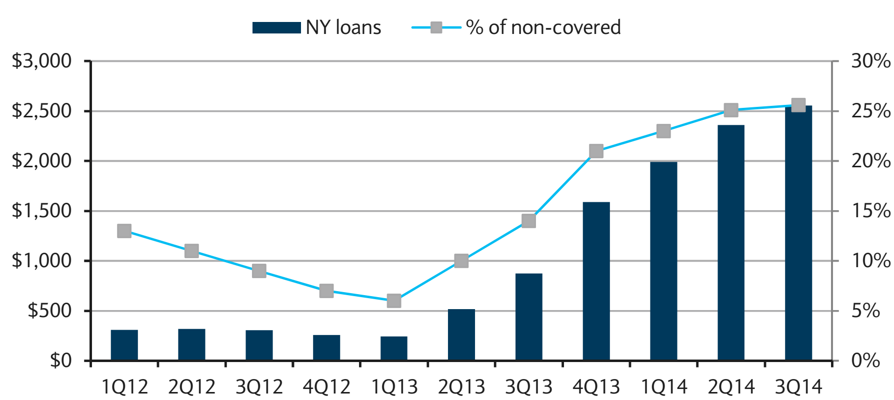
Source: Barclays Research and S&P Dow Jones Indices LLC

New York expansion progressing according to plan

BKU entered the New York City market via its acquisition of Herald National Bank in February 2012. This acquisition included three banking centers in Kings, Suffolk, and New York counties. It subsequently added three more banking centers and now operates four locations in Manhattan, one in Long Island, and one in Brooklyn. BKU's New York market entry is important because John Kanas, its Chairman, President, & CEO, served as President and CEO of North Fork Bancorporation, a bank with more than 350 branches in the New York Metropolitan area, from 1977 to 2006. North Fork was sold to Capital One Financial for $14.6bn on December 1, 2006. One of BKU's strategies is to leverage Mr. Kanas' long-standing relationships with New York City clients to drive commercial loan and deposit growth in this market. Of the 125 people that worked for BKU in New York in the middle of 2013, about two-thirds were previously with North Fork, and we believe almost all of its employees were previously known to Mr. Kanas. After operating in New York City with a full workforce for less than two years, its New York loans total more than $2.5bn or 26% of its non-covered loans at 3Q14. For the full-year 2014, New York accounted for 43% of its new loan growth. BKU is now 70% self-funded in its New York market, with almost all of its focus on the commercial side, where deposit growth typically lags loan growth.

FIGURE 16

BKU's New York City loan portfolio ($s in mn)



Source: Barclays Research and company reports

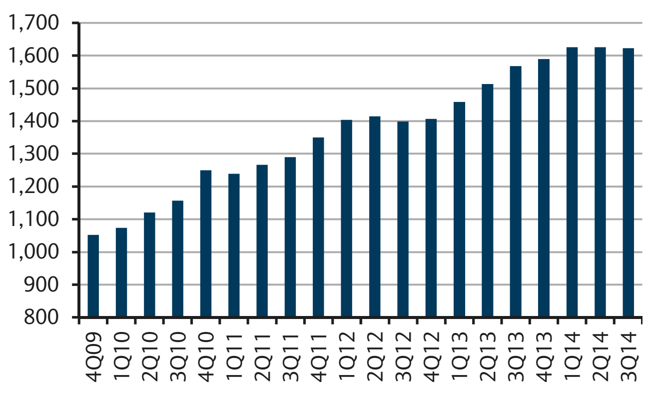
Franchise investments paying off

Since purchasing BankUnited from the FDIC, BKU has recruited a new executive management team, substantially enhanced its middle management, redesigned its underwriting functions, improved its information technology systems, and optimized its branch network. We attribute its outsized loan growth trends to the significant investments made in its commercial lending platform. When Mr. Kanas and the investor group purchased the bank from the FDIC in May of 2009, the plan was to transform the bank from a wholesale, residential mortgage originator into a full-service commercial bank. In order to accomplish this goal a major overhaul of its human capital base was needed. To make room for these new hires, BKU initially parted ways with 350 employees, as it focused on retaining only those individuals considered capable of executing on its strategy of becoming Florida's bank. Today, we would estimate that between 60% and 75% of its 1,600 employees have joined since 2009.

Its management team's initial approach to attracting new employees was a bit unorthodox. Soon after its purchase from the FDIC, BKU ran advertisements in the Wall Street Journal and Miami Herald to attract top-tier talent to the organization. These ads basically said, "If you're an unhappy Florida banker and you'd like a new home, call us. We'll change your life". This ad ran in both print and the Internet for 10 days and generated 7,000 applications (4,000 from Florida and 3,000 from New York despite not operating there at the time). In narrowing down this pool, BKU looked for people with a successful track record and the right personalities. It often hired individuals from outside of banking for their selling and communication skills. This process resulted in the hiring 250 individuals that would help to retool the organization. When BKU expanded in New York in 2012 and 2013, it employed a similar approach and generally hired individuals that Mr. Kanas either previously worked with or knew from his more than 30 years banking the market. In our opinion, its addition of high quality commercial lenders over the last several years is the primary reason for its outsized loan growth. Reflective of the "top-grading" of its commercial lenders, BKU's loans per full-time equivalent increased to $6.8mn at 3Q14 from $4.4mn at 4Q09.

FIGURE 17

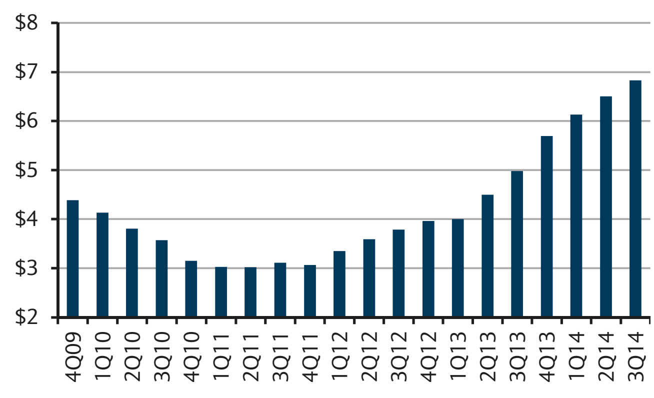
BKU's full-time equivalents (FTEs)



Source: Barclays Research and company reports

FIGURE 18

Loans per full-time equivalent ($s in mn)



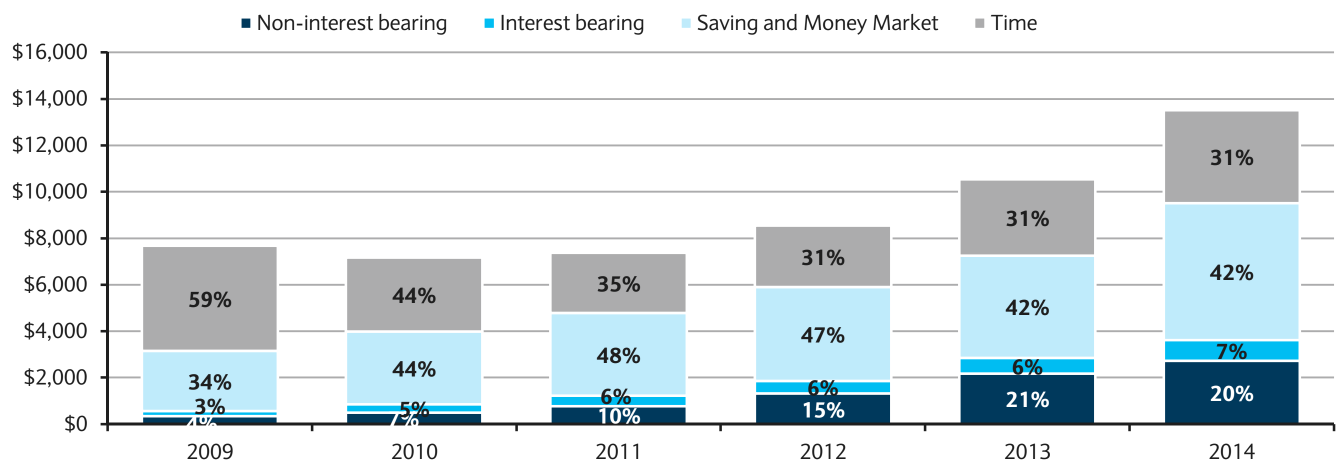
Source: Barclays Research and company reports

Transformed deposit franchise

The transformation of its deposit base is similarly impressive. BKU has improved the composition of deposits while still growing its overall deposit base over the last five years. More specifically, its mix of non-interest bearing deposits increased to 20% at the end of 2014 from 4% at the end of 2009 and its mix of time deposits declined to 31% from 59%

