

**BankUnited Financial Corp.**  
**BKUNA - \$8.63 – NYSE**

**Recommendation: Cover 2/3 of Short Position**

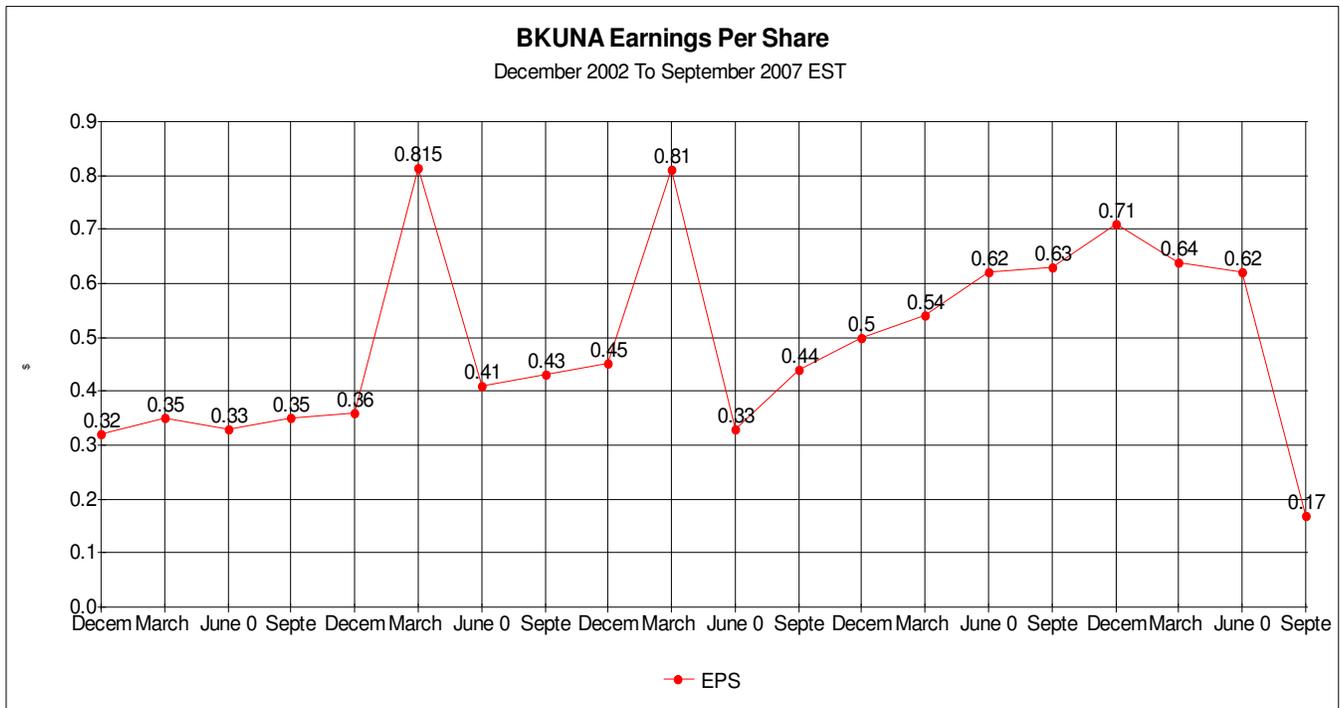
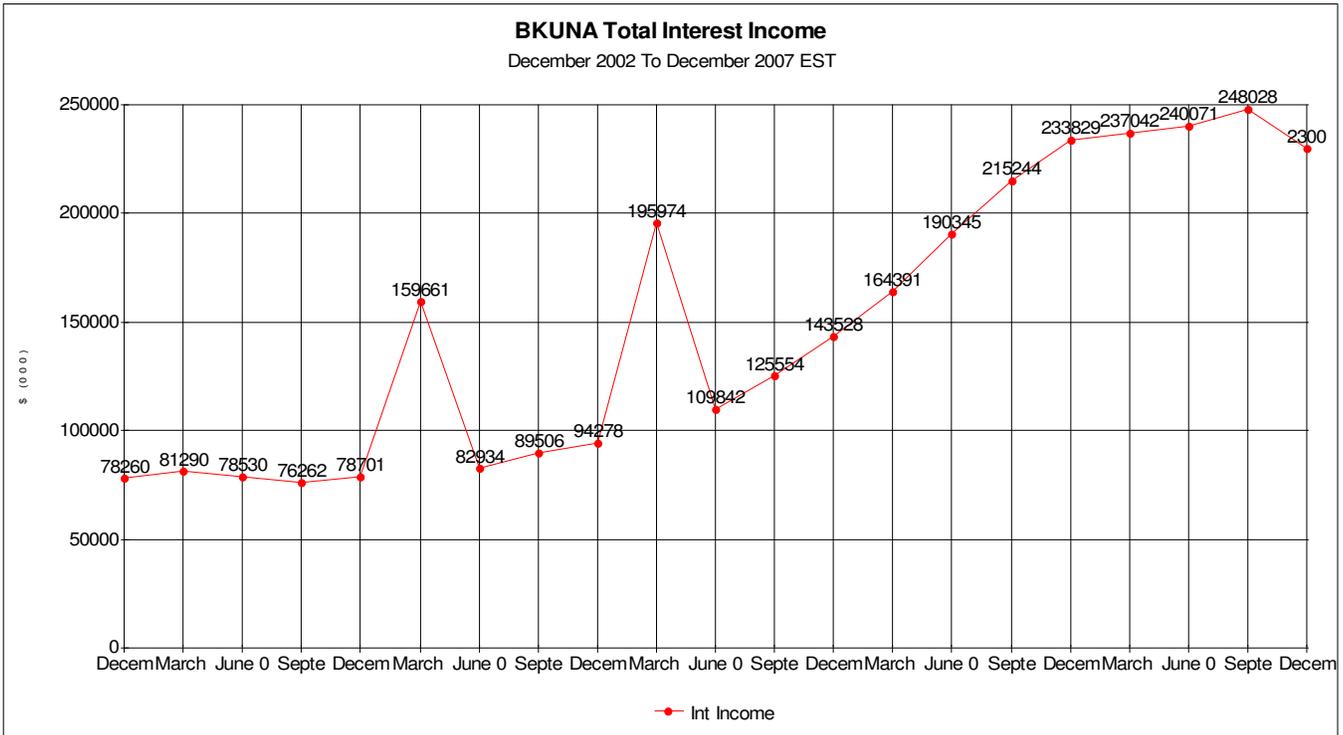
- **1<sup>st</sup> Short recommendation: 