Risk Factors Comparison 2024-02-20 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

An investment in our common stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. If any of the events described in the risk factors should actually occur, our financial condition ~~and~~ **,** results of operations **and the value of our securities** could be materially and adversely affected. ~~If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment.~~ Strategic Risk We may not ~~be successful in executing~~ **realize the expected benefits of** our **business strategy. Our** fundamental business strategy **is centered on building a leading regional commercial and small business bank, focused on relationship- based granular and diversified business on both sides of the balance sheet** . ~~Optimizing~~ **Our near- term strategic priorities include (i) improving the funding mix, primarily by growing core deposits, while maintaining ample liquidity; (ii) improving** risk adjusted returns ~~, continued~~ **by re- positioning the balance sheet away from typically lower yielding transactional business such as residential mortgages and securities and** ~~organic~~ **organically growing core commercial** ~~, diversified growth of our loan~~ **loans** ~~and deposit customer base~~ , **which** ~~and improving the deposit mix~~ are ~~essential components~~ **generally higher- yielding, as a percentage** of ~~our business~~ **the portfolio; (iii) managing credit quality; (iv) managing the rate of increase in expenses; and (v) maintaining robust capital levels. Our ability to execute on these** ~~strategy~~ **strategic** ~~. Commercial and consumer banking~~ **priorities depends on a number of factors** , ~~for both loan~~ **many of which are outside of our direct control. Some of the factors that will impact our ability to execute on our strategic priorities are (i) our ability to attract** and ~~deposit products,~~ **retain talent; (ii) competition** in **our markets; (iii) fiscal and monetary policy and the macro- economic environment; (iv) the health of** our primary markets **;** ~~is highly competitive. Our ability to achieve profitable organic growth is also dependent on economic conditions, on the interest rate environment, which is in turn dependent to a large degree on fiscal~~ and ~~monetary policy,~~ **(v) the availability** and **cost of capital** ~~on depositor behavior and preferences~~ . There is no guarantee that we will be able to successfully ~~or profitably~~ execute our **strategic plans and** fundamental business strategy. While acquisitions have not historically been a primary component of our business strategy, we may opportunistically consider potential acquisitions of financial institutions and complementary non- bank businesses. There are risks that may inhibit our ability to successfully execute such acquisitions, such as competition with other potential acquirers, the ability to obtain the required regulatory approvals in a timely matter or at all, **the availability of capital** and the successful integration of a consummated acquisition and realization of the expected benefits ~~. Growth, whether organic or through acquisition, is dependent on the availability of capital and funding. Our ability to raise capital through the sale of stock or debt securities and our ability to secure funding to support earning asset growth may be affected by market conditions, economic conditions or regulatory changes. There is no assurance that sufficient capital or funding to enable growth will be available in the future, upon acceptable terms or at all~~ . We face significant competition from other financial institutions and financial services providers, which may adversely impact our **ability to execute on strategic objectives, our** growth or profitability. ~~The primary markets we~~ **Although our geographic presence is expanding, our business is** currently ~~serve are~~ **concentrated in** Florida and the New York ~~metropolitan~~ **tri- state** area. Commercial and consumer banking in these markets is highly competitive. Our markets contain not only a large number of community and regional banks, but also a significant presence of the country' s largest commercial banks. We compete with other state and national banks as well as savings and loan associations, savings banks and credit unions located in **our markets** ~~Florida, New York and adjoining states~~ as well as those targeting our markets digitally for deposits and loans. In addition, we compete with financial intermediaries, such as FinTech companies, consumer finance companies, marketplace lenders, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies as well as major retailers, all actively engaged in providing various types of ~~loans and other~~ financial services. The variety of entities providing financial services to businesses and consumers, as well as the technologies and delivery channels through which those services are provided are rapidly evolving. The financial services industry is likely to become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. ~~Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking.~~ Increased competition among financial services companies may adversely affect our ability to market our products and services. Technology has lowered barriers to entry and made it possible for ~~banks~~ **financial services providers** to compete in our markets without a ~~retail~~ **physical** footprint **and enabled** ~~by offering competitive rates, as well as~~ non- ~~banks~~ - **bank** ~~, including online~~ providers ~~and a growing number of FinTech companies,~~ to offer products and services traditionally provided by banks. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size or particular technology capabilities, many competitors may offer a broader range of products and services or may be able to offer better pricing for certain products and services than we can. Our ability to compete successfully depends on a number of factors, including ~~: •~~ **but not limited to (i)** the ability to develop, maintain and build upon long- term customer relationships ~~based on quality service, high ethical standards and safe and sound banking practices~~ ; ~~•~~ **(ii)** our ability to pro- actively and quickly respond to technological change **and emerging or unanticipated innovations in financial services** ; ~~• the~~ **(iii) our** ability to attract and retain **talent** ~~qualified employees to operate our business effectively~~ ; ~~• the~~ **(iv) our** ability to expand our market position **or successfully enter new markets** ; ~~•~~ **(v)** the scope, relevance and pricing of **our** products and services ~~offered~~ **and our ability** to ~~meet~~ **respond quickly to changing** customer **preferences** ~~needs and demands~~ ; ~~•~~ **(vi)** the rate at which we introduce new products and services relative to our competitors; ~~•~~ **(vii)** customer satisfaction with our level of service; and ~~•~~ **(viii)** industry and general economic trends. Failure to perform well in any of these areas or in general to successfully respond to the competitive pressures we face could make it harder for us to attract and retain customers and significantly weaken our competitive position, which could adversely affect our **ability to achieve strategic objectives, our** growth and profitability, which, in turn, could harm our business, financial condition and results of operations ~~. Crypto- currencies and blockchain technology continue to be explored as vehicles to enhance transactional security throughout the financial services industry and could eventually reduce or alter the need for banks as financial deposit- keepers and intermediaries~~ . Hurricanes and other weather- related events, social or health- care crises such as pandemics ~~or~~ **,** political **or social** unrest **, geopolitical conflict** , terrorist activity, or other natural or man- made disasters could cause a disruption in our operations or otherwise have an adverse impact on our **customers, our** business and results of operations. Our geographic markets in Florida and other coastal areas are **particularly** susceptible to severe weather, including hurricanes, flooding and damaging winds. The occurrence of a hurricane or other natural disaster ~~to which our markets are susceptible~~ , a man- made catastrophe such as terrorist activity, pandemic outbreaks and other global health emergencies, political **or social** unrest **, government shutdowns, geopolitical conflicts such as those currently occurring in the middle east or Ukraine** or other man- made or natural disasters could disrupt our operations or **those of our clients or** our work- force, result in damage to our facilities, jeopardize our ability to continue to provide essential services to our customers and negatively affect our customers and the local economies in which we operate. These events may lead to a decline in loan originations, an increase in deposit outflows, strain our liquidity position, reduce or destroy the value of collateral for our loans, particularly real estate, negatively impact the business operations of our customers, and cause an increase in delinquencies, foreclosures and loan losses. Our business, financial condition and results of operations may be materially, adversely impacted by these and other negative effects of such events. **Both physical and transitional risks related to** ~~Climate~~ **climate** change or societal **and governmental** responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers. Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts to mitigate those impacts. Consumers and businesses may change their behavior as a result of these concerns. We and our customers may need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. **In particular, our clients' operations may be adversely impacted by the rising cost of property and casualty insurance related to physical risks brought on by climate change.** Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies **and reducing our exposure to the fossil fuel sector** , may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. One of our primary market areas is the state of Florida, particularly in coastal areas; as such, we may have an increased vulnerability to the ultimate impacts of climate change as compared to some of our competitors. We depend on our executive officers and **other** key personnel to execute our long- term business strategy and could be harmed by the loss of their services **or the inability to attract new talent** . We believe that our continued growth and future success will depend in large part on the skills of our senior management team and other key personnel. We believe our senior management team possesses valuable knowledge about and experience in the banking industry ~~and~~ that ~~their knowledge and relationships~~ could be ~~difficult~~ **challenging** to replicate. The composition of our senior management team and our other key personnel may change over time. **Although** ~~While we are currently finalizing and expect to successfully enter into a new contract with~~ our Chairman, President and Chief Executive Officer **has entered into an employment agreement with us** , **he may not complete** the term of **his** ~~the existing~~ employment **agreement or renew upon expiration** ~~contract expired on December 31, 2022 and a result is currently an at- will employment relationship~~ . Other members of our senior management team are not subject to employment agreements. Our **Board of Directors and senior management team are actively engaged in ongoing succession planning, however, our succession planning efforts may not be adequate to ensure continuity of qualified senior management. Our** success also depends on the experience of other key personnel and on their relationships with the customers and communities they serve. The loss of service of one or more of our executive officers or key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition or operating results. **Evolving** ~~Increasing scrutiny and changing~~ expectations ~~from~~ **of** investors ~~and~~ **,** customers **, regulators and employees** with respect to our ESG practices and those of our customers may impose additional costs on us **, impact our reputation in the market** or expose us to **emerging** ~~new or additional~~ risks. There is ~~increased~~ **an evolving** focus, including from **some** governmental organizations **and agencies** , investors, customers and employees on ESG issues such as environmental stewardship, climate change, diversity and inclusion, racial justice and workplace culture and conduct. We have expended and may further expend resources to monitor, **adopt and** report **on** ~~and adopt~~ policies and practices that we believe will improve **execution of our evolving ESG objectives, and** compliance with ~~our evolving ESG goals and plans, as well as~~ third party imposed ESG- related ~~standards~~ **requirements** and expectations **, including potential new SEC disclosure requirements** . If our ESG practices do not meet evolving rules and regulations or investor or other stakeholder expectations ~~and standards~~ , then our reputation ~~,~~ **or** our ability to attract or retain ~~leading experts,~~ employees ~~and other professionals~~ , ~~and our ability to attract new~~ customers and investors could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our current or future ~~goals, targets and~~ objectives or to satisfy various reporting standards within ~~the~~ **acceptable** timelines ~~we announce~~ , or at all, could ~~also~~ have similar negative impacts. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters ~~, and~~ **; if the Company were to receive** unfavorable ratings **,** ~~of the Company may lead to~~ negative investor sentiment, stock price fluctuations and the diversion of investment to other companies **could result** . The ~~COVID~~ **high profile 2023 failures of several regional banks and attendant events impacting the banking industry along with resulting media coverage eroded customer confidence in the banking system, particularly in regional and mid** - ~~19 pandemic~~ **size banks. We are subject to the risk of similar future events adversely impacting the banking industry broadly, and our Company.** The **bank failures of 2023, surrounding events** ~~COVID- 19 pandemic caused substantial disruption to the global~~ and ~~domestic economies~~ **related media coverage created significant market volatility** and **adversely** impacted **stock prices among publicly traded bank holding companies and, in particular, regional institutions like the Company. These developments negatively impacted customer confidence in the safety and soundness of regional banks and led some depositors to transfer deposits to the largest financial institutions. Many regional banks, including BankUnited, experienced higher than normal deposit outflows immediately following the first regional bank failures in March 2023. Future unanticipated deposit outflows or erosion of customer or investor confidence brought on by external events could materially adversely impact** the Company' s **liquidity, net interest margin,** business **strategy** , **market valuation, capital and results of operations. Future material adverse events, not necessarily limited to the circumstances leading to the 2023 bank failures, that impact other** financial ~~condition~~ **institutions could, as a result of rapid and broad public exposure, have a direct and material adverse impact on the Company' s business, market valuation** and results of operations. ~~Vaccines and treatments have evolved~~ **A downgrade of our credit rating could increase our cost of capital or place limitations on business activities. The major ratings agencies regularly evaluate us** , **and** ~~the~~ **their ratings are based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, ratings agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings. The ratings assigned to the Bank and the Company remain subject to change at any time, and it is possible that any ratings agency will take action to downgrade the Bank and the Company in the future. Additionally, ratings agencies may also make substantial changes to their ratings policies and practices, which may affect our credit ratings. A downgrade of our credit rating, particularly to a level below investment grade, could adversely** impact ~~of~~ the ~~pandemic on public health has lessened and~~ **liquidity or value of our rated securities, our ability to access** the ~~U. S.~~ **capital or certain short- term funding markets,** and ~~global economies have in many respects recovered~~ **our cost of capital. Additionally, certain commercial customers could be prohibited** from **placing deposits with us** ~~the COVID- 19 pandemic. However~~ , ~~certain adverse consequences of the pandemic, such as labor market and supply chain disruptions, continue to have an impact~~ **impacting our liquidity position** ~~on the macroeconomic environment and uncertainty remains around the future impact~~ . Credit Risk As a lender, our business is highly susceptible to credit risk. As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans, if any, may be insufficient to ensure repayment. Credit losses are inherent in the business of making loans. We are also subject to credit risk that is embedded in our securities portfolio. Our credit risk management framework inclusive of our underwriting standards, procedures and policies may not prevent us from incurring substantial credit losses, particularly if economic or market conditions deteriorate. It is difficult to determine **or forecast** the many ways in which a decline in economic or market conditions may impact the credit quality of our assets. Our ACL may not be adequate to cover actual credit losses. We maintain an ACL that represents management' s estimate of current expected credit losses, or the amount of amortized cost basis not expected to be collected, on our loan portfolio and the amount of credit loss impairment on our available for sale securities portfolio. Determining the amount of the ACL is complex and requires extensive judgment by management about matters that are inherently subjective and uncertain. The measurement of expected credit losses encompasses information about historical events, current conditions and reasonable and supportable economic forecasts. Factors that may be considered in determining the amount of the ACL include **,** but are not necessarily limited to, product or collateral type, industry, geography, internal risk rating, credit characteristics such as credit scores or collateral values, delinquency rates, historical or expected credit loss patterns and other quantitative and qualitative factors considered by management to have an impact on the adequacy of the ACL and the ability of borrowers to repay their loans. The adequacy of the ACL is also dependent on the effectiveness of the underlying models used in determining the estimate. If management' s assumptions and judgments prove to be incorrect, our credit loss models prove to be inaccurate or our processes and controls governing the determination of the amount of the ACL prove ineffective, our ACL may be insufficient and we may be required to increase our ACL. In addition, regulatory authorities periodically review our ACL and may require us to increase our provision for credit losses or recognize further loan charge- offs, based on judgments different from those of our management. Adverse economic conditions could make management' s estimate even more complex and difficult to determine. Any increase in our ACL will result in a decrease in net income and capital and could have a material adverse effect on our financial condition and results of operations. See Item 7" Management' s Discussion and Analysis of Financial Condition and Results of Operations — Analysis of the Allowance for Credit Losses" and" Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Allowance for Credit Losses." We depend on the accuracy and completeness of information about clients and counterparties in making credit decisions. In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. The credit quality of our loan portfolio and results of operations are affected by residential and commercial real estate values and the level of residential and commercial real estate sales and rental activity. A material portion of our loans are secured by residential or commercial