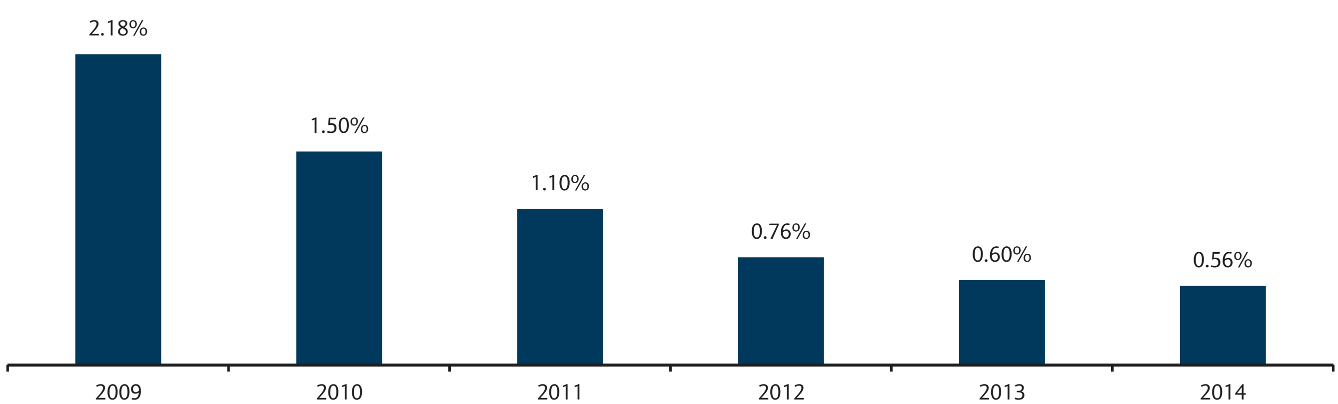
over this same period. Its overall deposit balance grew 76% to $13.5bn at 4Q14 from $7.7bn at 4Q09. During this period, its cost of deposits fell to less than 60bps from more than 200bps. Despite its strong loan growth trends, BKU's loan-to-deposit ratio of 92% remains broadly in line with our coverage average. Moreover, its deposit growth is accelerating, as its total deposits increased 28% y-o-y in 4Q14.

FIGURE 19
BKU's deposits by category ($s in mn)



Source: Barclays Research and company reports

FIGURE 20
BKU's cost of deposits

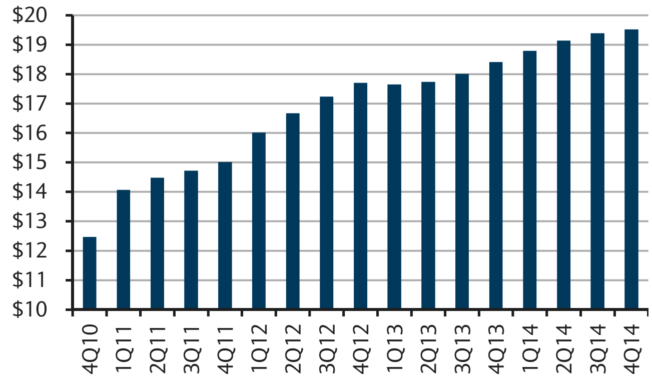


Source: Barclays Research and company reports; cost of deposits excludes the impact of hedge account and accretion of fair value adjustments

Growth in tangible book value per share exceeds share price gains

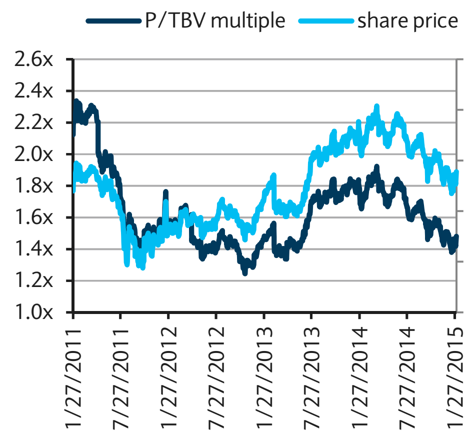
BKU's tangible book value per share has increased 57% since its late January 2011 IPO. However, its share price is up only 9% (BKX +30% and S&P 500 + 57%) over this time. The company is somewhat a victim of its management team's past success, as its tangible book value multiple at the time of its IPO was 2.2x, which compared to a peer group average at the time of 1.7x. Its tangible book multiple has since fallen to a recent 1.5x, which places it at a discount to its peer group's current 1.7x average. While we expect BKU's quarterly EPS to trough in 1H15, as its high yielding covered loans continue to attrite, we look for its tangible book value per share to continue growing. As the market becomes more comfortable with its tangible book value growth trajectory, we expect its tangible book value discount to narrow.

FIGURE 21
BKU's tangible book value per share



Source: Barclays Research and company reports

FIGURE 22
BKU's P/TBV multiple and share price



Source: Barclays Research and company reports, and SNL Financial

Positioned to participate in M&A

BKU's size ($19bn in assets) and capital position (15% Tier 1 common ratio) enable it participate in potential industry consolidation. It is small enough to be purchased by other banks looking for access to the attractive east coast markets of Miami and New York. Its strong capital position also enables it to make acquisitions to supplement its strong organic growth trends.

BKU was widely reported to have put itself up for sale in early 2012. In 2012, it was reported (see a January 24, 2012 American Banker Article titled, "BankUnited's Team Underestimated 2012 Challenges" and an August 17, 2012 article in the New York Post titled, "BankUnited still entertaining offers from potential buyers") that BKU was a seller around $30 per share but that two bidders (BB&T and Toronto-Dominion Bank) were unwilling to pay that much. We believe BKU's Chairman and CEO, John Kanas (67 years old) and the rest of its board of directors take their responsibilities to shareholders seriously and would not hesitate to sell to a larger financial institution at an appropriate price. In fact, a February 2, 2015 American Banker article titled "Bank M&A Deals Get Bigger, Kindling Hopes for Larger Buyers' Return" reported that Mr. Kanas would be open to selling or merging in a deal where another CEO emerged as the leader. Importantly, mid-sized bank acquisitions are starting to materialize. BB&T announced an agreement on November 12, 2014 to acquire Susquehanna Bancshares, a similarly sized bank ($19bn in assets) to BKU with an inferior return profile and slower growth prospects, at a 1.7x tangible book multiple. In addition, Royal Bank of Canada announced an agreement to acquire City National ($33bn in assets) for $5.4bn or 2.6x tangible book on January 22, 2015.

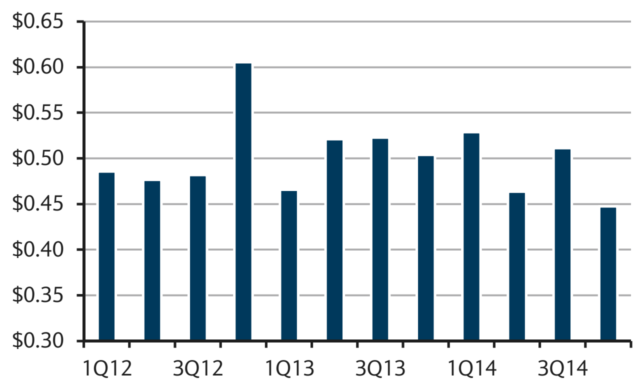
BKU expects consolidation to be a key investment theme in the regional bank space over the next couple of years. On its 2Q14 conference call it explained that regulators have a very balanced view toward consolidation at the moment and are beginning to recognize the important part that acquisitions will play in the future of mid-cap banks. This is in sharp contrast to its 2013 commentary, when it thought that fears of regulatory oversight and intrusion were standing in the way of organizations trying to do deals. On its 3Q14 conference call it stressed that there was clearly a lot more M&A dialogue occurring than six or nine months ago. Finally, on its 4Q14 conference call it stated that it continues to have an active dialogue with a number of banks and other companies that it thinks would make great partners for the organization.

Investment risks

Near-term EPS trough

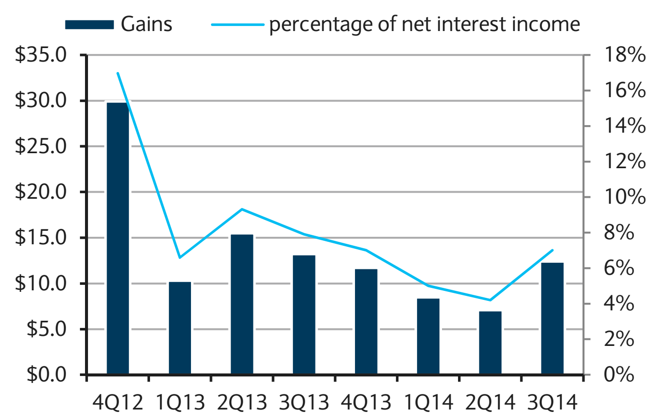
While EPS troughs are usually difficult to get excited about, this is one which we feel investors should accept and look past. After all, BKU has guided to hitting an earnings rough patch for a quarter or two for more than two years now. Its EPS pressure stems from the runoff of its FDIC covered loans which will be replaced by new loans at considerably lower yields. During the summer of 2013, it thought the middle of 2014 represented the most likely period when its earnings would trough. However, this dip never materialized, as its balance sheet growth stayed strong and its interest income benefited from the proceeds from its sale of loans from a pool of ACI loans (defined as covered loans acquired with evidence of deterioration in credit quality) carried at zero cost. These loan sales added $30mn to its interest income in 2012, $51mn in 2013, and $28mn in the first three quarters of 2014 (no material benefit in 4Q14). However, no more loans from this pool are eligible for sale, which will necessarily limit future gains.