8-22-06 @ \$26.75** Holding period: 14 months
- **2<sup>nd</sup> Short recommendation: 1-29-07 @ \$27.19** Holding period: 9 months
- **3<sup>rd</sup> Short recommendation: 5-28-07 @ \$22.36** Holding period: 5 months
- **Average Short Price: \$25.43** Average holding period: 9.3 months
- **Close out 2/3<sup>rd</sup> : \$ 8.63**
- **Profit: +\$16.80 +66.1%**

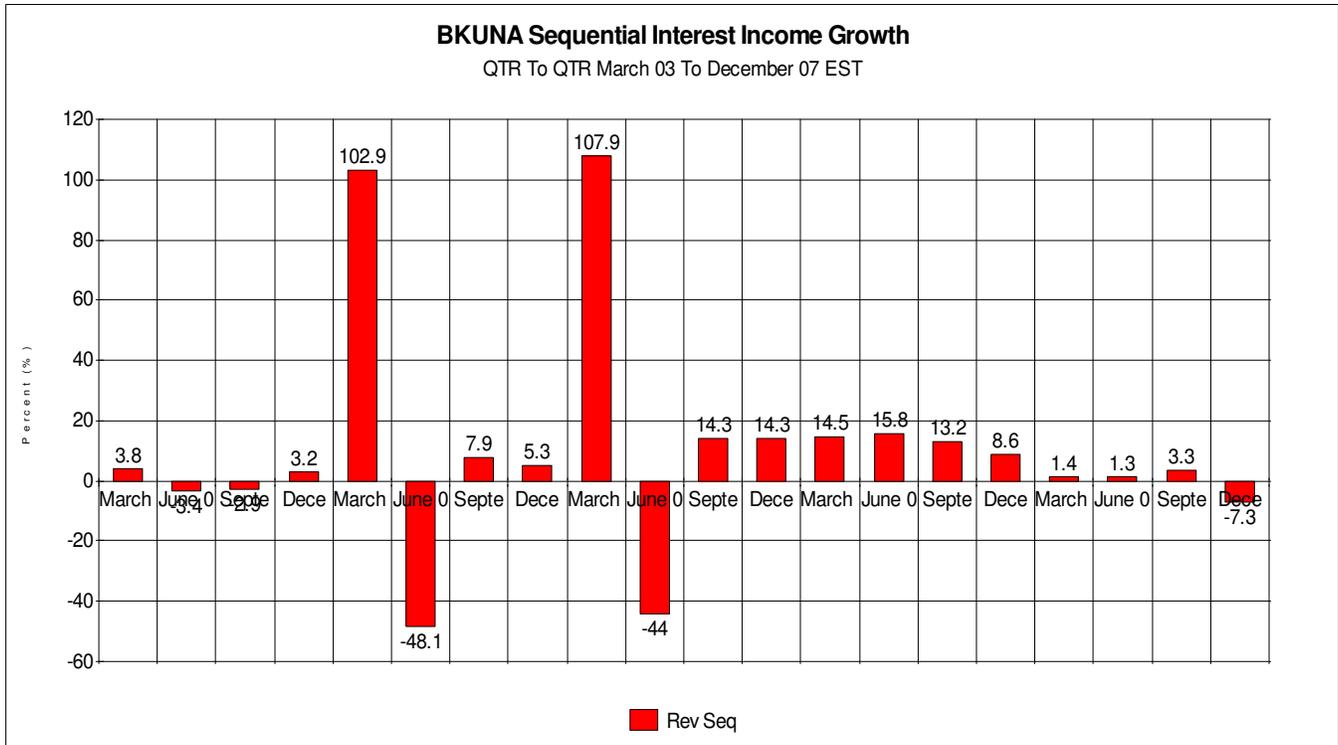
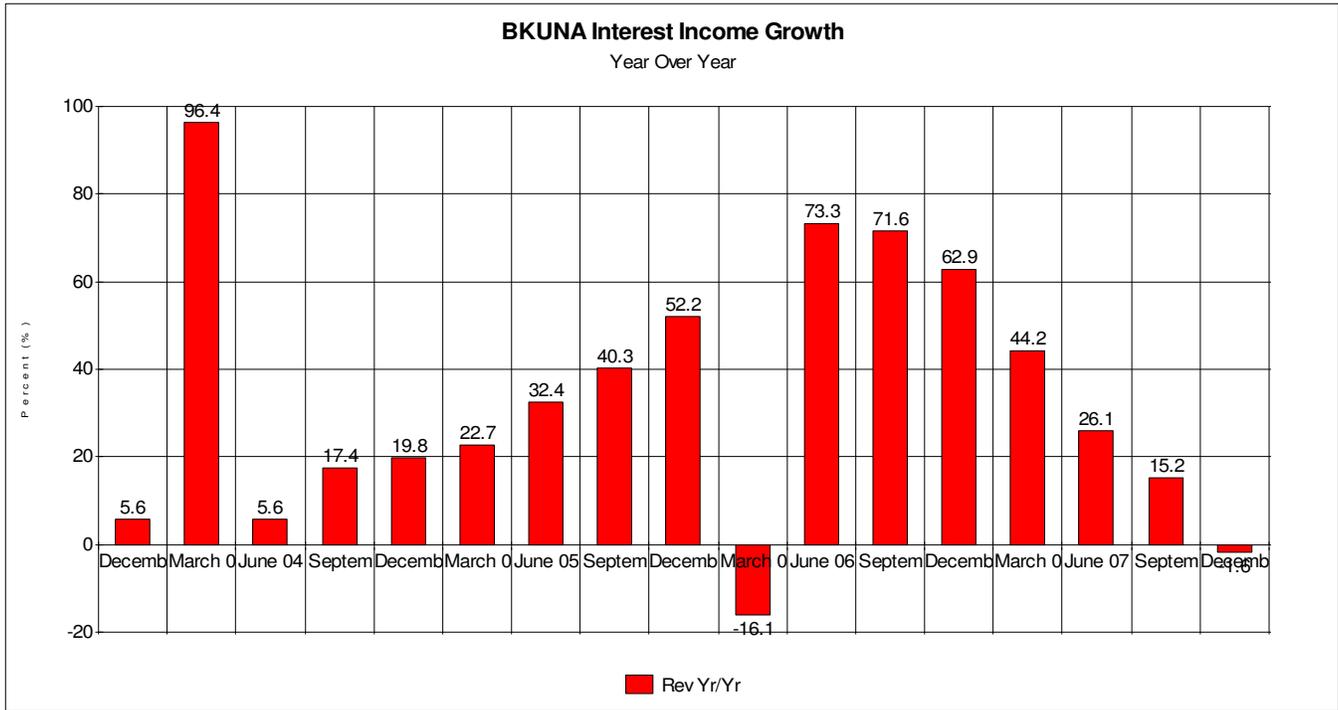
