EverBank Financial Corp
Form 10-K
February 20, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
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)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 Par Value	New York Stock Exchange
Depositary Shares, each representing a 1/1,000th of a share of 6.75% Non-Cumulative Perpetual Preferred Stock, Series A	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
none

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No ý

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 ý 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 (§ 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 ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
o

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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 ý	Accelerated filer o
Non-accelerated filer ¨ (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 ý

The aggregate market value of the registrant's outstanding voting common stock held by non-affiliates on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), determined using the per share closing price on that date on the New York Stock Exchange of $20.16, was approximately $1,739,273,982. There was no non-voting common equity of the registrant outstanding on that date.

As of February 17, 2015, there were 123,969,429 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the annual meeting of stockholders, scheduled to be held on May 21, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2014.

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Part I

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 w 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 Item 1A “Risk Factors” contained in this Annual Report on Form 10-K and the following:

- 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 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;
- 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 loans;
- legislative action regarding foreclosures or bankruptcy laws;
- changes to generally accepted accounting principles (GAAP);

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- environmental liabilities with respect to properties that we take title to upon foreclosure; and
- inability of EverBank, our banking subsidiary, to pay dividends.

Item 1. Business

Overview

EverBank Financial Corp, a Delaware corporation, is a unitary savings and loan holding company headquartered 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 a wide range of financial products and services to individuals as well as small and mid-size business clients nationwide through scalable, low-cost distribution channels that are connected by technology-driven, centralized platforms which provide operating leverage throughout our business. We market and distribute our banking products and services primarily through our integrated online and mobile financial portal, high-volume financial centers in targeted Florida markets and other national business relationships. Our consumer and commercial lending businesses are nationwide and target clients through retail and commercial lending offices in major metropolitan markets throughout the country. As of December 31, 2014, we had total assets of $21.6 billion, total deposits of $15.5 billion and total equity of $1.7 billion. Our principal executive offices are located at 501 Riverside Avenue, Jacksonville, Florida and our telephone number is (904) 281-6000. Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol “EVER.”

Financial Information About Our Business Segments

We evaluate our overall financial performance through three financial reporting segments: Consumer Banking, Commercial Banking and Corporate Services. Consumer Banking includes consumer deposit services and activities, residential lending and servicing, wealth management, and capital markets. Commercial Banking includes commercial deposit services and activities, commercial and commercial real estate lending, lender finance, equipment finance and mortgage warehouse finance. Corporate Services provides support services to the Consumer and Commercial Banking segments. Financial information with respect to our business segments including revenue, operating income or loss and total assets is contained in Note 30 to our consolidated financial statements included in this report.

Consumer Banking

Deposits and Wealth Management

Our consumer deposit franchise provides a stable, flexible source of low all-in cost funds and is focused on fostering strong relationships with individual and small and mid-sized size business clients nationwide. These clients maintain an average deposit balance per household (excluding escrow deposits) of $92,802 as of December 31, 2014, which we believe is more than three times the industry average.

All deposit clients can choose to manage their relationship with us through various channels including the Online Financial Center, tablet and mobile applications, phone and email, or visit our network of high-volume financial centers in key Florida metropolitan areas, which have average deposits per branch of $309 million as of December 31, 2014. Our distribution channels, operating platform and client acquisition strategies are characterized by low operating costs and are designed to enable us to scale the business efficiently. Our unique products and product design, distribution and marketing strategies allow us to effectively control organic deposit growth, providing flexibility and efficiency in funding asset growth opportunities.

Our World Markets deposit offering provides clients a toolkit for global diversification including World Currency® deposits denominated in 21 foreign currencies and MarketSafe® structured deposits, which totaled $700 million and $148 million respectively. In addition, World Markets clients hold over $203 million of precious metals in custody with us in non-FDIC insured EverBank Metals Select® accounts.

We provide comprehensive financial advisory, planning, brokerage and other wealth management services to our mass-affluent and high net worth clients through our registered broker dealer and registered investment adviser subsidiaries.

Residential Lending and Servicing

We originate prime residential loans nationwide through retail lending offices in large metropolitan areas, direct channels, financial centers and correspondent relationships supported by a centrally controlled underwriting, processing and fulfillment infrastructure. We have expanded our retail and correspondent distribution channels in recent years with an emphasis on prime jumbo residential loans which we either retain on our balance sheet or sell into the secondary market. These channels and products serve the needs of our core clients and are strategic to our balance sheet growth objectives.

We generate mortgage servicing business through the retention of servicing from our origination activities, whole loan acquisitions, and related servicing activities. We service a diverse portfolio of both products and investors including agency and private pools of mortgages secured by properties throughout the United States. During 2014, we realigned the profile of our servicing business through the strategic sale of our default servicing operations and higher delinquency profile servicing rights to Green Tree Servicing which resulted in a repositioned operation strategically focused on our core clients.

Capital Markets

We opportunistically supplement organic originations by purchasing loans and securities when those investments have more attractive risk-adjusted returns than those we can originate and retain. Our decision to originate, retain, acquire, securitize or sell assets is grounded in our rigorous analytical approach to investment analysis and our disciplined approach to balancing risk against performance. Our flexibility to retain or sell originated assets or acquire assets enables us to pursue attractive risk adjusted returns in a variety of market conditions and enhance stockholder value.

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Commercial Banking
Commercial Deposits
We increased our emphasis on commercial deposits in 2014 in order to deepen existing relationships with our large number of small and mid-size business clients and to attract new commercial clients. We distinguish ourselves from competitors based on our attractive product offering, client service and value proposition. Commercial deposit balances represented 19% of our total deposits as of December 31, 2014.
Commercial & Commercial Real Estate Lending
We originate commercial real estate loans for the acquisition and refinancing of stabilized commercial real estate for owner users, investors and developers nationwide. Our portfolio is diversified by property type and geographic location and includes owner occupied, single-tenant, multi-tenant commercial and multi-family properties with an average loan size of approximately $4 million. We underwrite stabilized properties with experienced borrowers, strong property/tenant cash flow and collateral. We offer our clients competitive fixed and floating rates with flexible terms.
Commercial Finance
Our commercial finance platform includes the equipment finance and lender finance businesses. Our equipment finance division originates equipment leases and loans nationwide through relationships with over 800 equipment manufacturers, distributors and dealers with large groups of high quality clients. Our equipment leases and loans generally finance essential-use health care, office product, technology, industrial and other types of equipment primarily to small and mid-size lessees and borrowers. Our typical equipment financings range from approximately $10,000 to $5.0 million per transaction with typical finance terms ranging from 36 to 72 months. We have significantly increased origination activity within our equipment business since 2010 by expanding within both our served markets as well as expanding into new markets.
In 2011, we formed the lender finance business that focuses on providing revolving and term credit facilities secured by equipment and receivables primarily to specialty finance companies on a national basis. We have achieved significant growth in this business since inception, as new client acquisition has driven strong growth in committed facilities as both agent and participant. These credit facilities typically have an initial term of 36 to 72 months and range in size from $15.0 million to more than $50.0 million.
Our commercial finance activities provide us with access to approximately 34,000 small business clients nationwide, which creates opportunities to potentially cross-sell other commercial and consumer banking and lending products and services.
Mortgage Warehouse Finance
Our warehouse finance business provides mortgage loan financing which may include sublimits for the financing of mortgage servicing assets to mid-sized, established mortgage banking companies across the country with a proven track record of originating quality mortgages. A majority of our warehouse financing loans are short-term revolving facilities, collateralized by agency and government residential loans originated by our clients. Our loan commitment sizes generally range from $20 million to $125 million.
Corporate Services
Our Corporate Services segment provides services to the Consumer Banking and Commercial Banking segments including executive management, technology, legal, human resources, marketing, corporate development, treasury, accounting, finance and other services and transaction related support.
Competition
We face substantial competition in all areas of our operations including internet banks and national, regional and community banks within the markets we serve. We also compete with many other types of financial institutions such as savings and loan institutions, credit unions, mortgage companies, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries.
Competition for loans is often driven by interest rates, loan origination and related fees and services. Because of our lower all-in cost structure relative to our competition, we are often able to offer borrowers more favorable interest rates than may be available from other lenders. In addition, because we originate assets to hold on our balance sheet as well as sell in the secondary markets, we seek to attract borrowers by offering loan products such as jumbo residential

mortgage loans that may not be available from other lenders. We have successfully executed both sales and securitizations of our jumbo preferred fixed rate and ARM products.

Competition for deposit products is generally based on pricing because of the ease with which clients can transfer deposits from one institution to another. Our multi-channel deposit strategy has lower fixed operating costs than traditional models because we do not incur the expenses associated with primarily operating through a traditional branch network. In order to generate deposits, we pass a portion of these cost savings to our clients through competitive interest rates and fees. Besides price competition, we also seek to increase our deposit market share through product differentiation by offering deposit products that provide investment opportunities such as our WorldCurrency®, MarketSafe® and EverBank Metals Select℠ deposit products.

We also compete based on the accessibility of our product offerings through our multiple distribution channels. Finally, we seek to distinguish our products and services from other banks through the quality of our online offerings and website and mobile functionality.

Supervision and Regulation

Government Regulation

We and EverBank are subject to comprehensive supervision and regulation that affect virtually all aspects of our operations. This supervision and regulation is designed primarily to protect depositors and the Deposit Insurance Fund (DIF), administered by the Federal Deposit Insurance Corporation (FDIC), and the banking system as a whole, and generally is not intended for the protection of stockholders. The following summarizes certain of the more important statutory and regulatory provisions applicable to us. See also the discussion under “Risk Factors-Regulatory and Legal Risk Factors.”

