EverBank Financial Corp
Form 10-Q
April 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

Q	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2014.

or

o	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

EverBank Financial Corp
(Exact name of registrant as specified in its charter)

Delaware	001-35533	52-2024090
(State of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

501 Riverside Ave., Jacksonville, FL	32202
(Address of principal executive offices)	(Zip Code)

904-281-6000
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes Q No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes Q No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Q	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No Q
As of April 25, 2014, there were 122,741,501 shares of common stock outstanding.

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Part I. Financial Information
Item 1. Financial Statements (unaudited)
EverBank Financial Corp and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)
(Dollars in thousands, except per share data)

	March 31, 2014	December 31, 2013
Assets		
Cash and due from banks	$60,587	$46,175
Interest-bearing deposits in banks	439,242	801,603
Total cash and cash equivalents	499,829	847,778
Investment securities:		
Available for sale, at fair value	1,118,646	1,115,627
Held to maturity (fair value of $117,910 and $107,921 as of March 31, 2014 and December 31, 2013, respectively)	116,984	107,312
Other investments	122,918	128,063
Total investment securities	1,358,548	1,351,002
Loans held for sale (includes $552,681 and $672,371 carried at fair value as of March 31, 2014 and December 31, 2013, respectively)	596,729	791,382
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	13,864,109	13,252,724
Allowance for loan and lease losses	(62,969)	(63,690)
Total loans and leases held for investment, net	13,801,140	13,189,034
Equipment under operating leases, net	24,170	28,126
Mortgage servicing rights (MSR), net	446,493	506,680
Deferred income taxes, net	42,140	51,375
Premises and equipment, net	60,654	60,733
Other assets	801,245	814,874
Total Assets	$17,630,948	$17,640,984
Liabilities		
Deposits:		
Noninterest-bearing	$1,054,796	$1,076,631
Interest-bearing	12,233,615	12,184,709
Total deposits	13,288,411	13,261,340
Other borrowings	2,377,000	2,377,000
Trust preferred securities	103,750	103,750
Accounts payable and accrued liabilities	214,148	277,881
Total Liabilities	15,983,309	16,019,971
Commitments and Contingencies (Note 13)		
Shareholders’ Equity		
Series A 6.75% Non-Cumulative Perpetual Preferred Stock, $0.01 par value (liquidation preference of $25,000 per share;10,000,000 shares authorized; 6,000 issued and outstanding at March 31, 2014 and December 31, 2013)	150,000	150,000
Common Stock, $0.01 par value (500,000,000 shares authorized; 122,703,958 and 122,626,315 issued and outstanding at March 31, 2014 and December 31, 2013, respectively)	1,227	1,226

Additional paid-in capital	834,460	832,351
Retained earnings	715,599	690,051
Accumulated other comprehensive income (loss) (AOCI)	(53,647)	(52,615)
Total Shareholders’ Equity	1,647,639	1,621,013
Total Liabilities and Shareholders’ Equity	$17,630,948	$17,640,984

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Income (unaudited)
(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Interest Income		
Interest and fees on loans and leases	$158,470	$173,786
Interest and dividends on investment securities	9,831	16,250
Other interest income	162	298
Total Interest Income	168,463	190,334
Interest Expense		
Deposits	22,607	26,823
Other borrowings	15,012	19,695
Total Interest Expense	37,619	46,518
Net Interest Income	130,844	143,816
Provision for Loan and Lease Losses	3,071	1,919
Net Interest Income after Provision for Loan and Lease Losses	127,773	141,897
Noninterest Income		
Loan servicing fee income	46,617	42,163
Amortization of mortgage servicing rights	(20,572)	(35,078)
Recovery (impairment) of mortgage servicing rights	4,941	12,555
Net loan servicing income	30,986	19,640
Gain on sale of loans	33,851	82,311
Loan production revenue	4,579	9,489
Deposit fee income	3,335	5,925
Other lease income	4,905	6,411
Other	6,928	9,533
Total Noninterest Income	84,584	133,309
Noninterest Expense		
Salaries, commissions and other employee benefits expense	97,694	110,479
Equipment expense	18,648	19,852
Occupancy expense	8,072	7,384
General and administrative expense	36,798	74,101
Total Noninterest Expense	161,212	211,816
Income before Provision for Income Taxes	51,145	63,390
Provision for Income Taxes	19,385	24,244
Net Income	$31,760	$39,146
Less: Net Income Allocated to Preferred Stock	(2,531)	(2,531)
Net Income Allocated to Common Shareholders	$29,229	$36,615
Basic Earnings Per Common Share	$0.24	$0.30
Diluted Earnings Per Common Share	$0.23	$0.30
Dividends Declared Per Common Share	$0.03	$0.02

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Net Income	$31,760	$39,146
Unrealized Gains (Losses) on Debt Securities		
Unrealized gains (losses) due to changes in fair value	(90)	704
Tax effect	34	(264)
Change in unrealized gains (losses) on debt securities	(56)	440
Interest Rate Swaps		
Net unrealized gains (losses) due to changes in fair value	(5,624)	4,383
Reclassification of net unrealized losses to interest expense	4,050	5,357
Tax effect	598	(3,720)
Change in interest rate swaps	(976)	6,020
Other Comprehensive Income (Loss)	(1,032)	6,460
Comprehensive Income (Loss)	$30,728	$45,606

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (unaudited)
(Dollars in thousands)

	Shareholders' Equity					
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Equity
Balance, January 1, 2014	$150,000	$1,226	$832,351	$690,051	$(52,615)	$1,621,013
Net income	—	—	—	31,760	—	31,760
Other comprehensive income (loss)	—	—	—	—	(1,032)	(1,032)
Issuance of common stock	—	1	209	—	—	210
Share-based grants (including income tax benefits)	—	—	1,900	—	—	1,900
Cash dividends on common stock	—	—	—	(3,681)	—	(3,681)
Cash dividends on preferred stock	—	—	—	(2,531)	—	(2,531)
Balance, March 31, 2014	$150,000	$1,227	$834,460	$715,599	$(53,647)	$1,647,639
Balance, January 1, 2013	$150,000	$1,210	$811,085	$575,665	$(86,784)	$1,451,176
Net income	—	—	—	39,146	—	39,146
Other comprehensive income (loss)	—	—	—	—	6,460	6,460
Issuance of common stock, net of issue costs	—	11	8,540	—	—	8,551
Share-based grants (including income tax benefits)	—	—	4,071	—	—	4,071
Cash dividends on common stock	—	—	—	(2,431)	—	(2,431)
Cash dividends on preferred stock	—	—	—	(2,531)	—	(2,531)
Balance, March 31, 2013	$150,000	$1,221	$823,696	$609,849	$(80,324)	$1,504,442

See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Operating Activities:		
Net income	$31,760	$39,146
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and deferred origination costs	8,423	10,385
Depreciation and amortization of tangible and intangible assets	8,753	9,901
Reclassification of net loss on settlement of interest rate swaps	4,050	5,357
Amortization and impairment of mortgage servicing rights, net of recoveries	15,631	22,523
Deferred income taxes (benefit)	9,853	2,839
Provision for loan and lease losses	3,071	1,919
Loss on other real estate owned (OREO)	892	1,923
Share-based compensation expense	1,719	1,779
Payments for settlement of forward interest rate swaps	(11,161)	(14,416)
Other operating activities	(896)	299
Changes in operating assets and liabilities:		
Loans held for sale, including proceeds from sales and repayments	199,591	(376,076)
Other assets	71,148	95,214
Accounts payable and accrued liabilities	(40,241)	(44,338)
Net cash provided by (used in) operating activities	302,593	(243,545)
Investing Activities:		
Investment securities available for sale:		
Purchases	(77,994)	—
Proceeds from prepayments and maturities	76,687	122,874
Investment securities held to maturity:		
Purchases	(14,162)	(8,900)
Proceeds from prepayments and maturities	4,332	27,365
Purchases of other investments	(72,902)	(40,175)
Proceeds from sales of other investments	78,048	54,277
Net change in loans and leases held for investment	(753,139)	98,476
Purchases of premises and equipment, including equipment under operating leases	(5,092)	(3,852)
Purchases of mortgage servicing assets	(1,320)	—
Proceeds related to sale or settlement of other real estate owned	8,837	5,540
Proceeds from insured foreclosure claims	59,616	59,817
Proceeds from sale of mortgage servicing rights	37,738	289
Other investing activities	1,075	(2,443)
Net cash provided by (used in) investing activities	(658,276)	313,268
Financing Activities:		
Net increase (decrease) in nonmaturity deposits	(148,422)	524,999
Net increase (decrease) in time deposits	161,977	11,827
Net change in repurchase agreements	—	(142,322)
Net change in short-term Federal Home Loan Bank (FHLB) advances	(25,000)	(400,000)
Proceeds from long-term FHLB advances	75,000	150,000
Repayments of long-term FHLB advances, including early extinguishment	(50,000)	(73,158)
Proceeds from issuance of common stock	210	8,551

Other financing activities	(6,031)	(138)
Net cash provided by (used in) financing activities	7,734	79,759
Net change in cash and cash equivalents	(347,949)	149,482
Cash and cash equivalents at beginning of period	847,778	443,914
Cash and cash equivalents at end of period	$499,829	$593,396

See Note 1 for disclosures related to supplemental noncash information.
See notes to unaudited condensed consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)
(Dollars in thousands, except per share data)

1. Organization and Basis of Presentation

a) Organization — EverBank Financial Corp (the Company) is a savings and loan holding company with two direct operating subsidiaries, EverBank (EB) and EverBank Funding, LLC (EBF). EB is a federally chartered thrift institution with its home office located in Jacksonville, Florida. Its direct banking services are offered nationwide. In addition, EB operates financial centers in Florida and commercial and consumer lending centers across the United States. EB (a) accepts deposits from the general public; (b) originates, purchases, services, sells and securitizes residential real estate mortgage loans, commercial real estate loans and commercial loans and leases; (c) originates consumer and home equity loans; and (d) offers full-service securities brokerage and investment advisory services.
EB’s subsidiaries are:

- AMC Holding, Inc., the parent of CustomerOne Financial Network, Inc.;
- Tygris Commercial Finance Group, Inc. (Tygris), the parent of EverBank Commercial Finance, Inc.;
- EverInsurance, Inc.;
- Elite Lender Services, Inc.;
- EverBank Wealth Management, Inc.; and
- Business Property Lending, Inc.

On February 14, 2013, the Company formed EverBank Funding, LLC, a Delaware limited liability company, to facilitate the pooling and securitization of mortgage loans for issuance into the secondary market.

b) Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes necessary for a complete presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with generally accepted accounting principles. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for acquired companies are included from their respective dates of acquisition. In management’s opinion, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations, comprehensive income, and changes in cash flows have been made.
GAAP requires management to make estimates that affect the reported amounts and disclosures of contingencies in the condensed consolidated financial statements. Estimates by their nature are based on judgment and available information. Material estimates relate to the Company’s allowance for loan and lease losses, loans and leases acquired with evidence of credit deterioration, repurchase obligations, contingent liabilities, and the fair values of investment securities, loans held for sale, MSR and derivative instruments. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

c) Supplemental Cash Flow Information - Noncash investing activities are presented in the following table:

	Three Months Ended March 31,	
	2014	2013
Supplemental Schedules of Noncash Activities:		
Loans transferred to foreclosure claims	$119,353	$142,289

Loans transferred from held for investment to held for sale	110,209	101,984

2. Recent Accounting Pronouncements

Presentation of Residential Mortgage Loans Upon Foreclosure — In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, Receivables- Troubled Debt Restructurings by Creditors (Subtopic 310-40), which will eliminate diversity in practice regarding the timing of derecognition for residential mortgage loans when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. Under ASU 2014-04, physical possession of residential real estate property is achieved when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or the borrower conveys all interest in the residential real estate property through completion of a deed in lieu of foreclosure in order to satisfy that loan. Once physical possession has been achieved, the loan is derecognized and the property recorded within other assets at the lower of cost or fair value (less estimated costs to sell). In addition, the guidance requires both interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The additional disclosure requirements are effective for annual reporting periods beginning on or after December 15, 2014, and interim periods within those annual periods with retrospective disclosure necessary for all comparative periods presented. The adoption of this standard will result in additional disclosures but is not expected to have any impact on the Company’s condensed consolidated financial statements or results of operations.

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3. Investment Securities

The amortized cost and fair value of investment securities with gross unrealized gains and losses were as follows as of March 31, 2014 and December 31, 2013:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
March 31, 2014					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	$1,101,296	$13,445	$3,264	$1,111,477	$1,111,477
Asset-backed securities (ABS)	3,260	—	640	2,620	2,620
Other	2,924	1,625	—	4,549	4,549
Total available for sale securities	$1,107,480	$15,070	$3,904	$1,118,646	$1,118,646
Held to maturity:					
Residential CMO securities - agency	$38,289	$1,116	$2	$39,403	$38,289
Residential mortgage-backed securities (MBS) - agency	78,695	856	1,044	78,507	78,695
Total held to maturity securities	$116,984	$1,972	$1,046	$117,910	$116,984
December 31, 2013					
Available for sale:					
Residential CMO securities - nonagency	$1,097,293	$15,253	$3,275	$1,109,271	$1,109,271
Asset-backed securities	4,144	—	1,058	3,086	3,086
Other	2,933	337	—	3,270	3,270
Total available for sale securities	$1,104,370	$15,590	$4,333	$1,115,627	$1,115,627
Held to maturity:					
Residential CMO securities - agency	$41,347	$1,408	$5	$42,750	$41,347
Residential MBS - agency	65,965	754	1,548	65,171	65,965
Total held to maturity securities	$107,312	$2,162	$1,553	$107,921	$107,312

At March 31, 2014 and December 31, 2013, investment securities with a carrying value of $187,240 and $181,836, respectively, were pledged to secure other borrowings, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

For the three months ended March 31, 2014 and 2013, there were no gross gains or gross losses realized on available for sale investments.