**Reasons For Closing Short Sale Recommendation**

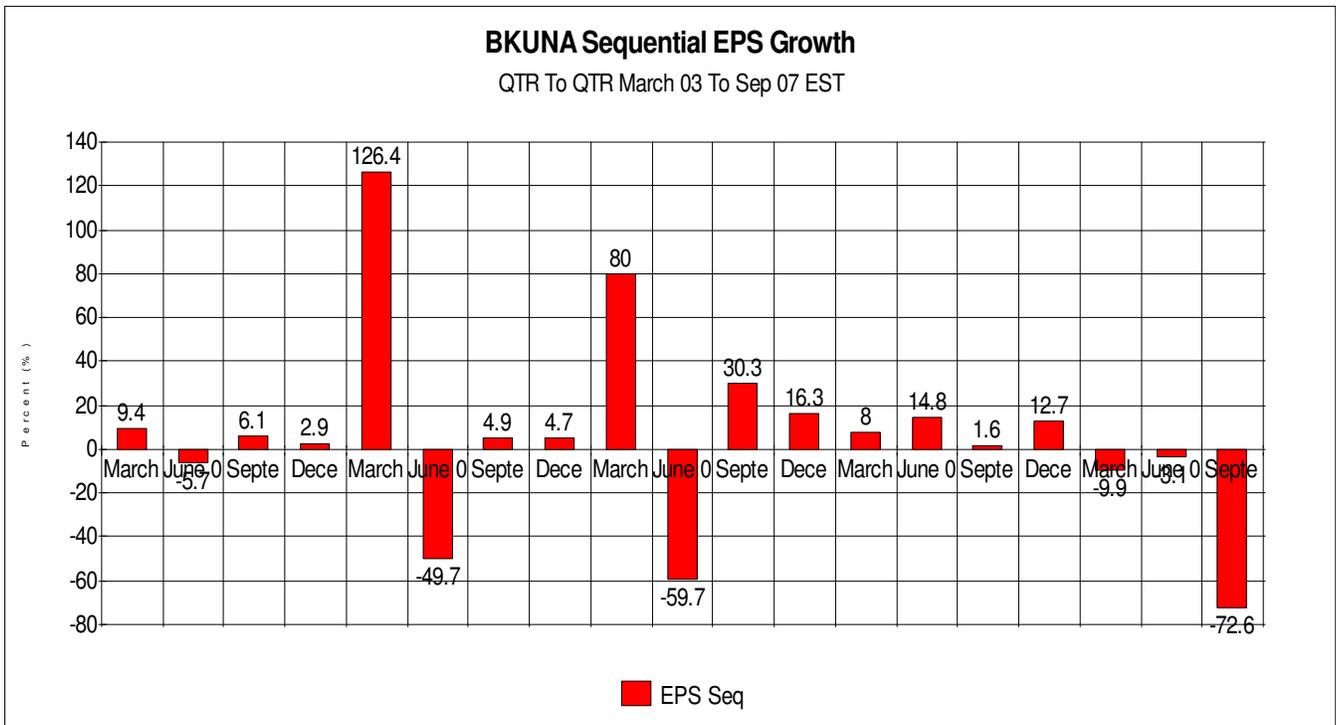
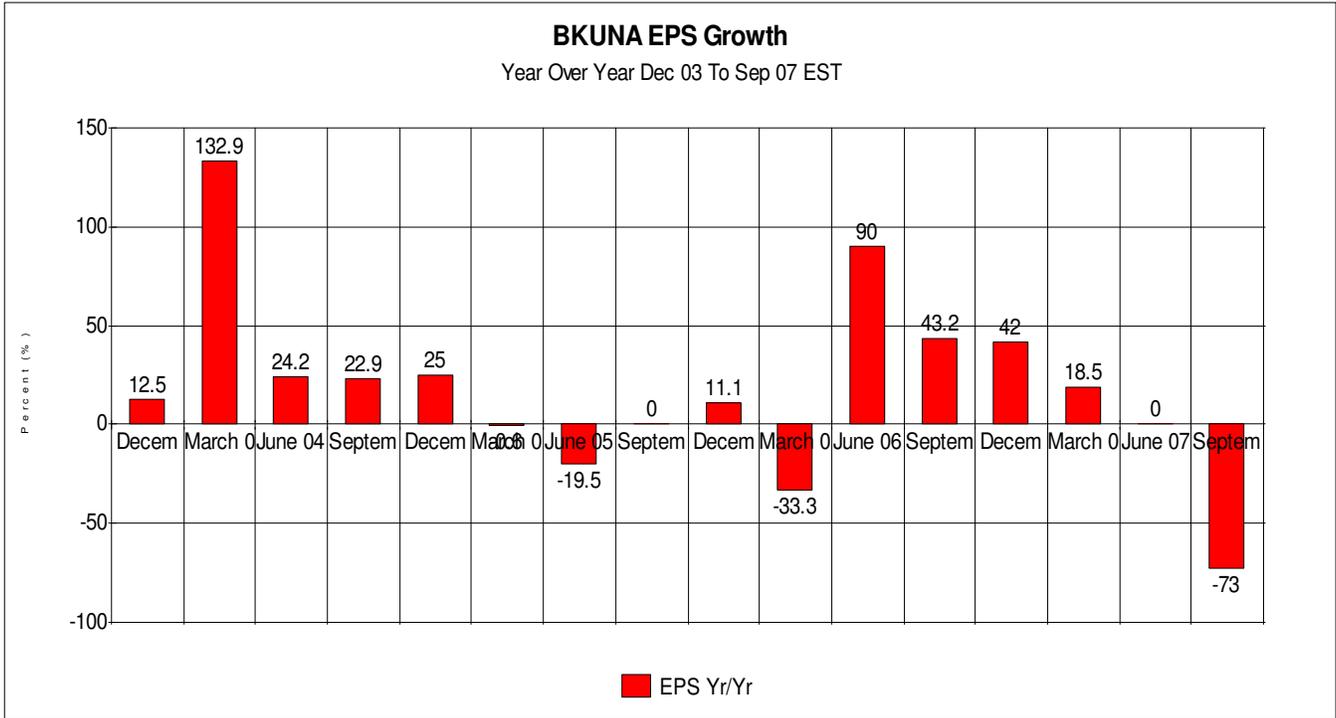
In our last report on BankUnited, October 4, 2007, we lowered our price target on BKUNA to \$9 per share due to increased non-performing assets. BKUNA has now gone below our price target. We recommend our clients take profits when this happens. We recommend that our clients hold on to the remaining 1/3<sup>rd</sup> of the original short sale.