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Recent Regulatory Developments

Mortgage servicing "horizontal review." A "horizontal review" of the residential mortgage foreclosure operations of fourteen mortgage servicers, including EverBank, by the federal banking agencies resulted in formal enforcement actions against all of the banks subject to the horizontal review. 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 Federal Reserve System (FRB) 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 ensure 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 ended its participation in the Independent Foreclosure Review program mandated by the April 2011 consent order and replaced it with an accelerated remediation process. The agreement included a cash payment of approximately $39.9 million to be made by EverBank to a settlement fund, which will provide relief to qualified borrowers. In addition, EverBank contributed approximately $6.3 million 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, along with other mortgage servicers, received a letter from the OCC requesting, in connection with the April 2011 consent order, that EverBank provide the OCC with an action plan 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. EverBank submitted its action plan in 2013, which did not require an independent third party review. At December 31, 2014, EverBank has accrued approximately $3.5 million for potential remediation payments to be made to borrowers under that action plan. EverBank will be remediating two populations of borrowers. EverBank finalized the first remediation population and began issuing remediation payments in February 2015. EverBank will finalize the second remediation population of borrowers in March 2015 and is scheduled to send initial remediation payments to that population by the end of the second quarter of 2015.

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 costs in responding to governmental investigations and additional litigation. The Company has evaluated subsequent events through the date on 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 other governmental agencies; therefore, no amounts have been accrued.

Since entering into the Consent Orders, federal regulators have conducted periodic validation testing with each of the fourteen mortgage servicers to assess the effectiveness and sustainability of the processes and controls each has implemented to ensure compliance with all Consent Order requirements. Federal regulators conducted the most recent validation testing in December 2014 and found that requirements that remained non-compliant varied

among servicers. Federal regulators required each servicer to implement actions to correct applicable non-compliant areas, and to validate that the servicer has achieved and maintained compliance within specified timelines in 2015.
Dodd-Frank Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) has had and will continue to have a broad impact on the financial services industry, imposing significant regulatory and compliance changes, including a fundamental restructuring of the supervisory regime applicable to federal savings associations (also referred to as thrifts) and savings and loan holding companies (also referred to as thrift holding companies), the imposition of increased capital, leverage and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness within, the financial services sector. Additionally, the Dodd-Frank Act established a new framework of authority to conduct systemic risk oversight within the financial system distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, or Oversight Council, the FRB, the OCC and the FDIC.
Some of the requirements called for in the Dodd-Frank Act remain subject to final rulemaking or phase-in over time. Given the uncertainty associated with the implementation of the Dodd-Frank Act, the full extent of the impact such requirements will have on our operations continues to be unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to us and our investors.
The following items provide a brief description of the relevant provisions of the Dodd-Frank Act and their potential impact on our operations and activities, both currently and prospectively.
Change in Thrift Supervisory Structure. The Dodd-Frank Act, among other things, as of July 21, 2011, transferred the functions and personnel of the OTS among the OCC, FDIC and FRB. As a result, the OTS no longer supervises or regulates savings associations or savings and loan holding companies. The Dodd-Frank Act preserves the federal savings association charter (which includes both federal savings associations and federal savings banks); however, supervision of federal savings associations, such as EverBank, has been transferred to the OCC. In addition, the Dodd-Frank Act has transferred the supervision of savings and loan holding companies, such as us, to the FRB while taking a number of steps to align the regulation of savings and loan holding

companies to that of bank holding companies. The FRB has issued final rules to implement changes mandated by the Dodd-Frank Act, including requiring a savings and loan holding company to serve as a source of strength for its subsidiary depository institutions, requiring savings and loan holding companies to satisfy supervisory standards applicable to financial holding companies (e.g., “well capitalized” and “well managed” status) and, for most savings and loan holding companies, to elect to be treated as a financial holding company, in order to conduct those activities permissible for a financial holding company, and promulgating capital requirements for savings and loan holding companies (for example, under the so-called “Collins Amendment”). As a result of this change in supervision and related requirements, we are subject to new, and in some cases heightened examination and reporting requirements. The Dodd-Frank Act also provides various agencies with the authority to assess additional supervisory fees.
Creation of New Governmental Agencies. The Dodd-Frank Act created various new governmental agencies such as the Financial Stability Oversight Council and the Consumer Financial Protection Bureau (CFPB), an independent agency housed within the FRB. The CFPB has a broad mandate to issue regulations, examine compliance and take enforcement action under the federal consumer financial laws, including with respect to EverBank. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.
Limitation on Federal Preemption. The Dodd-Frank Act has reduced the ability of national banks and federal savings associations to rely upon federal preemption of state consumer financial laws. Although the OCC, as the new primary regulator of federal savings associations, has the ability to make preemption determinations where certain conditions are met, the new limitations placed on preemption determinations have the potential to create a patchwork of federal and state compliance obligations. This could, in turn, result in significant new regulatory requirements applicable to us, with attendant potentially significant changes in our operations and increases in our compliance costs. It could also result in uncertainty concerning compliance, with attendant regulatory and litigation risks. While some uncertainty remains as to how the OCC will address preemption determinations going forward, on July 20, 2011, the OCC issued a final rule implementing certain Dodd-Frank Act preemption provisions. Among other things, the rule states that federal savings associations, such as EverBank, are subject to the same laws, legal standards and OCC regulations regarding the preemption of state law as national banks. In promulgating the rule, the OCC stated that its prior preemption determinations and regulations remain valid. As a result, we expect EverBank should have the benefit of those determinations and regulations.
Mortgage Loan Origination and Risk Retention. The Dodd-Frank Act contains additional regulatory requirements that may affect our mortgage origination and servicing operations, result in increased compliance costs and may impact revenue. For example, in addition to numerous new disclosure requirements, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and savings associations. Most significantly, the new standards prohibit us from originating a residential mortgage loan without verifying a borrower's ability to repay, limit the total points and fees that we and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount and prohibit certain prepayment penalty practices. Also, the Dodd-Frank Act, in conjunction with the FRB's final rule on loan originator compensation issued August 16, 2010 and effective April 1, 2011, prohibits certain compensation payments to loan originators and the steering of consumers to loans not in their interest because the loans will result in greater compensation for a loan originator. These standards will result in a myriad of new system, pricing and compensation controls in order to ensure compliance and to decrease repurchase requests and foreclosure defenses. In addition, regulations adopted pursuant to the Dodd-Frank Act that will become effective on December 24, 2015, generally require securitizers to retain an economic interest of 5% in the credit risk relating to residential mortgage loans collateralizing asset-backed securities (ABS) that they sponsor if the loans have not complied with the ability to repay standards.
Annual Company-Run Stress Tests. We and EverBank are also subject to stress testing requirements that implement provisions of the Dodd-Frank Act requiring banking organizations with total consolidated assets of more than $10 billion but less than $50 billion to conduct annual company-run stress tests, report the results to their primary federal regulator and the FRB, and (following a certain date) to publish a summary of certain aspects of the results. Stress testing requirements include baseline, adverse, and severely adverse economic and financial scenarios to assess

potential impacts on our consolidated earnings, losses and capital over a nine quarter planning horizon. According to regulatory standards, a summary of the results of certain aspects of this stress analysis will be released publicly and will contain company specific information and results. It is anticipated that our capital ratios reflected in the stress test calculation will be an important factor considered by our regulators in evaluating whether proposed payments of dividends, or stock repurchases may be an unsafe or unsound practice and whether our capital levels are adequate to support our operations and growth.

EverBank is already subject to stress testing and reporting requirements, beginning in 2013. EverBank's first submission to the OCC was due by March 31, 2014, and used data as of September 30, 2013 and the scenarios released by the regulators in November 2013. Based on this submission, EverBank met all regulatory thresholds. Required public disclosure of EverBank's stress testing results will commence with our company-run stress tests for the current cycle beginning on October 1, 2014, using data as of September 30, 2014, and having a March 31, 2015 regulatory submission date and a public disclosure deadline between June 15-30, 2015.

Going forward, the stress testing cycle which would have begun on October 1, 2015 will begin on January 1, 2016, using financial data as of December 31, 2015. The scenarios will be provided by February 15, 2016, and both we and EverBank will be required to conduct and submit the results of the stress tests to our regulators by July 31 and publish a summary of those results by between October 15-31, 2016, unless that time period is extended by the regulators. Subsequent years will follow the same schedule for both us and EverBank.

Basel III and the Basel III Capital Rules. While we were historically required by the OTS to have a prudential level of capital to support our risk profile, the OTS did not subject savings and loan holding companies, such as us, to consolidated regulatory capital requirements. The Dodd-Frank Act will subject us to new capital requirements that are not less stringent than such requirements generally applicable to insured depository institutions, such as EverBank, or quantitatively lower than such requirements in effect for insured depository institutions as of July 21, 2010. The risk-based capital guidelines that applied to EverBank through December 31, 2014, are based upon the 1988 capital accord of the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking agencies on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as Basel

II, for large or "core" international banks (generally defined for U.S. purposes as having total assets of $250 billion or more or consolidated foreign exposures of $10 billion or more), which do not apply to the Company or EverBank. Basel II emphasizes internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. The agreement is supported by the U.S. federal banking agencies and the final text of the Basel III rules was released by the Basel Committee on Banking Supervision on December 16, 2010.

In July 2013, our primary federal regulator, the Federal Reserve, and EverBank's primary federal regulator, the OCC, published final rules (Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III Capital Rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to savings and loan holding companies and depository institutions, including us and EverBank, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of regulatory capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 "Basel II" capital accords. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules. The Basel III Capital Rules became effective for the Company and EverBank on January 1, 2015 (subject to phase-in periods as discussed below).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments from capital as compared to existing regulations. Under the Basel III Capital Rules, for most banking organizations, including the Company, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock, and the most common form of Tier 2 capital is subordinated notes and a portion of the allocation for loan losses, in each case, subject to the Basel III Capital Rules' specific requirements.