The gross unrealized losses and fair value of the Company's investments in an unrealized loss position at March 31, 2014 and December 31, 2013, aggregated by investment category and the length of time individual securities have been in a continuous unrealized loss position, are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2014						
Debt securities:						
Residential CMO securities - nonagency	$263,146	$3,039	$10,262	$225	$273,408	$3,264
Residential CMO securities - agency	633	2	—	—	633	2
Residential MBS - agency	51,957	917	2,237	127	54,194	1,044
Asset-backed securities	—	—	2,620	640	2,620	640
Total debt securities	$315,736	$3,958	$15,119	$992	$330,855	$4,950
December 31, 2013						
Debt securities:						
Residential CMO securities - nonagency	$169,829	$3,012	$10,932	$263	$180,761	$3,275

Residential CMO securities - agency	887	5	—	—	887	5
Residential MBS - agency	54,355	1,548	—	—	54,355	1,548
Asset-backed securities	—	—	3,086	1,058	3,086	1,058
Total debt securities	$225,071	$4,565	$14,018	$1,321	$239,089	$5,886

The Company had unrealized losses at March 31, 2014 and December 31, 2013 on residential CMO securities, residential agency MBS, and ABS. These unrealized losses are primarily attributable to weak market conditions and interest rates. Based on the nature of the impairment, these unrealized losses are considered temporary. The Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before their anticipated recovery.

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At March 31, 2014, the Company had 50 debt securities in an unrealized loss position. A total of 42 were in an unrealized loss position for less than 12 months. These 42 securities consisted of 27 residential nonagency CMO securities, one residential agency CMO security and 14 residential agency MBS. The remaining eight debt securities were in an unrealized loss position for 12 months or longer. These eight securities consisted of three ABS, one residential agency MBS and four residential nonagency CMO securities. Of the $4,950 in unrealized losses, $3,942 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

At December 31, 2013, the Company had 36 debt securities in an unrealized loss position. A total of 29 were in an unrealized loss position for less than 12 months. These 29 securities consisted of 14 residential nonagency CMO securities, one residential agency CMO security and 14 residential agency MBS. The remaining seven debt securities were in an unrealized loss position for 12 months or longer. These seven securities consisted of three ABS and four non agency residential CMO securities. Of the $5,886 in unrealized losses, $4,659 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

When certain triggers indicate the likelihood of an other-than-temporary-impairment (OTTI) or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analyses that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI. There were no OTTI losses recognized on available for sale or held to maturity securities during the three months ended March 31, 2014 or 2013.

During the three months ended March 31, 2014 and 2013, interest and dividend income on investment securities was comprised of the following:

	Three Months Ended March 31,	
	2014	2013
Interest income on available for sale securities	$8,805	$14,865
Interest income on held to maturity securities	781	624
Other interest and dividend income	245	761
	$9,831	$16,250

All investment interest income recognized by the Company during the three months ended March 31, 2014 and 2013 was fully taxable.

4. Loans Held for Sale

Loans held for sale as of March 31, 2014 and December 31, 2013, consist of the following:

	March 31, 2014	December 31, 2013
Mortgage warehouse (carried at fair value)	$488,976	$613,459
Other residential (carried at fair value)	63,705	58,912
Total loans held for sale carried at fair value	552,681	672,371
Government insured pool buyouts	26,570	53,823
Other residential	7,699	8,939
Commercial and commercial real estate	9,779	56,249
Total loans held for sale carried at lower of cost or market	44,048	119,011
Total loans held for sale	$596,729	$791,382

The Company typically transfers originated or acquired residential mortgage loans to various financial institutions, government agencies, or government-sponsored enterprises. In addition, the Company enters into loan securitization transactions related to certain conforming and non-conforming residential mortgage loans. In connection with the conforming loan transactions, loans are converted into mortgage-backed securities issued primarily by the Federal

Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA), and are subsequently sold to third party investors. For non-conforming transactions the Company either sells whole loans to qualified institutional buyers or the Company’s special purpose wholly-owned subsidiary, EverBank Funding, LLC issues certificates that are offered and sold to qualified institutional buyers. Typically, the Company accounts for these transfers as sales and either retains or releases the right to service the loans. The servicing arrangement represents the Company's continuing involvement with these transferred loans.

In addition, the Company also may be exposed to limited liability related to recourse agreements and repurchase agreements made to our issuers and purchasers, which are included in commitments and contingencies in Note 13. Commitments and contingencies include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties. Refer to Note 13 for the maximum exposure to loss for material breach of contractual representations and warranties.

Other residential loans held for sale carried at fair value represent preferred jumbo residential mortgage loans that the Company originated with the intent to market and sell in the secondary market either through third party sales or securitizations. The Company has elected the fair value option for these loans to provide a better offset of the changes in the fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Other residential loans held for sale that are carried at lower of cost or market value represent loans acquired or originated by the Company with the intention to hold these loans for a short duration and subsequently sell in the near term. Commercial and commercial real

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estate loans held for sale carried at the lower of cost or market represent the portion of certain commercial lines of credit that the Company has the intent to market and sell.
The following is a summary of cash flows related to transfers accounted for as sales for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Proceeds received from agency securitizations	$1,187,074	$2,404,610
Proceeds received from nonagency sales - residential	76,387	341,882
Proceeds received from nonagency sales - commercial and commercial real estate	38,811	—
Proceeds received from nonagency sales	$115,198	$341,882
Repurchased loans from agency securitizations	$301	$1,092
Repurchased loans from nonagency sales	1,152	5,277

The Company periodically transfers conforming residential GNMA mortgages in exchange for mortgage-backed securities. As of March 31, 2014 and December 31, 2013, the Company retained $22,785 and $50,534, respectively, of these securities backed by the transferred loans and maintained effective control over these pools of transferred assets. Accordingly, the Company did not record these transfers as sales. These transferred assets were recorded in the condensed consolidated balance sheets as loans held for sale. The remaining securities were sold to unrelated third parties and were recorded as sales.
The gains and losses on the transfers which qualified as sales are recorded on the consolidated statements of income in gain on sale of loans, which includes the gain or loss on sale, change in fair value related to our fair value option loans, and the offsetting hedging positions.
In connection with these transfers, the Company recorded servicing assets in the amount of $11,552 and $23,501 for the three months ended March 31, 2014 and 2013, respectively. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 7 for information relating to servicing activities and MSR.
During the three months ended March 31, 2014, the Company transferred $26,351 in residential mortgage loans from loans held for sale to loans held for investment at lower of cost or market. A majority of these loans were originated residential preferred jumbo adjustable rate mortgages (ARM) which were intended to be sold in the secondary market. As a result of changing economic conditions and the Company's capacity and desire to hold these loans on the balance sheet, the Company intends to hold these loans for the foreseeable future and has transferred these loans to the held for investment portfolio. During the three months ended March 31, 2013, the Company transferred $24,440 in residential mortgage loans held for sale to loans held for investment at lower of cost or market as the Company had the intent to hold these loans for the foreseeable future.
During the three months ended March 31, 2014 and March 31, 2013, the Company transferred $110,209 and $101,984, respectively, of loans held for investment to held for sale at lower of cost or market. The majority of these loans were government insured pool buyouts initially originated for the held for investment portfolio. These loans were transferred to held for sale based upon a change in intent to no longer hold these loans for the foreseeable future.

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5. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of March 31, 2014 and December 31, 2013 are comprised of the following:

	March 31, 2014	December 31, 2013
Residential mortgages	$7,599,826	$7,044,743
Commercial and commercial real estate	4,819,020	4,812,970
Lease financing receivables	1,292,750	1,237,941
Home equity lines	147,086	151,916
Consumer and credit card	5,427	5,154
Total loans and leases held for investment, net of discounts	13,864,109	13,252,724
Allowance for loan and lease losses	(62,969)	(63,690)
Total loans and leases held for investment, net	$13,801,140	$13,189,034

As of March 31, 2014 and December 31, 2013, the carrying values presented above include net purchased loan and lease discounts and net deferred loan and lease origination costs as follows:

	March 31, 2014	December 31, 2013
Net purchased loan and lease discounts	$79,905	$102,416
Net deferred loan and lease origination costs	64,688	54,107

Acquired Credit Impaired (ACI) Loans and Leases — At acquisition, the Company estimates the fair value of acquired loans and leases by segregating the portfolio into pools with similar risk characteristics. Fair value estimates for acquired loans and leases require estimates of the amounts and timing of expected future principal, interest and other cash flows. For each pool, the Company uses certain loan and lease information, including outstanding principal balance, probability of default and the estimated loss in the event of default to estimate the expected future cash flows for each loan and lease pool.

Acquisition date details of loans and leases acquired with evidence of credit deterioration during the three months ended March 31, 2014 and 2013 are as follows:

	March 31, 2014	March 31, 2013
Contractual payments receivable for acquired loans and leases at acquisition	$308,426	$78,496
Expected cash flows for acquired loans and leases at acquisition	207,240	45,914
Basis in acquired loans and leases at acquisition	193,177	41,944

Information pertaining to the ACI portfolio as of March 31, 2014 and December 31, 2013 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
March 31, 2014			
Carrying value, net of allowance	$757,833	$307,806	$1,065,639
Outstanding unpaid principal balance (UPB)	793,839	313,712	1,107,551
Allowance for loan and lease losses, beginning of period	4,925	9,834	14,759
Allowance for loan and lease losses, end of period	4,638	10,659	15,297
December 31, 2013			
Carrying value, net of allowance	$646,470	$331,771	$978,241
Outstanding unpaid principal balance	696,222	339,179	1,035,401
Allowance for loan and lease losses, beginning of year	5,175	16,789	21,964
Allowance for loan and lease losses, end of year	4,925	9,834	14,759

The Company recorded $534 and $1,570 in provision for loan and lease losses for the ACI portfolio for the three months ended March 31, 2014 and 2013, respectively. The adjustments to provision are the result of changes in expected cash flows on ACI loans.

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The following is a summary of the accretable yield activity for the ACI loans during the three months ended March 31, 2014 and 2013:

	Residential	Commercial and Commercial Real Estate	Total
March 31, 2014			
Balance, beginning of period	$101,183	$59,663	$160,846
Additions	14,063	—	14,063
Accretion	(13,034)	(5,563)	(18,597)
Reclassifications to accretable yield	2,056	17,916	19,972
Balance, end of period	$104,268	$72,016	$176,284
March 31, 2013			
Balance, beginning of period	111,868	108,540	220,408
Additions	3,970	—	3,970
Accretion	(10,132)	(9,854)	(19,986)
Reclassifications (from) to accretable yield	2,034	10,551	12,585
Balance, end of period	$107,740	$109,237	$216,977

Covered Loans and Leases — Covered loans and leases are acquired and recorded at fair value at acquisition, exclusive of the indemnification agreement with former shareholders of Tygris. All loans and leases acquired through the purchase of Tygris are considered covered during the applicable indemnification period. The recorded investment of loans covered under the Tygris indemnification agreement are $17,458 and $24,330 at March 31, 2014 and December 31, 2013, respectively. As of March 31, 2014, the Company does not expect to receive cash payments under these indemnification agreements due to the performance of the underlying loans.

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6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the three months ended March 31, 2014 and 2013 are as follows:

Three Months Ended March 31, 2014	Residential Mortgages	Commercial and Commercial Real Estate	Lease Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of period	$26,497	$29,987	$ 4,273	$2,812	$121	$63,690
Provision for loan and lease losses	1,503	284	1,038	283	(37)	3,071
Charge-offs	(3,165)	(5)	(1,189)	(316)	(15)	(4,690)
Recoveries	566	1	190	141	—	898
Balance, end of period	$25,401	$30,267	$ 4,312	$2,920	$69	$62,969
Three Months Ended March 31, 2013						
Balance, beginning of period	$33,631	$39,863	$ 3,181	$5,265	$162	$82,102
Provision for loan and lease losses	1,512	(324)	1,038	(323)	16	1,919
Charge-offs	(5,069)	(1,447)	(708)	(489)	(20)	(7,733)
Recoveries	111	443	79	129	17	779
Balance, end of period	$30,185	$38,535	$ 3,590	$4,582	$175	$77,067

The following tables provide a breakdown of the allowance for loan and lease losses and the recorded investment in loans and leases based on the method for determining the allowance as of March 31, 2014 and December 31, 2013:

March 31, 2014	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 8,630	$12,133	$4,638	$25,401
Commercial and commercial real estate	928	18,680	10,659	30,267
Lease financing receivables	—	4,312	—	4,312
Home equity lines	—	2,920	—	2,920
Consumer and credit card	—	69	—	69
Total allowance for loan and lease losses	$ 9,558	$38,114	$15,297	$62,969
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 83,240	$6,754,115	$762,471	$7,599,826
Commercial and commercial real estate	30,128	4,470,427	318,465	4,819,020
Lease financing receivables	—	1,292,750	—	1,292,750
Home equity lines	—	147,086	—	147,086
Consumer and credit card	—	5,427	—	5,427
Total loans and leases held for investment	$ 113,368	$12,669,805	$1,080,936	$13,864,109

December 31, 2013	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 9,134	$12,438	$4,925	$26,497
Commercial and commercial real estate	248	19,905	9,834	29,987
Lease financing receivables	—	4,273	—	4,273
Home equity lines	—	2,812	—	2,812
Consumer and credit card	—	121	—	121

Total allowance for loan and lease losses	$ 9,382	$ 39,549	$ 14,759	$ 63,690
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 90,472	$ 6,302,876	$ 651,395	$ 7,044,743
Commercial and commercial real estate	22,747	4,448,618	341,605	4,812,970
Lease financing receivables	—	1,237,941	—	1,237,941
Home equity lines	—	151,916	—	151,916
Consumer and credit card	—	5,154	—	5,154
Total loans and leases held for investment	$ 113,219	$ 12,146,505	$ 993,000	$ 13,252,724

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The Company uses a risk grading matrix to monitor credit quality for commercial and commercial real estate loans. Risk grades are continuously monitored and updated by credit administration personnel based on current information and events. The Company monitors the credit quality of all other loan types based on performing status.
The following tables present the recorded investment for loans and leases by credit quality indicator as of March 31, 2014 and December 31, 2013:

	Performing	Non-performing Accrual	Nonaccrual	Total
March 31, 2014				
Residential mortgages:				
Residential [1]	$5,643,662	$—	$44,391	$5,688,053
Government insured pool buyouts [2] [3]	1,321,449	590,324	—	1,911,773
Lease financing receivables	1,287,304	—	5,446	1,292,750
Home equity lines	143,624	—	3,462	147,086
Consumer and credit card	5,393	—	34	5,427
Total	$8,401,432	$590,324	$53,333	$9,045,089

	Pass	Special Mention	Substandard	Doubtful	Total
March 31, 2014					
Commercial and commercial real estate:					
Commercial	$1,664,499	$—	$1,187	$—	$1,665,686
Commercial real estate	2,960,278	29,724	163,332	—	3,153,334
Total commercial and commercial real estate	$4,624,777	$29,724	$164,519	$—	$4,819,020

	Performing	Non-performing Accrual	Nonaccrual	Total
December 31, 2013				
Residential mortgages:				
Residential [1]	$5,096,589	$—	$56,517	$5,153,106
Government insured pool buyouts [2] [3]	1,219,719	671,918	—	1,891,637
Lease financing receivables	1,233,414	—	4,527	1,237,941
Home equity lines	148,646	—	3,270	151,916
Consumer and credit card	5,117	—	37	5,154
Total	$7,703,485	$671,918	$64,351	$8,439,754

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2013					
Commercial and commercial real estate:					
Commercial	$1,621,479	$135	$1,106	$—	$1,622,720
Commercial real estate	2,989,493	34,012	166,745	—	3,190,250
Total commercial and commercial real estate	$4,610,972	$34,147	$167,851	$—	$4,812,970

(1)

For the periods ended March 31, 2014 and December 31, 2013, performing residential mortgages included $7,164 and $7,879, respectively, of ACI loans greater than 90 days past due and still accruing.