real estate. The ability of our borrowers to repay their obligations and our financial results may therefore be adversely affected by changes in real estate values **or in real estate market dynamics** . Commercial real estate valuations in particular are highly subjective, as they are based on many assumptions. Such valuations can be significantly affected over relatively short periods of time by changes in business climate, economic conditions, demographic and market trends such as the ~~potential~~ impact of the ongoing shift to online shopping on retail properties or the trend toward remote and hybrid work on office properties ~~,~~ **. The value of commercial real estate and ability of commercial real estate borrowers to service debt is also sensitive to** occupancy rates, the level of rents, regulatory changes ~~such as recent changes to New York rent regulation~~ , interest rates **, other operating costs** and, in many cases, the results of operations of businesses and other occupants of the real property. The properties securing income- producing investor real estate loans may not be fully leased at the origination of the ~~loan~~ **loans or vacancies may arise during the terms of the loans** . A borrower' s ability to repay these loans is dependent upon stabilization of the properties and additional leasing through the life of the loan or the borrower' s successful operation of a business. Weak economic conditions **or demographic and market trends** may impair a borrower' s business operations, lead to elevated vacancy rates or lease turnover, slow the execution of new leases or result in falling rents. **In particular, the office segment continues to be impacted by the evolving trend toward remote or hybrid work. The ultimate outcome of this trend and, as a result, the level of future demand for office space, remains uncertain. Lease turnover may increase, and tenants may reduce the amount of space leased when existing leases expire. Lower occupancy rates may lead to lower rents and lower valuations of office buildings. These factors could lead to deterioration in fundamentals underlying some of our commercial real estate loans. Recent increases in interest rates as well as rising property and casualty insurance and other operating costs have negatively impacted and may continue to negatively impact operating cash flows for some borrowers and the ability of those borrowers to service or refinance outstanding debt.** These factors could result in further deterioration in the fundamentals underlying the commercial real estate market and the deterioration in value of some of our loans **or the underlying collateral and ultimately to higher loan losses** . Similarly, residential real estate valuations can be impacted by housing trends, demographic trends, the availability of financing at reasonable interest rates, the level of supply of available housing, governmental policy regarding housing and housing finance and general economic conditions affecting consumers. Real estate values may also be impacted by weather- related events and other man- made or natural disasters, or ultimately, by the impact of climate change. We make credit and reserve decisions based on current **and projected** real estate values, the current conditions of borrowers, properties or projects and our expectations for the future. If real estate values or fundamentals underlying ~~the~~ commercial ~~and~~ **or** residential real estate ~~markets~~ decline, we could experience higher delinquencies and charge- offs beyond that provided for in the ACL. Since we engage in lending secured by real estate ~~and~~ **, we** may be forced to foreclose on the collateral property **and thereby** ~~, we may~~ be subject to risks associated with the ownership of commercial or residential real property, which could have an adverse effect on our business, financial condition or results of operations. A significant portion of our loan portfolio is secured by residential or commercial real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans, in which case, we are exposed to the risks and costs inherent in the ownership of real estate. The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including: ~~•~~ **(i)** general or local economic conditions; ~~• environmental cleanup liability~~ **(ii) sub- market property values and supply / demand dynamics** ; **(iii)** ~~• neighborhood values; •~~ interest rates; ~~• commercial~~ **(iv) costs of ownership such as** real estate ~~rental and vacancy rates~~ **taxes, insurance, maintenance** ; **(v) governmental rules** ~~• real estate tax rates; • operating expenses of the mortgaged properties; • supply of~~ and ~~demand for properties; • ability~~ **regulations such as but not limited** to ~~obtain and maintain adequate occupancy of the properties; •~~ zoning laws; **(vi)** ~~• governmental rules, regulations and fiscal policies; • hurricanes or other~~ natural or man- made disasters **such as hurricanes** ~~; and • the impact of social~~ or healthcare crises ~~or~~ **; (vii)** political **or social** unrest ~~. These same factors may impact~~ **, crime levels and other conditions in sub- markets or neighborhoods where property is located; and (viii)** the ability ~~of borrowers~~ to ~~repay~~ **maintain occupancy particularly of commercial properties. Additionally, bank- owned properties obtained in foreclosure often sell at a discount to** ~~their~~ -- **the** ~~obligations~~ **price** that ~~are secured by real property~~ **might otherwise be obtained in the market** . The geographic concentration of our markets in Florida and the New York Tri- State area makes our business highly susceptible to local economic conditions **in those markets** . **While we** ~~Unlike some larger financial institutions that~~ are ~~more~~ **expanding our** ~~geographically~~ ---- **geographic** ~~diversified~~ **footprint** , our operations ~~are~~ **remain** concentrated in Florida and the New York Tri- State area. Additionally, a significant portion of our loans secured by real estate are secured by commercial and residential properties in these geographic regions. Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in these regions or by changes in the local real estate markets. Disruption or deterioration in **those** economic conditions ~~in the~~ **or real estate** markets ~~we serve~~ could result in ~~one or more of the following: • an increase~~ **increased** ~~in loan~~ delinquencies **,** ~~; • an increase in~~ problem assets ~~and~~ **or** foreclosures **,** ~~; •~~ a ~~decrease~~ **decline** in ~~the~~ demand for our **loan** products **, deterioration** ~~and services; or • a decrease~~ in **the ability of borrowers to repay** ~~the~~ **their** ~~value of~~ **debt, lower** collateral ~~for loans, especially real estate, in turn reducing customers' borrowing power, the value~~ **values** ~~of assets associated with problem loans~~ and ~~collateral coverage~~ **ultimately higher credit losses** . Our portfolio of operating lease equipment is exposed to fluctuations in the demand for and valuation of the underlying assets. ~~Our~~ **Many of these assets are in service to the fossil fuel industry, and subject to transition risks related to climate change. Although we have been reducing our exposure to this business, our** equipment leasing business is exposed to asset risk resulting from ownership of the equipment on operating lease. Asset risk arises from fluctuations in supply and demand for the underlying leased equipment. We are exposed to the risk that, at the end of the lease term or in the event of early termination, the value of the asset will be lower than expected, resulting in reduced future lease income over the remaining life of the asset or a lower sale value **, which could** ~~. Demand for and the valuation of the leased~~ -- **lead** ~~equipment is sensitive~~ to **impairment** ~~shifts in general and industry- specific economic and market trends, governmental regulations and changes~~ **charges** ~~in trade flows from specific events such as natural~~ or **operating losses** ~~man- made disasters~~ . A significant portion of our equipment under operating lease consists of railcars and other equipment used directly or indirectly **by** ~~in oil and gas drilling activities; future lease rates,~~ the **fossil fuel industry.** ~~demand~~ **Demand** for this equipment **, rental rates** and its valuation are heavily influenced by conditions in the energy industry ~~.~~ ~~Although we regularly monitor the value of the underlying assets~~ and the ~~potential~~ impact of **transition** ~~declines in oil and natural gas prices on the value of equipment on operating lease, there is no assurance that the value of these assets will not be adversely impacted by conditions in the energy industry. The value of these assets may also be more susceptible~~ to **a lower-carbon economy** ~~adverse effects caused by climate change or measures,~~ including **related** ~~regulatory~~ **regulation and societal norms** ~~actions, taken to mitigate it, or by ESG considerations~~ . Interest Rate Risk Our business is inherently highly susceptible to interest rate risk. Our business and financial performance are **materially** impacted by market interest rates and movements in those rates. Since a high percentage of our assets and liabilities are interest bearing or otherwise sensitive in value to changes in interest rates, changes in rates, in the shape of the yield curve or in spreads between different types of rates can have a material impact on our financial condition and results of operations and the values of our assets and liabilities. Changes in the value of investment securities available for sale and certain derivatives directly impact equity through adjustments of accumulated other comprehensive income and changes in the values of certain other assets and liabilities may directly or indirectly impact earnings **. Changes in the values of assets and liabilities brought about by changes in interest rates, even those that do not directly impact reported GAAP or regulatory capital levels, may impact investors' perceptions of the value of the Company, rating agency opinions, or customers' perceptions of the stability of the Company leading to unanticipated deposit outflows** . Interest rates are highly sensitive to many factors over which we have no control and which we may not be able to anticipate ~~adequately~~ , including general economic conditions and the monetary and fiscal policies of various governmental bodies, particularly the Federal Reserve Board. **The impact of changes in interest rates on our business and financial performance may be exacerbated if the extent or pace of those changes are beyond historical norms.