Under the Basel III Capital Rules, the initial minimum capital ratios as of January 1, 2015 are as follows:

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.
- 8.0% Total capital to risk-weighted assets.
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1.

The Basel III Capital Rules also introduce a new "capital conservation buffer", composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. When fully phased in on January 1, 2019, the Basel III Capital Rules will require us and EverBank to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus the 2.5% capital conservation buffer, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7%, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer, effectively resulting in a minimum Tier 1 capital ratio of 8.5%, (iii) a minimum ratio of Total capital (Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer, effectively resulting in a minimum total capital ratio of 10.5% and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk).

Under current capital standards, the effects of accumulated other comprehensive income items included in shareholders' equity under U.S. GAAP (for example, mark-to-market of securities held in the available for sale portfolio and cumulative gains and losses on cash flow hedges), are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items (except gains and losses on cash flow hedges where the hedged item is not recognized on a banking organization's balance sheet at fair value) are not excluded; however, certain banking organizations, including us and EverBank, may make a one-time permanent election to continue to exclude these items. This election must be made concurrently with the first filing of certain of the Company's and EverBank's periodic regulatory reports in the beginning of 2015. The Company and EverBank are considering whether to make this election. The Basel III Capital Rules also preclude counting certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank or savings and loan holding companies. However for bank or savings and loan holding companies that had assets of less than $15 billion as of December 31, 2009 which includes us, trust preferred securities issued prior to May 19, 2010 can be treated as Additional Tier 1 capital to the extent that they do not exceed 25% of Tier 1 capital after applying all capital deductions and adjustments.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and will be phased-in over a three-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter until fully phased-in at January 1, 2018). The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and be phased in over a

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three-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Specific changes to current rules impacting our determination of risk-weighted assets include, among other things:

- Applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans.
- Assigning a 150% risk weight to exposures that are 90 days past due (other than residential mortgage exposures, which remain at an assigned risk weighting of 100%).
- Providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%).
- Providing for a risk weight, generally not less than 20% with certain exceptions, for securities lending transactions based on the risk weight category of the underlying collateral securing the transaction.
- Providing for a 100% risk weight for claims on securities firms.
- Eliminating the current 50% cap on the risk weight for OTC derivatives.

In addition, the Basel III Capital Rules also provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management believes, at December 31, 2014, that we and EverBank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

Liquidity Requirements. Liquidity risk management and supervision have increasingly become an area of focus since the financial crisis. During 2014, the U.S. banking agencies adopted final rules to implement the liquidity coverage ratio (LCR), one of the two new liquidity standards introduced in the Basel III liquidity framework. At present, the LCR does not apply to either the Company or EverBank. The other liquidity standard in the Basel III framework is the net stable funding ratio (NSFR). The NSFR is designed to promote more medium- and long-term funding of the assets and activities of bank over a one-year time horizon. The Basel Committee issued the final NSFR document in 2014, but the U.S. banking agencies have not yet proposed an NSFR for U.S. banking organizations or indicated to which banking organizations the NSFR will apply. The Basel Committee's final NSFR document applies the NSFR to internationally active banks, as it did with the LCR.

The Company

We are a unitary savings and loan holding company within the meaning of the Home Owners' Loan Act (HOLA). As such, we are registered as a savings and loan holding company and are subject to those regulations applicable to a savings and loan holding company. As noted above, as of July 21, 2011, the functions and personnel of the OTS were transferred among the OCC, FDIC and FRB. We now are subject to examinations, supervision and reporting requirements by the FRB, and the FRB currently has enforcement authority over us. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness or stability of a subsidiary savings association. Similarly, EverBank is now subject to OCC supervision for purposes of safety and soundness supervision and examination and CFPB supervision and examination for purposes of consumer financial regulatory compliance. See "-Recent Regulatory Developments-Change in Thrift Supervisory Structure" above.

Currently, without the prior approval of the FRB under the HOLA, HOLA prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from, for example:

- acquiring another savings institution or its holding company without prior written approval of the FRB;
- acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings institution, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by HOLA; or
- acquiring or retaining control of a depository institution that is not insured by the FDIC.

In evaluating an application by a holding company to acquire a savings institution, the FRB must consider, among other factors, the financial and managerial resources and future prospects of the company and savings institution involved, the effect of the acquisition of the association, the risk to the DIF, the convenience and needs of the community and competitive factors.

A savings and loan holding company is required to serve as a source of financial and managerial strength to its subsidiary savings associations. This requires the Company to commit to provide necessary capital, liquidity, and other support to EverBank during times of financial distress.

As a unitary savings and loan holding company, we generally are not restricted under existing laws as to the types of business activities in which we may engage, provided that EverBank continues to satisfy the Qualified Thrift Lender (QTL), test. See “-Regulation of Savings Associations-QTL Test” below for a discussion of the QTL requirements. If we were to make a non-supervisory acquisition of another savings institution or of a savings institution that meets the QTL test and is deemed to be a savings institution and that will be held as a separate subsidiary, then we would become a multiple savings and loan holding company within the meaning of HOLA and would be subject to limitations on the types of business activities in which we can engage. HOLA limits the activities of a multiple savings institution holding company and its non-insured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, as amended (BHC Act), subject to the prior approval of the FRB, and to other activities authorized by regulation. A multiple savings and loan holding company that meets applicable capital, supervisory and other standards under applicable FRB regulations may elect to be treated as a financial holding company and engage in the broader range of financial activities permissible for a financial holding company under the BHC Act. We do not currently rely on our unitary savings and loan holding company status to engage in business activities that would not be permissible for a multiple savings and loan holding company.

Transactions between EverBank, including any of EverBank's subsidiaries, and us or any of EverBank's affiliates, are subject to various conditions and limitations. See "-Regulation of Savings Associations-Transactions with Related Parties" below. EverBank must seek approval from the FRB prior to any declaration of the payment of any dividends or other capital distributions to us. See "-Regulation of Savings Associations-Limitation on Capital Distributions" below.

EverBank

EverBank is a federal savings association and, as such, is subject to extensive regulation, examination and supervision. Prior to July 21, 2011, EverBank's primary regulator was the OTS. As noted above, as of July 21, 2011, supervision of EverBank as a federal thrift was transferred to the OCC. See "-Recent Regulatory Developments-Change in Thrift Supervisory Structure" above. EverBank also is subject to backup examination and supervision authority by the FDIC, as its deposit insurer. In addition, EverBank is subject to regulation and supervision by the CFPB with regard to federal consumer financial laws.

EverBank's deposit accounts are insured up to applicable limits by the DIF, which is administered by the FDIC. EverBank must file reports with its federal regulators concerning its activities and financial condition. Additionally, EverBank must obtain regulatory approvals prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions, and must submit applications or notices prior to forming certain types of subsidiaries or engaging in certain activities through its subsidiaries. The OCC and the FDIC are responsible for conducting periodic examinations to assess EverBank's safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a federal savings association can engage and is intended primarily for the protection of the DIF and depositors. The OCC and the FDIC have significant discretion in connection with their supervisory and enforcement activities and examination policies. Any change in such applicable activities or policies, whether by the federal banking regulators or U.S. Congress, could have a material adverse impact on us, EverBank and our operations.

The following discussion is intended to be a summary of the material banking statutes and regulations currently applicable to EverBank. The following discussion does not purport to be a comprehensive description of such statutes and regulations, nor does it include every federal and state statute and regulation applicable to EverBank. The following discussion must be considered in light of the risks associated with the Dodd-Frank Act described under "Risk Factors".

Regulation of Savings Associations

Business Activities. EverBank derives its lending and investment powers from HOLA and the regulations thereunder, which are enforced by the OCC. Under these laws and regulations, EverBank currently may invest in:

- mortgage loans secured by residential and commercial real estate;
- commercial and consumer loans;
- certain types of debt securities; and
- certain other assets.

EverBank may also establish service corporations to engage in activities not otherwise permissible for EverBank, including certain real estate equity investments and securities and insurance brokerage. These investment powers are subject to limitations, including, among others, limitations that require debt securities acquired by EverBank to meet certain marketability and credit quality rating criteria and that limit EverBank's aggregate investment in various types of loans to certain percentages of capital and/or assets.

The Dodd-Frank Act amended the BHC Act to require the federal financial regulatory agencies to adopt rules that prohibit insured depository institutions (such as EverBank) and their affiliates from engaging in proprietary trading and investing in and sponsoring certain unregistered investment companies (defined as hedge funds and private equity funds, together "covered funds"). The statutory provision is commonly called the "Volcker Rule". The FRB adopted final rules implementing the Volcker Rule on December 10, 2013. The Volcker Rule became effective on July 21, 2012 and the final rules were effective April 1, 2014, but the FRB issued an order extending the period during which institutions have to conform their activities and investments to the requirements of the Volcker Rule to July 21, 2017. In December 2014, the FRB issued a second order permitting banking entities additional time to conform investments in, and relationships with, covered funds to July 21, 2015. The extension provided for in the December 2014 order does not apply to proprietary trading activities, which must conform to the final Volcker Rule by July 21, 2015. During our evaluation of the impact of these changes, investments with a carrying value of $87.6 million, at December 31, 2013, were identified that may be required to be sold. As a result, during the year ended December 31, 2013, we were required to record an other than temporary impairment (OTTI) of $3.3 million as we were no longer able to assert that we will hold such investments until recovery. During the year ended December 31, 2014, we recognized an additional $0.7 million in OTTI which represented additional declines in fair value on the securities identified that may be required to be sold. Although we are continuing to evaluate further impacts of the Volcker Rule and the final rules adopted thereunder, we do not currently anticipate that the Volcker Rule will have a material effect on the operations of the Company and EverBank.