(2) For the periods ended March 31, 2014 and December 31, 2013, performing government insured pool buyouts included $430,147 and $350,312, respectively, of ACI loans greater than 90 days past due and still accruing.

(3) Non-performing government insured pool buyouts represent loans that are 90 days or greater past due but remain on accrual status as the interest earned is insured and thus collectible from the insuring governmental agency.

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The following tables present an aging analysis of the recorded investment for loans and leases by class as of March 31, 2014 and December 31, 2013:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
March 31, 2014						
Residential mortgages:						
Residential	$10,860	$8,060	$44,391	$63,311	$5,557,545	$5,620,856
Government insured pool buyouts (1)	69,281	36,971	590,324	696,576	519,923	1,216,499
Commercial and commercial real estate:						
Commercial	5	—	57	62	1,658,398	1,658,460
Commercial real estate	—	1,076	—	1,076	2,841,019	2,842,095
Lease financing receivables	9,107	2,711	2,260	14,078	1,278,672	1,292,750
Home equity lines	458	629	3,462	4,549	142,537	147,086
Consumer and credit card	12	10	34	56	5,371	5,427
Total loans and leases held for investment	$89,723	$49,457	$640,528	$779,708	$12,003,465	$12,783,173
December 31, 2013						
Residential mortgages:						
Residential	$10,145	$4,683	$56,517	$71,345	$5,011,257	$5,082,602
Government insured pool buyouts (1)	90,795	55,666	671,918	818,379	492,367	1,310,746
Commercial and commercial real estate:						
Commercial	—	2	1,005	1,007	1,613,899	1,614,906
Commercial real estate	2,909	—	—	2,909	2,853,550	2,856,459
Lease financing receivables	7,277	3,098	1,024	11,399	1,226,542	1,237,941
Home equity lines	2,614	396	3,270	6,280	145,636	151,916
Consumer and credit card	23	12	37	72	5,082	5,154
Total loans and leases held for investment	$113,763	$63,857	$733,771	$911,391	$11,348,333	$12,259,724

(1) Government insured pool buyouts remain on accrual status after 90 days as the interest earned is collectible from the insuring governmental agency.

Impaired Loans — Impaired loans include loans identified as troubled loans as a result of a borrower's financial difficulties and other loans on which the accrual of interest income is suspended. The Company continues to collect payments on certain impaired loan balances on which accrual is suspended.

The following tables present the unpaid principal balance, the recorded investment and the related allowance for impaired loans as of March 31, 2014 and December 31, 2013:

	March 31, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance	Unpaid Principal Balance	Recorded Investment (1)	Related Allowance
With an allowance recorded:						
Residential mortgages:						

Residential	$64,466	$61,072	$ 8,630	$67,663	$64,079	$ 9,134
Commercial and commercial real estate:						
Commercial real estate	7,514	7,499	928	1,161	1,172	248
Total impaired loans with an allowance recorded	$71,980	$68,571	$ 9,558	$68,824	$65,251	$ 9,382
Without a related allowance recorded:						
Residential mortgages:						
Residential	$28,500	$22,168		$34,898	$26,393	
Commercial and commercial real estate:						
Commercial	1	1		—	—	
Commercial real estate	23,258	22,628		23,281	21,575	
Total impaired loans without an allowance recorded	$51,759	$44,797		$58,179	$47,968	

(1) The primary difference between the unpaid principal balance and recorded investment represents charge offs previously taken.

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The following table presents the average investment and interest income recognized on impaired loans for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,			
	2014		2013	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized
With and without a related allowance recorded:				
Residential mortgages:				
Residential	$86,856	$617	$95,534	$770
Commercial and commercial real estate:				
Commercial	1	—	6,351	2
Commercial real estate	26,437	166	79,940	214
Total impaired loans	$113,294	$783	$181,825	$986

The following table presents the recorded investment for loans and leases on nonaccrual status by class and loans greater than 90 days past due and still accruing as of March 31, 2014 and December 31, 2013:

	March 31, 2014		December 31, 2013	
	Nonaccrual Status	Greater than 90 Days Past Due and Accruing	Nonaccrual Status	Greater than 90 Days Past Due and Accruing
Residential mortgages:				
Residential	$44,391	$—	$56,517	$—
Government insured pool buyouts	—	590,324	—	671,918
Commercial and commercial real estate:				
Commercial	57	—	1,005	—
Commercial real estate	23,828	—	17,544	—
Lease financing receivables	5,446	—	4,527	—
Home equity lines	3,462	—	3,270	—
Consumer and credit card	34	—	37	—
Total non-performing loans and leases	$77,218	$590,324	$82,900	$671,918

Troubled Debt Restructurings (TDR) — Modifications considered to be TDRs are individually evaluated for credit loss based on a discounted cash flow model using the loan’s effective interest rate at the time of origination. The discounted cash flow model used in this evaluation is adjusted to reflect the modified loan’s elevated probability of future default based on the Company’s historical redefault rate. These loans are classified as nonaccrual and have been included in the Company’s impaired loan disclosures in the tables above. A loan is considered to redefault when it is 30 days past due. Once a modified loan demonstrates a consistent period of performance under the modified terms, generally six months, the Company returns the loan to an accrual classification. If a modified loan defaults under the terms of the modified agreement, the Company measures the allowance for loan and lease losses based on the fair value of collateral less cost to sell.

Modifications made to residential loans during the period included extension of original contractual maturity date, extension of the period of below market rate interest only payments, or contingent reduction of past due interest. Commercial loan modifications made during the period included extension of original contractual maturity date, payment forbearance, reduction of interest rates, or extension of interest only periods.

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The following is a summary of information relating to modifications considered to be TDRs for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:			
Residential	2	$474	$474

	Three Months Ended March 31, 2013		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:			
Residential	12	$5,588	$5,600
Commercial real estate	1	376	376
Total	13	$5,964	$5,976

The number of contracts and recorded investment of loans that were modified during the last 12 months and subsequently defaulted during the three months ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31, 2014	
	Number of Contracts	Recorded Investment
Loan Type:		
Residential	1	$147

	Three Months Ended March 31, 2013	
	Number of Contracts	Recorded Investment
Loan Type:		
Residential	2	$852

The recorded investment of TDRs as of March 31, 2014 and December 31, 2013 are summarized as follows:

	March 31, 2014	December 31, 2013
Loan Type:		
Residential mortgages	$83,241	$90,472
Commercial and commercial real estate	8,511	8,598
Total recorded investment of TDRs	$91,752	$99,070
Accrual Status:		
Current	$67,631	$73,180
30-89 days past-due accruing	5,824	3,732
90+ days past-due accruing	—	306
Nonaccrual	18,297	21,852
Total recorded investment of TDRs	$91,752	$99,070
TDRs classified as impaired loans	$91,752	$99,070

Valuation allowance on TDRs	8,630	9,134

The Company included 119 and 119 loans with net recorded investments of $12,883 and $12,588 in Chapter 7 bankruptcy as TDRs at March 31, 2014 and 2013.

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7. Servicing Activities and Mortgage Servicing Rights

A summary of MSR activities for the three months ended March 31, 2014 and 2013 is as follows:

	Three Months Ended March 31,	
	2014	2013
Balance, beginning of period	$506,680	$375,859
Originated servicing rights capitalized upon sale of loans	11,552	23,501
Sale of servicing rights	(55,547)	—
Amortization	(20,572)	(35,078)
Decrease (increase) in valuation allowance	4,941	12,555
Other	(561)	(1,196)
Balance, end of period	$446,493	$375,641
Valuation allowance:		
Balance, beginning of period	$8,012	$102,963
Recoveries	(4,941)	(12,555)
Balance, end of period	$3,071	$90,408

Components of loan servicing fee income for the three months ended March 31, 2014 and 2013 are presented below:

	Three Months Ended March 31,	
	2014	2013
Contractually specified service fees, net	$37,147	$31,789
Other ancillary fees	8,899	9,737
Other	571	637
	$46,617	$42,163

Residential

On March 28, 2014, EverBank received investor approval and recognized the sale of $55,547 in carrying value and $9,945,965 in UPB of servicing rights to Green Tree Servicing LLC (GTS), which is expected to transfer in May 2014. The Company is subservicing these loans until the transfer date and the loans are therefore excluded from the Company's MSR portfolio at March 31, 2014.

For loans securitized and sold with servicing retained during the three months ended March 31, 2014 and 2013, management used the following assumptions to determine the fair value of residential MSR at the date of securitization:

	Three Months Ended March 31, 2014
Average discount rates	9.32 % — 9.49%
Expected prepayment speeds	11.73 % — 12.12%
Weighted-average life in years	6.03 — 6.41
	Three Months Ended March 31, 2013
Average discount rates	9.38 % — 9.85%
Expected prepayment speeds	13.61 % — 13.85%
Weighted-average life in years	5.57 — 5.69

At March 31, 2014 and December 31, 2013, the Company estimated the fair value of its capitalized residential MSR to be approximately $453,814 and $528,848, respectively. The carrying value of its residential MSR was $440,934 and $499,973 at March 31, 2014 and December 31, 2013, respectively. The unpaid principal balance below excludes $6,943,000 and $6,677,000 at March 31, 2014 and December 31, 2013, respectively, for residential loans with no related MSR basis.

The characteristics used in estimating the fair value of the residential MSR portfolio at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
Unpaid principal balance	$42,264,000	$52,816,000
Gross weighted-average coupon	4.46 %	4.46 %
Weighted-average servicing fee	0.29 %	0.29 %
Expected prepayment speed (1)	11.95 %	14.87 %

(1) The prepayment speed assumptions include a blend of prepayment speeds that are influenced by mortgage interest rates, the current macroeconomic environment and borrower behaviors and may vary over the expected life of the asset.

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A sensitivity analysis of the Company's fair value of residential MSR portfolio to hypothetical adverse changes of 10% and 20% to the weighted-average of certain key assumptions as of March 31, 2014 and December 31, 2013 is presented below.

	March 31, 2014	December 31, 2013
Prepayment Rate		
10% adverse rate change	$18,633	$22,941
20% adverse rate change	35,973	44,156
Discount Rate		
10% adverse rate change	16,756	19,303
20% adverse rate change	32,348	37,294

In the previous table, the effect of a variation in a specific assumption on the fair value is calculated without changing any other assumptions. This analysis typically cannot be extrapolated because the relationship of a change in one key assumption to the change in the fair value of the Company's residential mortgage servicing rights usually is not linear. The effect of changing one key assumption will likely result in the change of another key assumption which could impact the sensitivities.

Commercial

The carrying value and fair value of our commercial MSR was $5,559 at March 31, 2014. As of December 31, 2013, the carrying value and fair value of our commercial MSR was $6,707. The Company recognized $2,630 and $3,175 of prepayment penalty income in other noninterest income during the three months ended March 31, 2014 and 2013, respectively, related to serviced loans in the Business Lending Trusts acquired with the Business Property Lending, Inc. acquisition.

8. Income Taxes

The Company's effective income tax rate was 37.9% and 38.2% for the three months ended March 31, 2014 and 2013, respectively. The Company's effective income tax rate differs from the federal statutory income tax rate primarily due to state income taxes.

9. Share-Based Compensation

Option Plans - On March 7, 2014, the Company granted 675,463 options with a fair value on the grant date of $6.51. The fair value of each option award was estimated as of the grant date using the Black-Scholes option-pricing model. Significant assumptions used in the Black-Scholes option-pricing model to determine the fair value of stock options are as follows:

Risk-free interest rate	2.04	%
Expected volatility	35	%
Expected term (years)	6.5	
Dividend yield	0.86	%

The risk-free interest rate is based on the U.S. Treasury constant maturity yield for treasury securities with maturities approximating the expected life of the options granted on the date of grant. The expected option terms were based on the vesting term and contractual term of the options using the simplified approach under GAAP. The Company analyzes a group of publicly-traded peer institutions to determine the expected volatility of its stock. The peer group is assessed for adequacy annually, or as circumstances indicate significant changes to the composition of the peer group are warranted. Volatility for the Company's stock is estimated utilizing the average volatility calculated for the peer group, which is based upon daily price observations over the estimated term of the options granted.

During the three months ended March 31, 2014, 31,239 options were exercised with a total intrinsic value of $255.

Nonvested Stock - The Company issued 245,645 nonvested shares of stock to certain employees as an incentive for continued employment and certain directors in lieu of cash payouts for compensation during the three months ended March 31, 2014. The weighted-average grant date fair value of these shares was $18.09, which is the fair value of the Company's common stock at grant date adjusted for expected dividends as our restricted shares do not accrue dividends.