** Our earnings and cash flows depend to a great extent upon the level of our net interest income. Net interest income is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. A flat or inverted yield curve or tightening credit spreads may limit our ability to add higher yielding assets to the balance sheet and ~~place~~ **reduce the spread between rates paid on deposits and those earned on interest- earning assets, placing** downward pressure on our net interest margin **and** ~~, negatively impacting our~~ net interest income ~~in the future~~ . Our deposit costs tend to be correlated with short- term rates; increases in short- term interest rates **or generally tightening liquidity conditions** may exert upward pressure on our cost of deposits. Changes in interest rates can increase or decrease our net interest income, because different types of assets and liabilities may react differently, and at different times, to market interest rate changes. ~~When~~ **If** interest bearing liabilities mature or reprice more quickly than interest earning assets in a period of rising rates, ~~an increase in interest rates could reduce~~ net interest income **will be reduced** . ~~When~~ **If** interest earning assets mature or reprice more quickly than interest bearing liabilities, falling interest rates could reduce net interest income. An increase in interest rates may **also** ~~, among other things,~~ reduce the demand for loans and lower- priced deposit products, decrease loan repayment rates and negatively affect borrowers' ability to meet their obligations. A decrease in the general level of interest rates may affect us through, among other things, increased prepayments on ~~our~~ **higher- yielding fixed rate** ~~loan~~ **loans** and mortgage- backed securities ~~portfolios~~ . Competitive conditions may also impact the interest rates we are able to earn on new loans or are required to pay on deposits, negatively impacting both our ability to grow **loans and** deposits ~~and interest earning assets~~ and our net interest income ~~. We attempt to manage interest rate risk by adjusting the rates, maturity, repricing, mix and balances of the different types of interest- earning assets and interest bearing liabilities and through the use of hedging instruments; however, interest rate risk management techniques are not precise, and we may not be able to successfully manage our interest rate risk~~ . Our ability to manage interest rate risk could be negatively impacted by ~~longer fixed rate terms on loans being added to our portfolio or by~~ unpredictable behavior of depositors in various interest rate environments. A rapid or unanticipated increase or decrease in interest rates, changes in the shape of the yield curve or in spreads between rates could have an adverse effect on our net interest margin and results of operations. **We attempt** ~~The recent and rapid rise in interest rates by the Federal Reserve, volatility in rate markets and / or changes in our customers' behavior in response~~ to **manage** ~~those dynamics could have an adverse impact on BankUnited' s~~ interest rate risk ~~profile or make~~ **by monitoring and managing the rates, maturity, repricing, mix and balances of the different types of interest- earning assets and interest bearing liabilities and through the use of hedging instruments; however,** interest rate risk ~~more challenging~~ **management techniques are not precise, and we may not be able** to **successfully** manage **our** ~~. The discontinuance of the LIBOR benchmark~~ interest rate **risk** ~~may have an impact on our business, financial condition and results of operations~~ . The **modeling techniques** ~~FCA, which regulates LIBOR, discontinued the one- week and two- month LIBOR tenors effective December 31, 2021. The remaining tenors will be discontinued effective June 30, 2023. The Company has implemented SOFR as its preferred alternative to LIBOR and has ceased originating LIBOR based loans, although financial instruments indexed to LIBOR remain in the loan, securities and derivatives portfolios. While~~ we **use** ~~have performed an extensive evaluation of the fallback provisions of all LIBOR indexed instruments and continue~~ to **manage** ~~execute a comprehensive reference rate reform roadmap, execution risk related to the transition remains. Reference rate transition may have an adverse impact on the value of, return on and trading markets more globally for a broad array of financial products, including any LIBOR- based securities, loans, borrowings and derivatives that are included in our financial assets and liabilities. The discontinuation of LIBOR may create uncertainty or differences in the calculation of the applicable~~ interest rate **risk are based** ~~or payment amount depending~~ on ~~the terms~~ **a wide variety** of ~~the governing instruments~~ **assumptions generally derived from historical data and patterns** , ~~which~~

and may ~~also~~ **fail to accurately predict the** impact ~~our net interest income. In addition, LIBOR may perform differently during the phase- out period than in the past which could result in lower interest earned on certain assets and a reduction in the value~~ of **future movements in** ~~certain assets. As we are required to implement substitute indices for the calculation of~~ interest rates ~~under~~ **on** our ~~loan agreements~~ **financial performance. Assumptions about depositor behavior are integral to interest rate risk modeling and management; technological advances enabling depositors to move money more quickly and to do business** with **a wide variety** ~~our borrowers, we may incur additional expenses in effecting the transition, and may be subject to disputes or litigation with customers over the appropriateness or comparability to LIBOR~~ of ~~the substitute indices, which could have an adverse effect on our~~ financial ~~condition and results~~ **services providers not in physical proximity to those depositors as well as the evolving landscape** of ~~operations~~ **the financial services industry has made predictive modeling of depositor behavior increasingly difficult**. Liquidity Risk A failure to maintain adequate liquidity could adversely affect **our ability to sustain normal operations,** our financial condition and results of operations. Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities and withdrawals and other cash commitments under both normal operating conditions and under extraordinary or unpredictable circumstances ~~causing industry or general financial market stress~~. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors **or events** that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity ~~sources~~ at an acceptable price, or at all include, but are not limited to: **(i) national, to** a ~~downturn in~~ **lesser extent global, and regional** economic **and market** conditions ~~in the geographic markets in which our operations are concentrated or in the financial or credit markets in general~~; ~~increases in~~ **(ii)** interest rates; **(iii) competition for depositor funds from banks and other investment alternatives; (iv)** the availability of sufficient collateral that is acceptable to the FHLB and the Federal Reserve Bank, both of ~~whom provide~~ **which are significant sources of contingent liquidity for** us ~~with contingent sources of liquidity~~; **(v)** fiscal and monetary policy including the ~~current quantitative tightening posture~~ **continuing restrictive monetary policy** of the Federal Reserve which is negatively impacting systemic liquidity; **(vi) public** and **market perception of BankUnited specifically and the banking sector more broadly; (vii) our ability to access the capital markets as a potential liquidity source; and (viii)** regulatory **requirements or** changes. Our access to liquidity in the form of deposits may also be affected by the liquidity needs of our depositors ~~and by competition for deposits in our primary markets~~. A substantial portion of our liabilities consist of deposit accounts that are payable on demand or upon several days' notice, while by comparison, the majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and borrowings as necessary, we might not be able to replace such funds in the future. A failure to maintain adequate liquidity could materially and adversely affect our **ability to sustain** business **operations**, **our** financial condition or results of operations **. We may be subject to material unanticipated outflows of deposits, jeopardizing our ability to maintain sufficient liquidity to conduct normal business operations. The failure of several regional banks during 2023, characterized by unprecedented levels of deposit outflows, led to an erosion of confidence in the regional banking sector among deposit customers, investors, and other counterparties. In these cases, deposit outflows were exacerbated by the ability of customers to move money quickly and easily using digital channels as well as widespread media coverage and social media exposure. Following the bank failures, many regional banks, including BankUnited, experienced higher than normal deposit outflows. Across the industry, a significant amount of deposits migrated from regional banks to the nation' s largest banks. While deposit flows at BankUnited appear to have stabilized since the 2023 bank failures, we remain susceptible to internal or external circumstances, perceptions or events, some of which we may be unable to anticipate or control or may be of an unprecedented nature, that could lead to material unexpected deposit outflows. Depositors increasingly have the ability to move funds quickly and easily. If a significant portion of our deposits were to be withdrawn within a short period of time, the Company' s