Loans to One Borrower. Under HOLA, federal savings associations are generally subject to the same limits on loans to one borrower as are imposed on national banks. Generally, under these limits, the total amount of loans and extensions of credit made by a federal savings association to one borrower or related group of borrowers (which also includes credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions) outstanding at one time and not fully secured by collateral may not exceed 15% of the savings association’s unimpaired capital and unimpaired surplus. In addition to, and separate from, the 15% limitation, the total amount of loans and extensions of credit made by a federal savings association to one borrower or related group of borrowers outstanding at one time and fully secured by readily-marketable collateral may not exceed 10% of the savings association’s unimpaired capital and unimpaired surplus. Readily-marketable collateral includes certain debt and equity securities and bullion, but generally does not include real estate. At December 31, 2014, EverBank’s limit on loans and extensions of credit to one borrower was approximately $274.9 million and $183.3 million, for the 15% limitation and 10% limitation, respectively. At December 31, 2014, EverBank’s largest aggregate amount of loans and extensions of credit to a single borrower was $125.0 million, with three separate borrowers each having total loans in this amount. At December 31, 2014, each of these three lending relationships were with clients of our mortgage warehouse finance area. All three of these loan relationships were performing in accordance with the terms of their loan agreements as of December 31, 2014.

QTL Test. HOLA requires a federal savings association to meet the QTL test by maintaining at least 65% of its “portfolio assets” in certain “qualified thrift investments” on a monthly average basis in at least nine months out of every 12 months. A federal savings association that

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fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. A thrift that fails the QTL test is subject to the general dividend restrictions that would apply to a national bank and is prohibited from paying dividends at all (regardless of its financial condition) unless required to meet the obligations of a company that controls the thrift and specifically approved by the OCC and the FRB. In addition, violations of the QTL test are treated as violations of HOLA subject to remedial enforcement action. At December 31, 2014, EverBank maintained approximately 85.4% of its portfolio assets in qualified thrift investments. EverBank had also satisfied the QTL test in each of the twelve months prior to December 31, 2014 and, therefore, was a QTL.

Capital Requirements. Through December 31, 2014, federal banking regulations required savings associations to meet three minimum capital standards:

- a tangible capital requirement for federal savings associations to have tangible capital in an amount equal to at least 1.5% of adjusted total assets;
- a leverage ratio requirement;
- for federal savings associations assigned the highest composite rating of 1, to have core capital in an amount equal to at least 3% of adjusted total assets; or
- for federal savings associations assigned any other composite rating, to have core capital in an amount equal to at least 4% of adjusted total assets, or a higher percentage if warranted by the particular circumstances or risk profile of the federal savings association; and
- a risk-based capital requirement for savings associations to have capital in an amount equal to at least 8% of risk-weighted assets.

In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a federal savings association must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk-weights assigned by capital regulations. The OCC monitors the risk management of individual institutions. The OCC may impose a higher individual minimum capital requirement on institutions that it believes exhibit a higher degree of risk.

Through December 31, 2014, there were no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings associations that are applicable to EverBank. However, as noted above and below, the FRB has issued final regulations implementing regulatory capital requirements applicable to savings and loan holding companies effective January 1, 2015. See "Recent Regulatory Developments--Dodd-Frank Act--Basel III" above.

At December 31, 2014, EverBank exceeded all applicable regulatory capital requirements.

Limitation on Capital Distributions. Federal banking regulations currently impose limitations upon certain capital distributions by savings associations, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash-out merger and other distributions charged against capital.

We are a legal entity separate and distinct from EverBank, and the OCC regulates all capital distributions by EverBank directly or indirectly to us, including dividend payments. For example, EverBank currently must obtain the approval of the OCC for a proposed capital distribution if the total amount of all of EverBank’s capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds EverBank’s net income for that year-to-date period plus EverBank’s retained net income for the preceding two years. In the event EverBank is not required under applicable banking regulations to obtain OCC approval, EverBank must give prior notice of the dividend to the FRB, with a copy to the OCC, because EverBank is a subsidiary of a savings and loan holding company.

EverBank may not pay us dividends if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OCC notifies EverBank that it is in need of more than normal supervision. Under the Federal Deposit Insurance Act (FDIA), an insured depository institution such as EverBank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become “undercapitalized.” Payment of dividends by EverBank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

Additionally, as noted above, the Dodd-Frank Act imposes additional restrictions on the ability of any thrift that fails to become or remain a qualified thrift lender to pay dividends.

Liquidity. EverBank is required to maintain sufficient liquidity to ensure its safe and sound operation, in accordance with federal banking regulations.

Assessments. The OCC charges assessments to recover the costs of examining savings associations and their affiliates, processing applications and other filings, and covering direct and indirect expenses in regulating savings associations and their affiliates.

In establishing the amount of an assessment, the OCC may consider the nature and scope of the activities of the entity, the amount and type of assets it holds, the financial and managerial condition of the entity, and any other factor that is appropriate. Under current OCC regulations, the assessments charged to savings associations by the OCC are based on the same assessment schedule as is used for national banks. Assessments are due on March 31 and September 30 of each year. The semiannual assessment is based on an institution's asset size and is calculated using a table and formula set forth in the OCC's regulations. The OCC sets the specific rates each year. The OCC applies a condition-based surcharge to the semiannual assessment for institutions with a composite rating of 3, 4 or 5. The condition surcharge is determined by multiplying the general semiannual assessment by 1.5, in the case of any institution that receives a composite rating of 3, and 2.0 in the case of any institution that receives a composite rating of 4 or 5. The condition surcharge is assessed against, and limited to, the first $20 billion of the institution's book assets.

Various agencies have the authority to assess additional supervision fees.

Branching. Subject to certain limitations, HOLA and regulations thereunder permit federally chartered savings associations to establish branches in any state or territory of the United States.

Transactions with Related Parties. EverBank's authority to engage in transactions with its "affiliates" is limited by Sections 23A and 23B of the Federal Reserve Act, (FRA). The applicable regulations for savings associations regarding transactions with affiliates generally

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conform to the requirements of the FRB's Regulation W, which is applicable to national banks and state-chartered member banks. In general, an affiliate of a federal savings association is any company that controls, is controlled by, or is under common control with, the savings association, other than the savings association's subsidiaries. For instance, we are deemed an affiliate of EverBank under these regulations.

Generally, Section 23A limits the extent to which a federal savings association may engage in "covered transactions" with any one affiliate to an amount equal to 10% of the federal savings association's capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of the federal savings association's capital stock and surplus. Covered transactions are defined to include, among other things, a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the FRB) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, derivatives transactions and securities lending transactions where the bank has credit exposure to an affiliate, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees, or acceptances of letters of credit issued on behalf of, an affiliate. Section 23B requires covered transactions and certain other transactions to be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the federal savings association, as those prevailing at the time for transactions with or involving non-affiliates. Additionally, under the applicable regulations, a federal savings association is prohibited from:

- making a loan or other extension of credit to an affiliate that is engaged in any non-bank holding company activity; and
- purchasing, or investing in, securities issued by an affiliate that is not a subsidiary.

Restrictions also apply to extensions of credit to insiders, and such extensions of credit include, for example, credit exposure arising from derivatives transactions, and to the purchase of assets from insiders.

Tying Arrangements. EverBank is prohibited, subject to certain exceptions, from making loans or offering any other services, or fixing or varying the payment for making loans or providing services, on the condition that a client obtains some additional service from an affiliate or not obtain services from one of our competitors.

Enforcement. Under the FDIA, the OCC has primary enforcement responsibility over federal savings associations and has the authority to bring enforcement action against all "institution-affiliated parties," including any controlling stockholder or any stockholder, attorney, appraiser and accountant who knowingly or recklessly participates in any violation of applicable law or regulation, breach of fiduciary duty, or certain other wrongful actions that have, or are likely to have, a significant adverse effect on an insured depository institution or cause it more than minimal loss. In addition, the FDIC has back-up authority to take enforcement action for unsafe and unsound practices. Formal enforcement action can include the issuance of a capital directive, cease and desist order, civil money penalty, removal of officers and/or directors, institution of proceedings for receivership or conservatorship and termination of deposit insurance. Additionally, the FRB has similar enforcement authority with regard to savings and loan holding companies and their institution-affiliated parties. The bank regulatory agencies are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, including criminal prosecutions, as well as law enforcement actions, which heightens the risks associated with actual and perceived compliance failures.

Examination. The Company and EverBank are subject to periodic examinations covering many areas by the FRB and the OCC, respectively, and EverBank is subject to periodic examination by the CFPB for purposes of compliance with federal consumer financial laws. A savings institution must demonstrate its ability to manage its compliance responsibilities by establishing an effective and comprehensive oversight and monitoring program. The degree of compliance oversight and monitoring by the institution's management may be considered in the scope and intensity of examinations of the institution.

Standards for Safety and Soundness. Pursuant to the requirements of the FDIA, the federal bank regulatory agencies have adopted the Interagency Guidelines Establishing Standards for Safety and Soundness, or the Guidelines. The Guidelines establish general safety and soundness standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the Guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the Guidelines. Currently, if the OCC determines that a federal savings association fails to meet any standard established by the Guidelines, then the OCC may require the federal savings association to submit to the OCC an acceptable plan to achieve compliance. If the federal savings association fails to comply, the OCC may seek an enforcement order in judicial proceedings and impose civil monetary penalties.