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10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Net income	$31,760	$39,146
Less dividends on preferred stock	(2,531)	(2,531)
Net income allocated to common shareholders	$29,229	$36,615
(Units in Thousands)		
Average common shares outstanding	122,684	121,583
Common share equivalents:		
Stock options	2,192	1,777
Nonvested stock	162	79
Average common shares outstanding, assuming dilution	125,038	123,439
Basic earnings per share	$0.24	$0.30
Diluted earnings per share	$0.23	$0.30

Certain securities were antidilutive and were therefore excluded from the calculation of diluted earnings per share. Common shares attributed to these antidilutive securities had these securities been exercised or converted as of March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	2013
Stock Options	942,570	6,431,741

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11. Derivative Financial Instruments

The fair values of derivatives are reported in other assets, deposits, or accounts payable and accrued liabilities. The fair values are derived using the valuation techniques described in Note 12. The total notional or contractual amounts and fair values as of March 31, 2014 and December 31, 2013 are as follows:

	Notional Amount	Fair Value Asset Derivatives	Liability Derivatives
March 31, 2014			
Qualifying hedge contracts accounted for under Accounting Standards Codification (ASC) 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$178,000	$—	$22,360
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
Interest rate lock commitments (IRLCs)	908,689	1,931	1,887
Forward and optional forward sales commitments	1,376,431	4,648	2,587
Interest rate swaps and futures	263,115	—	420
Foreign exchange contracts	769,871	11,595	2,814
Foreign currency, commodity and metals indexed options	171,405	8,055	—
Options embedded in client deposits	169,951	—	8,013
Indemnification assets	122,021	7,304	—
Total freestanding derivatives		33,533	15,721
Netting and cash collateral adjustments [(1)]		(9,110)	(24,800)
Total derivatives		$24,423	$13,281

	Notional Amount	Fair Value Asset Derivatives	Liability Derivatives
December 31, 2013			
Qualifying hedge contracts accounted for under ASC 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$253,000	$—	$27,897
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	590,020	896	2,566
Forward and optional forward sales commitments	1,001,489	12,228	2,948
Interest rate swaps	75,239	—	347
Foreign exchange contracts	807,732	4,073	14,318
Foreign currency, commodity and metals indexed options	171,405	7,719	—
Options embedded in client deposits	170,176	—	7,689
Indemnification assets	147,897	7,531	—
Total freestanding derivatives		32,447	27,868
Netting and cash collateral adjustments [(1)]		(4,277)	(40,367)
Total derivatives		$28,170	$15,398

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the Company to settle positive and negative positions as well as cash collateral and related accrued interest held or placed with the same counterparties. Amounts as of March 31, 2014 and December 31, 2013 include derivative positions netted totaling

$2,440 and $1,763, respectively.

Cash Flow Hedges

As of March 31, 2014, AOCI included $17,141 of deferred pre-tax net losses expected to be reclassified into earnings during the next 12 months for derivative instruments designated as cash flow hedges of forecasted transactions. The Company is hedging its exposure to the variability of future cash flows for forecasted transactions of fixed-rate debt for a maximum of 10 years.

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Freestanding Derivatives

The following table shows the net gains and losses recognized for the three months ended March 31, 2014 and 2013 in the condensed consolidated statements of income related to derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging. These gains and losses are recognized in other noninterest income, except for the indemnification assets which are recognized in general and administrative expense.

	Three Months Ended March 31,	
	2014	2013
Freestanding derivatives		
Gains (losses) on interest rate contracts [(1)]	$(15,163)	$21,960
Losses on indemnification assets [(2)]	(227)	(177)
Other	(10)	(140)
Total	$(15,400)	$21,643

(1) Interest rate contracts include interest rate lock commitments, forward and optional forward sales commitments, and interest rate swaps and futures.

(2) Refer to Note 12 for additional information relating to the indemnification asset.

Interest rate contracts are predominantly used as economic hedges of interest rate lock commitments and loans held for sale. Other derivatives are predominantly used as economic hedges of foreign exchange, commodity and metals risk.

Credit Risk Contingent Features

Certain of the Company's derivative instruments contain provisions that require the Company to post collateral when derivatives are in a net liability position. The provisions generally are dependent upon the Company's credit rating based on certain major credit rating agencies or dollar amounts in a liability position at any given time which exceed specified thresholds, as indicated in the relevant contracts. In these circumstances, the counterparties could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features in a net liability position on March 31, 2014 and December 31, 2013 was $25,594 and $42,562, respectively. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of March 31, 2014 and December 31, 2013, $27,240 and $42,130, respectively, in collateral was netted against liability derivative positions subject to master netting agreements. As of March 31, 2014 and December 31, 2013, $13,820 and $6,370, respectively, of collateral was posted for positions not subject to master netting agreements.

Counterparty Credit Risk

The Company is exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If the counterparty fails to perform, counterparty credit risk equals the amount reported as derivative assets in the balance sheet. The amounts reported as derivative assets are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. The Company minimizes this risk through obtaining credit approvals, monitoring credit limits, monitoring procedures, and executing master netting arrangements and obtaining collateral, where appropriate. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of March 31, 2014 and December 31, 2013, $11,550 and $6,040, respectively, in collateral was netted against asset derivative positions subject to master netting agreements. As of March 31, 2014 and December 31, 2013, the Company held $11,550 and $6,040, respectively, in collateral from its counterparties. Counterparty credit risk related to derivatives is considered in determining fair value.

12. Fair Value Measurements

Asset and liability fair value measurements have been categorized based upon the fair value hierarchy described below:

Level 1 – Valuation is based upon quoted market prices for identical instruments in active markets.

Level 2 – Valuation is based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the assets or liabilities. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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Recurring Fair Value Measurements

As of March 31, 2014 and December 31, 2013, assets and liabilities measured at fair value on a recurring basis, including certain loans held for sale for which the Company has elected the fair value option, are as follows:

	Level 1 [(1)]	Level 2	Level 3	Netting	Total
March 31, 2014					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$1,111,477	$—		$1,111,477
Asset-backed securities	—	2,620	—		2,620
Other	388	4,161	—		4,549
Total available for sale securities	388	1,118,258	—		1,118,646
Loans held for sale	—	488,976	63,705		552,681
Derivative financial instruments:					
Derivative assets (Note 11)	—	24,298	9,235	(9,110)	24,423
Derivative liabilities (Note 11)	—	36,194	1,887	(24,800)	13,281

	Level 1	Level 2	Level 3	Netting	Total
December 31, 2013					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$1,109,271	$—		$1,109,271
Asset-backed securities	—	3,086	—		3,086
Other	399	2,871	—		3,270
Total available for sale securities	399	1,115,228	—		1,115,627
Loans held for sale	—	613,459	58,912		672,371
Derivative financial instruments:					
Derivative assets (Note 11)	—	24,020	8,427	(4,277)	28,170
Derivative liabilities (Note 11)	—	53,199	2,566	(40,367)	15,398

(1) Level 1 derivative assets include interest rate swap futures. These futures are settled on a daily basis between the counterparty and the Company, resulting in the Company holding an outstanding notional balance and a zero derivative balance. See Note 11 for additional information regarding the interest rate future.

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Changes in assets and liabilities measured at Level 3 fair value on a recurring basis for the three months ended March 31, 2014 and 2013 are as follows:

	Loans Held for Sale [1]	FDIC Clawback Liability [2]	Freestanding Derivatives, net [3]
Three Months Ended March 31, 2014			
Balance, beginning of period	$58,912	$—	$5,861
Issuances	76,495	—	5,139
Sales	(55,597)	—	—
Settlements	(17,445)	—	(7,015)
Gains (losses) included in earnings for the period	1,340	—	3,363
Balance, end of period	$63,705	$—	$7,348
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of March 31, 2014	$73	$—	$1,486
Three Months Ended March 31, 2013			
Balance, beginning of period	$—	$(50,720)	$9,092
Transfers into Level 3	—	—	6,628
Gains (losses) included in earnings for the period	—	(1,468)	(176)
Balance, end of period	$—	$(52,188)	$15,544
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of March 31, 2013	$—	$(1,468)	$(176)

(1) Net realized and unrealized gains on loans held for sale are included in gain on sale of loans.

(2) Changes in fair value of the Federal Deposit Insurance Corporation (FDIC) clawback liability are recorded in general and administrative expense.

(3) Net realized and unrealized gains (losses) on IRLCs are included in gain on sale of loans. Changes in the fair value of the indemnification assets are recorded in general and administrative expense.

The Company monitors the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the Company reports the transfer at the end of the reporting period.

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The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at March 31, 2014 and December 31, 2013:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value			
March 31, 2014				Min.	Max.	Weighted Avg.	
Indemnification asset	$ 7,304	Discounted cash flow	Discount rate	4.35%	4.35%	4.35%	
			Reinstatement rate	3.58%	66.09%	25.41%	(1)
			Loss duration (in months)	9	82	37	(1)
			Loss severity	1.67%	13.47%	6.76%	(1)
IRLCs, net	44	Discounted cash flow	Loan closing ratio	0.00%	99.00%	79.93%	(2)
Loans held for sale	63,705	Discounted cash flow	Cost of funds	2.45%	3.22%	3.00%	
			Prepayment rate	4.77%	15.46%	9.00%	
			Default rate	0.00%	1.39%	0.20%	
			Weighted average life (in years)	5.20	10.70	7.95	
			Cumulative loss	0.00%	0.38%	0.05%	
			Loss severity	15.13%	28.23%	20.42%	
December 31, 2013							
Indemnification asset	7,531	Discounted cash flow	Discount Rate	4.35%	4.35%	4.35%	
			Reinstatement rate	0.00%	68.98%	23.61%	(1)
			Loss duration (in months)	9	100	36	(1)
			Loss severity	(4.96)%	19.70%	6.54%	(1)
IRLCs, net	(1,670)	Discounted cash flow	Loan closing ratio	0.00%	99.00%	79.74%	(2)
Loans held for sale	58,912	Discounted cash flow	Cost of funds	2.81%	3.75%	3.45%	
			Prepayment rate	4.68%	14.78%	7.58%	
			Default rate	0.00%	2.25%	0.18%	
			Weighted average life (in years)	5.05	10.74	8.25	
			Cumulative loss	0.00%	0.61%	0.04%	
			Loss severity	0.00%	27.20%	19.68%	

(1) The range represents the sum of the highest and lowest values for all tranches that we use in our valuation process.

(2) The range represents the highest and lowest loan closing rates used in the IRLC valuation. The range includes the closing ratio for rate locks unclosed at the end of the period, as well as the closing ratio for loans which have settled during the period.

Loans Held for Sale Accounted for under the Fair Value Option

The following table presents information on loans held for sale reported under the fair value option at March 31, 2014 and December 31, 2013:

March 31, 2014	
Fair value carrying amount	$552,681
Aggregate unpaid principal balance	535,931
Fair value carrying amount less aggregate unpaid principal	$16,750
December 31, 2013	

Fair value carrying amount	$672,371
Aggregate unpaid principal balance	659,592
Fair value carrying amount less aggregate unpaid principal	$12,779

No loans recorded under the fair value option were on nonaccrual status at March 31, 2014 or December 31, 2013. Differences between the fair value carrying amount and the aggregate unpaid principal balance include changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding and premiums or discounts on acquired loans.

The net gains from initial measurement of loans accounted for under the fair value option and subsequent changes in fair value for loans outstanding were $17,209 for the three months ended March 31, 2014 and are included in gain on sale of loans. The net gains from initial measurement of loans accounted for under the fair value option and subsequent changes in fair value were $61,631 for the three months ended March 31, 2013 and are included in gain on sale of loans. These amounts exclude the impact from offsetting hedging arrangements which are also included in gain on sale of loans in the condensed consolidated statements of income. An immaterial portion of the change in fair value was attributable to changes in instrument-specific credit risk.

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Non-recurring Fair Value Measurements

Certain assets and liabilities are measured at fair value on a non-recurring basis and therefore are not included in the tables above. These measurements primarily result from assets carried at the lower of cost or fair value or from impairment of individual assets. Gains and losses disclosed below represent changes in fair value recognized subsequent to initial classification. The change in the MSR value represents a change due to impairment or recoveries on previous write downs. The carrying value of assets measured at fair value on a non-recurring basis and held at March 31, 2014 and December 31, 2013 and related changes in fair value are as follows:

	Level 1	Level 2	Level 3	Total	Loss (Gain) Due to Change in Fair Value
March 31, 2014					
Collateral-dependent loans	$—	$—	$8,340	$8,340	$558
Other real estate owned [1]	—	—	5,462	5,462	1,014
Mortgage servicing rights [2]	—	—	71,998	71,998	(4,941)
Loans held for sale	—	—	5,564	5,564	79
December 31, 2013					
Collateral-dependent loans	$—	$—	$907	$907	$248
Other real estate owned [1]	—	—	7,009	7,009	2,008
Mortgage servicing rights [2]	—	—	448,925	448,925	(94,951)
Loans held for sale	—	—	9,123	9,123	424

(1) Gains and losses resulting from subsequent measurement of OREO are included in the condensed consolidated statements of income as general and administrative expense. OREO is included in other assets in the condensed consolidated balance sheets.

(2) The fair value for mortgage servicing rights represents the value of the strata with impairment or recoveries on previous valuation allowances.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at March 31, 2014 and December 31, 2013:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value			
March 31, 2014				Min.	Max.	Weighted Avg.	
Collateral-dependent loans	$8,340	Appraised value	Appraised value	NM	- NM	N/A	[1]
Other real estate owned	5,462	Appraised value	Appraised value	NM	- NM	N/A	[1]
Mortgage servicing rights	71,998	Discounted cash flow	Prepayment speed	16.89 %	- 18.20%	17.36%	[2]
			Discount rate	9.87 %	- 9.87%	9.87%	[3]
Loans held for sale	5,564	Discounted cash flow	Cost of funds	2.45 %	- 3.22%	3.00%	
			Prepayment rate	4.77 %	- 15.46%	9.00%	
			Default rate	0.00 %	- 1.39%	0.20%	
			Weighted average life (in years)	5.20	- 10.70	7.95	
			Cumulative loss	0.00 %	- 0.38%	0.05%	
			Loss severity	15.13 %	- 28.23%	20.42%	
December 31, 2013							
Collateral-dependent loans	907	Sales comparison approach	Appraisal value adjustment	0.00 %	- 47.00%	N/A	[1]
	7,009			0.00 %	- 82.00%	N/A	[1]

Other real estate owned		Sales comparison approach	Appraisal value adjustment				
Mortgage servicing rights	448,925	Discounted cash flow	Prepayment speed	16.50	% - 19.80%	19.25%	(2)
			Discount rate	9.20	% - 9.80%	9.37%	(3)
Loans held for sale	9,123	Discounted cash flow	Cost of funds	2.81	% - 3.75%	3.45%	
			Prepayment rate	4.68	% - 14.78%	7.58%	
			Default rate	0.00	% - 2.25%	0.18%	
			Weighted average life (in years)	5.05	- 10.74	8.25	
			Cumulative loss	0.00	% - 0.61%	0.04%	
			Loss severity	0.00	% - 27.20%	19.68%	

(1) NM - Not Meaningful or N/A Not Applicable

(2) The prepayment speed assumptions include a blend of prepayment speeds that are influenced by mortgage interest rates, the current macroeconomic environment and borrower behaviors and may vary over the expected life of the asset. The range represents the highest and lowest values for the strata with recoveries on previous valuation allowances.