liquidity, financial condition, results of operations and ability to sustain normal operations could be materially, adversely affected. The Federal Reserve Bank and the FHLB are important sources of both operating and contingent liquidity. If the availability of those liquidity sources were compromised, our business, financial condition or results of operations could be materially adversely affected. The Federal Reserve Bank and FHLB provide important sources of stable, reliable and specifically with respect to the Federal Reserve Bank, emergency liquidity to banks including BankUnited. Should the availability, nature, design or provisions of the various liquidity facilities provided by these entities change materially, BankUnited' s ability to access operating or contingent liquidity as needed could be adversely impacted. The availability of liquidity from these sources is also dependent on the nature and value, which could be negatively impacted by changes in interest rates, of collateral BankUnited is able to provide and on their evaluation of the Bank' s creditworthiness. In 2023, the FHFA, the primary regulator of the FHLB system, completed a comprehensive review of the FHLB system which may result in future changes in the regulatory or statutory framework governing the FHLB system. Such changes, if and when enacted, could impact the future amount, terms and availability of liquidity provided by the FHLBs to their members, including BankUnited. Our ability to access funds in a timely basis from the Federal Reserve Bank and FHLB also depends on our operational readiness; while we test operational readiness regularly and believe our processes and procedures are adequate in this regard, a failure of those processes and procedures could compromise our ability to access needed liquidity. A significant percentage of our deposits are commercial deposits, many of which are uninsured. Our business strategy is heavily focused on commercial customers, and as such, a large percentage of our deposits are commercial deposits. Inherently, due to the design and purpose of FDIC deposit insurance, across the U. S. banking system and at BankUnited a significant portion of commercial deposits are uninsured. While we offer programs and products to our commercial customers that allow them to increase the amount of their deposits that are insured, not all depositors choose to take advantage of these programs and products. Uninsured deposits may be more subject than insured deposits to**

unanticipated outflows, particularly during times of systemic or institution- specific stress . Loss of deposits or a change in deposit mix could increase our funding costs. Deposits are typically a relatively low cost and stable source of funding. We compete with banks and other financial ~~institutions~~ **service providers** for **customer funds** ~~deposits. The current quantitative tightening posture of the Federal Reserve has had the effect of reducing the amount of deposits in the banking system overall and BankUnited experienced net deposit outflows in 2022. A portion of our deposit base consists of companies serving the residential real estate eco- system and is exposed to the overall health and level of activity in that eco- system~~ ; ~~in the current interest rate environment, the level of mortgage origination activity has~~ - **as** ~~declined considerably. As~~ a result ~~of these factors~~ , we could lose deposits in the future **,** ~~or see an increase in costs associated with maintaining deposits. Clients~~ **clients** may shift their deposits into higher cost products, or we may need to raise interest rates to avoid deposit attrition. Funding costs may also increase if deposits are replaced with wholesale funding. Higher funding costs reduce our net interest margin, net interest income, and net income. **A portion of our deposit base consists of companies serving the residential real estate eco- system and is exposed to the overall health and level of activity in that eco- system. Particularly in a high or rising interest rate environment, the level of residential real estate activity would be expected to decline, which has led and may in the future lead to reduced deposit balances in this vertical, considerably.** The inability of BankUnited, Inc. to receive dividends from its subsidiary bank could have a material adverse effect on the ability of BankUnited, Inc. to make payments on its debt, pay cash dividends to its shareholders or execute share repurchases. BankUnited, Inc. is a separate and distinct legal entity from the Bank, and the substantial majority of its revenue consists of dividends from the Bank. These dividends are the primary funding source for the dividends paid by BankUnited, Inc. on its common stock, the interest and principal payments on its debt and any repurchases of outstanding common stock. Various federal and state laws and regulations limit the amount of dividends that a bank may pay to its parent company. In addition, our right to participate in a distribution of assets upon the liquidation or reorganization of a subsidiary may be subject to the prior claims of the subsidiary' s depositors and other creditors. If the Bank is unable to pay dividends, BankUnited, Inc. might not be able to service its debt, pay its obligations, pay dividends on its common stock or make share repurchases. Operational Risk We rely on analytical and forecasting models and tools that may prove to be inadequate or inaccurate, which could adversely impact the effectiveness of our strategic planning, the quality of certain accounting estimates including the ACL, the effectiveness of our risk management framework including but not limited to credit, interest rate and liquidity risk monitoring and management and thereby our results of operations. The processes we use to forecast future performance and estimate expected credit losses, **including in hypothetical periods of stress,** the effects of changing interest rates, sources and uses of liquidity, real estate values, and economic trends and indicators on our financial condition and results of operations depend upon the use of analytical and forecasting tools and models. These tools and models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen **or unprecedented** circumstances. Furthermore, even if our assumptions are accurate predictors of future performance, the tools and models that utilize them may prove to be inadequate or inaccurate because of other flaws in their design or implementation. If these tools prove to be inadequate or inaccurate, our strategic planning processes, risk management and monitoring framework, earnings and capital may be adversely impacted. New lines of business, new products and services or strategic project initiatives may subject us to additional operational risks, and the failure to successfully implement these initiatives could affect our results of operations. From time to time, we may launch new lines of business, expand into new geographies or offer new banking products and services, which offerings may significantly increase operational, credit or reputational risks. Significant effort and resources may be required to manage and oversee the successful development, implementation **, risk assessment** , launch or scaling of new initiatives, which effort and resources may be diverted from other of our products or services. While we invest significant time and resources in developing, marketing and managing new products and services, there are material uncertainties that could adversely impact estimated implementation and operational costs or projected adoption, sales, revenues or profits, and no assurance can be given that any new offerings will be successfully developed, implemented, launched or scaled. New products and services may require startup **and ongoing marketing** costs and operational changes ~~, as well as continued marketing campaigns to bring in new customers and retain existing ones~~ . ~~These~~ -- **The inability to successfully roll out** new products and services ~~take time to develop and grow and if not successfully implemented~~ may result in unmet profitability targets, increased costs **, loss of customers or competitive advantage** or other adverse impacts on our results of operations. We are subject to the risk of fraud, theft or errors by employees or outsiders **and to the impact of ineffective processes and controls** , which may adversely affect our business, financial condition and results of operations. We are exposed to ~~many types of operational risks, including~~ the risk of fraud or theft by employees or outsiders and **to** operational errors, including clerical or record- keeping errors ~~or~~ **,** ~~those~~ -- **the** ~~resulting from~~ **impact of** ineffective processes and controls or faulty or disabled technology. **Events such as** ~~The occurrence of any of~~ these ~~events~~ could cause us to suffer financial loss, ~~face~~ **the loss of customers,** regulatory action and ~~suffer~~ damage to our reputation. Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The occurrence of any of these events could result in a diminished ability to operate our business as well as potential liability to customers and counterparties, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or results of operations. **While we regularly monitor, evaluate and update our internal control framework including controls over financial reporting and corporate governance policies and procedures, any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Failure of our system of controls and procedures could have a material adverse effect on our financial condition and results of operations.** We are dependent on our information technology and telecommunications systems. System failures or interruptions could have an adverse effect on our **business,** financial condition and results of operations. Our business is highly dependent on the successful and uninterrupted functioning of our information technology, internet and network connectivity and telecommunications systems. We rely on these systems and connectivity to process new and renewed loans, gather deposits, process customer and other transactions, provide customer service, facilitate collections, facilitate remote work and share data across our organization. The failure of these systems and technologies could interrupt our operations. We may be subject to disruptions of our information technology and telecommunications systems arising from events that are wholly or partially beyond our control which may give rise to disruption of service to customers and of our employees' ability to perform their jobs. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewed loans, gather deposits, process customer transactions, provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. We are dependent on third- party service providers for significant aspects of our business infrastructure, information technology, and telecommunications systems. We rely on third parties to provide key components of our business infrastructure and major systems including, but not limited to, core banking systems such as loan servicing and deposit transaction processing systems, cloud- based data storage, our electronic funds transfer transaction processing, cash management, online banking services, **ERP systems** and computer and networking infrastructure. We have migrated a significant portion of our core information technology systems, data storage and customer- facing applications to private and public cloud infrastructure platforms. If we fail to administer these ~~new~~ environments in a well- managed, secure and effective manner, or if these platforms become unavailable or do not meet their service level agreements for any reason, we may experience unplanned service disruption or unforeseen costs which could result in material harm to our business **, reputation** , financial condition and results of operations. We must successfully develop and maintain information, financial reporting, disclosure, data- protection and other controls adapted to our reliance on outside platforms and providers. In addition, service providers could experience system breakdowns or failures, outages, downtime, cyber- attacks, adverse changes to financial condition, bankruptcy, or other adverse conditions, which could have a material adverse effect on our business and reputation. While we have an established third- party risk management framework and select and monitor the performance of third- party vendors carefully, we do not control their actions. Any problems caused by these third parties, including those resulting from disruptions in communication services provided by a ~~vendor~~ **third party** , failure of a ~~vendor~~ **third party** to handle current or higher volumes, failure of a ~~vendor~~ **third party** to provide services for any reason or poor performance of services, or the termination of a third- party software license or service agreement on which any of these systems is based, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. In many cases, our operations rely heavily on the secure processing, storage and transmission of information and the monitoring of a large number of transactions on a minute- by- minute basis, and even a short interruption in service could have significant consequences. Financial or operational difficulties of a third- party ~~vendor~~ **service provider** could ~~also~~ adversely affect our operations if those difficulties interfere with the ~~vendor~~ **service provider** ' s ability to serve us effectively or at all. Replacing these third- party ~~vendors~~ **service providers** could ~~also~~ create significant delays and expense. Accordingly, use of such third ~~parties~~ **party service providers** creates an unavoidable **material** inherent risk to our business operations. ~~Failure by us~~ **A cybersecurity incident, which is any unauthorized occurrence, or series of related unauthorized occurrences, on or conducted through** ~~or~~ **our information systems, including those of** third ~~parties to detect~~ **- party service providers that we rely on, that jeopardizes the confidentiality, integrity** or **availability of those** ~~prevent a breach in~~ information ~~security~~ **systems** or ~~to protect customer~~ information **residing therein** ~~and privacy could have an adverse effect on our business~~ . In the normal course of ~~our~~ business, we collect, process, and retain sensitive and confidential client and customer information. Despite the security measures we **and our third party service providers** have in place, **information** ~~our facilities and~~ systems may be vulnerable to **cybersecurity incidents. Cybersecurity incidents can take many forms including** cyber- attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors, or other similar events, especially because, in the case of any intentional breaches, the techniques used change frequently or ~~are~~ **may** not **be** recognized until launched, and cyber- attacks can originate from a wide variety of sources ~~, including third parties~~ . We provide our customers the ability to bank remotely, including online, via mobile devices and over the telephone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. In addition to ~~cyber- attacks or other security~~ **cybersecurity** ~~breaches~~ **incidents** involving the theft of sensitive and confidential information, hackers have engaged in attacks against financial institutions, particularly denial of service attacks, designed to disrupt key business services such as customer- facing websites. We may be required to spend significant capital and other resources to protect against the threat of ~~security~~ **cybersecurity incidents** ~~breaches and computer viruses~~ , or to alleviate problems caused by ~~security~~ **cybersecurity incidents** ~~breaches or viruses~~ . Any ~~cyber- attack or other security~~ **cybersecurity** ~~breach~~ **incident** involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. In addition, we interact with and rely on financial counterparties for whom we process transactions and who process transactions for us and rely on other third ~~parties~~ **- party service providers** , as discussed above. Each of these third parties may be targets of the same types of ~~fraudulent activity, computer break- ins, and other~~ cybersecurity ~~breaches~~ **incidents** described above. The ~~cybersecurity~~ measures that they maintain to mitigate the risk of such activity may be different from our own and, in many cases, we do not have any control over the types of security measures they may choose to implement. We may ~~also~~ incur costs as a result of data or security breaches of third parties with whom we do not have a significant direct relationship. As a result of financial entities and technology systems becoming more interdependent and complex, a **cybersecurity** ~~cyber-~~ incident, information breach or loss, or technology failure that compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers ~~for our products and services~~ and thereby reduce our revenues **. If another financial institution experiences a material cybersecurity incident, even if we are not directly impacted in any way, negative publicity about the incident could impact confidence in the banking system generally, including in BankUnited** . We have taken measures to implement safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact. We have a comprehensive ~~set of information security~~ **cybersecurity program, supported by written** policies and ~~protocols~~ **procedures** and a dedicated **Chief Information Security Officer and** information security division ~~that reports to the Chief Information Officer, with a direct reporting line to and oversight by the Risk Committee of the Board of Directors~~ . The Risk Committee ~~receives regular reporting related to information~~ **of the Board of Directors has oversight responsibility for our** ~~security~~ **cybersecurity program** ~~risks and the monitoring and management of those risks~~ . **Also see" Item 1C- Cybersecurity."** Failure to keep pace with technological changes could have a material adverse impact on our ability to compete for loans and deposits, and therefore on our financial condition and results of operations. Financial products and services have become increasingly technology driven. Our ability to meet the needs of our customers competitively, and in a cost- efficient manner, is dependent on our ability to keep pace with and pro- actively and quickly respond to technological advances and to invest in **relevant** new technology as it becomes available. Many of our larger competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services. The widespread adoption of new technologies, including, but not limited to, digitally enabled products and delivery channels and payment systems, could require us to incur substantial expenditures to modify or adapt our existing products and services. Our failure to respond to the impact of technological change could have a material adverse impact on our business, financial condition and results of operations. The soundness of other financial institutions, particularly our financial institution counterparties, could adversely affect us. Our ability to engage in routine funding and other transactions could be adversely affected by the stability and actions of other financial services institutions. Financial services institutions are interrelated as a result of trading, clearing, servicing, counterparty, and other relationships. We have exposure to an increasing number of financial institutions and counterparties. These counterparties include institutions that may be exposed to various risks over which we have little or no control. Adverse developments affecting the overall strength and soundness of the financial services industry as a whole and third parties with whom we have important relationships could have a negative impact on our business even if we are not **directly** subject to the same adverse developments. Regulatory, Legal and Compliance Risk As a BHC, we and BankUnited operate in a highly regulated environment and the laws and regulations that ~~govern our operations~~ **apply to us** , ~~corporate governance, executive compensation and other matters, or~~ changes in them, or our failure to comply with them, may adversely affect us. We operate in a highly regulated environment, and are subject to comprehensive statutory, legal and regulatory regimes, see Item 1" Business — Regulation and Supervision." Intended to protect customers, depositors, the DIF, and the overall financial stability of the United States, these laws and regulations, among other matters, prescribe ~~minimum~~ capital **and liquidity** requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that BankUnited can pay to BankUnited, Inc., restrict the ability of institutions to guarantee our debt, and impose specific accounting requirements on us. Banking regulators may also from time to time focus on issues that may impact the pace of growth of our business, our ability to execute our business strategy and our operations. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional ~~compliance~~ costs. In addition, federal banking agencies ~~,~~ including the OCC, Federal Reserve Board and CFPB ~~,~~ periodically conduct examinations of our business, including compliance with laws and regulations. Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines, remedial actions, administrative orders and other penalties, any of which could adversely affect our reputation, results of operations and capital base. Further, federal, state and local legislators and regulators regularly introduce measures or take actions that would modify the regulatory requirements applicable to banks, their holding companies and other financial institutions. Changes in laws, regulations or regulatory policies could adversely affect the operating environment for the Company in substantial and unpredictable ways, increase our cost of doing business, impose new restrictions on the way in which we conduct our operations or add significant operational constraints that might impair our profitability. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on our business, financial condition or results of operations. Changes in political administrations are likely to introduce new or modified regulations and related regulatory guidance and supervisory oversight. Newly enacted laws may significantly impact the regulatory framework in which we operate and may require material changes to our business processes in short **time** ~~timeframes~~ ---- **frames** . Inability to meet new statutory requirements within the prescribed periods could adversely affect our business, financial condition and results of operations, as well as impact our reputation. ~~The Inflation Reduction Act~~ **We expect the failures** of **several regional banks in** ~~2022~~ **2023** ~~generally imposes a 1 % excise tax on share repurchases executed by~~ **and related events to lead to changes in laws or regulations governing financial institutions or in the imposition of restrictions through supervisory or enforcement activities. Proposed rules increasing capital requirements for banks with more than $ 100 billion in assets have been issued; if** ~~the~~ **these or similar rules are enacted, there may be indirect effects on our** ~~Company~~ **company** . ~~While we do~~ **We also expect additional laws or regulations to be issued related to liquidity and bank mergers and acquisitions. These new laws and regulations, if enacted, could have a material impact on our business including but** not **limited** ~~currently expect the excise tax~~ to ~~materially impact the level of share repurchase activity we would~~

~~otherwise contemplate, it will add an element to our analysis of whether and to what extent to engage in share repurchases, and may lead to an increase~~ **increased** ~~in operating expenses~~ **costs and lower profitability** . Our ability to expand through acquisition or de novo branching requires regulatory approvals, and failure to obtain them may restrict our growth. ~~We~~ **Although acquisitions have not historically been a material part of our growth strategy, we** may identify opportunities to complement and expand our business by pursuing strategic acquisitions of financial institutions and other complementary businesses. We must generally receive federal regulatory approval before we can acquire an institution or business. In determining whether to approve a proposed acquisition, federal banking regulators will consider, among **a number of** other **qualitative and quantitative** factors, the effect of the acquisition on competition **, the impact on communities served by the acquiring and target institution, the impact on compliance with the CRA and BSA / AML laws and regulations** , our financial condition, our future prospects, and the impact of the proposal on U. S. financial stability. ~~The regulators also review current and projected capital ratios and levels, the competence, experience, and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution' s record of compliance under the CRA) and the effectiveness of the acquiring institution in combating money laundering activities. Such regulatory~~ **Regulatory** approvals may not be granted on terms that are acceptable to us, or at all. We may also be required to sell or close branches, or precluded from doing so, as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition. **We** ~~In addition to the acquisition of existing financial institutions, as opportunities arise, we~~ may continue de novo branching as a part of our organic growth strategy and possibly enter into new markets through de novo branching. ~~De novo branching and any acquisition carries with it numerous risks, including the inability to obtain all required regulatory approvals.~~ The failure to obtain ~~these~~ regulatory approvals for potential future strategic acquisitions and de novo branches may impact our business plans and restrict our growth **. In January 2024, the OCC published for public comment a proposal to amend its rules for business combinations involving national banks and federal savings associations and add, as an appendix, a policy statement that summarizes the principles the OCC uses when it reviews proposed bank merger transactions under the BMA. The proposed policy statement provides, among other things, that a bank merger where the resulting institution would have more than $ 50 billion in assets or where the acquiring institution was not at least twice as large as the target institution would receive enhanced regulatory scrutiny** . Financial institutions, such as BankUnited, face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The Bank Secrecy Act, the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and file suspicious activity and currency transaction reports as appropriate. ~~The~~ Financial ~~Crimes Enforcement Network, established~~ **institutions are also required to comply with sanctions and programs administered** by the ~~U. S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements, and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the sanctions programs and rules administered and enforced by the U. S. Treasury Department' s~~ Office of Foreign Assets Control. **Numerous** ~~In order to comply with regulations~~ - **regulatory agencies** ~~, guidelines~~ and **other governmental departments** ~~examination procedures in this area~~ - **are** ~~, we~~ **involved in enforcement and administration of these provisions. We** dedicate significant resources to ~~the~~ ongoing **compliance with these laws and regulations** ~~execution of our anti- money laundering program~~ , continuously monitor and enhance as necessary ~~our~~ **related** policies and procedures and maintain a robust automated anti- money laundering software solution. If our policies, procedures and systems are deemed deficient ~~or the policies, procedures and systems of financial institutions that we may acquire in the future are deemed deficient~~ , we could be subject to liability, including **significant civil monetary** fines and **to various** regulatory actions such as restrictions on our ability to pay dividends ~~and~~ **,** the ~~necessity~~ **inability** to obtain ~~regulatory approvals~~ - **approval of any contemplated acquisitions and restrictions on our ability** to **execute** ~~proceed with~~ certain aspects of our business **and** ~~plan, including our~~ expansion plans. We are subject to the CRA and fair lending laws, and failure to comply with these laws could lead to material penalties. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution' s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation. The FDIC' s restoration plan and any future related increased assessments could adversely affect our earnings. Insured depository institutions such as BankUnited are required to pay deposit insurance premiums to the FDIC, which maintains a DIF. If the current level of deposit premiums is insufficient for the DIF to meet its funding requirements in the future, special assessments or increases in deposit insurance premiums may be required. A change in BankUnited' s risk classification within the FDIC' s risk- based assessment framework could also result in increased deposit insurance premiums. **In November 2023, in the aftermath of certain bank failures earlier in 2023, the FDIC approved a final rule to implement a special assessment based on the amount of uninsured deposits reported in the banks' December 31, 2022 Call Reports. The special assessment will be collected for an anticipated eight quarterly assessment periods beginning in 2024. During the fourth quarter of 2023, the Bank recorded the entire special assessment levied of $ 35. 4 million. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. There is also a risk that BankUnited’ s deposit insurance premiums will further increase if additional failures of insured depository institutions further deplete the DIF or if the FDIC changes its view of the risk BankUnited poses to the DIF or otherwise increases the assessment rate adjustment applicable to**