In January 2014, the OCC proposed guidelines to establish minimum standards for risk governance that would apply to national banks and federal savings associations with $50 billion or more of average consolidated assets, as well as to smaller institutions that the OCC determines are highly complex or present a heightened risk. While EverBank currently has less than $50 billion in assets, it is not yet known how frequently, or in what instances, the OCC would apply the guidelines to smaller institutions or whether the OCC will develop separate guidelines for smaller institutions in the future.

Prompt Corrective Regulatory Action. Under the Prompt Corrective Action regulations applicable to federal savings associations, the OCC is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings associations, such as requiring compliance with a capital restoration plan, restricting dividends, asset growth, acquisitions, branching and new lines of business and, in extreme cases, appointment of a receiver or conservator. The severity of the action required or authorized to be taken increases as a federal savings association's capital deteriorates. Savings associations are classified into five categories of capitalization as "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A savings association's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the savings association's overall financial condition or prospects for other purposes.

With respect to EverBank, effective January 1, 2015, the Basel III Capital Rules revise the "prompt corrective action" regulations pursuant to Section 38 of the FDIA, by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The total risk-based capital ratio and Tier I leverage ratio requirements remain at 10% and 5%, respectively. Finally, to be considered well capitalized a bank may not be subject to any written agreement, order, capital directive or prompt corrective action directive issued by the OCC, or certain regulations, to meet or maintain a specific capital level for any capital measure.

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The OCC categorized EverBank as “well capitalized” following its last examination. At December 31, 2014, EverBank exceeded all regulatory capital requirements and was considered to be “well capitalized” with a Tier 1 leverage ratio of 8.2%, a total risk-based capital ratio of 13.4%, and a Tier 1 risk-based capital ratio of 13.0%. However, there is no assurance that it will continue to be deemed “well capitalized” even if current capital ratios are maintained in the event that asset quality deteriorates.

Insurance Activities. EverBank is generally permitted to engage in certain insurance activities through its subsidiaries. Federal banking regulations implemented pursuant to the Gramm-Leach-Bliley Act of 1999 (GLB Act), prohibit, among other things, depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity or an agreement by the consumer not to purchase an insurance product or annuity from an entity that is not affiliated with the depository institution. The regulations also require prior disclosure of this prohibition to potential insurance product or annuity clients.

Incentive Compensation Arrangements. The Dodd-Frank Act requires the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than $1 billion in assets, such as the Company and EverBank, that prohibit incentive compensation arrangements that the agencies determine encourage inappropriate risks by the institution. The banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies, but have not yet finalized any rules. We and EverBank have undertaken efforts to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles—that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance.

Federal Home Loan Bank System. EverBank is a member of the Federal Home Loan Bank of Atlanta (FHLB), which is one of the regional banks in the Federal Home Loan Bank System, which raises funds in the global financial markets and distributes the proceeds to members and local communities. Chartered by Congress in 1932 to support mortgage lending, the Federal Home Loan Bank System provides a stable source of funding to its members. Their products, services and programs help financial institutions manage daily liquidity, fund mortgages originated for sale in the secondary market, fund loans and investments held in portfolio, improve asset/liability management, meet community credit needs, cover temporary deposit outflows, and reduce the funding cost of asset growth.

As a member of the FHLB, EverBank is required to acquire and hold shares of capital stock in the FHLB. EverBank was in compliance with this requirement with an investment in FHLB stock of $195.2 million and $125.9 million as of December 31, 2014 and December 31, 2013, respectively. EverBank’s capital stock in FHLB includes $494.8 million purchased during 2014 and $107.7 million purchased during 2013. The FHLB repurchased $425.5 million in 2014 and $137.7 million in 2013.

For the year ended December 31, 2014, the FHLB paid dividends of $5.5 million on the capital stock held by EverBank. During the year ended December 31, 2013, the FHLB paid dividends of approximately $3.4 million on the capital stock held by EverBank.

Federal Reserve System. EverBank is subject to provisions of the FRA and the FRB’s regulations pursuant to which depository institutions may be required to maintain reserves against their deposit accounts and certain other liabilities. Currently, savings associations must maintain reserves against transaction accounts (primarily negotiable order of withdrawal and regular interest and noninterest-bearing checking accounts). The FRB regulations establish the specific rates of reserves that must be maintained, which are subject to adjustment by the FRB. EverBank is currently in compliance with those reserve requirements. The required reserves must be maintained in the form of vault cash, a noninterest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FRB.

Deposit Insurance

EverBank is a member of the FDIC, and its deposits are insured through the DIF up to the amount permitted by law. EverBank is thus subject to FDIC deposit insurance premium assessments. The assessment base upon which insurance assessments are based is average consolidated total assets less the average tangible equity of the insured depository institution. Assessment rates for large depository institutions, such as EverBank, are calculated using a “scorecard” that combines the supervisory risk ratings of the institution with certain forward-looking financial measures. The assessment rates are subject to adjustments based upon the insured depository institution’s ratio of: (1) long-term unsecured debt to the assessment base, (2) long-term unsecured debt issued by other insured depository institutions to the assessment base, and (3) brokered deposits to the assessment base. However, the adjustments based on brokered deposits to the assessment base will not apply so long as the institution is well capitalized and has a composite CAMELS rating of 1 or 2. The FDIC may make additional discretionary assessment rate adjustments.

The Dodd-Frank Act increased the minimum designated reserve ratio of the DIF from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. The FDIC has set the long-range, minimum target reserve ratio at 2%.

The FDIC also collects a deposit-based assessment from insured depository institutions on behalf of The Financing Corporation. The funds from these assessments are used to service debt issued by The Financing Corporation in its capacity as a financial vehicle for the Federal Savings & Loan Insurance Corporation. The Financing Corporation annualized assessment rate is set quarterly and in the fourth quarter of 2014 was $0.0060 per $100 of assessable deposits. These assessments will continue until the debt matures in 2017 through 2019.

Other Statutes and Regulations

The Company and EverBank are subject to a myriad of other statutes and regulations affecting their activities. Some of the more important include:

Bank Secrecy Act of 1970-Anti-Money Laundering. Financial institutions must maintain anti-money laundering programs that include established internal policies, procedures and controls, a designated compliance officer, an ongoing employee training program; and testing of the program by an independent audit function. The Company and EverBank are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and client identification in their dealings with foreign financial institutions and foreign clients. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by banks. Anti-money laundering obligations have been substantially strengthened as a result of the USA PATRIOT Act, enacted in 2001 and renewed in 2006. Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution’s compliance in connection with the regulatory review of applications. Failure of a financial institution to comply with anti-money laundering obligations could have serious legal, reputational and financial consequences for the institution, including

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causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. The regulatory authorities have imposed “cease and desist” orders and civil monetary penalties against institutions found to be violating these obligations.

Office of Foreign Assets Control Regulation. The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others which are administered by the U.S. Treasury Department Office of Foreign Assets Control. Failure to comply with these sanctions could have serious legal and reputational consequences.

Community Reinvestment Act. EverBank is subject to the Community Reinvestment Act of 1977, as amended (CRA), and related regulations. The CRA states that all banks have a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA also charges the federal banking regulators, in connection with the examination of the institution or the evaluation of certain regulatory applications filed by the institution, with the responsibility to assess the institution’s record of fulfilling its obligations under the CRA. The federal banking regulators assign an institution a rating of “outstanding,” “satisfactory,” “needs to improve,” or “substantial non-compliance.” The regulatory agency’s assessment of the institution’s record is made available to the public. EverBank received a “satisfactory” rating following its most recent CRA examination.

Privacy and Data Security. Federal banking laws generally prohibit disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to consumers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than federal law. Under federal law, federal regulators, including the OCC, must prescribe standards for the security of consumer information. EverBank is subject to such standards, as well as standards for notifying clients in the event of a security breach. Under federal law, EverBank must disclose its privacy policy to consumers, permit clients to opt out of having nonpublic client information disclosed to third parties in certain circumstances, and allow clients to opt out of receiving marketing solicitations based on information about the client received from another subsidiary. States may adopt more extensive privacy protections. EverBank is similarly required to have an information security program to safeguard the confidentiality and security of client information and to ensure proper disposal. Clients must be notified when unauthorized disclosure involves sensitive client information that may be misused.

Consumer Regulation. Activities of EverBank are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include provisions that:

- limit the interest and other charges collected or contracted for by EverBank, including new rules respecting the terms of credit cards and of debit card overdrafts;
- govern EverBank’s disclosures of credit terms to consumer borrowers;
- require EverBank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;
- prohibit EverBank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;
- govern the manner in which EverBank may collect consumer debts; and
- prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

Under the Credit Card Accountability, Responsibility and Disclosure (CARD) Act, which took effect in 2010, EverBank is subject to additional requirements regarding credit card rates, fees and other terms. Among the requirements are (1) 45-days advance notice to a cardholder before the interest rate on a card may be increased, subject to certain exceptions; (2) a ban on interest rate increases in the first year; (3) an opt-in for over-the-limit charges; (4) caps on high fee cards; (5) greater limits on the issuance of cards to persons below the age of 21; (6) new rules on monthly statements and payment due dates and the crediting of payments; and (7) the application of new rates only to new charges and of payments to higher rate charges.

Under rules regarding overdraft charges for debit card and automatic teller machine (ATM), automatic overdraft protection arrangements are prohibited, and banks must notify and obtain the consent of clients before enrolling them in an overdraft protection plan. These rules do not apply to overdraft protection on checks or to automatic bill payments.