(3) The discount rate range represents the highest and lowest values for the MSR strata with recoveries on previous valuation allowances.

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Disclosures about Fair Value of Financial Instruments

The following table presents the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments as of March 31, 2014 and December 31, 2013. This table excludes financial instruments with short-term or no stated maturity, prevailing market rates and limited credit risk, where carrying amounts approximate fair value. For financial assets such as cash and due from banks, FHLB restricted stock, and other investments, the carrying amount is a reasonable estimate of fair value. For financial liabilities such as noninterest-bearing demand, interest-bearing demand, and savings and money market deposits, the carrying amount is a reasonable estimate of fair value as these liabilities have no stated maturity.

	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
March 31, 2014					
Financial assets:					
Investment securities:					
Held to maturity	$116,984	$117,910	$—	$117,910	$—
Loans held for sale [(1)]	44,048	45,635	—	22,437	23,198
Loans held for investment [(2)]	12,704,339	12,881,034	—	—	12,881,034
Financial liabilities:					
Time deposits	$3,835,182	$3,862,092	$—	$3,862,092	$—
Other borrowings	2,377,000	2,356,826	—	2,356,826	—
Trust preferred securities	103,750	89,567	—	—	89,567
December 31, 2013					
Financial assets:					
Investment securities:					
Held to maturity	$107,312	$107,921	$—	$107,921	$—
Loans held for sale [(1)]	119,011	121,092	—	49,619	71,473
Loans held for investment [(2)]	12,153,835	12,266,499	—	—	12,266,499
Financial liabilities:					
Time deposits	$3,654,179	$3,680,868	$—	$3,680,868	$—
Other borrowings	2,377,000	2,353,858	—	2,353,858	—
Trust preferred securities	103,750	86,220	—	—	86,220

(1) The carrying value of loans held for sale excludes $552,681 and $672,371 in loans measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2013, respectively.

(2) The carrying value of loans held for investment is net of the allowance for loan loss of $58,657 and $59,417 as of March 31, 2014 and December 31, 2013, respectively. In addition, the carrying values excludes $1,096,801 and $1,035,199 of lease financing receivables as of March 31, 2014 and December 31, 2013, respectively.

Disclosures about Fair Value of Financial Instruments

Following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not carried at fair value:

Investment Securities — Fair values are derived from quoted market prices and values from third party pricing services for which management understands the methods used to determine fair value and is able to assess the values. The Company also performs an assessment on the pricing of investment securities received from third party pricing services to ensure that the prices represent a reasonable estimate of fair value. The procedures include, but are not limited to, initial and on-going review of pricing methodologies and trends. The Company has the ability to challenge values and discuss its analysis with the third party pricing service provider in order to ensure that investments are recorded or disclosed at the appropriate fair value.

When the level and volume of trading activity for certain securities has significantly declined and/or when the Company believes that third party pricing may be based in part on forced liquidations or distressed sales, the Company analyzes each security for the appropriate valuation methodology based on a combination of the market approach reflecting third party pricing information and a discounted cash flow approach. In calculating the fair value

derived from the income approach, the Company makes certain significant assumptions in addition to those discussed above related to the liquidity risk premium, specific non-performance and default experience in the collateral underlying the security. The values resulting from each approach (i.e., market and income approaches) are weighted to derive the final fair value for each security trading in an inactive market. As of March 31, 2014 and December 31, 2013, management did not make any adjustments to the prices provided by the third party pricing service as a result of illiquid or inactive markets.

Loans Held for Sale — Fair values for loans held for sale valued under the fair value option were derived from quoted market prices or from models using loan characteristics including product type, pricing features and loan maturity dates and economic assumptions including prepayment estimates and discount rates based on prices currently offered in secondary markets for similar loans. Certain conforming residential mortgage loans carried at the lower of cost or market are valued using market observable pricing inputs, which are derived from third party loan sales and securitizations and, therefore, are classified within level 2 of the valuation hierarchy. Fair values for non-conforming residential mortgage loans and commercial and commercial real estate loans carried at lower of cost or market were derived from models using characteristics of the loans including product type, pricing features and loan maturity dates and economic assumptions including prepayment estimates, discount rates and estimated credit losses and, therefore, are classified within level 3 of the valuation hierarchy. The Company estimates the fair value of loans held for sale utilizing a discounted cash flow approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts, and

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servicing costs. In determining the appropriate discount rate, prepayment and credit assumptions, the Company monitors other capital markets activity for similar collateral being traded and/or interest rates currently being offered for similar products. Discussions related to the fair value of these loans held for sale are held between our internal valuation specialists and executive and business unit management to discuss the key assumptions used in arriving at our estimates. Significant increases (decreases) in any of those assumptions in isolation could result in a significantly lower (higher) fair value measurement.

Loans Held for Investment — Fair value of loans held for investment is derived using a discounted cash flow approach which includes an evaluation of the collateral, and underlying loan characteristics. The valuation model uses loan characteristics which includes product type, maturity dates, credit profile of the loans, and the underlying interest rate of the portfolio. This information is input into the valuation models along with various forecast valuation assumptions including credit loss assumptions, servicing cost (if any), prepayment forecasts, and risk adjusted capital to determine the discount rate. These assumptions are derived from internal and third party databases. Noting the valuation is derived from model-based techniques, the Company includes loans held for investment within level 3 of the valuation hierarchy.

Impaired Loans — At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Fair value is determined primarily by using an income, cost, or market approach and is normally provided through appraisals. Impaired loans carried at fair value generally receive specific allocations within the allowance for loan and lease losses. For collateral-dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a level 3 classification of the inputs for determining fair value. For collateral-dependent loans in which a new appraisal is expected in the next quarter, the appraisal is reviewed by an officer and an adjustment is made based on a review of the property, historical changes, and current market rates. Appraisals are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a level 3 fair value classification. Impaired loans are evaluated at least quarterly for additional impairment and adjusted accordingly.

Other Real Estate Owned — Foreclosed assets are carried at the lower of cost or fair value (less estimated costs to sell). Fair value is generally based upon appraisals or independent market prices that are periodically updated subsequent to classification as OREO. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments on commercial properties are usually significant and typically result in a level 3 classification of the inputs for determining fair value. Appraisals for OREO are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Company's valuation services group reviews the assumptions and approaches utilized in the appraisal. To assess the reasonableness of the fair value, the Company's valuation services group compares the assumptions to independent data sources such as recent market data or industry-wide statistics. Non-real estate collateral may be valued using an appraisal, net book value per the borrower’s financial statements, or aging reports, adjusted or discounted based on management’s historical knowledge, changes in market conditions from the time of the valuation, and management’s expertise and knowledge of the client and client’s business, resulting in a level 3 fair value classification.

Mortgage Servicing Rights — Mortgage servicing rights are evaluated for impairment on a quarterly basis. If the carrying amount of an individual stratum exceeds fair value, impairment is recorded on that stratum so that the servicing asset is carried at fair value. In addition, a third-party valuation is obtained quarterly. The servicing portfolio has been valued using all relevant positive and negative cash flows including servicing fees; miscellaneous income

and float; costs of servicing; the cost of carry of advances; foreclosure losses; and applying certain prevailing assumptions used in the marketplace. Mortgage servicing rights do not trade in an active, open market with readily observable prices. Due to the nature of the valuation inputs, mortgage servicing rights are classified within level 3 of the valuation hierarchy. The fair value of mortgage servicing rights is determined by using a discounted cash flow model to calculate the present value of estimated future net servicing income. The assumptions are a combination of market and Company specific data. On a quarterly basis, the portfolio management group compares the Company's estimated fair value of the mortgage servicing rights to a third-party valuation as part of the valuation process. Discussions are held between executive management and the independent third-party to review the key assumptions used by the respective parties in arriving at those estimates.

Time Deposits — The fair value of fixed-rate certificates of deposit is estimated using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate continuous yield or pricing curves, and volatility factors. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. The Company considers the impact of its own credit spreads in the valuation of these liabilities. The credit risk is determined by reference to observable credit spreads in the secondary cash market and therefore are classified within level 2 of the valuation hierarchy.

Other Borrowings — For advances that bear interest at a variable rate, the carrying amount is a reasonable estimate of fair value. For fixed-rate advances and repurchase agreements, fair value is estimated using quantitative discounted cash flow models that require the use of interest rate inputs that are currently offered for fixed-rate advances and repurchase agreements of similar remaining maturities. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. For hybrid advances, fair value is obtained from an FHLB proprietary model mathematical approximation of the market value of the underlying hedge. The terms of the hedge are similar to the advances and therefore classified as level 2 within the valuation hierarchy.

Trust Preferred Securities — Fair value is estimated using quantitative models, including discounted cash flow models that require the use of multiple market inputs including interest rates and spreads to generate pricing curves. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. The Company interpolates its own credit spreads in the valuation of these liabilities. Due to the significance of the credit spread in the valuation inputs, trust preferred securities are classified within level 3 of the valuation hierarchy.

Interest Rate Swaps, Forward Interest Rate Swaps and Interest Rate Swap Futures — The fair value of interest rate swaps and forward interest rate swaps are determined by a third party using a derivative valuation model. The inputs used in the valuation model are based

on contract terms which primarily include start and end swap dates, swap coupon, interest rate curve and notional amounts, and other standard methodologies which are obtained from similar instruments in active markets and, therefore, are classified within level 2 of the valuation hierarchy. See Note 11 for additional information on cash flow hedges.

The fair value of interest rate swap futures is determined based upon quotes provided by the Chicago Mercantile Exchange on which these instruments are traded. As such quotes represent valuations for identical instruments in active markets they would be classified within level 1 of the valuation hierarchy. Such pricing is utilized for both active trading and daily settlement of pricing adjustments on outstanding positions. As these pricing adjustments are settled daily between the exchange and the Company, the result as of the balance sheet date is that the Company holds interest futures with an outstanding notional and a level 1 fair value of zero.

Interest Rate Lock Commitments — Fair values of interest rate lock commitments are derived by using valuation models incorporating current market information or by obtaining market or dealer quotes for instruments with similar characteristics, subject to anticipated loan funding probability or fallout. The significant unobservable inputs used in the fair value measurement of IRLCs is the closing ratio, which represents management's estimate of the percentage of loans currently in a lock position which will ultimately close. The loan closing ratio is largely dependent on the loan processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock through the time the loan closes. The closing ratio is computed by our secondary marketing system using historical data and the ratio is periodically reviewed by the secondary marketing group for reasonableness and therefore IRLCs are classified within level 3 of the valuation hierarchy. Generally, the fair value of an IRLC is positive (negative) if the prevailing interest rate is lower (higher) than the IRLC rate. Therefore, an increase in the loan closing probability (i.e., higher percentage of loans estimated to close) will result in the fair value of the IRLC to increase if in a gain position, or decrease if in a loss position.

Forward Sales Commitments and Optional Forward Sales Commitments — The fair value of forward sales and optional forward sales commitments is determined based upon the difference between the settlement values of the commitments and the quoted market values of the securities, which can be quoted using similar instruments in the active market and therefore are classified within level 2 of the valuation hierarchy.

Foreign Exchange Contracts —Fair values of foreign exchange contracts are based on quoted prices for each foreign currency at the balance sheet date. The quoted prices are for similar instruments and therefore, these contracts are classified as level 2 of the valuation hierarchy.

Options and Options Embedded in Client Deposits—For options and embedded options in client deposits, the fair value is determined by obtaining market or dealer quotes for instruments with similar characteristics in active markets and therefore both options and options embedded in client deposits are classified within level 2 of the valuation hierarchy.

Indemnification Asset —To determine the fair value of the indemnification asset the Company uses a cash flow model to project cash flows for GNMA pool buyouts with and without recourse. The significant unobservable inputs used in the fair value measurement of the indemnification asset are the reinstatement rate, loss severity and duration. Significant increases (decreases) in any of those inputs in isolation could result in a significantly lower (higher) fair value measurement. The reinstatement rate is determined by analyzing historical default activity of similar loans. Loss severity is estimated as the interest rate spread between the note and debenture rate of the government insured loans as well as advance costs that are not reimbursable by the Federal Housing Administration (FHA), which is then extrapolated over the expected duration. Loss severity represents the interest loss severity as a percentage of UPB. Negative loss severity results from the indemnifying party receiving a debenture rate interest from the insuring agency that more than offsets the lower note rate interest payments due from the indemnifying party under the indemnification agreement. As the Company calculates the fair value of the indemnification asset using unobservable inputs the Company classifies the indemnification asset within level 3 of the valuation hierarchy. The Company’s portfolio management group is responsible for analyzing and updating the assumptions and cash flow model of the underlying loans on a quarterly basis, which includes corroboration with historical experience. Counterparty credit risk is taken into account when determining fair value.

See Note 11 for additional information on freestanding derivatives.

13. Commitments and Contingencies

Commitments — Commitments to extend credit are agreements to lend to customers in accordance with predetermined contractual provisions. These commitments, predominantly at variable interest rates, are for specific periods or contain termination clauses and may require the payment of a fee. The total amounts of unused commitments do not necessarily represent future credit exposure or cash requirements, as commitments often expire without being drawn upon.

In order to meet the needs of its clients, the Company also issues standby letters of credit, which are conditional commitments generally to provide credit support for some creditors in case of default. The credit risk and potential cash requirements involved in issuing standby letters of credit are essentially the same as those involved in extending loan facilities to clients.