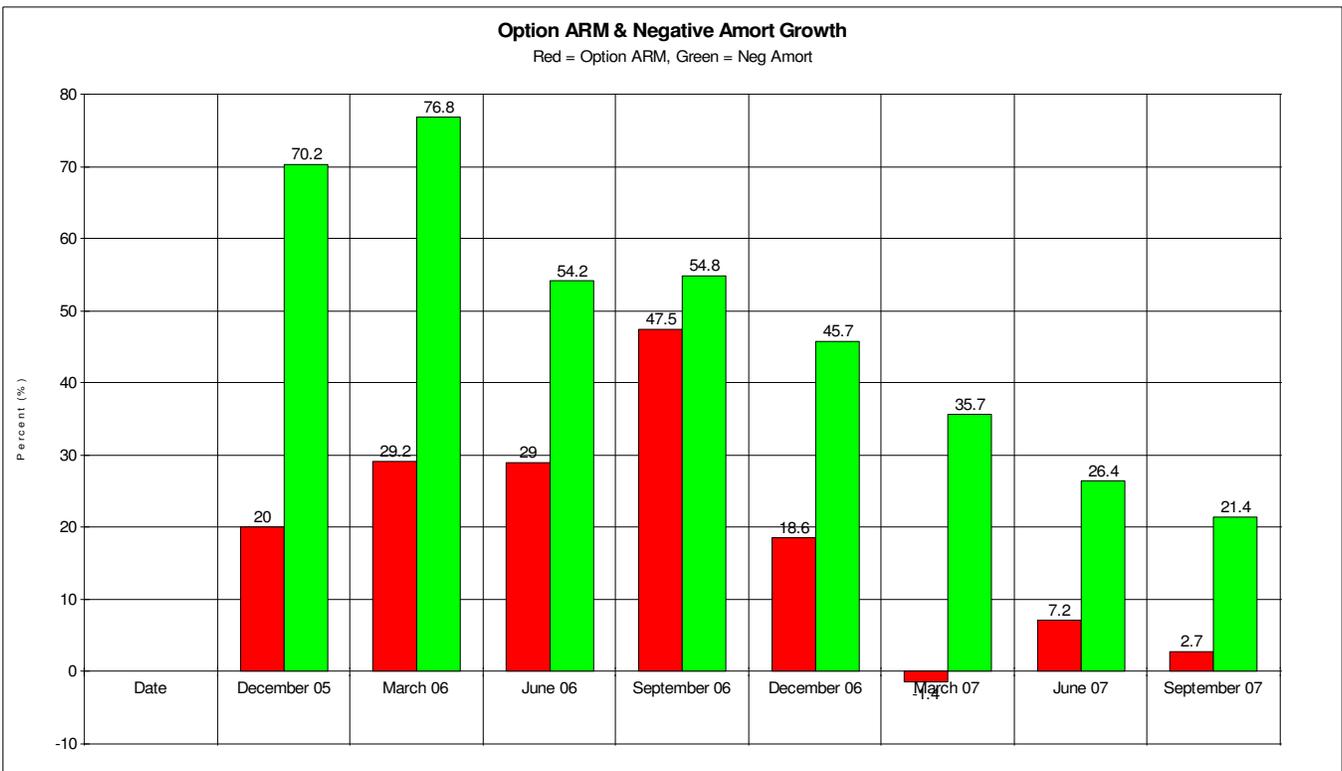
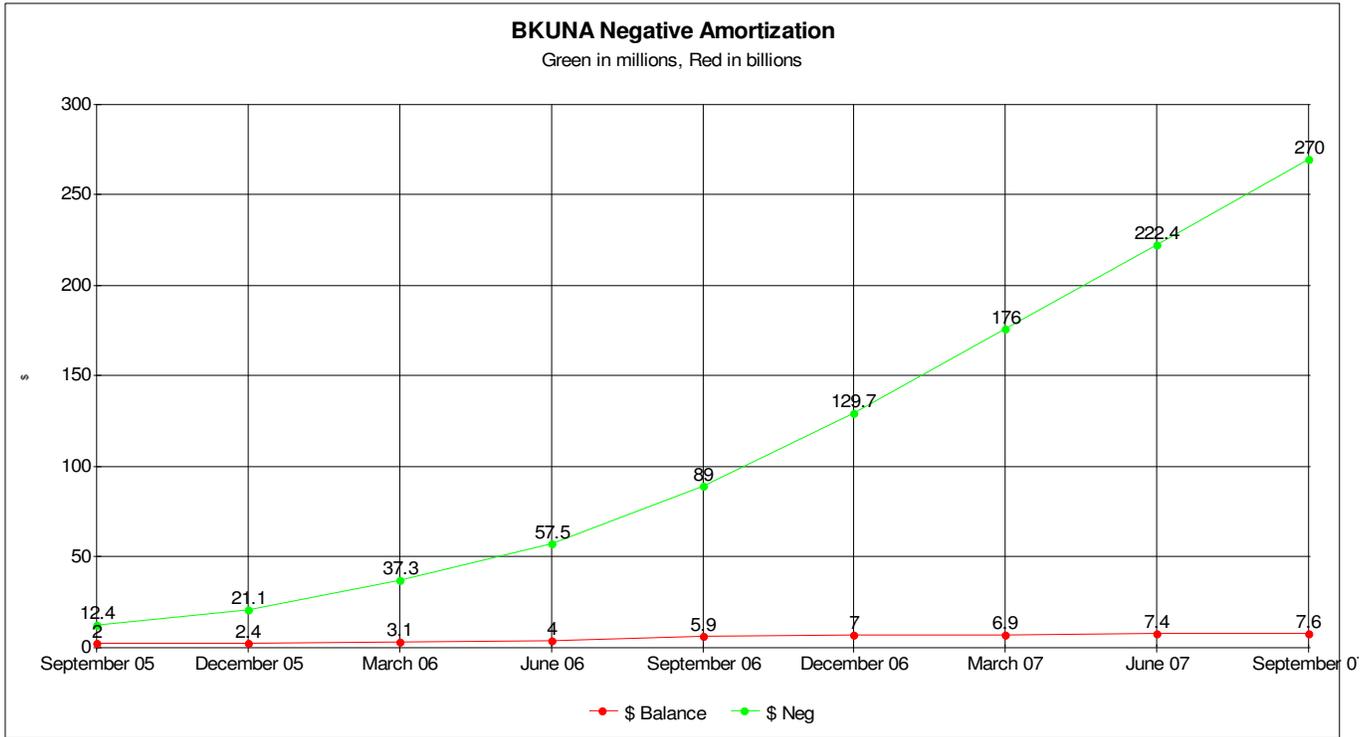
BKUNA has started to raise its allowances for loan losses, which is drastically reducing earnings. However, they have not raised the allowances nearly enough in our opinion. There are going to be several more quarters of bad news in our opinion.

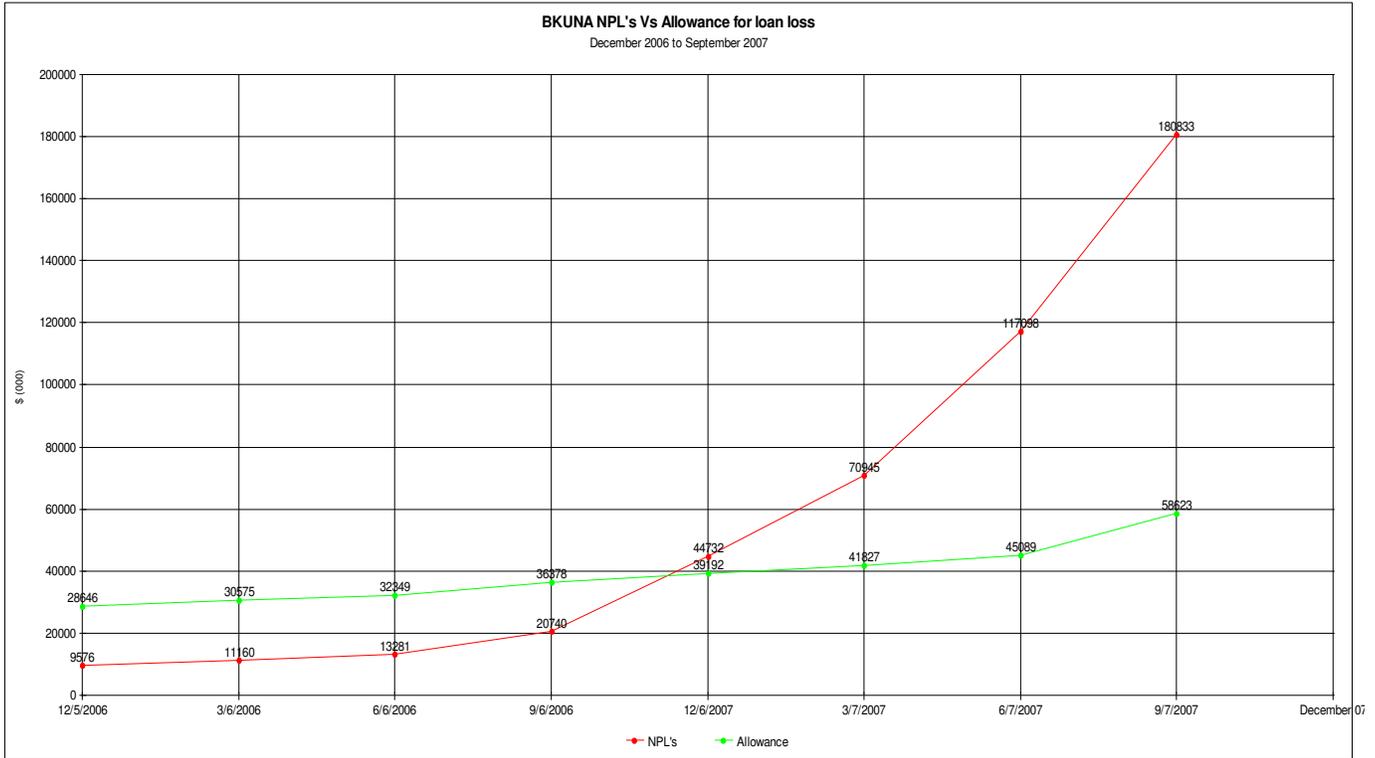
- BankUnited Financial Corporation reported 4Q07 EPS of \$0.17 on a reported GAAP basis. This was 25 cents below the company's estimate of \$0.42, which was lowered from \$0.63 just earlier this month! Also included in this number was a gain on sale of loans of \$0.255 million from the sale of \$221 million of residential loans. This gain was about 12 basis points, the secondary market for these loans deteriorated again during the quarter. BKUNA used to earn close to 100 basis points on the sale of these loans and frequently booked profits of about \$5 million per quarter. That is now gone.
- **Negative Amortization** increased from \$222.4 million to \$270 million, an increase of \$47.6 million or 21.4%, from the previous quarter! This increase of 21.4% occurred