FIGURE 23
BKU's quarterly EPS trends



Source: Barclays Research and company reports

FIGURE 24
BKU's gains on the sale of covered loans carried at zero cost

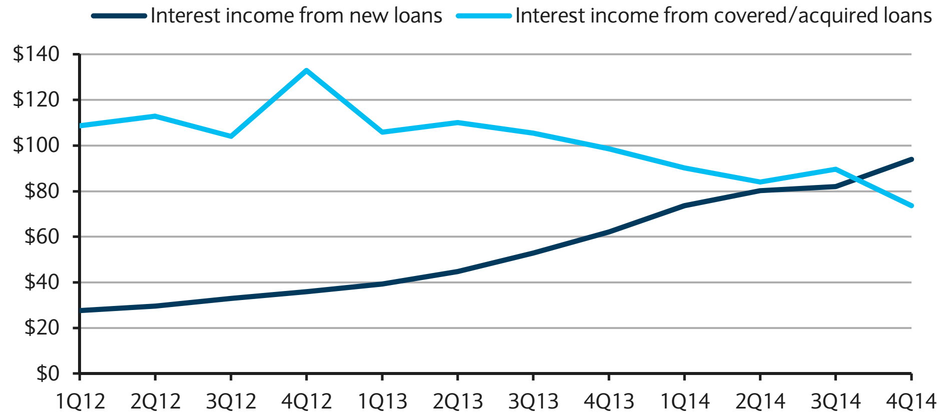


Source: Barclays Research and company reports

BKU expects its quarterly EPS to trough in 1H15 before recovering in 2H15. More specifically, it sees its 1H15 EPS declining from its 1H14 result ($0.99) and its 2H15 EPS increasing from its 2H14 performance ($0.96). We look for its 1H15 EPS trough to be manageable, as it anticipates its full-year 2015 EPS being pretty close to its $1.95 result in 2014. Moreover, its interest income from "new" loans exceeded its interest income contribution from covered loans for the first time in 4Q14. We view this as an important inflection point for the organization. As its interest income from new loans grows to represent a larger percentage of its overall interest income, future pressure from the remixing of its high yielding covered loans should moderate. Partially reflective of this trend, our $1.08 2H15 EPS forecast is some 24% above our $0.87 1H15 EPS estimate. We think its 2H15 EPS recovery will provide it with a strong earnings trajectory heading into 2016.

FIGURE 25

Interest income from new loans vs. covered/acquired loans ($s in mn)



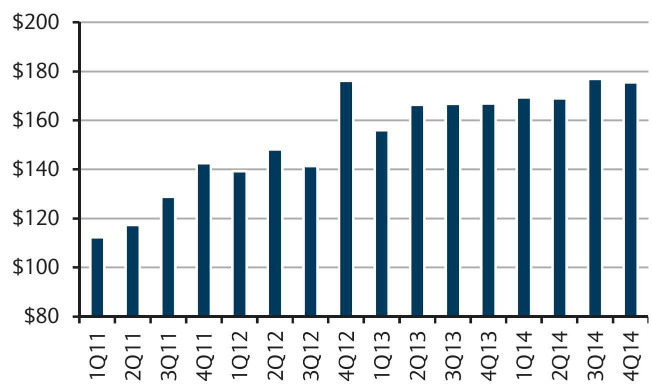
Source: Barclays Research and company reports

Covered loan runoff continues to pressure net interest income/margins

BKU's covered loan mix declined to 8% of total loans at 4Q14 from 68% at 3Q11. However, since its covered loans have considerably higher yields due to purchase accounting conventions, their impact on its net interest income and margin is considerably greater. At 4Q14, its yield on covered loans was 27.15% compared to its yield on new loans of only 3.52%. As its remaining covered loans mature/payoff, its net interest margin (4.26% in 4Q14) should continue to compress.

FIGURE 26

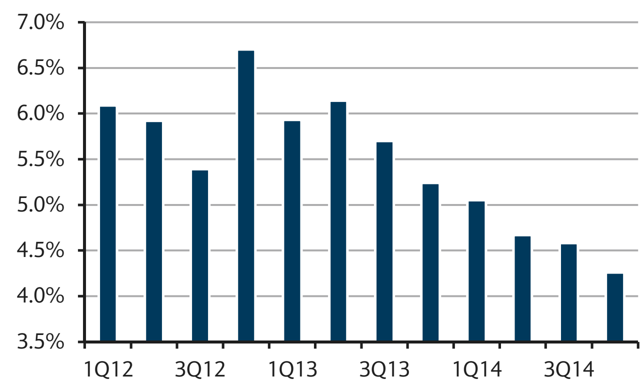
BKU's net interest income trends ($s in mn)



Source: Barclays Research and company reports

FIGURE 27

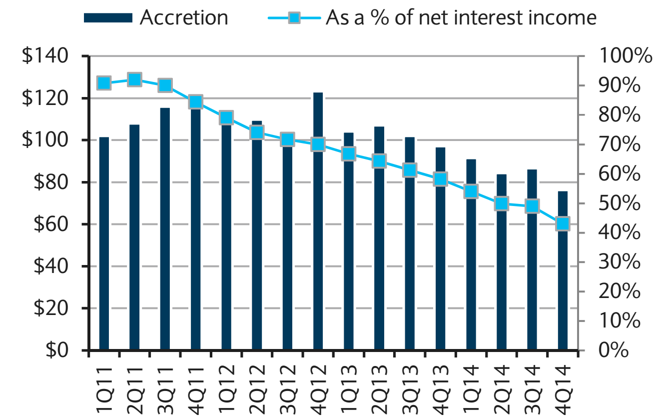
BKU's net interest margin trends



Source: Barclays Research and company reports

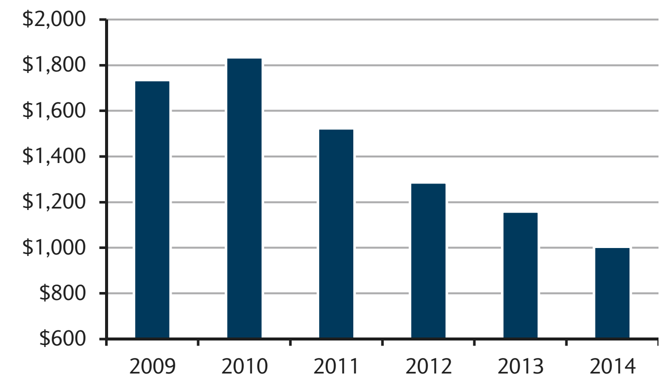
BKU's quarterly accretion benefit from ACI loans totaled $76mn (43% of its net interest income) in 4Q14, which is down from $102mn (91%) in 1Q11. Despite ongoing reclassifications from non-accretable difference to accretable yield, its accretable yield balance on ACI loans fell to $1.0bn at 4Q14 from $1.8bn in 2010. As its accretable yield balance continues declining, its quarterly accretion levels, covered loan yields, and net interest margins should all moderate.

FIGURE 28
BKU's accretion on ACI loans ($s in mn)



Source: Barclays Research and company reports

FIGURE 29
Accretable yield balance for ACI loans ($s in mn)



Source: Barclays Research and company reports

Succession planning is a particularly important consideration

In light of the large role that Mr. Kanas plays in attracting talented employees and potential clients to BKU, his impact on the organization is difficult to overstate. In the unlikely event he elected to leave the organization without selling to a larger bank (as was the case with North Fork), it could potentially face the loss of other key employees and clients. Beyond Mr. Kanas, the bank's Executive Management team includes Senior Adviser to the Chairman of the Board, John Bohlsen, Chief Operating Officer Rajinder Singh, and Chief Financial Officer, Leslie Lunak. Since Mr. Bohlsen (previously worked with Kanas at North Fork) already resigned from his position as Chief Lending Officer in July of 2013, only Mr. Singh and Ms. Lunak appear to be potential CEO replacements. Mr. Singh's extensive Financial Services background, which includes leading the financial services practice of WL Ross & Co. prior to joining BKU in 2009, serving on Capital One Financial Corporation's executive leadership team, and heading Corporate Development and Strategy for North Fork, likely position him as the front runner to be the organization's next CEO. Mr. Kanas and Mr. Singh signed employment agreements in 2012 that run through June of this year.

Geographic concentration in the potentially volatile Florida market

BKU's geographic concentration around two of the East Coast's most vibrant cities Miami and New York also brings with it a certain amount of concentration risk. While it is true that Florida's economy and real estate market is presently in the midst of a fairly material resurgence, it is important to remember that Florida in general and the city of Miami in particular have been subject to several "boom and bust" cycles over the last 50 years. If foreign demand for Miami real estate were to suddenly decline, the current momentum in the broader South Florida economy is likely to decline and perhaps in a precipitous fashion.