As a result of the instability in the residential real estate and mortgage lending markets, there are several concepts currently under discussion at both the federal and state government levels that could, if adopted, alter the terms of existing mortgage loans, impose restrictions on future mortgage loan originations, diminish lenders' rights against delinquent borrowers or otherwise change the ways in which lenders make and administer residential mortgage loans. If made final, any or all of these proposals could have a negative effect on the financial performance of EverBank's mortgage lending operations, by, among other things, reducing the volume of mortgage loans that EverBank can originate and sell into the secondary market and impairing EverBank's ability to proceed against certain delinquent borrowers with timely and effective collection efforts.

The deposit operations of EverBank are also subject to laws and regulations that:

- require EverBank to adequately disclose the interest rates and other terms of consumer deposit accounts;
- impose a duty on EverBank to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records;
- require escheatment of unclaimed funds to the appropriate state agencies after the passage of certain statutory time frames; and
- govern automatic deposits to and withdrawals from deposit accounts with EverBank and the rights and liabilities of clients who use ATMs, and other electronic banking services.

EverBank will likely face a significant increase in its consumer compliance regulatory burden as a result of the heightened oversight by the CFPB and the significant rollback of federal preemption of state laws in the area.

Commercial Real Estate Lending. Lending operations that involve concentrations of commercial real estate loans are subject to enhanced scrutiny by federal banking regulators. Regulators have issued guidance with respect to the risks posed by commercial real estate lending concentrations. Commercial real estate loans generally include land development, construction loans and loans secured by multifamily property and non-farm, non-residential real property where the primary source of repayment is derived from rental income associated with the property. The guidance prescribes the following guidelines for examiners to help identify institutions that are potentially exposed to concentration risk and may warrant greater supervisory scrutiny:

- total reported loans for construction, land development and other land represent 100% or more of the institution's total capital; or
- total commercial real estate loans represent 300% or more of the institution's total capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50% or more during the prior 36 months.

Employees

As of December 31, 2014, we had approximately 3,100 employees. None of our employees are subject to collective bargaining agreements. We consider our relationships with our employees to be good.

Website Access

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be found free of charge on our website at www.abouteverbank.com/ir as soon as reasonably practicable after such material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). The SEC maintains a website, www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our Code of Business Conduct and Ethics is available on our website at www.abouteverbank.com/ir. Printed copies of this information may be obtained, without charge, by written request to our Investor Relations department at 501 Riverside Avenue, Jacksonville, FL 32202.

Item 1A. Risk Factors

Risks Related to Our Business

General business and economic conditions could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our businesses and operations are sensitive to general business and economic conditions in the United States. If the U.S. economy is unable to steadily and continuously emerge from the recession that began in 2007 our growth and profitability could be constrained. In addition, economic conditions in foreign countries can affect the stability of global financial markets, which could hinder the U.S. economic recovery. Financial markets remain concerned about the ability of certain European countries to finance and service their debt and about recent currency devaluations and inflation in certain emerging markets. The default by any one of these countries on their debt payments and deteriorating conditions in other countries could lead to weaker economic conditions in the United States. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, including a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of these factors are detrimental to our business. Our business is significantly affected by monetary and related policies of the U.S. federal government, its agencies and government-sponsored entities, or GSEs. Changes in any of these policies could have a material adverse effect on our business, financial position, results of operations and cash flows.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. Actions by the FHLB, or the FRB, may reduce our borrowing capacity. Additionally, we may not be able to attract deposits at competitive rates. An inability to raise funds through traditional deposits, brokered deposits, borrowings, the sale of securities or loans and other sources could have a substantial negative effect on our liquidity or result in increased funding costs. Furthermore, we invest in several asset classes, including significant investments in MSR, which may be less liquid in certain markets. Liquidity may also be adversely impacted by bank supervisory and regulatory authorities mandating changes in the composition of our balance sheet to asset classes that are less liquid.

Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. In addition, our access to deposits may be affected by the liquidity and/or cash flow needs of depositors. Although we have historically been able to replace maturing deposits and FHLB advances as necessary, we might not be able to replace such funds in the future and can lose a relatively inexpensive source of funds and increase our funding costs if, among other things, clients move funds out of bank deposits and into alternative investments, such as the stock market, that are perceived as providing superior expected returns. Furthermore, an inability to increase our deposit base at all or at attractive rates would impede our ability to fund our continued growth, which could have an adverse effect on our business, results of operations and financial condition.

Our ability to raise funds through deposits or borrowings could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry.

Although we consider our sources of funds adequate for our liquidity needs, we may be compelled to seek additional sources of financing in the future. We may be required to seek additional regulatory capital through capital raising at terms that may be very dilutive to existing common stockholders. Likewise, we may need to incur additional debt in the future to achieve our business objectives, in connection with future acquisitions or for other reasons. Any borrowings, if sought, may not be available to us or, if available, may not be on favorable terms.

Our financial results are significantly affected in a number of ways by changes in interest rates, which may make our results volatile from quarter to quarter.

Most of our assets and liabilities are monetary in nature, which subjects us to significant risks from changes in interest rates and can impact our net income and the valuation of our assets and liabilities. Our operating results depend to a great extent on our net interest margin, which is the difference between the amount of interest income we earn and the amount of interest expense we incur. If the rate of interest we pay on our interest-bearing deposits, borrowings and other liabilities increases more than the rate of interest we receive on loans, securities and other interest-earning assets, our net interest income, and therefore our earnings, would be adversely affected. Our earnings also could be

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adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits, borrowings and other liabilities. Interest rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the FRB. A strengthening U.S. economy could cause the FRB to increase short-term interest rates, which would increase our borrowing costs and may reduce our profit margins. A sustained low interest rate environment could cause many of our loans subject to adjustable rates to reprice downward to lower interest rates, which would decrease our loan yields and reduce our profit margins. Alternatively, mortgage origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates.

Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets on our balance sheet. Our MSR are valued based on a number of factors, including assumptions about borrower repayment rates, which are heavily influenced by prevailing interest rates. When interest rates fall, borrowers are usually more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our MSR can decrease, which, in turn, may reduce earnings in the period in which the decrease occurs.

In addition, mortgage loans held for sale for which an active secondary market and readily available market prices exist and other interests we hold related to residential loan sales and securitizations are carried at fair value. The value of these assets may be negatively affected by changes in interest rates. We may not correctly or adequately hedge this risk, and even if we do hedge the risk with derivatives and other instruments, we may still incur significant losses from changes in the value of these assets or from changes in the value of the hedging instruments.

Even though originating mortgage loans, which benefit from declining rates, and servicing mortgage loans, which benefit from rising rates, can act as a “natural hedge” to soften the overall impact of changes in rates on our consolidated financial results, the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSR is generally immediate, but any offsetting revenue benefit from more originations and the MSR relating to the new loans would generally accrue over time.

We enter into forward starting swaps as a hedging strategy related to our expected future issuances of debt. This hedging strategy allows us to fix the interest rate margin between our interest earning assets and our interest bearing liabilities. A continued prolonged period of lower interest rates could affect the duration of our interest earning assets and adversely impact our operations in future periods.

We may be required to make further increases in our provisions for loan and lease losses and to charge-off additional loans and leases in the future, which could adversely affect our results of operations.

Despite historically low interest rates and a recovering real estate market, other weak economic data and global concerns remain. We maintain an allowance for loan and lease losses (ALLL), which is a reserve established through a provision for loan and lease loss expense that represents management’s best estimate of probable losses inherent in our loan portfolio. The level of the allowance reflects management’s judgment with respect to:

- continuing evaluation of specific credit risks;
- loan loss experience;
- current loan and lease portfolio quality;
- present economic, political and regulatory conditions;
- industry concentrations; and
- other unidentified losses inherent in the current loan portfolio.

The determination of the appropriate level of the allowance for loan and lease losses involves a high degree of subjectivity and judgment and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors both within and outside of our control, may require an increase in the allowance for loan and lease losses.

In addition, bank regulatory agencies periodically review our allowance for loan and lease losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. Any adjustments made to the ALLL resulting from regulatory review must be an adjustment to the ALLL in accordance with GAAP. If charge-offs in future periods exceed the allowance for loan and lease losses, we may need additional provisions to increase the allowance for loan and lease losses, which would result in a decrease in net income and capital, and could have a material adverse effect on our financial condition and results of operations.

We have undertaken certain actions to reposition our business in recent periods and these actions may be unsuccessful or may not fully achieve the results that we have intended.

In 2013, we exited our wholesale lending business. In addition, during 2013 we also consolidated all of our commercial lending activities under a realigned leadership team based on our belief that this sales and reporting structure will help to drive efficiency and enhance our focus on cross-sell opportunities in markets where we have strong residential lending and deposit clients.

During the first quarter 2014, we completed the sale of our default servicing operations and the rights to service and subservice some of our MSR to Green Tree Servicing LLC, a subsidiary of Walter Investment Management Corp. We believe this sale, along with our wholesale broker lending exit, enhanced the efficiency of our mortgage banking business and realigned our mortgage banking focus on our core preferred jumbo offering.

The success of these repositioning activities will depend, in part, on our ability to realize the anticipated benefits and cost savings from disposing of and centralizing the operation of these businesses. However, to realize these anticipated benefits and cost savings, we must successfully execute the transactions as planned and reduce related expenses and salary costs on the expected timeline which may not be possible because of evolving market and regulatory conditions and delays in obtaining, or the inability to obtain, required regulatory approvals. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the repositioning activities may not be realized fully or at all or may take longer to realize than expected.