even though the Option Arm loan balance only increased 2.7% from \$7.4 billion to \$7.6 billion. This non-cash interest income was 89.6% of all interest income before interest expense. In other words, almost 90% of their revenue did not come in as cash but was added on to outstanding loan balances. We believe that much of this negative amortization will never be repaid.
- Non-cash interest income was 176% of total net interest income!
- **Total Non Performing Assets (NPA's) increased to \$208.1 million from \$124.5 million the previous quarter, an increase of \$84 million or 67.5%! Year over year, NPA's increased 871.5%, from \$21.5 million to \$208.5 million.** NPA's/total assets increased to 1.39% from 0.86 the previous quarter and from 0.16% a year earlier.
- Non performing loans have skyrocketed 1200% over the last 6 quarters from \$13.2 million to \$180.8 million in the latest quarter. While allowances for loan losses have only increased 81%, from \$32.3 million to \$58.6 million currently.
- BKUNA has 541 loans in foreclosure, up from 150 in the 2007 second quarter. This is an increase of 261%. Loan-To-Value (LTV) for loans in foreclosure rose to 86% from 79% last quarter. This LTV **includes** mortgage insurance, which means that the equity cushion is now down to about 6%.
- The remaining \$3.0 million of the \$14 million JV loan to TransEastern was charged off during the quarter, despite earlier pronouncements from management that "we felt that we would recover our entire proceeds." BKUNA lost \$5.6 million out of the \$14 million loan.
- Even Net Interest Margin (NIM) was lower in the quarter from 2.40% to 2.30% sequentially.
- During the quarter BKUNA bought back 315,413 shares at prices around \$15. For the 2007 fiscal year BKUNA repurchased 1.734 million shares at prices near \$20 on average because the stock was "cheap". Now with the stock at \$8.63 it is suspending buybacks.
- In September 2006 BKUNA had a \$36.3 million allowance for loan losses vs \$21.5 million in total NPA's, or 169.4%. Last quarter, BKUNA had \$45.1 million in allowances for \$124.4 million in total NPA's or 36.2%. Now, BKUNA has only \$58.6 million in allowances for \$208.5 million in total NPA's or 28.1%.











**BANKUNITED CL A**  
as of 31-Oct-2007