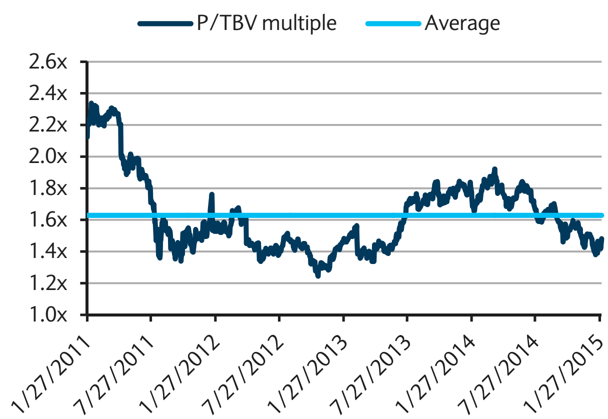
Late 2015 or early 2016 debt issuance possible

BKU is thinking about a capital issuance late this year or early next. This is a bit surprising, as its current capital position is among the strongest in our coverage with a Tier 1 capital ratio of 15% and a leverage ratio of 11% at 4Q14. However, it is growing quickly (assets rose by 28% y-o-y in 2014) and its current capital base is entirely equity based. Given its expectations for continued strong asset growth, it considers a small debt issuance in late 2015 or early 2016 prudent. It subsequently sees itself working toward a partial debt and partial equity instrument issuance and then perhaps a common stock offering at a later date to support its continued strong asset growth trajectory.

Valuation

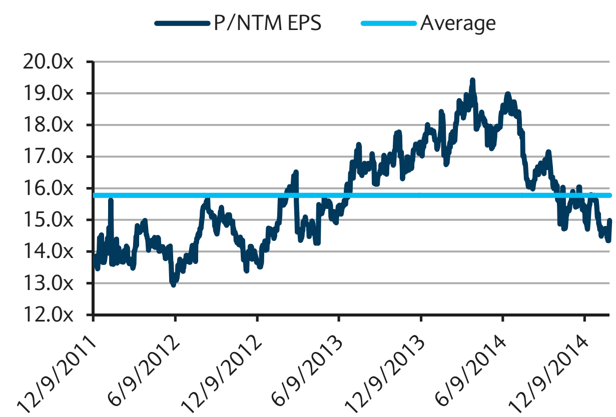
BKU's shares trade at 1.5x tangible book value and 15.1x our 2015E EPS. Since going public in early 2011, its price-to-tangible book value and forward EPS multiples have averaged 1.6x and 15.8x, respectively. For comparison, our average Small-Cap Bank trades at 1.7x tangible book and 15.9x 2015E EPS.

FIGURE 30
BKU's price to tangible book value multiple



Source: Barclays Research and SNL Financial

FIGURE 31
BKU's price to NTM EPS multiple



Source: Barclays Research and SNL Financial

Our $33 one-year price target for BKU implies a 1.7x multiple on its 4Q14 tangible book value per share of $19.52. This valuation multiple is supported by recent acquisition multiples for banks around its size. BBT's deal to acquire SUSQ ($18.7bn in assets) was valued at 1.7x tangible book when announced on 11/12/14. UMPQ's acquisition of STSA ($10.0bn in assets) was valued at 1.7x tangible book when announced on 9/11/13. Finally, PACW's purchase of CSE ($8.5bn in assets) was priced at 1.8x tangible book when announced in July of 2013. In our opinion, one could logically argue that BKU would deserve a higher acquisition tangible book multiple based on its industry leading loan growth trends (CAGR of 44% from 2011-2014) and solid capital position (15% Tier 1 common ratio). While not the best comparison given its focus on banking the affluent and its wealth management unit (which BKU lacks), CYN ($33bn in assets) elected to merge with RBC on 1/22/15 at a 2.6x multiple of tangible book.

Outside of potential acquisition multiple scenarios, we also find our $33 price target justified on a price-to-earnings basis. Our price target implies multiples of 17x and 14x our 2015 and 2016 EPS estimates of $1.95 and $2.30, respectively. Our average covered bank trades at 16x our 2015 and 14x our 2016 EPS forecasts, respectively. We think a modest valuation premium for BKU is deserved based on its status as one of a select number of growth financial stocks, strong capital position, and above average prospects for participating in industry consolidation.

FIGURE 32

U.S. Small-Cap Banks valuation analysis

Company	Ticker	Stock Rating	2/4 Price	Target Price	Potential Upside %	Market Cap ($bn)	4Q14 Balance sheet Assets ($bn)	Loans ($bn)	Dep ($bn)	Dividend Yield	P/B	P/TB	EPS 2014A	EPS 2015E	EPS 2016E	P/E 2014A	P/E 2015E	P/E 2016E	4Q14 Returns ROE	ROTCE	ROA
Astoria Financial Corp.	AF	Equal Weight	$12.65	$14.00	11%	$1.2	$16	$12	$10	1.3%	0.9x	1.0x	$0.89	$0.65	$0.70	14.3x	19.5x	18.1x	5.83%	6.58%	0.60%
Associated Banc-Corp	ASB	Equal Weight	$17.58	$18.00	2%	$2.7	$27	$18	$19	2.3%	1.0x	1.5x	$1.17	$1.20	$1.40	15.0x	14.6x	12.6x	6.88%	10.47%	0.75%
Bank of Hawaii Corp.	BOH	Overweight	$58.07	$65.00	12%	$2.5	$15	$7	$13	3.1%	2.4x	2.5x	$3.69	$4.00	$4.40	15.7x	14.5x	13.2x	15.52%	15.99%	1.13%
Capital Bank Financial Corp.	CBF	Overweight	$25.30	$28.00	11%	$1.2	$7	$5	$5	0.0%	1.1x	1.3x	$1.02	$1.15	$1.35	24.8x	22.1x	18.7x	5.21%	6.06%	0.82%
Commerce Bancshares	CBSH	Overweight	$41.11	$44.00	7%	$3.9	$24	$11	$19	2.2%	1.8x	2.0x	$2.62	$2.60	$3.10	15.7x	15.8x	13.3x	10.95%	13.28%	1.11%
Cullen/Frost Bankers	CFR	Equal Weight	$66.15	$72.00	9%	$4.2	$28	$11	$24	3.1%	1.5x	2.0x	$4.32	$4.50	$4.80	15.3x	14.7x	13.8x	10.20%	14.10%	1.05%
Dime Community Bancshares	DCOM	Equal Weight	$15.33	$16.00	4%	$0.6	$4	$4	$3	2.8%	1.8x	2.3x	$1.23	$1.15	$1.25	12.5x	13.3x	12.3x	10.45%	11.90%	1.09%
EverBank Financial Corp.	EVER	Equal Weight	$17.78	$19.00	7%	$2.2	$22	$19	$16	0.9%	1.4x	1.4x	$1.10	$1.30	$1.50	16.2x	13.7x	11.9x	8.78%	9.35%	0.73%
First Financial Bancorp.	FFBC	Underweight	$17.17	$17.00	-1%	$1.1	$7	$5	$6	3.7%	1.3x	1.7x	$1.09	$1.20	$1.30	15.7x	14.4x	13.2x	9.54%	10.06%	1.03%
First Interstate BancSystem	FIBK	Overweight	$25.04	$31.00	24%	$1.2	$9	$5	$7	3.2%	1.3x	1.7x	$1.87	$2.00	$2.15	13.4x	12.5x	11.6x	10.17%	13.79%	1.06%
First Niagara Financial Group	FNFG	Underweight	$8.48	$7.00	-17%	$3.0	$39	$23	$28	3.8%	0.8x	1.3x	-$2.12	$0.58	$0.65	NM	14.7x	13.0x	6.64%	12.49%	0.81%
First Republic Bank	FRC	Overweight	$52.53	$59.00	12%	$7.4	$48	$38	$37	1.1%	1.9x	2.0x	$3.07	$3.00	$3.55	17.1x	17.5x	14.8x	9.67%	11.46%	0.95%
FirstMerit Corp.	FMER	Overweight	$17.21	$21.00	22%	$2.9	$25	$15	$20	3.7%	1.0x	1.5x	$1.39	$1.45	$1.60	12.4x	11.9x	10.7x	8.57%	12.61%	0.99%
Fulton Financial Corp.	FULT	Equal Weight	$11.54	$12.00	4%	$2.1	$17	$13	$13	2.8%	1.0x	1.4x	$0.84	$0.85	$0.90	13.7x	13.6x	12.8x	7.40%	10.04%	0.89%
Investors Bancorp Inc.	ISBC	Equal Weight	$11.60	$13.00	12%	$4.0	$19	$15	$12	1.4%	1.2x	1.2x	$0.38	$0.45	$0.50	30.7x	25.9x	23.4x	4.83%	4.60%	0.94%
New York Community Bancorp	NYCB	Equal Weight	$16.01	$15.00	-6%	$7.1	$49	$36	$28	6.2%	1.2x	2.1x	$1.10	$1.00	$1.05	14.5x	16.0x	15.3x	9.05%	15.80%	1.07%
People's United Financial	PBCT	Underweight	$14.42	$13.00	-10%	$4.3	$36	$27	$26	4.6%	1.0x	1.8x	$0.84	$0.85	$0.95	17.1x	17.1x	15.2x	5.53%	10.68%	0.74%
SVB Financial Group	SIVB	Overweight	$118.94	$130.00	9%	$6.1	$39	$14	$34	0.0%	2.1x	2.1x	$5.31	$6.40	$7.20	22.4x	18.6x	16.5x	12.87%	8.32%	1.39%
Texas Capital Bancshares	TCBI	Overweight	$44.78	$52.00	16%	$2.0	$16	$14	$13	0.0%	1.5x	1.6x	$2.88	$2.85	$3.45	15.6x	15.7x	13.0x	10.96%	11.64%	1.03%
Umpqua Holdings Corp.	UMPQ	Equal Weight	$16.17	$19.00	18%	$3.6	$23	$16	$17	3.7%	0.9x	1.8x	$0.78	$1.30	$1.35	20.7x	12.5x	12.0x	5.65%	11.60%	0.93%
Webster Financial Corp.	WBS	Overweight	$32.29	$35.00	8%	$2.9	$23	$14	$16	2.5%	1.3x	1.8x	$2.08	$2.20	$2.40	15.5x	14.7x	13.4x	8.72%	11.75%	0.93%
Total/average					**7%**	**$66.3**	**$491**	**$322**	**$365**	**2.5%**	**1.4x**	**1.7x**				**16.9x**	**15.9x**	**14.2x**	**8.73%**	**11.07%**	**0.95%**
BankUnited, Inc.	**BKU**	**Overweight**	**$29.44**	**$33.00**	**12%**	**$3.0**	**$19**	**$12**	**$14**	**2.9%**	**1.5x**	**1.5x**	**$1.95**	**$1.95**	**$2.30**	**15.1x**	**15.1x**	**12.8x**	**9.00%**	**9.05%**	**1.02%**