Unfunded credit extension commitments at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
Commercial lines of credit [1]	$1,463,370	$1,467,894
Home equity lines of credit	26,837	28,780
Credit card lines of credit	32,991	34,627
Standby letters of credit	1,147	1,140
Total unfunded credit extension commitments	$1,524,345	$1,532,441

(1) Unfunded commercial commitments include $1,105,539 and $1,075,781 of conditional commitments for which certain requirements must be met in order to obtain an advance under the existing commitment as of March 31, 2014 and December 31, 2013, respectively. Of these commitments, $583,164 and $360,165 were cancellable by the Company at March 31, 2014 and December 31, 2013, respectively.

The Company also has entered into commitments to lend related to loans in the origination pipeline. These commitments represent arrangements to lend funds or provide liquidity subject to specified contractual provisions.

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The contractual amounts of the Company's commitments to lend in the held for investment origination pipeline at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
Residential	$569,021	$531,642
Commercial	296,740	208,480
Leasing	205,064	168,857
Total commitments to lend in the pipeline	$1,070,825	$908,979

Standby letters of credit issued by third party entities, are used to guarantee the Company's performance under various contracts. At March 31, 2014 and December 31, 2013, the Company had approximately $100,018 and $60,018, respectively, in letters of credit outstanding.

During September 2013, EverBank entered into a forward-dated borrowing agreement with the FHLB to borrow $50,000 as a fixed-rate FHLB advance at an interest rate of 2.10%, which will fund in September 2014 maturing in September 2018. During January 2014, EverBank entered into an additional forward-dated borrowing agreement with the FHLB to borrow $100,000 as a fixed-rate FHLB advance at an interest rate of 2.91%, which will fund in November 2014 maturing in February 2021. Prior to the funding date, EverBank has the right to terminate either of the advances subject to voluntary termination fees.

In the ordinary course of business, the Company enters into commitments to originate residential mortgage loans held for sale at interest rates determined prior to funding. Interest rate lock commitments for loans that the Company intends to sell are considered freestanding derivatives and are recorded at fair value. See Note 11 for information on interest rate lock commitments as they are not included in the table above.

The Company also has an agreement with the Jacksonville Jaguars of the National Football League whereby the Company obtained the naming rights to the football stadium in Jacksonville, Florida. Under the agreement, the amount due in 2014, which is the final year of the contract, is $3,647, a 5% increase from the total obligation due in 2013. The Company is obligated to pay $400 during the remainder of 2014.

Guarantees — The Company sells and securitizes conventional conforming and federally insured single-family residential mortgage loans predominantly to government-sponsored entities (GSEs), such as Fannie Mae and Freddie Mac. The Company also sells residential mortgage loans, primarily those that do not meet criteria for whole loan sales to GSEs, through whole loan sales to private non-GSE purchasers. In doing so, representations and warranties regarding certain attributes of the loans are made to the GSE or the third-party purchaser. Subsequent to the sale, if it is determined that the loans sold are (1) with respect to the GSEs, in breach of these representations or warranties or (2) with respect to non-GSE purchasers, in material breach of these representations and warranties, the Company generally has an obligation to either: (a) repurchase the loan for the UPB, accrued interest and related advances, (b) indemnify the purchaser or (c) make the purchaser whole for the economic benefits of the loan. From 2004 through March 31, 2014, the Company originated and securitized approximately $59,848,223 of mortgage loans to GSEs and private non-GSE purchasers. A majority of the loans sold to non-GSEs were agency deliverable products that were eventually sold by large aggregators of agency product who eventually securitized and sold to the agencies.

In some cases, the Company also has an obligation to repurchase loans in the event of early payment default (EPD) which is typically triggered if a borrower does not make the first several payments due after the loan has been sold to an investor. The Company is subject to EPD provisions on certain jumbo loan products and the community reinvestment loans the Company originates and sells under the State of Florida housing program. The total non-conforming UPB sold subject to early prepayment default protection was $54,210 at March 31, 2014. Total originations of community reinvestment loans sold under the State of Florida housing program were minimal. The reserve for early payment default is limited to 90 days and is estimated based on historical default factors.

The Company’s obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan. The Company establishes reserves for estimated losses inherent in the Company’s origination of mortgage loans. In estimating the accrued liability for loan repurchase and make-whole obligations, the Company estimates probable losses inherent in the population of all loans sold based on trends in claims requests and actual loss severities experienced. The liability includes accruals for probable contingent losses in addition to those identified in

the pipeline of repurchase or make-whole requests. There is additional inherent uncertainty in the estimate because the Company historically sold a majority of loans servicing released prior to 2009 and currently does not have servicing performance metrics on a majority of those loans it originated and sold. The estimation process is designed to include amounts based on actual losses experienced from actual repurchase activity. The baseline for the repurchase reserve uses historical loss factors that are applied to loan pools originated in 2003 through March 31, 2014 and sold in years 2004 through March 31, 2014. Loss factors, tracked by year of loss, are calculated using actual losses incurred on repurchase or make-whole arrangements. The historical loss factors experienced are accumulated for each sale vintage (year loan was sold) and are applied to more recent sale vintages to estimate inherent losses not yet realized. The Company's estimated recourse related to these loans was $24,428 and $20,225 at March 31, 2014 and December 31, 2013, respectively, and is recorded in accounts payable and accrued liabilities.

In the ordinary course of its loan servicing activities, the Company routinely initiates actions to foreclose real estate securing serviced loans. For certain serviced loans, there are provisions in which the Company is either obligated to fund foreclosure-related costs or to repurchase loans in default. Additionally, as servicer, the Company could be obligated to repurchase loans from or indemnify GSEs for loans originated by defunct originators. The outstanding principal balance on loans serviced at March 31, 2014 and December 31, 2013, was $59,152,669 and $59,492,239, respectively, including residential mortgage loans held for sale, and $9,945,965 of UPB related to the sale of MSR to GTS. The Company will subservice these loans until transfer in May 2014. The amount of estimated recourse recorded in accounts payable and accrued liabilities related to servicing activities at March 31, 2014 and December 31, 2013, was $10,796 and $23,668, respectively.

Federal Reserve Requirement — The Federal Reserve Board (FRB) requires certain institutions, including EB, to maintain cash reserves in the form of vault cash and average account balances with the Federal Reserve Bank. The reserve requirement is based on average deposits outstanding and was approximately $143,972 and $149,381 at March 31, 2014 and December 31, 2013, respectively.

Legal Actions — On April 13, 2011, each of the Company and EverBank entered into a consent order with the Office of Thrift Supervision (OTS) with respect to EverBank's mortgage foreclosure practices and the Company's oversight of those practices. The Office of the Comptroller of the Currency (OCC) succeeded the OTS with respect to EverBank's consent order, and the Board of Governors of the FRB

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succeeded the OTS with respect to the Company's consent order. The consent orders require, among other things, that the Company establish a new compliance program for mortgage servicing and foreclosure operations and that the Company ensures that it has dedicated resources for communicating with borrowers, policies and procedures for outsourcing foreclosure or related functions and management information systems that ensure timely delivery of complete and accurate information. The Company was also required to retain an independent firm as part of an "Independent Foreclosure Review" program to conduct a review of residential foreclosure actions that were pending from January 1, 2009 through December 31, 2010 in order to determine whether any borrowers sustained financial injury as a result of any errors, misrepresentations or deficiencies and to provide remediation as appropriate.

In August 2013, EverBank reached an agreement with the OCC that would end its participation in the Independent Foreclosure Review program mandated by the April 2011 consent order and replace it with an accelerated remediation process. The agreement includes a cash payment of $39,932, which was paid in 2013 by EverBank to a settlement fund, which would provide relief to qualified borrowers and approximately $6,344, which was substantially paid in the first quarter of 2014 to organizations certified by the U.S. Department of Housing and Urban Development or other tax-exempt organizations that have as a principal mission providing affordable housing, foreclosure prevention and/or educational assistance to low and moderate income individuals and families. This agreement has not eliminated all of our risks associated with foreclosure-related practices, and it does not protect EverBank from potential individual borrower claims or class action lawsuits, any of which could result in additional expenses. Consistent with the agreement, an amendment to the April 2011 consent order was entered into on October 15, 2013. All terms of the April 2011 consent order that were not explicitly superseded by the amendment remain in effect without modification.

In October 2013, EverBank received a letter from the OCC requesting, in connection with the April 2011 consent order, that EverBank provide the OCC with an action plan, along with other mortgage servicers, to identify errors and remediate borrowers serviced by EverBank for the period from January 1, 2011 through the present day, that may have been harmed by the same errors identified in the Independent Foreclosure Review. As of March 31, 2014, EverBank accrued $4,000 for potential future remediation payments to borrowers as a result of the implementation of the action plan.

In addition, other government agencies, including state attorneys general and the U.S. Department of Justice, continue to investigate various mortgage related practices of the Company and other major mortgage servicers. The Company continues to cooperate with these investigations. These investigations could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), or other enforcement actions, as well as significant legal cost in responding to governmental investigations and additional litigation. The Company has evaluated subsequent events through the date in which financial statements are available to be issued and currently, the Company is unable to estimate any loss that may result from penalties or fines imposed by the OCC or other governmental agencies and hence, no amounts have been accrued.

In light of the uncertainties involved in these government proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Company. In the ordinary course of business, the Company and its subsidiaries are routinely involved in various claims and legal actions.

14. Variable Interest Entities

The Company, in the normal course of business, engages in certain activities that involve variable interest entities (VIEs), which are legal entities that lack sufficient equity to finance their activities, or the equity investors of the entities as a group lack any of the characteristics of a controlling interest. The primary beneficiary of a VIE is generally the enterprise that has both the power to direct the activities most significant to the economic performance of the VIE and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. The Company evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Company is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration. If the Company is determined to be the primary beneficiary of a VIE, it must account for the VIE as a consolidated subsidiary. If the Company is determined not to be the primary beneficiary of a VIE but holds a variable interest in the entity, such variable interests are accounted for under accounting standards as deemed appropriate.

Non-consolidated VIEs

The table below summarizes select information related to variable interests held by the Company at March 31, 2014 and December 31, 2013:

	March 31, 2014		December 31, 2013	
Non-consolidated VIEs	Total Assets	Maximum Exposure	Total Assets	Maximum Exposure
Loans provided to VIEs	$140,444	$140,444	$150,749	$150,749
On-balance-sheet securitizations	22,785	22,785	50,534	50,534
Debt securities	1,231,317	1,231,317	1,219,915	1,219,915

Loans provided to VIEs

The Company has provided funding to certain unconsolidated VIEs sponsored by third parties. These VIEs are generally established to finance certain small business loans originated by third parties and are not considered to have significant equity at risk. The entities are primarily funded through the issuance of loans from the Company and a certified development company (CDC). The Company's loan is secured by a first lien. Although the Company retains the servicing rights to the loan, the Company is unable to unilaterally make all decisions necessary to direct the activities that most significantly impact the VIE; therefore, it is not the primary beneficiary. The principal risk to which these entities are exposed is credit risk related to the underlying assets. The loans to these VIEs are included in the Company’s overall analysis of the allowance for loan and lease losses and reserve for unfunded commitments, respectively. The Company does not provide any implicit or explicit liquidity guarantees or principal value guarantees to these VIEs. The Company records these commercial loans on its condensed consolidated balance sheet as loans held for investment.

On-balance sheet securitizations

The Company engages in on-balance-sheet securitizations which are securitizations that do not qualify for sales treatment; thus, the assets remain on the Company’s condensed consolidated balance sheet. The Company securitizes mortgage loans generally through a GSE,

such as GNMA, FNMA or FHLMC (U.S. agency-sponsored mortgages). Occasionally, the Company will transfer conforming residential mortgages to GNMA in exchange for mortgage-backed securities. The Company maintains effective control over pools of transferred assets that remain unsold at the end of the period. Accordingly, the Company has not recorded these transfers as sales. These transferred assets are recorded in the condensed consolidated balance sheet as loans held for sale.

Debt securities

All MBS, CMO and ABS securities owned by the Company are issued through VIEs. The related VIEs were not consolidated, as the Company was not determined to be the primary beneficiary. See Note 3 for information related to debt securities.

Mortgage securitizations

The Company provides a variety of mortgage loan products to a diverse customer base. Once originated, the Company often securitizes these loans through the use of VIEs. These VIEs are funded through the issuance of trust certificates backed solely by the transferred assets. These mortgage loan securitizations are non-recourse except in accordance with the Company's standard obligations under representations and warranties. Thereby, the transaction effectively transfers the risk of future credit losses to the purchasers of the securities issued by the trust. The Company generally retains the servicing rights of the transferred assets but does not retain any other interest in the entities.

As noted above, the Company securitizes mortgage loans through government-sponsored entities or through private label (non-agency sponsored) securitizations. The Company is not the primary beneficiary of its U.S. agency-sponsored mortgage securitizations, because the Company does not have the power to direct the activities of the VIE that most significantly impact the entity’s economic performance. Therefore, the Company does not consolidate these U.S. agency-sponsored mortgage securitizations. Additionally, the Company does not consolidate VIEs of private label securitizations. Although the Company is the servicer of the VIE, the servicing relationship is deemed to be a fiduciary relationship and, therefore, the Company is not deemed to be the primary beneficiary of the entity. Refer to Note 4 for information related to sales of residential mortgage receivables and Note 7 for information related to mortgage servicing rights.

15. Segment Information

The Company has three reportable segments: Banking and Wealth Management, Mortgage Banking, and Corporate Services. The Company’s reportable business segments are strategic business units that offer distinctive products and services marketed through different channels. These segments are managed separately because of their marketing and distribution requirements.

The Banking and Wealth Management segment includes all banking, lending and investing products and services offered to customers either over the web or telephone or through financial centers or financial advisors.

The Mortgage Banking segment includes the origination and servicing of mortgage loans and focuses primarily on residential loans for purposes of resale to GSEs, institutional investors or for investment by the Banking and Wealth Management segment.

The Corporate Services segment consists of services provided to the Banking and Wealth Management and Mortgage Banking segments including executive management, technology, legal, human resources, marketing, corporate development, treasury, accounting, finance and other services and transaction-related items. Direct expenses are allocated to the operating segments. Unallocated expenses are included in Corporate Services. Certain other expenses, including interest expense on trust preferred debt and transaction-related items, are included in the Corporate Services segment.