BankUnited' s deposits. Any future additional assessments or increases in FDIC insurance premiums may adversely affect our financial condition or results of operations. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures in the future, we may be required to pay FDIC premiums higher than current levels. Any future additional assessments or increases in FDIC insurance premiums may adversely affect our financial condition or results of operations. We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation **, lead to monetary settlements or penalties** and otherwise adversely affect our operations and financial condition. Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third **party** ~~parties with whom we contract to provide data services~~ - **service providers** . We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm- Leach- Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with non- affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to " opt out " of any information sharing by us with non- affiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations increases our costs. Furthermore, we may not be able to ensure that all of our customers, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused, we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. **Laws and regulations in this area are evolving, and there is a reasonable possibility that additional or modified laws or regulations applicable to us will be enacted. We may incur significant costs to comply with any such new or modified laws or regulations, or our efforts to do so may not be effective.** Any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition. General Risk Factors Damage to our reputation could adversely affect our operating results. Our ability to originate new business and maintain existing customer relationships is highly dependent upon customer and other external perceptions of our business practices. Adverse perceptions regarding our business practices **, or those of other regional banks,** could damage our reputation in the customer, funding and capital markets, leading to difficulties in generating and maintaining business as well as obtaining financing. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, employee relations, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Adverse developments with respect to external perceptions regarding the practices of our competitors, or our industry as a whole, or the general economic climate may also adversely impact our reputation. These perceptions about us could cause our business to be negatively affected and exacerbate the other risks that we face. In addition, adverse reputational impacts on third parties with whom we have important relationships may adversely impact our reputation. Adverse reputational impacts or events may also increase our litigation risk. Our enterprise risk management framework may not be effective in mitigating the risks to which we are subject, or in reducing the potential for losses in connection with such risks. Our enterprise risk management framework is designed to identify ~~and minimize or~~ **, measure,** mitigate **and manage** the risks to which we are subject, as well as any losses stemming from such risks. Although we seek to identify, measure, monitor, report, and control our exposure to such risks, and employ a broad and diversified set of risk monitoring and mitigation techniques in the process, those techniques are inherently limited in their ability to anticipate the existence or development of risks that are currently unknown and unanticipated. The ineffectiveness of our enterprise risk management framework in mitigating the impact of known risks or the emergence of previously unknown or unanticipated risks may result in our incurring losses in the future that could adversely impact our financial condition and results of operations. Our business may be adversely affected by conditions in the financial markets and economic conditions generally. Deterioration in business or economic conditions generally, or more specifically in the principal markets in which we do business, **or the onset of a recession** could have ~~one or more of the following~~ adverse effects on our business, financial condition and results of operations **including but not necessarily limited to** : ~~• A~~ **(i) a** decrease in demand for our ~~loan and deposit~~ products **and services** ; ~~• An~~ **(ii) an** increase in delinquencies and defaults by borrowers or counterparties **leading to increased credit losses** ; ~~• A decrease~~ **(iii) a decline** in the value of our assets; ~~• A~~ **(iv) a** decrease in ~~our~~ earnings; ~~• A decrease~~ **(v) a decline** in liquidity ~~;~~ and ~~• A~~ **(vi) a** decrease in our ability to access the capital markets. ~~Current inflationary~~ **Inflationary** trends **and higher interest rates** may lead to an increase in our operating expenses ~~,~~ or those of our clients ~~which may~~ in turn ~~impact~~ **impacting** their ~~operating results and~~ ability to repay their obligations to us. Our reported financial results depend on management' s selection and application of accounting policies and methods and related assumptions and estimates. Our accounting policies and estimates are fundamental to our reported financial condition and results of operations. Management is required to make difficult, complex or subjective judgments in selecting and applying many of these accounting policies. In some cases, management must select an accounting policy or method from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in us reporting materially different results than would have been reported under a different alternative. From time to time, the FASB and SEC may change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact **our** ~~how we record and report~~ **reported** ~~our~~ financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in a restatement of prior period financial statements. See Note 1 to the consolidated financial statements for more information about recent accounting pronouncements that may have a material impact on our reported financial results. Changes in taxes and other assessments may adversely affect us. The legislatures and taxing authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. The effects of these changes and any other changes that result from interpreting and implementing regulations or enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business. Tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense, filing returns and establishing the value of deferred tax assets and liabilities for purposes of its financial statements, the Company must make judgments and interpretations about the application of these inherently complex tax laws. If the judgments, estimates and assumptions the Company uses in establishing provisions, preparing its tax returns or establishing the value of deferred tax assets and liabilities for purposes of its financial statements are subsequently found to be incorrect, there could be a material effect on our financial condition and results of operations. ~~Our internal controls may be ineffective. Management regularly monitors, evaluates and updates our internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our financial condition and results of operations. Share Price Volatility~~ The price of our common stock may be volatile or may decline. The price of our common stock may **be volatile or may decline. The price of our common stock may** fluctuate as a result of a number of factors, many of which are **external events** outside of management' s control. In addition, the stock market is subject to **broad or systemic** fluctuations in share prices and trading volumes that affect the market prices of the shares of many companies, including BankUnited, Inc. Factors that could affect our stock price include but are not limited to: ~~•~~ **(i)** actual or anticipated changes in the Company' s operating results ~~and~~ **or** financial condition; ~~• changes in interest rates~~ **(ii) performance of the regional banking sector** ; ~~•~~ **(iii)** failure to meet analysts' ~~revenue or earnings~~ estimates; **(iv)** ~~• changes in expectations as to our future financial performance, including financial estimates or recommendations by securities analysts and investors; •~~ actual or forecasted ~~deterioration in~~ **macro-** economic conditions ~~in our market areas or more generally~~ ; ~~•~~ **(v) rating agency actions; (vi)** changes in the competitive or regulatory environment; ~~•~~ **(vii)** actions by **large** institutional shareholders **or other market participants** ; **(viii) events, circumstances or perceptions impacting the financial services sector broadly** and ~~• stock market volatility caused by~~ **(ix) negative publicity about us or** other ~~external events~~ **regional banks** . We may not be able to attract and retain skilled employees **.** Our success depends, in large part, on our ability to attract and retain key people. Due to competition, general labor market dynamics, the ongoing transition to more remote and hybrid work and other factors, we may have difficulty recruiting **or retaining** qualified personnel ~~, including uniquely qualified personnel to ensure the continued growth and successful operation of our business~~ . The unexpected loss of the services of one or more of our key personnel could have an adverse impact on our business. **Further downgrades of** ~~Geopolitical factors such as~~ the ~~conflict between Russia and Ukraine~~ **U. S. credit rating** or ~~similar events~~ **a government shutdown** could negatively impact **economic conditions generally and as a result,** our business ~~and~~ **,** results of ~~operations~~ - **operation** ~~. We are monitoring the impact of the conflict between Russia~~ and ~~Ukraine on our business. While we do not currently expect that the conflict will have a direct material impact on our business,~~ financial condition **. The U. S. Government'** ~~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~~ **sovereign credit rating was recently downgraded by a NRSRO. The impact of future downgrades of** ~~other~~ - **the** ~~countries,~~ **U. S. sovereign credit rating** or **deterioration in its perceived creditworthiness** ~~escalation or further spread of the conflict~~ could adversely affect the **U. S. and** global **financial** ~~economy or domestic~~ markets **and economic conditions. In addition** , ~~including~~ **disagreement over the federal budget has caused and may cause the U. S. federal government to essentially shut down for periods of time. Future events of this nature could have an adverse effect on** ~~ours~~ - **our business, results of operations and financial condition** .