Source: Barclays Research, company reports, Thomson One, and SNL Financial

For full disclosures on each covered company, including details of our company-specific valuation methodology and risks, please refer to http://publicresearch.barcap.com.

4Q14 EPS review

- BKU reported 4Q14 EPS of $0.45, which compared to the $0.44 consensus. Results included an elevated provision to reflect changes in the qualitative factors it applies in its reserve calculation as well as a lower effective tax rate stemming from a benefit from certain state income tax provisions.
- Operating revenues increased 1% y-o-y and declined 1% from 3Q14. It posted a reported ROA of 1.02% (-21bps linked quarter) and a reported ROE of 9.00% (-150bps). Its Tier 1 ratio was 15.45% (-171bps), its Tier 1 leverage ratio was 10.70% (-50bps), and its TCE ratio was 10.37% (-83bps). Its tangible book value per share increased 1% linked quarter to $19.52.
- Relative to 3Q14, results evidenced a growing balance sheet (AEAs +7%; loans +7% and securities +5%), NIM contraction (-32bps), relatively stable core fee income, slightly lower core expenses (-$2mn), a lower effective tax rate (-311bps), and relatively stable asset quality metrics.

Forward looking commentary

- **Competitive environment/EPS:** It characterized the competitive environment in its New York and Florida markets as remaining "crazy". Interest rate and margin compression is something that unfortunately plagues this entire industry in its view. As it has predicted for the last couple of years, it thinks it is in a period when earnings will be pressured for a quarter or two as its higher yielding covered loans runoff and are replaced by lower yielding newly originated loans. However, it sees EPS growth resuming in 2H15. It expects its 1H15 EPS to be lower than 1H14 ($0.99) but its 2H15 EPS to be significantly higher than 2H14 ($0.96). Moreover, its full-year 2015 EPS is anticipated to be pretty close to its $1.95 2014 result.
- **Net interest income/NIM:** It expects its net interest income ($176mn in 4Q14) to stay stable in 1Q15 and then resume its upward trajectory in 2Q15. In 4Q14, it hit a milestone as its total interest income from new loans exceeded its interest income generated by its covered loan portfolio for the first time. Pressure on its NIM continues due to the runoff of its higher yielding covered assets. Its 4Q14 NIM of 4.26% was slightly above the high end of its 4.00-4.25% guidance. It sees a full-year 2015 NIM in the range of 3.80% to 4.00%. Accordingly, NIM contraction should continue but moderate from the pace experienced in recent quarters. Its cost of funds, excluding hedge accounting and accretion costs, was 56bps in 4Q14, which matches its last several quarters. It expects its cost of funds to hover around this area through 2015.
- **Loan growth:** It characterized its loan growth momentum heading into 2015 as a bit stronger than anticipated. This is after it increases its new loans by about $1.5bn in 4Q14, with $770mn of this growth occurring in its New York market, $300mn in Florida, and $400mn from its national businesses (residential mortgage purchase program and three commercial lending subsidiaries). Over the course of 2014, it grew loans by $4bn and deposits by $3bn, with its loan-to-deposit ratio increasing to 92% at 4Q14 from 86% at 4Q13. It expects a similar trend in 2015, with net loan growth in a range of $4-$5bn (similar to its 2014 level). If it achieves its anticipated loan growth, it plans to turn more of its attention to accelerating its deposit growth. It is only comfortable with increasing its loan-to-deposit ratio to a little over 100%.
- **Loan loss provision:** Its provision for non-covered loans increased by $15mn to $22mn in 4Q14 related largely to the growth in its loan portfolio. It explained that it provisioned conservatively in 4Q14 and that it experienced no deterioration in its asset quality

metrics. There was some element of its 4Q14 provision increase tied to a change in the qualitative factors it uses to calculate its reserve. It expects its allowance as a percentage of loans (0.84%) to remain relatively stable going forward.

- **Expenses:** Its core noninterest expense (excluding the amortization of its indemnification asset) increased about 9% in 2014, which was in line with its guidance for about 10% growth. It expects a bit more moderate increase in its core expenses in 2015. It looks for its FDIC asset amortization to be pretty flat in 2015 with its 2014 level (-$69.5mn) and then decline thereafter.

- **Taxes:** It looks for its effective tax rate to fall in a range of 32-33% in 2015. Its effective tax rate could be lower in 3Q15 due to its potential release of tax reserves, which is something it benefited from in 3Q14.

- **Capital:** It expects to deploy most of its current excess capital toward the end of 2015 or perhaps early 2016. It thinks it may raise additional capital around this time, but expects to do so through a debt offering as its current capital structure is entirely equity based.

- **M&A environment:** It explained that there is nothing imminent in terms of its potential deal pipeline to discuss. However, the M&A environment and its level of dialogue remains fairly active. It is encouraged to see deals actually being announced citing the Royal Bank of Canada's recently announced plans to acquire City National as one example. Its more recent M&A focus is on non-bank situations (but not wealth management) designed to augment its fee income capabilities.

Net interest income

- Net interest income increased 5% y-o-y and fell 1% linked quarter. Its net interest income ($176mn in 4Q14) remained relatively stable on a linked quarter basis in 4Q14, despite a declining impact of gains from its sale of zero-carrying value loan pools (which added $12mn to its net interest income in 3Q14). Average earning assets increased 7% linked quarter, with average loans up 7% and average securities up 5%. Average deposits increased 6% from 3Q14.

- Period-end loans increased $1.3bn (+12%) linked quarter to $12.4bn at 4Q14. Non-covered loans increased $1.4bn (+14%) linked quarter to $11.4bn. New loan growth totaled $1.4bn ($579mn in 3Q14) in 4Q14, with New York contributing $767mn ($198mn in 3Q13), Florida accounting for $292mn ($147mn), and its national platforms representing $330mn ($234mn).

- Its net interest margin (NIM) contracted 32bps (-9bps in 3Q14) linked quarter to 4.26% in 4Q14, mainly due to its new loans being originated at yields lower than its acquired loan yields. Its yield on average earning assets declined 34bps to 4.95% in 4Q14. Its yield on average loans contracted 57bps linked quarter to 5.89%. Its yield on average securities increased 10bps to 2.82%. Its average cost of interest bearing liabilities decreased 3bps linked quarter to 0.86%, while its cost of interest bearing deposits fell 2bps to 0.76% in 4Q14.

- Period-end deposits increased $678mn, or +5%, linked quarter to $13.5bn at 4Q14. Non-interest bearing demand deposits increased $135mn (+5.2%), interest bearing demand deposits grew $42mn (+4.9%), savings deposits increased $484mn (+9.0%), and time deposits increased $17mn (+0.4%).

Fee income and expenses

- Fee income was broadly stable at -$4mn linked quarter. Net losses from indemnification assets decreased to -$18mn (-$20mn in 3Q14) and a loss on the sale of loans of $2mn

(+$4mn) were only partially offset by an $8.9mn gain in lease financing in 4Q14. Its service charges and FDIC reimbursement costs were relatively stable.

- Core expenses decreased slightly linked quarter to $87mn ($89mn at 3Q14) at 4Q14. Increases in professional fees (+13% linked quarter), occupancy and equipment (+3%), data processing (+4%), and other expenses (+4%) were more than offset by declines in employee compensation (-8% linked quarter) and deposit insurance (-5%).
- Its effective tax rate declined 311bps linked quarter to 23.9% in 4Q14. Changes in certain state income tax provisions provided a favorable tax benefit in the quarter.