The chief operating decision maker’s review of each segment’s performance is based on segment income, which is defined as income from operations before income taxes and certain corporate allocations. Additionally, total net revenue is defined as net interest income before provision for loan and lease losses and total noninterest income. Intersegment revenue among the Company’s business units reflects the results of a funds transfer pricing (FTP) process, which takes into account assets and liabilities with similar interest rate sensitivity and maturity characteristics and reflects the allocation of net interest income related to the Company’s overall asset and liability management activities. This provides for the creation of an economic benchmark, which allows the Company to determine the profitability of the Company’s products and cost centers by calculating profitability spreads between product yields and internal references. However, business segments have some latitude to retain certain interest rate exposures

related to customer pricing decisions within guidelines.

FTP serves to transfer interest rate risk to the treasury function through a transfer pricing methodology and cost allocating model. The basis for the allocation of net interest income is a function of the Company's methodologies and assumptions that management believes are appropriate to accurately reflect business segment results. These factors are subject to change based on changes in strategy, current interest rates and market conditions.

The results of each segment are reported on a continuing basis. The following table presents financial information of reportable segments as of and for the three months ended March 31, 2014 and 2013. The eliminations column includes intersegment eliminations required for consolidation purposes.

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	As of and for the Three Months Ended March 31, 2014				
	Banking and Wealth Management	Mortgage Banking	Corporate Services	Eliminations	Consolidated
Net interest income (expense)	$126,512	$5,916	$(1,584)	$—	$130,844
Total net revenue	141,070	75,805 (1)	(1,447)	—	215,428
Intersegment revenue	1,410	(1,410)	—	—	—
Depreciation and amortization	5,828	1,009	1,916	—	8,753
Income before income taxes	90,687	(12,524) (1)	(27,018)	—	51,145
Total assets	16,088,952	1,570,995	228,086	(257,085)	17,630,948

	As of and for the Three Months Ended March 31, 2013				
	Banking and Wealth Management	Mortgage Banking	Corporate Services	Eliminations	Consolidated
Net interest income (expense)	$132,373	$13,014	$(1,571)	$—	$143,816
Total net revenue	160,154	118,383 (2)	(1,412)	—	277,125
Intersegment revenue	3,155	(3,155)	—	—	—
Depreciation and amortization	7,051	1,304	1,546	—	9,901
Income before income taxes	76,430	13,447 (2)	(26,487)	—	63,390
Total assets	15,251,578	3,152,487	158,767	(256,344)	18,306,488

(1) Segment earnings in the Mortgage Banking segment included a $4,941 recovery on the MSR valuation allowance for the three months ended March 31, 2014.

(2) Segment earnings in the Mortgage Banking segment included a $12,555 recovery on the MSR valuation allowance for the three months ended March 31, 2013.

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

The following discussion and analysis is intended to assist readers in understanding the financial condition and results of operations of the Company during the three month period ended March 31, 2014 and should be read in conjunction with the condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the period ended December 31, 2013, as filed with the Securities and Exchange Commission (SEC) on February 28, 2014.

Forward-Looking Statements

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be protected by the safe harbor provided therein. We generally identify forward-looking statements by terminology such as "outlook," "believes," "expects," "potential," "continues," "may," "will," " "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of those v other comparable words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, we also disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements contained in this report. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Part I, Item 1A "Risk Factors" contained in our Annual Report on Form 10-K for the period ended December 31, 2013, as filed with the SEC on February 28, 2014 and in Part II, Item 1A "Risk Factors" contained in this report, and include risks discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and in other periodic reports we file with the SEC. These factors include without limitation:

- deterioration of general business and economic conditions, including the real estate and financial markets, in the United States and in the geographic regions and communities we serve;
- risks related to liquidity, including the adequacy of our cash flow from operations and borrowings to meet our short-term liquidity needs;
- changes in interest rates that affect the pricing of our financial products, the demand for our financial services and the valuation of our financial assets and liabilities, mortgage servicing rights and mortgage loans held for sale;
- risk of higher loan and lease charge-offs;
- legislative or regulatory actions affecting or concerning mortgage loan modification, refinancing and foreclosure;
- risk of individual claims or further fines, penalties, equitable remedies, or other enforcement actions relating to our mortgage related practices;
- our ability to comply with any supervisory actions to which we are or become subject as a result of examination by our regulators;
- our ability to comply with the amended consent order and the terms and conditions of our settlement of the Independent Foreclosure Review, including the associated costs;
- concentration of our commercial real estate loan portfolio;
- higher than normal delinquency and default rates affecting our mortgage banking business;
- execution of current or future acquisition, reorganization or disposition transactions including, the risk that we may not realize the anticipated benefits of such transactions;
- limited ability to rely on brokered deposits as a part of our funding strategy;
- concentration of mass-affluent clients and jumbo mortgages;
- the effectiveness of the hedging strategies we use to manage our mortgage pipeline;
- the effectiveness of our derivatives to manage interest rate risk;
- delinquencies on our equipment leases and reductions in the resale value of leased equipment;

- increases in loan repurchase requests and our reserves for loan repurchases;
- failure to prevent a breach to our Internet-based system and online commerce security;
- soundness of other financial institutions;
- changes in currency exchange rates or other political or economic changes in certain foreign countries;
- disruptions in the credit and financial markets in the United States and globally, including the effects of any downgrade in the United States government's sovereign debt rating and the continued effects of the European sovereign debt crisis and declining currencies in certain emerging markets;
- the competitive industry and market areas in which we operate;
- historical growth rate and performance may not be a reliable indicator of future results;
- loss of key personnel;
- fraudulent and negligent acts by loan applicants, mortgage brokers, other vendors and our employees;
- costs of compliance or failure to comply with laws, rules, regulations and orders that govern our operations;
- failure to establish and maintain effective internal controls and procedures;
- impact of current and future legal and regulatory changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) and the capital requirements promulgated by the Basel Committee on Banking Supervision ("Basel Committee");
- effects of changes in existing U.S. government or government-sponsored mortgage programs;
- changes in laws and regulations that may restrict our ability to originate or increase our risk of liability with respect to certain mortgage

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loans;

- legislative action regarding foreclosures or bankruptcy laws;
- changes to generally accepted accounting principles (GAAP);
- environmental liabilities with respect to properties that we take title to upon foreclosure; and
- inability of EverBank, our banking subsidiary, to pay dividends.

Reclassifications

Certain prior period information in this MD&A has been reclassified to conform to current period classifications.

Introduction and Overview

We are a thrift holding company which operates primarily through our direct subsidiary, EverBank (EB or EverBank). EB is a federally chartered thrift institution with its home office located in Jacksonville, Florida. References to "we," "our," "us," or the "Company" refer to the holding company and its subsidiaries that are consolidated for financial reporting purposes. We are a diversified financial services company that provides innovative banking, lending and investment products and services to clients nationwide through scalable, low-cost distribution channels. Our business model attracts financially sophisticated, self-directed, mass-affluent clients and a diverse base of small and medium-sized business clients. We market and distribute our products and services primarily through our integrated on-line financial portal, which is augmented by our nationwide network of independent financial advisors, high-volume financial centers in targeted Florida markets and other business offices throughout the country. These channels are connected by technology-driven centralized platforms, which provide operating leverage throughout our business.

We have a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our core deposit franchise and client base. We originate, invest in, sell and service residential mortgage loans, equipment leases, and various other consumer and commercial loans, as market conditions warrant. Our organic origination activities are scalable, significant relative to our balance sheet size and provide us with substantial growth potential. Our origination, lending and servicing expertise positions us to acquire assets in the capital markets when risk-adjusted returns available through acquisition exceed those available through origination. Our rigorous analytical approach provides capital markets discipline to calibrate our levels of asset origination, retention and acquisition. These activities diversify our earnings, strengthen our balance sheet and provide us with flexibility to capitalize on market opportunities.

Our deposit franchise fosters strong relationships with a large number of financially sophisticated clients and provides us with a stable and flexible source of low, all-in cost funding. We have a demonstrated ability to grow our client deposit base significantly with short lead time by adapting our product offerings and marketing activities rather than incurring the higher fixed operating costs inherent in more branch-intensive banking models. Our extensive offering of deposit products and services includes proprietary features that distinguish us from our competitors and enhance our value proposition to clients. Our products, distribution and marketing strategies allow us to generate substantial deposit growth while maintaining an attractive mix of high-value transaction and savings accounts.

Key Factors Affecting Our Business and Financial Statements

Economic and Interest Rate Environment

The results of our operations are highly dependent on economic conditions and market interest rates. Beginning in 2007, turmoil in the financial sector resulted in a reduced level of confidence in financial markets among borrowers, lenders and depositors, as well as extreme volatility in the capital and credit markets. In response to these conditions, the Board of Governors of the FRB began decreasing short-term interest rates, with 11 consecutive decreases totaling 525 basis points between September 2007 and December 2008. To stimulate economic activity and stabilize the financial markets, the FRB maintained historically low market interest rates from 2009 to 2013. Market conditions have improved during the first quarter of 2014 as unemployment rates have remained stable in March 2014 after declining to 6.7% in December 2013, and consumer confidence, GDP and average home prices have all risen. Despite cumulative progress and an improved outlook in March 2014, the FRB has indicated that it would maintain its federal funds rate target at a near-zero range, which indicates low market interest rates will likely continue throughout 2014.

Net interest income is our largest source of income and is driven primarily as a function of the average balance of interest-earning assets, the average balance of interest-bearing liabilities and the spread between the contractual yield on such assets and the contractual cost of such liabilities. These factors are influenced by both the pricing and mix of

interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as the local economy, competition for loans and deposits, the monetary policy of the FRB and market interest rates. The cost of our deposits is largely based on short-term interest rates which are driven primarily by the FRB's actions. However, the yields generated by our loans and securities are typically driven by longer-term interest rates which are set by the market, or, at times by the FRB's actions. Our net interest income is therefore influenced by movements in interest rates and the pace at which these movements occur.

In the latter half of the second quarter of 2013, the FRB indicated their intention to reduce their bond buying activities associated with quantitative easing 3 (QE3) if the economy continued to show improvement. The uncertainty around the FRB's intent created volatility in the capital markets and resulted in a market sell-off which drove the 10-year treasury yield from 1.7% on May 2, 2013 to 2.6% on June 25, 2013. These events had a direct impact on mortgage rates which increased sharply from 3.7% at the beginning of the second quarter 2013 to 4.4% at the end of the second quarter. Mortgage interest rates increased to a high of 4.7% in early September 2013, however were down slightly throughout the end of 2013 and ended the first quarter at 4.4%. In addition, the spreads over the treasury curve widened to levels experienced earlier in the year. Increases in mortgage rates impacted our origination volume as the number of borrowers eligible to refinance into lower rates was reduced. While we did see mortgage rates decrease in late first quarter, rates are still significantly higher than in the first and second quarters of 2013. We have made substantial investments in our retail platform focusing on purchase money transactions in anticipation of the higher rate environment and slowed refinancing activity. Moreover, the expectation of slower prepayments due to refinancing has had a positive impact on the fair value and amortization of our mortgage servicing rights.

In the first quarter of 2014, our residential mortgage and commercial lending businesses experienced seasonal slowdowns and were impacted by the various affects that the winter weather patterns had in the Southeast and Northeast. We continue to monitor the status of the economy as well as the expected interest rate environment both in the near term and over the long term to best position our balance sheet to optimize risk-adjusted returns.

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Performance Highlights

First Quarter 2014 Key Highlights[1]

- GAAP net income was $32 million for the first quarter 2014, compared to $39 million for the first quarter 2013 and $18 million for the fourth quarter 2013.
- GAAP diluted earnings per share was $0.23, a 23% decrease from $0.30 in the first quarter 2013 and a 77% increase from $0.13 in the fourth quarter 2013.
- Tangible common equity per common share increased 11% year over year to $11.78 at March 31, 2014.
- Retained asset generation of $1.1 billion in the quarter, or $4.6 billion annualized.
- Portfolio loans held for investment (HFI) grew to $13.9 billion, an increase of 4.6% compared to the prior quarter, or 18.4% annualized.
- Core net interest margin (NIM) was 3.36% compared to 3.30% in the prior quarter.
- Adjusted non-performing assets to total assets of 0.62% at March 31, 2014. Annualized net charge-offs to total loans and leases held for investment of 0.12% for the quarter.
- Strong capital position with bank tier 1 leverage ratio of 9.1% and bank total risked-based capital ratio of 14.3%.
- Completed the sale of approximately $10 billion unpaid principal balance of mortgage servicing rights to Green Tree Servicing LLC ("Green Tree").

[1] Reconciliations of Non-GAAP financial measures can be found in Table 1, Table 1A, Table 1B, Table 7A, Table 7B, and Table 17.

Strategic Business Activities

- Subsequent to quarter end, EverBank announced that Ginnie Mae had approved the previously disclosed partnership between EverBank and Green Tree, which will allow Green Tree to subservice EverBank’s Ginnie Mae and government loan servicing portfolio commencing on May 1, 2014, concurrent with the default servicing platform transfer to Green Tree.

Balance Sheet

Strong Portfolio Loan Growth

Total portfolio loans HFI were $13.9 billion at March 31, 2014, an increase of $1.6 billion, or 13%, year over year. Compared to the prior quarter, this represents an increase of $0.6 billion, or 5%. Total assets were $17.6 billion at March 31, 2014, flat compared to $17.6 billion at December 31, 2013.

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Loans HFI for the first quarter 2014, as compared to the first and fourth quarters of 2013, were comprised of:

($ in millions)	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013	% Change (Q/Q)	% Change (Y/Y)
Residential loans	$5,688	$5,153	$3,677	10 %	55 %
Mortgage pool buyouts	1,912	1,892	2,603	1 %	(27)%
Total residential mortgages	7,600	7,045	6,280	8 %	21 %
Commercial real estate	3,153	3,190	3,314	(1)%	(5)%
Commercial finance	2,048	1,917	1,319	7 %	55 %
Total commercial finance & CRE	5,201	5,107	4,633	2 %	12 %
Warehouse finance	911	944	1,161	(3)%	(22)%
Other	152	157	181	(3)%	(16)%
Total HFI	$13,864	$13,253	$12,255	5 %	13 %

During the first quarter of 2014, total residential mortgages HFI increased $0.6 billion, or 8%, compared to the prior quarter and $1.3 billion, or 21%, year over year to $7.6 billion, driven by strong growth in our high quality jumbo hybrid ARM portfolio. Total commercial finance and CRE balances increased $0.1 billion, or 2%, compared to the prior quarter and $0.6 billion, or 12%, year over year to $5.2 billion, driven by strong commercial finance activity.