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Mortgage loan modification and refinancing programs and future legislative action may adversely affect the value of, and our returns on, residential mortgage-backed securities and on MSR.

Loan modification programs, future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans, as well as changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac or Ginnie Mae, may adversely affect the value of, and the returns on, our portfolio of mortgage-backed securities (MBS), and on the value of our MSR. Our MSR is valued based on a number of factors, including assumptions about borrower repayment rates and costs of servicing. If the interest rate on a mortgage is adjusted, or if a borrower is permitted to refinance at a lower rate, or the costs of servicing or costs of foreclosures increase, the value of our MSR with respect to that mortgage can decrease, which, in turn, may reduce earnings in the period in which the decrease occurs. In addition, increases in servicing costs from changes to our foreclosure and other servicing practices, including resulting from the consent orders, adversely affects the fair value of our MSR.

Our gain on sale of loans could decrease in future periods if refinancing activity declines.

In prior periods we have seen elevated residential mortgage refinancing activity due to historically low interest rates as well as due to government programs such as Home Affordable Modification Program (HAMP) and Home Affordable Refinancing Program (HARP). During 2013, we experienced heightened demand for mortgage loans by investors in the secondary market as a result of historically low interest rates and favorable risk adjusted yield on mortgage assets relative to other investments. This expanded secondary market activity has resulted in attractive resale opportunities which have resulted in elevated gain on sale of loans income during the year ended December 31, 2014.

More recently the FRB has indicated that it would phase out quantitative easing and has indicated a rate hike is possible in mid-2015. In a rising interest rate environment, we would expect that refinancing volumes would continue to decline, which could cause our originations of mortgage loans held for sale to decrease along with our gain on sale of loans.

The returns on our government insured mortgage pool buyouts could decrease as a result of changes in foreclosure timelines and costs.

We have a history of servicing Federal Housing Administration (FHA) loans. As a servicer, the buyout opportunity is the right to purchase above market rate, government insured loans at par (i.e., the amount that has to be passed through to the Ginnie Mae (GNMA) security holder when repurchased). Each loan in a GNMA pool is insured or guaranteed by one of several federal government agencies, including the Federal Housing Administration, Department of Veterans’ Affairs or the Department of Agriculture’s Rural Housing Service. The loans must at all times comply with the requirements for maintaining such insurance or guarantee.

We expect loans that go through the foreclosure process will be settled generally within one to two years depending on the state’s foreclosure timelines. Changes to foreclosure regulations, bankruptcy proceedings, loss mitigation requirements and our inability to timely process foreclosures could extend the duration that these loans are held on our balance sheet. To the extent these risks extend the duration, our foreclosure costs and net interest margin could be negatively impacted. Operational capacity poses a risk to the claim through missed servicing milestones. Servicing operations must comply with the government agencies' servicing requirements in order to avoid interest curtailments (principal is not at risk).

Our commercial and commercial real estate loan portfolio exposes us to risks that may be greater than the risks related to our other mortgage loans.

At December 31, 2014, our commercial real estate loans, net of discounts, were $3.5 billion, or approximately 20% of our total loan portfolio, net of allowances. Commercial real estate loans generally carry larger loan balances and involve a greater degree of financial and credit risk than residential mortgage loans or home equity loans. The repayment of these loans is typically dependent upon the successful operation of the related real estate or commercial projects. If the cash flow from the project is reduced, a borrower’s ability to repay the loan may be impaired. Furthermore, the repayment of commercial mortgage loans is generally less predictable and more difficult to evaluate and monitor and collateral may be more difficult to dispose of in a market decline. In such cases, we may be compelled to modify the terms of the loan or engage in other potentially expensive work-out techniques. Any significant failure to pay on time by our borrowers would adversely affect our results of operations and cash flows.

Our mortgage warehouse finance portfolio totaled $1.4 billion, or 8% of our total loan portfolio, net of allowances. These lines of credit represent large, short-term, revolving facilities to financial services companies, typically mortgage banking companies, with a total commitment amount of $2.3 billion extended to 35 borrowers at December 31, 2014. These financial services companies utilize their lines of credit to fund transactions, which are primarily collateralized by agency and government residential loans originated by our clients. The repayment of outstandings on these lines is typically dependent upon the sale of those loans originated by our clients utilizing their lines of credit into the secondary market. In the event loans originated by these borrowers cannot be sold on the secondary market, our ability to achieve repayment may be negatively affected. Due to this risk and the size of the exposure to any one borrower, the failure of one borrower could adversely impact our results of operations and cash flows.

A significant portion of our loan portfolio is concentrated in California and Florida and events or circumstances which adversely affect the economies or real estate values in those states could adversely affect our business, results of operations and financial condition.

For the year ended December 31, 2014, approximately 26% and 9% of our residential loan portfolio was secured by real estate located in California and Florida, respectively, and 13% and 14% of our commercial and commercial real estate portfolios were secured by businesses and real estate located in California and Florida, respectively. Our loan concentration in these states subjects us to risk that a downturn in the local economy in either California or Florida could result in increases in delinquencies and foreclosures or losses on these loans. In addition, the occurrence of natural disasters in California or Florida, such as earthquakes or hurricanes, or man-made disasters, could result in a decline in the value or destruction of our mortgaged properties and an increase in the risk of delinquencies or foreclosures. The occurrence of any one of these factors could result in a material adverse effect on our business, results of operations and financial condition.

We may become subject to additional risks as a result of the growth of our commercial lending business.

Our expansion into commercial lending could expose us to new markets where we have little commercial experience, which could result in losses that would affect our financial results. Historically we have originated commercial loans mostly in Florida, however over the past several years, we have developed a platform to generate commercial loans across the country. If we do not maintain strong underwriting standards as we have in the past, we may suffer losses if these loans fail to perform.

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Conditions in the residential real estate market and higher than normal delinquency and default rates could adversely affect our business.

The origination and servicing of residential mortgages is a significant component of our business and our earnings may be adversely affected if real estate markets weaken and delinquency and default rates increase. If the frequency and severity of our loan delinquencies and default rates increase, we could experience losses on loans held for investment and on newly originated or purchased loans that we hold for sale. We may need to further increase our reserves for foreclosures if foreclosure rates increase.

A deteriorating real estate market and higher than normal delinquency and default rates on loans have other adverse consequences for our mortgage banking business, including:

- cash flows and capital resources are reduced, as we are required to make cash advances to meet contractual obligations to investors, process foreclosures, maintain, repair and market foreclosed properties;
- mortgage service fee revenues decline because we recognize these revenues only upon collection;
- net interest income may decline and interest expense may increase due to lower average cash and capital balances and higher capital funding requirements;
- mortgage and loan servicing costs rise;
- an inability to sell our MSR in the capital markets due to reduced liquidity;
- amortization and impairment charges on our MSR increase; and
- realized and unrealized losses on and declines in the liquidity of securities held in our investment portfolio that are collateralized by mortgage obligations.

We may be required to repurchase mortgage loans with identified defects, indemnify the investor or guarantor, or reimburse the investor for credit loss incurred on the loan in the event of a material breach of representations or warranties.

We may be required to repurchase mortgage loans or reimburse investors as a result of breaches in contractual representations and warranties from our sales of loans we originate and servicing of loans originated by other parties. We conduct these activities under contractual provisions that include various representations and warranties, which typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan and similar matters. We may be required to repurchase mortgage loans with identified defects, indemnify the investor or guarantor, or reimburse the investor for credit loss incurred on the loan in the event of a material breach of such contractual representations or warranties.

We experienced increased levels of repurchase demands beginning in 2010, which has led to material increases in our loan repurchase reserves relative to historical levels. We may need to increase such reserves in the future, which would adversely affect net income. As of December 31, 2014, 2013 and 2012, our loan repurchase reserve for loans that we sold or securitized was $25.9 million, $20.2 million and $27.0 million, respectively, representing a 28% increase during 2014 and a 25% decrease during 2013.

In addition, we also service residential mortgage loans where a GSE is the owner of the underlying mortgage loan asset. Prior to late 2009, we had not historically experienced a significant amount of repurchases related to the servicing of mortgage loans as we were indemnified by the seller of the servicing rights, but due to the failures of several of our counterparties, we have since experienced losses related to the repurchase of loans from GSEs and subsequent disposal or payment demands from the GSEs. As of December 31, 2014, 2013 and 2012, our reserve for servicing repurchase losses was $2.9 million, $23.7 million and $26.0 million, respectively, representing an 88% decrease during 2014 and a 9% decrease during 2013.