Asset quality

- Its ratio of non-performing, non-covered loans to total non-covered loans increased to 0.29% at 4Q14 from 0.25% at 3Q14. Its ratio of total non-performing loans to total loans rose to 0.31% at 4Q14 from 0.29% at 3Q14.
- Its NCO ratio increased 7bps linked quarter to 0.12% in 4Q14, as dollar NCOs rose $1.9mn to $3.3mn.
- It posted a provision for loan losses of $21mn ($6mn at 3Q14) in 4Q14. Its provision for loan losses in 4Q14 was primarily due to growth in its new loan portfolio as well as some changes in the qualitative factors it employs in its reserve calculation. Its reserve-to-loan ratio increased 5bps linked quarter to 0.84% at 4Q14, while its reserve to NPL ratio increased to 415% from 339% at 3Q14.

FIGURE 33

BKU income statement ($s in mn)

	Actual	Actual	Actual					Quarterly Forecast					Annual Forecast				Annual Change							4Q14A vs.	
	2012A	2013A	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	12/13	13/14	14/15	15/16	16/17	17/18	18/19	4Q13A	3Q14A
EPS - operating	$2.05	$2.01	$0.53	$0.46	$0.51	$0.45	$1.95	$0.42	$0.45	$0.55	$0.53	$1.95	$2.30	$2.70	$2.90	$3.15	-2%	-3%	0%	18%	17%	7%	9%	-11%	-12%
EPS - reported	**$2.38**	**$2.01**	**$0.53**	**$0.46**	**$0.51**	**$0.45**	**$1.95**	**$0.42**	**$0.45**	**$0.55**	**$0.53**	**$1.95**	**$2.30**	**$2.70**	**$2.90**	**$3.15**	**-15%**	**-3%**	**0%**	**18%**	**17%**	**7%**	**9%**	**-11%**	**-12%**
Book value	$18.45	$19.09	$19.47	$19.82	$20.07	$20.19	$20.19	$20.40	$20.64	$20.98	$21.30	$21.30	$22.74	$24.58	$26.61	$28.88	3%	6%	5%	7%	8%	8%	9%	6%	1%
Tangible book	$17.71	$18.41	$18.80	$19.14	$19.39	$19.52	$19.52	$19.72	$19.96	$20.30	$20.62	$20.62	$22.06	$23.90	$25.93	$28.20	4%	6%	6%	7%	8%	8%	9%	6%	1%
Dividend	$0.72	$0.84	$0.21	$0.21	$0.21	$0.21	$0.84	$0.21	$0.21	$0.21	$0.21	$0.84	$0.84	$0.84	$0.84	$0.84	17%	0%	0%	0%	0%	0%	0%	0%	0%
Diluted average shares	93.8	99.8	100.5	100.6	100.6	100.7	100.6	100.7	100.7	100.7	100.7	100.7	100.7	100.7	100.7	100.7	6%	1%	0%	0%	0%	0%	0%	1%	0%
Period-end shares	95.0	101.0	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	101.7	6%	1%	0%	0%	0%	0%	0%	1%	0%
Payout ratio	30%	42%	40%	45%	41%	47%	43%	50%	46%	38%	40%	43%	37%	31%	29%	27%									
Operating revenue	**$700**	**$678**	**$173**	**$174**	**$173**	**$171**	**$691**	**$170**	**$178**	**$188**	**$196**	**$732**	**$825**	**$911**	**$967**	**$1,036**	**-3%**	**2%**	**6%**	**13%**	**10%**	**6%**	**7%**	**1%**	**-1%**
Avg earning assets ($bn)	$10.0	$11.4	$13.5	$14.5	$15.4	$16.5	$15.0	$17.3	$18.4	$19.5	$20.7	$19.0	$22.8	$26.2	$28.8	$31.7	14%	31%	27%	20%	15%	10%	10%	29%	7%
Net interest margin	**6.04%**	**5.75%**	**5.05%**	**4.67%**	**4.58%**	**4.26%**	**4.64%**	**4.10%**	**3.90%**	**3.80%**	**3.72%**	**3.88%**	**3.60%**	**3.44%**	**3.30%**	**3.20%**	**-29**	**-111**	**-76**	**-28**	**-16**	**-14**	**-10**	**(98)**	**(32)**
Net interest income	$605	$656	$169	$169	$177	$176	$691	$175	$179	$187	$194	$735	$820	$901	$951	$1,014	8%	5%	6%	12%	10%	6%	7%	5%	-1%
FTE adjustment	$7	$10	$3	$3	$4	$4	$14	$3	$4	$4	$4	$14	$15	$15	$16	$16	30%	42%	4%	3%	3%	3%	3%	53%	11%
Average loans ($bn)	$4.9	$6.8	$9.5	$10.3	$10.8	$11.6	$10.5	$12.0	$12.9	$14.1	$14.8	$13.5	$16.2	$18.7	$20.6	$22.7	39%	55%	28%	20%	15%	10%	10%	39%	7%
Loan loss provision	$13	$34	$8	$6	$6	$22	$42	$10	$12	$12	$13	$48	$75	$87	$98	$113	156%	24%	14%	58%	16%	12%	16%	63%	243%
Provision/loan ratio	0.27%	0.49%	0.32%	0.24%	0.23%	0.75%	0.40%	0.35%	0.37%	0.35%	0.35%	0.35%	0.47%	0.47%	0.48%	0.50%	23	-10	-4	11	0	1	3	11	51
Loan loss provision on covered loans	$6	($2)	$1	$1	($1)	($1)	($0)	$0	$0	$0	$0	$0	$0	$0	$0	$0	NA	NA	NA	-99%	-99%	-99%	-99%	NA	NA
Net credit income	$579	$614	$158	$159	$168	$151	$636	$161	$163	$171	$178	$672	$730	$798	$837	$884	6%	3%	6%	8%	9%	5%	6%	-1%	-10%
Service charges and fees	$13	$14	$4	$4	$4	$4	$17	$4	$4	$5	$5	$18	$19	$20	$21	$22	13%	16%	6%	9%	5%	5%	5%	7%	-1%
Gain (loss) on sale of loans, net (includes covered)	($29)	($16)	$8	($0)	$4	($2)	$10	$2	$2	$2	$2	$8	$8	$7	$6	$6	NA	NA	-20%	-5%	-10%	-10%	-10%	NA	NA
Mortgage insurance income	$10	$2	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	-79%	NA	NA	3%	3%	3%	3%	NA	NA
(Amortization) accretion of FDIC asset	$15	($37)	($16)	($15)	($18)	($21)	($69)	($22)	($18)	($16)	($16)	($72)	($68)	($65)	($62)	($59)	NA	NA	NA	-5%	-5%	-5%	-5%	NA	NA
Income from resolution of covered assets, net	$45	$28	($4)	$6	($2)	$3	$3	$1	$1	$1	$1	$4	$4	$4	$5	$5	-37%	-90%	32%	10%	10%	10%	10%	-77%	NA
Net (loss) income from indemnification asset	$60	($9)	($20)	($9)	($20)	($18)	($67)	($21)	($17)	($15)	($15)	($68)	($64)	($61)	($57)	($53)	NA	NA	NA	NA	NA	NA	NA	NA	NA
FDIC remibursement costs of covered resolutions	$20	$9	$1	$1	$1	$1	$4	$1	$1	$1	$1	$5	$5	$5	$5	$5	-52%	-53%	2%	3%	3%	3%	3%	-65%	-44%
Other income	$22	$21	$9	$9	$7	$11	$36	$9	$9	$9	$9	$36	$38	$39	$41	$43	-5%	70%	1%	6%	3%	4%	4%	58%	62%
Fee income	$95	$22	$3	$5	($4)	($4)	($0)	($5)	($1)	$2	$2	($2)	$5	$10	$16	$22	-76%	NA	NA	NA	104%	55%	36%	NA	NA
Employee compensation and benefits	$173	$174	$49	$50	$50	$46	$195	$49	$51	$51	$52	$203	$211	$219	$228	$237	0%	12%	4%	4%	4%	4%	4%	6%	-8%
Occupancy and equipment	$54	$64	$17	$17	$18	$18	$71	$18	$18	$19	$19	$74	$76	$79	$81	$82	17%	11%	5%	3%	3%	3%	2%	9%	3%
Deposit insurance expense	$7	$8	$2	$2	$2	$2	$9	$2	$2	$3	$3	$10	$10	$11	$11	$12	6%	22%	5%	5%	3%	5%	5%	13%	-5%
Professional fees	$15	$22	$3	$3	$3	$4	$13	$4	$4	$4	$4	$14	$15	$15	$16	$17	42%	-40%	6%	5%	2%	5%	5%	-26%	13%
Telecommunications and data processing	$12	$13	$3	$3	$3	$3	$13	$3	$3	$3	$3	$13	$13	$13	$14	$15	5%	3%	-6%	5%	2%	5%	5%	4%	4%
Other expenses	$34	$44	$13	$14	$13	$13	$53	$14	$13	$14	$14	$55	$57	$60	$63	$66	30%	20%	3%	5%	5%	5%	5%	18%	4%
Expenses	$297	$325	$88	$90	$89	$87	$355	$90	$91	$93	$94	$367	$382	$397	$413	$429	9%	9%	4%	4%	4%	4%	4%	7%	-3%
Preprovision net revenue	**$403**	**$354**	**$84**	**$85**	**$83**	**$84**	**$336**	**$80**	**$87**	**$96**	**$102**	**$365**	**$442**	**$514**	**$554**	**$607**	**-12%**	**-5%**	**9%**	**21%**	**16%**	**8%**	**10%**	**-5%**	**1%**
OREO expense, net	$26	$3	($2)	$2	$2	$1	$2	$1	$1	$1	$1	$2	$0	$0	$0	$0									
Securities gains	$17	$9	$0	$0	$1	$3	$4	$0	$0	$0	$0	$0	$0	$0	$0	$0								15%	240%
OTTI	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
MSR recapture (write-down)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
Nonrecurring gains	$0	$0	$11	$0	$0	$0	$11	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
Nonrecurring losses	$23	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
Pretax income	$371	$318	$86	$73	$73	$62	$293	$66	$71	$79	$85	$301	$352	$412	$440	$477	-14%	-8%	3%	17%	17%	7%	8%	-16%	-16%
Taxes	$134	$109	$31	$24	$20	$15	$89	$22	$24	$21	$30	$96	$113	$132	$141	$153	-18%	-18%	8%	17%	17%	7%	8%	-30%	-26%
Tax rate - stated	36.0%	34.3%	35.6%	33.1%	27.0%	23.9%	30.4%	33.0%	33.0%	27.0%	35.0%	32.0%	32.0%	32.0%	32.0%	32.0%								(472)	(311)
Net income	$237	$209	$55	$49	$54	$47	$204	$44	$48	$58	$55	$204	$240	$280	$299	$325	-12%	-2%	0%	17%	17%	7%	8%	-11%	-13%
Dist & undist earnings allocated to part. securities	$10	$8	$2	$2	$2	$2	$8	$2	$2	$2	$2	$8	$8	$8	$8	$8	-18%	-1%	-2%	0%	0%	0%	0%	-9%	-17%
Preferred dividends	$4	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net income to common	**$224**	**$201**	**$53**	**$47**	**$51**	**$45**	**$196**	**$42**	**$46**	**$56**	**$53**	**$197**	**$232**	**$272**	**$292**	**$317**	**-10%**	**-2%**	**0%**	**18%**	**17%**	**7%**	**9%**	**-11%**	**-12%**