Loan Origination Activities

Organic asset generation totaled $2.0 billion and retained organic originations totaled $1.1 billion for the first quarter of 2014. Total commercial finance and CRE originations during the quarter were $326 million, an increase of 30% year over year. Compared to the prior quarter, commercial finance and CRE originations declined 53% driven primarily by seasonal differences.

Residential loan originations were $1.7 billion for the first quarter of 2014, a decrease of 15% compared to the prior quarter and a decrease of 41% year over year. Excluding the impact of our exit from the wholesale broker channel in the third quarter 2013, origination volume decreased 23% year over year. Jumbo origination volume was $808 million in the first quarter, flat compared to the prior quarter and an increase of 5% year over year. The mix of purchase transactions increased to 47% of total originations and 70% of retail channel originations compared to 43% and 67%, respectively, in the prior quarter. Our gain on sale margin increased 11 basis points compared to the prior quarter, to 2.99%.

The following table presents total organic loan and lease origination information by product type:

($ in millions)	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013	% Change (Q/Q)	% Change (Y/Y)
Residential origination volume					
Conventional loans	$892	$1,188	$2,135	(25)%	(58)%
Jumbo loans	808	808	768	— %	5 %
	1,700	1,996	2,903	(15)%	(41)%
Commercial origination volume					
Commercial real estate	123	266	63	(54)%	95 %
Commercial finance	203	435	187	(53)%	9 %
Total commercial finance & CRE	326	701	250	(53)%	30 %
Warehouse finance	—	—	144	NM	(100)%
Total organic originations	$2,026	$2,697	$3,297	(25)%	(39)%

Deposits

Total deposits were $13.3 billion at March 31, 2014, flat quarter over quarter and down 3% year over year. Time deposits, excluding market-based deposits, represented 24% of total deposits in the first quarter. Business deposits grew 6% year over year and represented 13% of total deposits at quarter end.

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At March 31, 2014, as compared to the first and fourth quarters of 2013, our deposits were comprised of the following:

($ in millions)	Mar 31, 2014	Dec 31, 2013	Mar 31, 2013	% Change (Q/Q)	% Change (Y/Y)
Noninterest-bearing demand	$1,055	$1,077	$1,287	(2)%	(18)%
Interest-bearing demand	2,962	3,006	2,933	(1)%	1 %
Savings and money market accounts	5,023	5,111	4,902	(2)%	2 %
Global market-based accounts	997	1,011	1,136	(1)%	(12)%
Time, excluding market-based	3,251	3,056	3,416	6 %	(5)%
Total deposits	$13,288	$13,261	$13,674	— %	(3)%
Consumer deposits	$11,522	$11,434	$12,007	1 %	(4)%
Business deposits	1,766	1,827	1,667	(3)%	6 %
Total deposits	$13,288	$13,261	$13,674	— %	(3)%

Other Funding Sources

Total other borrowings were $2.4 billion at March 31, 2014, flat quarter over quarter and down 12% year over year.

Financial Highlights

Table 1

(dollars in thousands, except per share amounts)	Three Months Ended March 31, 2014	2013
For the Period:		
Operating Results:		
Total revenue	$215,428	$277,125
Net interest income	130,844	143,816
Provision for loan and lease losses	3,071	1,919
Noninterest income	84,584	133,309
Noninterest expense	161,212	211,816
Net income	31,760	39,146
Net earnings per common share, basic	0.24	0.30
Net earnings per common share, diluted	0.23	0.30
Performance Metrics:		
Adjusted net income(1)	$30,103	$43,737
Adjusted net earnings per common share, basic(2)	0.22	0.34
Adjusted net earnings per common share, diluted(2)	0.22	0.33
Yield on interest-earning assets	4.33 %	4.47 %
Cost of interest-bearing liabilities	1.08 %	1.23 %
Net interest spread	3.25 %	3.24 %
Net interest margin	3.41 %	3.42 %
Return on average assets	0.75 %	0.85 %
Return on average equity(3)	7.91 %	11.04 %
Adjusted return on average assets(4)	0.71 %	0.95 %
Adjusted return on average equity(5)	7.46 %	12.42 %
Credit Quality Ratios:		
Net charge-offs to average loans and leases held for investment	0.12 %	0.23 %
Banking and Wealth Management Metrics:		
Efficiency ratio(6)	35.1 %	52.3 %
Mortgage Banking Metrics:		
Unpaid principal balance of loans originated (in millions)	$1,696.9	$2,898.4

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Financial Highlights	Table 1 (cont.)	
(dollars in thousands, except per share amounts)	March 31, 2014	December 31, 2013
As of Period End:		
Balance Sheet Data:		
Cash and cash equivalents	$499,829	$847,778
Investment securities	1,358,548	1,351,002
Loans held for sale	596,729	791,382
Loans and leases held for investment, net	13,801,140	13,189,034
Total assets	17,630,948	17,640,984
Deposits	13,288,411	13,261,340
Total liabilities	15,983,309	16,019,971
Total shareholders’ equity	1,647,639	1,621,013
Credit Quality Ratios:		
Adjusted non-performing assets as a percentage of total assets (see Table 17)	0.62 %	0.65 %
Allowance for loan and lease losses (ALLL) as a percentage of loans and leases held for investment (see Table 19)	0.45 %	0.48 %
Capital Ratios:		
Tier 1 leverage ratio (bank level) (see Table 33)	9.1 %	9.0 %
Tier 1 risk-based capital ratio (see Table 33)	13.8 %	13.8 %
Total risk-based capital ratio (bank level) (see Table 33)	14.3 %	14.3 %
Tangible common equity to tangible assets (see Table 1B)	8.2 %	8.1 %
Tangible equity to tangible assets (see Table 1B)	9.1 %	8.9 %
Deposit Metrics:		
Deposit growth (trailing 12 months)	(2.8)%	0.9 %
Mortgage Banking Metrics:		
Unpaid principal balance of loans serviced for the Company and others (in millions)	$60,677.6	$61,035.3
Tangible Common Equity Per Common Share[7]	$11.78	$11.57

(1) Adjusted net income includes adjustments to our net income for certain material items that we believe are not reflective of our ongoing business or operating performance. For a reconciliation of adjusted net income to net income, which is the most directly comparable GAAP measure, see Table 1A.

(2) Both basic and diluted adjusted net earnings per common share are calculated using a numerator based on adjusted net income. Adjusted net earnings per common share, basic is a non-GAAP financial measure and its most directly comparable GAAP measure is net earnings per common share, basic. Adjusted net earnings per common share, diluted is a non-GAAP financial measure and its most directly comparable GAAP measure is net earnings per common share, diluted.

(3) Return on average equity is calculated as net income less dividends declared on the Series A 6.75% Non-Cumulative Perpetual Preferred Stock divided by average common shareholders' equity (average shareholders' equity less average Series A 6.75% Non-Cumulative Perpetual Preferred Stock).

(4) Adjusted return on average assets equals adjusted net income divided by average total assets. Adjusted net income is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is net income. For a reconciliation of net income to adjusted net income, see Table 1A.

(5) Adjusted return on average equity is calculated as adjusted net income less dividends declared on the Series A 6.75% Non-Cumulative Perpetual Preferred Stock divided by average common shareholders' equity. Adjusted net income is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is net income. For a reconciliation of net income to adjusted net income, see Table 1A.

(6)

The efficiency ratio represents noninterest expense from our Banking and Wealth Management segment as a percentage of total revenues from our Banking and Wealth Management segment. We use the efficiency ratio to measure noninterest costs expended to generate a dollar of revenue. Because of the significant costs we incur and fees we generate from activities related to our mortgage production and servicing operations, we believe the efficiency ratio is a more meaningful metric when evaluated within our Banking and Wealth Management segment.

(7) Calculated as tangible common shareholders' equity divided by shares of common stock. Tangible common shareholders' equity equals shareholders' equity less goodwill, other intangible assets and perpetual preferred stock (see Table 1B). Tangible common equity per common share is calculated using a denominator that includes actual period end common shares outstanding. Tangible common equity per common share is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is book value per common share.

A reconciliation of adjusted net income to net income, which is the most directly comparable GAAP measure, is as follows:

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Adjusted Net Income	Table 1A	
	Three Months Ended March 31,	
(dollars in thousands, except per share data)	2014	2013
Net income	$31,760	$39,146
Non-recurring regulatory related expense, net of tax	465	11,425
Increase in Bank of Florida non-accretable discount, net of tax	311	950
MSR impairment (recovery), net of tax	(3,063)	(7,784)
Restructuring cost, net of tax	630	—
Adjusted net income	$30,103	$43,737
Adjusted net income allocated to preferred stock	2,531	2,531
Adjusted net income allocated to common shareholders	$27,572	$41,206
Adjusted net earnings per common share, basic	$0.22	$0.34
Adjusted net earnings per common share, diluted	$0.22	$0.33
Weighted average common shares outstanding:		
(units in thousands)		
Basic	122,684	121,583
Diluted	125,038	123,439

A reconciliation of tangible equity and tangible common equity to shareholders' equity, which is the most directly comparable GAAP measure, and tangible assets to total assets, which is the most directly comparable GAAP measure, is as follows:

Tangible Equity, Tangible Common Equity and Tangible Assets	Table 1B	
(dollars in thousands)	March 31, 2014	December 31, 2013
Shareholders' equity	$1,647,639	$1,621,013
Less:		
Goodwill	46,859	46,859
Intangible assets	5,286	5,813
Tangible equity	1,595,494	1,568,341
Less:		
Perpetual preferred stock	150,000	150,000
Tangible common equity	$1,445,494	$1,418,341
Total assets	$17,630,948	$17,640,984
Less:		
Goodwill	46,859	46,859
Intangible assets	5,286	5,813
Tangible assets	$17,578,803	$17,588,312

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Analysis of Statements of Income

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of the Company from earning assets and the resultant average yields; (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates; (iii) net interest income; (iv) net interest spread; and (v) net interest margin.

Average Balance Sheet, Interest and Yield/Rate Analysis — Table 2

	Three Months Ended					
	March 31, 2014			March 31, 2013		
(dollars in thousands)	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets:						
Interest-earning assets:						
Cash and cash equivalents	$260,265	$162	0.25 %	$550,683	$298	0.22 %
Investment securities	1,236,352	9,586	3.10 %	1,712,705	15,489	3.62 %
Other investments	109,685	245	0.91 %	138,617	761	2.23 %
Loans held for sale	911,273	8,593	3.77 %	2,428,324	20,309	3.35 %
Loans and leases held for investment:						
Residential mortgages	7,061,050	72,526	4.11 %	6,547,768	70,579	4.31 %
Commercial and commercial real estate	4,600,544	57,837	5.03 %	4,627,274	61,264	5.30 %
Lease financing receivables	1,246,386	18,154	5.83 %	860,986	19,413	9.02 %
Home equity lines	149,733	1,054	2.85 %	176,682	2,152	4.94 %
Consumer and credit card	5,511	306	22.52 %	7,204	69	3.88 %
Total loans and leases held for investment	13,063,224	149,877	4.59 %	12,219,914	153,477	5.02 %
Total interest-earning assets	15,580,799	$168,463	4.33 %	17,050,243	$190,334	4.47 %
Noninterest-earning assets	1,430,854			1,341,095		
Total assets	$17,011,653			$18,391,338		
Liabilities and Shareholders’ Equity:						
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand	$2,975,863	$4,366	0.60 %	$2,809,317	$5,458	0.79 %
Market-based money market accounts	411,610	619	0.61 %	431,542	838	0.79 %
Savings and money market accounts, excluding market-based	5,101,516	7,661	0.61 %	4,684,683	9,034	0.78 %
Market-based time	586,588	1,083	0.75 %	725,629	1,571	0.88 %
Time, excluding market-based	2,876,480	8,878	1.25 %	3,795,298	9,922	1.06 %
Total deposits	11,952,057	22,607	0.77 %	12,446,469	26,823	0.87 %
Borrowings:						
Trust preferred securities	103,750	1,644	6.43 %	103,750	1,642	6.42 %
Federal Home Loan Bank (FHLB) advances	1,958,449	13,368	2.73 %	2,594,940	17,831	2.75 %
Repurchase agreements	—	—	0.00 %	56,605	222	1.59 %
Other	24,001	—	0.00 %	—	—	0.00 %
Total interest-bearing liabilities	14,038,257	$37,619	1.08 %	15,201,764	$46,518	1.23 %
Noninterest-bearing demand deposits	1,081,435			1,377,102		
Other noninterest-bearing liabilities	263,745			335,459		
Total liabilities	15,383,437			16,914,325		
Total shareholders’ equity	1,628,216			1,477,013		
Total liabilities and shareholders’ equity	$17,011,653			$18,391,338		
Net interest income/spread		$130,844	3.25 %		$143,816	3.24 %

Net interest margin			3.41	%			3.42	%
Memo: Total deposits including non-interest bearing	$13,033,492	$22,607	0.71	%	$13,823,571	$26,823	0.79	%

(1) The average balances are principally daily averages, and for loans, include both performing and non-performing balances.
(2) Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.
(3) All interest income was fully taxable for all periods presented.

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Increases and decreases in interest income and interest expense result from changes in average balances (volume) of interest-earning assets and interest-bearing liabilities, as well as changes in average interest rates. The following table shows the effect that these factors had on the interest earned on our interest-earning assets and the interest incurred on our interest-bearing liabilities.

Analysis of Change in Net Interest Income — Table 3

	Three Months Ended March 31, 2014 Compared to March 31, 2013 Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total
Interest-earning assets:			
Cash and cash equivalents	$(158)	$22	$(136)
Investment securities	(4,252)	(1,651)	(5,903)
Other investments	(159)	(357)	(516)
Loans held for sale	(12,531)	815	(11,716)
Loans and leases held for investment:			
Residential mortgages	5,455		