Source: Barclays Research and company reports

FIGURE 34

BKU balance sheet and performance metrics

	Actual	Actual	Actual					Quarterly Forecast					Annual Forecast				Annual Change							4Q14A vs.	
	2012A	2013A	1Q14A	2Q14A	3Q14A	4Q14A	2014A	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E	2019E	12/13	13/14	14/15	15/16	16/17	17/18	18/19	4Q13A	3Q14A
Average Balance Sheet ($ in billions)																									
Assets	$12.4	$13.4	$15.4	$16.3	$17.2	$18.3	$16.8	$19.2	$20.4	$21.7	$23.1	$21.1	$25.3	$29.1	$32.0	$35.2	9%	25%	25%	20%	15%	10%	10%	24%	6%
Earning assets	$10.0	$11.4	$13.5	$14.5	$15.4	$16.5	$15.0	$17.3	$18.4	$19.5	$20.7	$19.0	$22.8	$26.2	$28.8	$31.7	14%	31%	27%	20%	15%	10%	10%	29%	7%
Securities	$4.6	$4.1	$3.6	$3.7	$4.2	$4.4	$4.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	-10%	-4%	13%	0%	0%	0%	0%	16%	5%
Loans held for sale	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	-59%	0%	23%	0%	0%	0%	0%	251%	0%
Non-covered loans	$2.9	$5.3	$8.1	$9.0	$9.7	$10.7	$9.4	$11.0	$12.0	$13.3	$14.1	$12.6	$15.5	$18.1	$20.1	$22.3	82%	78%	34%	23%	17%	11%	11%	54%	10%
Covered loans	$2.2	$1.7	$1.4	$1.2	$1.1	$1.1	$1.2	$1.0	$0.9	$0.8	$0.7	$0.9	$0.7	$0.6	$0.4	$0.4	-23%	-27%	-28%	-20%	-20%	-20%	-20%	-29%	-5%
Loans	$5.0	$6.8	$9.5	$10.3	$10.8	$11.6	$10.5	$12.0	$12.9	$14.1	$14.8	$13.5	$16.2	$18.7	$20.6	$22.7	37%	55%	28%	20%	15%	10%	10%	39%	7%
Deposits	$8.1	$9.3	$10.8	$11.5	$12.3	$13.1	$11.9	$13.6	$14.2	$14.9	$15.6	$14.6	$17.5	$20.1	$22.1	$24.3	14%	29%	22%	20%	15%	10%	10%	28%	6%
Borrowed funds	$2.2	$2.1	$2.4	$2.6	$2.6	$2.9	$2.6	$2.9	$2.9	$2.9	$3.0	$2.9	$3.1	$3.2	$3.4	$3.6	-6%	25%	12%	5%	5%	5%	5%	25%	9%
Equity	$1.7	$1.9	$2.0	$2.0	$2.0	$2.1	$2.0	$2.1	$2.1	$2.1	$2.2	$2.1	$2.3	$2.5	$2.7	$2.9	11%	8%	6%	7%	8%	8%	9%	8%	2%
Period-end Balance Sheet ($ in billions)																									
Assets	$12.4	$15.0	$15.8	$17.0	$17.7	$19.2	$19.2	$20.2	$21.4	$22.8	$24.2	$24.2	$29.0	$33.4	$36.7	$40.4	22%	28%	26%	20%	15%	10%	10%	28%	9%
Risk-weighted assets	$4.9	$8.6	$9.5	$10.6	$11.1	$11.9	$11.9	$12.4	$13.2	$14.1	$14.9	$14.9	$17.9	$20.6	$22.7	$24.9	75%	39%	26%	20%	15%	10%	10%	39%	7%
Securities	$4.3	$3.6	$3.5	$4.1	$4.3	$4.6	$4.6	$4.7	$4.7	$4.7	$4.7	$4.7	$4.7	$4.7	$4.7	$4.7	-16%	26%	2%	0%	0%	0%	0%	26%	7%
Loans held for sale	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	-91%	621%	0%	0%	0%	0%	0%	621%	-34%
Non-covered loans	$3.7	$7.6	$8.7	$9.4	$10.0	$11.4	$11.4	$11.7	$12.8	$14.2	$15.0	$15.0	$18.5	$21.6	$24.0	$26.6	104%	50%	32%	23%	17%	11%	11%	50%	14%
Covered loans	$1.9	$1.5	$1.3	$1.2	$1.1	$1.0	$1.0	$0.9	$0.9	$0.8	$0.7	$0.7	$0.6	$0.5	$0.4	$0.3	-20%	-30%	-30%	-20%	-20%	-20%	-20%	-30%	-5%
Loans	$5.6	$9.1	$10.0	$10.6	$11.1	$12.4	$12.4	$12.7	$13.7	$15.0	$15.7	$15.7	$19.0	$22.1	$24.4	$26.9	62%	37%	27%	21%	16%	10%	11%	37%	12%
Loan loss reserve	$0.059	$0.070	$0.070	$0.075	$0.079	$0.096	$0.096	$0.103	$0.112	$0.121	$0.131	$0.131	$0.183	$0.234	$0.281	$0.328	18%	37%	37%	40%	28%	20%	17%	37%	21%
Deposits	$8.5	$10.5	$11.1	$12.0	$12.8	$13.5	$13.5	$14.1	$14.6	$15.3	$16.1	$16.1	$19.3	$22.2	$24.5	$26.9	23%	28%	19%	20%	15%	10%	10%	28%	5%
Tangible common equity	$1.7	$1.9	$1.9	$1.9	$2.0	$2.0	$2.0	$2.0	$2.0	$2.1	$2.1	$2.1	$2.2	$2.4	$2.6	$2.9	7%	7%	6%	7%	8%	8%	9%	7%	1%
Common equity	$1.8	$1.9	$2.0	$2.0	$2.0	$2.1	$2.1	$2.1	$2.1	$2.1	$2.2	$2.2	$2.3	$2.5	$2.7	$2.9	7%	6%	5%	7%	8%	8%	9%	6%	1%
Goodwill & other intangibles	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	-1%	-1%	1%	0%	0%	0%	0%	-1%	0%
Performance Ratios																									
Return on equity	**14.04%**	**11.18%**	**11.25%**	**9.67%**	**10.58%**	**9.07%**	**10.13%**	**8.44%**	**9.05%**	**10.77%**	**10.10%**	**9.60%**	**10.52%**	**11.35%**	**11.18%**	**11.15%**	**-286**	**-105**	**-53**	**92**	**83**	**-16**	**-4**	**-186**	**-151**
Return on tang com equity	13.66%	11.24%	11.57%	9.98%	10.87%	9.44%	10.29%	8.78%	9.41%	11.19%	10.49%	9.76%	10.69%	11.53%	11.36%	11.32%	-243	-94	-54	93	84	-17	-4	-183	-143
Return on assets	**1.92%**	**1.55%**	**1.44%**	**1.19%**	**1.24%**	**1.02%**	**1.21%**	**0.92%**	**0.94%**	**1.06%**	**0.95%**	**0.97%**	**0.95%**	**0.96%**	**0.93%**	**0.92%**	**-37**	**-34**	**-25**	**-2**	**2**	**-3**	**-1**	**-40**	**-22**
Return on tangible assets	1.93%	1.56%	1.44%	1.19%	1.25%	1.03%	1.22%	0.92%	0.94%	1.07%	0.96%	0.97%	0.95%	0.96%	0.94%	0.92%	-37	-34	-25	-2	2	-3	-1	-40	-22
Return on RWA	4.84%	2.44%	2.33%	1.84%	1.93%	1.58%	1.72%	1.41%	1.44%	1.64%	1.47%	1.37%	1.34%	1.36%	1.32%	1.30%	-240	-72	-35	-3	2	-4	-2	-87	-35
Efficiency ratio	42.4%	47.8%	51.2%	51.5%	51.8%	50.8%	51.3%	52.9%	50.9%	49.3%	48.0%	50.2%	46.4%	43.5%	42.7%	41.4%	541	351	-116	-383	-281	-84	-131	288	-102
Net profit margin	33.9%	30.8%	32.0%	27.8%	31.0%	27.3%	29.6%	25.9%	26.8%	30.6%	28.0%	27.9%	29.1%	30.7%	31.0%	31.3%	-309	-123	-164	113	169	24	36	-341	-370
Fee income/revenue	13.6%	3.3%	1.8%	3.0%	-2.5%	-2.5%	0.0%	-2.8%	-0.4%	0.8%	0.8%	-0.3%	0.6%	1.1%	1.7%	2.1%	-1027	-333	-30	94	52	53	45	-454	1
Loans/AEA	50.7%	65.4%	70.4%	71.0%	69.8%	70.3%	70.3%	69.2%	70.4%	72.4%	71.6%	71.6%	71.1%	71.4%	71.4%	71.6%	1470	482	135	-50	26	5	22	482	49
Equity/loans	33.4%	23.0%	20.7%	19.5%	18.8%	17.9%	17.9%	17.4%	16.3%	15.2%	14.7%	14.7%	14.1%	13.2%	13.0%	12.8%	-1031	-519	-318	-60	-86	-19	-19	-519	-95
Loans/deposits	61%	73%	88%	90%	87%	88%	88%	88%	91%	95%	95%	92%	93%	93%	93%	93%	1212	1486	425	18	33	7	28	729	103
Asset Quality ($ in millions) ex. covered																									
Nonperforming loans	$16	$23	$21	$19	$23	$33	$33	$28	$27	$27	$26	$26	$25	$23	$25	$26	-19%	-19%	-19%	-5%	-5%	5%	5%	42%	42%
OREO	$0	$1	$0	$0	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	NA	11%	0%	0%	0%	0%	0%	11%	11%
Nonperforming assets	**$16**	**$24**	**$21**	**$20**	**$24**	**$34**	**$34**	**$29**	**$28**	**$28**	**$27**	**$27**	**$26**	**$24**	**$26**	**$27**	**51%**	**41%**	**-21%**	**-5%**	**-5%**	**5%**	**5%**	**41%**	**41%**
Accruing TDRs	$0	$0	$0	$0	$0	$0		$0	$0	$0	$0						NA	NA	NA	0%	0%	0%	0%	NA	NA
NPL ratio	0.43%	0.31%	0.24%	0.21%	0.23%	0.29%	0.29%	0.24%	0.21%	0.19%	0.17%	0.17%	0.13%	0.11%	0.10%	0.10%	-13	-2	-12	-4	-3	-1	-1	-2	6
NPA ratio	**0.43%**	**0.32%**	**0.25%**	**0.21%**	**0.24%**	**0.30%**	**0.30%**	**0.25%**	**0.22%**	**0.20%**	**0.18%**	**0.18%**	**0.14%**	**0.11%**	**0.11%**	**0.10%**	**-11**	**-2**	**-12**	**-4**	**-3**	**-1**	**-1**	**-2**	**6**
NPA ratio (including accruing TDRs)	0.43%	0.32%	0.25%	0.21%	0.24%	0.30%	0.30%	0.25%	0.22%	0.20%	0.18%	0.18%	0.14%	0.11%	0.11%	0.10%	-11	-2	-12	-4	-3	-1	-1	-2	6
NCOs ($)	$2	$18	$2	$1	$1	$3.3	$8	$3	$3	$3	$4	$13	$23	$36	$50	$67	604%	-56%	63%	85%	56%	39%	33%	125%	136%
NCO ratio	**0.09%**	**0.33%**	**0.11%**	**0.04%**	**0.06%**	**0.12%**	**0.08%**	**0.10%**	**0.10%**	**0.10%**	**0.10%**	**0.10%**	**0.15%**	**0.20%**	**0.25%**	**0.30%**	**25**	**-25**	**2**	**5**	**5**	**5**	**5**	**4**	**7**
Provision/loans	0.27%	0.49%	0.32%	0.24%	0.23%	0.75%	0.40%	0.35%	0.37%	0.35%	0.35%	0.35%	0.47%	0.47%	0.48%	0.50%	23	-10	-4	11	0	1	3	11	51
Reserve/NPLs	368.9%	300.1%	336.3%	391.1%	339.4%	289.7%	289.7%	368.8%	415.6%	449.1%	502.8%	502.8%	739.9%	996.2%	1141.1%	1266.4%	-6883	-1034	21304	23716	25630	14492	12524	-1034	-4969
Reserve/loans	**1.59%**	**0.92%**	**0.81%**	**0.80%**	**0.79%**	**0.84%**	**0.84%**	**0.88%**	**0.88%**	**0.86%**	**0.87%**	**0.87%**	**0.99%**	**1.08%**	**1.17%**	**1.23%**	**-67**	**-8**	**3**	**12**	**9**	**9**	**6**	**-8**	**5**
90 days past due	$0	$1	$1	$0	$0	$0	$0																		
Capital ($ in billions)																									
Equity/assets	13.68%	13.90%	12.78%	12.29%	11.74%	11.28%	11.99%	10.85%	10.34%	9.89%	9.45%	10.10%	9.00%	8.48%	8.36%	8.26%	22	-192	-189	-110	-52	-12	-10	-176	-46
TCE ratio	14.11%	12.42%	12.18%	11.49%	11.19%	10.37%	10.37%	9.97%	9.50%	9.09%	8.69%	8.69%	7.74%	7.29%	7.19%	7.11%	-170	-205	-168	-95	-45	-10	-8	-205	-83
Tier 1 common	$1.6	$1.8	$1.8	$1.9	$1.9	$1.8	$1.8	$1.9	$1.9	$1.9	$1.9	$1.9	$2.1	$2.3	$2.5	$2.7	9%	2%	6%	8%	9%	9%	9%	2%	-4%
Tier 1 common ratio	**33.60%**	**21.06%**	**19.42%**	**17.70%**	**17.16%**	**15.45%**	**15.45%**	**14.88%**	**14.19%**	**13.60%**	**13.02%**	**13.02%**	**11.67%**	**11.06%**	**10.97%**	**10.90%**	**-1254**	**-561**	**-243**	**-135**	**-61**	**-9**	**-7**	**-561**	**-171**
Tier I capital	$1.6	$1.8	$1.8	$1.9	$1.9	$1.8	$1.8	$1.9	$1.9	$1.9	$1.9	$1.9	$2.1	$2.3	$2.5	$2.7	9%	2%	6%	8%	9%	9%	9%	2%	-4%
Tier I capital ratio	33.60%	21.06%	19.42%	17.70%	17.16%	15.45%	15.45%	14.88%	14.19%	13.60%	13.02%	13.02%	11.67%	11.06%	10.97%	10.90%	-1254	-561	-243	-135	-61	-9	-7	-561	-171
Leverage ratio	13.16%	12.42%	12.12%	11.60%	11.20%	10.70%	10.70%	9.22%	8.79%	8.42%	8.06%	8.06%	7.22%	6.84%	6.78%	6.74%	-74	-172	-264	-84	-38	-6	-4	-172	-50
Tang assets/tang equity	7.1x	8.1x	8.2x	8.7x	8.9x	9.6x	9.6x	10.0x	10.5x	11.0x	11.5x	11.5x	12.9x	13.7x	13.9x	14.1x									

Source: Barclays Research and company reports

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Primary Stocks (Ticker, Date, Price)

BankUnited, Inc. (BKU, 04-Feb-2015, USD 29.44), Overweight/Neutral, C/J/K/M

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IMPORTANT DISCLOSURES CONTINUED

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IMPORTANT DISCLOSURES CONTINUED

BankUnited, Inc. (BKU)	Stock Rating	Industry View
USD 29.44 (04-Feb-2015)	**OVERWEIGHT**	**NEUTRAL**

Rating and Price Target Chart - USD (as of 04-Feb-2015)

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target

Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

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Valuation Methodology: Our $33 one-year price target for BKU implies a 1.7x multiple on its 4Q14 tangible book value per share of $19.52.

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