Moreover, increased enforcement activity related to FHA-insured loans may present risk to us under the federal False Claims Act and other similar federal laws. While the U.S. Department of Housing and Urban Development (HUD) may use its authority to seek civil money penalties, request indemnification of FHA insurance claims, and impose other penalties related to origination and servicing deficiencies in FHA loans, the U.S. Department of Justice (DOJ) has recently entered into several major agreements with FHA lenders to settle allegations of false claims in connection with the underwriting of FHA-insured loans and compliance with other FHA program requirements. These settlement agreements have resulted in hundreds of millions of dollars in settlement payments to the United States and HUD, as well as dedicated funds to be used for borrower assistance. As the False Claims Act permits the federal government to

recover treble damages for claims based on false certifications, the potential liability for an FHA lender submitting insurance claims on the loans it originates could be significant.
If future repurchase demands remain at heightened levels or further increase, the severity of the repurchase requests increase, our success at appealing repurchase or other requests differs from past experience, or we are faced with increased FHA enforcement, we may need to increase our loan repurchase reserves, and increased repurchase obligations could adversely affect our financial position and results of operations. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Loans Subject to Representations and Warranties."
We entered into subservicing agreements, and in the event that counterparty fails to abide by the agreements, we may be forced to service the loans or find another subservicer, which could adversely affect our business, financial condition and results of operations.
If the subservicer fails to comply with applicable servicing guidelines or is unable to abide by the terms of the subservicing agreements, we would be obligated to service the loans. If we were required to service these loans, we would incur substantial cost in building the infrastructure to service the loans. Alternatively we could find another party to subservice the loans, which could take time selecting and transferring the servicing to said party. As a result of the time involved in either our taking over the servicing of the loans or in locating a servicer to do so, we may be delayed in receiving or making payments as required, which could result in lost interest payments and unrecoverable advances of fees on the loans. As a result our business, financial condition and results of operations could be adversely affected.
We own government insured loans which are serviced by third parties, and in the event those third parties fail to service the loans in accordance with applicable servicing guidelines, we may not be able to recover the full value of the interest payments and fees on the loans which could adversely affect our business, financial condition and results of operations.
Certain loans we own are serviced by third parties. Generally when a loan is in default the servicer continues to make advances, and once the loan is foreclosed upon, the government entities insuring the loan will remit the principal, the guaranteed interest and the advanced fees to the loan owner. However, if the loan is in default and the servicer has not been abiding by the servicing guidelines, the government entities will

remit to the loan owner the principal for the loan, but may not pay to the loan owner the full guaranteed interest or advanced fees during the time from when the servicer failed on its obligations up to and through the foreclosure on the loan. As a result, we as the loan owner will not suffer any loss of principal, but we could be required to advance the fees on the loans, without receiving payment from the government entities for those fees, and be curtailed for a portion or all of the guaranteed interest. While we would have a cause of action against the third party servicer, in the event that said third party was insolvent or unable to pay, then we would suffer these losses without recourse. As a result our business, financial condition and results of operations could be adversely affected.

Our concentration of mass-affluent clients and “jumbo” mortgages in our residential mortgage portfolio makes us particularly vulnerable to a downturn in high-end real estate values and economic factors disproportionately affecting affluent consumers of financial services.

The FHA, Fannie Mae and Freddie Mac will only purchase or guarantee so-called “conforming” loans, which may not exceed certain principal amount thresholds. As of December 31, 2014, a majority of our residential mortgage loans held for investment that are not government insured was comprised of “jumbo” loans based on the current threshold of $417,000 in most states, and 87% of the carrying value of our securities portfolio was comprised of residential nonagency investment securities, substantially all of which are backed by jumbo loans. Jumbo loans have principal balances exceeding the thresholds of the agencies described above, and tend to be less liquid than conforming loans, which may make it more difficult for us to rapidly rebalance our portfolio and risk profile than is the case for financial institutions with higher concentrations of conforming loan assets. In addition real estate securing jumbo loans tends to be concentrated in certain limited markets and real estate prices in those markets have historically been more volatile that in the median price range markets, which affects the default rates of these mortgages and the marketability of jumbo mortgages to investors. As a result, liquidity in the capital markets for such assets could be diminished and we could be faced with an inability to dispose of such assets or fully recover our losses in the event of a default.

Hedging strategies that we use to manage our mortgage pipeline may be ineffective to mitigate the risk of changes in interest rates.

We typically use derivatives and other instruments to hedge a portion of our mortgage banking interest rate risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, London Interbank Offered Rate (LIBOR), or Eurodollars that may not perfectly correlate with the value or income being hedged. Our mortgage pipeline consists of our commitments to purchase mortgage loans, or interest rate locks, and funded mortgage loans that will be sold in the secondary market. The risk associated with the mortgage pipeline is that interest rates will fluctuate between the time we commit to purchase a loan at a pre-determined price, or the client locks in the interest rate on a loan, and the time we sell or commit to sell the mortgage loan. Generally speaking, if interest rates increase, the value of an unhedged mortgage pipeline decreases, and gain on sale margins are adversely impacted. Typically, we economically hedge the risk of overall changes in fair value of loans held for sale by either entering into forward loan sale agreements, selling forward Fannie Mae or Freddie Mac MBS or using other derivative instruments to economically hedge loan commitments and to create fair value hedges against the funded loan portfolios. We generally do not hedge all of the interest rate risk on our mortgage portfolio and have not historically hedged the risk of changes in the fair value of our MSR resulting from changes in interest rates. To the extent we fail to appropriately reduce our exposure to interest rate changes, our financial results may be adversely affected.

We could recognize realized and unrealized losses on securities held in our securities portfolio, particularly if economic and market conditions deteriorate.

As of December 31, 2014, the fair value of our securities portfolio was approximately $0.9 billion, of which approximately 87% was comprised of residential nonagency investment securities. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, changes in market interest rates and continued instability in the credit markets. Any of these factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

We may experience higher delinquencies on our equipment leases and reductions in the resale value of leased equipment.

The realization of equipment values (i.e., residual values) during the life and at the end of the term of a lease is an important element of our commercial finance business. At the inception of each lease, we record a residual value for the leased equipment based on our estimate of the future value of the equipment at the expected disposition date. A decrease in the market value of leased equipment at a rate greater than the rate we projected, whether due to rapid technological or economic obsolescence, unusual or excessive wear-and-tear on the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current or the residual values of such equipment. Further, certain equipment residual values are dependent on the manufacturer’s or vendor’s warranties, reputation and other factors, including market liquidity. In addition, we may not realize the full market value of equipment if we are required to sell it to meet liquidity needs or for other reasons outside of the ordinary course of business. Consequently, we may not realize our estimated residual values for equipment. If we are unable to realize the expected value of a substantial portion of the equipment under lease, our business could be adversely affected.

Fluctuations in national, regional and local economic conditions may increase the level of charge-offs that we make to our lease portfolio, and, consequently, reduce our net income. We are not protected for all losses and any charge-off or related losses that we experience will negatively impact our results of operations.

We may become subject to a number of risks if we elect to pursue acquisitions and may not be able to acquire and integrate acquisition targets successfully if we choose to do so.

As we have done in the past, we may pursue acquisitions as part of our growth strategy. We may consider acquisitions of loans or securities portfolios, lending or leasing firms, commercial and small business lenders, residential lenders, direct banks, banks or bank branches, wealth and investment management firms, securities brokerage firms, specialty finance or other financial services-related companies. We expect that competition for suitable acquisition targets may be significant. Additionally, we must generally receive federal regulatory approval before we can acquire an institution or business. Such regulatory approval may be denied or, if granted, could be subject to conditions that materially affect the terms of the acquisition or our ability to capture some of the opportunities presented by the acquisition. We may not be able to successfully identify and acquire suitable acquisition targets on terms and conditions we consider to be acceptable.

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Even if suitable candidates are identified and we succeed in consummating these transactions, acquisitions involve risks that may adversely affect our market value and profitability. These risks include, among other things: credit risk associated with acquired loans and investments; retaining, attracting and integrating personnel; loss of clients; reputational risks; difficulties in integrating or operating acquired businesses or assets; and potential disruption of our ongoing business operations and diversion of management's attention. Through our acquisitions we may also assume unknown or undisclosed liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While in most of our transactions we seek to mitigate these risks through, among other things, adequate due diligence and indemnification provisions, we cannot be certain that the due diligence we have conducted is adequate or that the indemnification provisions and other risk mitigants we put in place will be sufficient.

Certain of our stockholders have director nomination rights through which they may influence the actions taken by us, and their interests may not align with our interests or the interests of our other stockholders.

Pursuant to an agreement between us and Sageview Partners L.P., (Sageview), Sageview has the right to designate a representative to be included in management's slate of nominees recommended to stockholders of the Company for election as a member of our Board of Directors and has the right to appoint an observer who is permitted to attend meetings of our Board of Directors. In addition pursuant to an agreement between us and Lovett Miller Venture Fund II, Limited Partnership and Lovett Miller Venture Fund III, Limited Partnership, or together, Lovett Miller, Lovett Miller has the right to appoint an observer who is permitted to attend meetings of our Board of Directors.

These director nomination rights and observer rights will generally survive for each of Sageview and Lovett Miller, respectively, so long as such stockholder continues to own a specified percentage of the Company's common stock. As of December 31, 2014, Lovett Miller owns 849,307 shares of our common stock, or 0.69%, and Sageview owns 12,912,230 shares of our common stock, or 10.44%. As a result of their significant holdings of our common stock, and, in the case of Sageview, its right to designate members of our Board of Directors, these stockholders are expected to be able to continue to exert significant influence over our policies and management, potentially in a manner which may not be in our other stockholders' best interests.

We may issue a new series of preferred stock or debt securities, which would be senior to our common stock and may cause the market price of our common stock to decline.

We have issued one series of preferred stock, the Series A Preferred Stock. In the future, we may increase our capital resources by making additional offerings of debt or equity securities, which may include senior or subordinated notes, classes of preferred shares and/or common shares. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Preferred shares and debt, if issued, have a preference on liquidating distributions or a preference on dividend or interest payments that could limit our ability to make a distribution to the holders of our common stock. Future issuances and sales of parity preferred stock, or the perception that such issuances and sales could occur, may also cause prevailing market prices for the Series A Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us. Further issuances of our common stock could be dilutive to holders of our common stock.

Our ability to rely on brokered deposits as a part of our funding strategy may be limited.

Deposits raised by EverBank continue to be a key part of our funding strategy. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions, including the possible imposition of prior approval requirements or restrictions on deposit growth through brokered channels, or restrictions on our rates offered. In addition, as a supervisory matter, reliance on brokered deposits as a significant source of funding is discouraged. As a result, in order to grow our deposit base, we will need to expand our non-brokered channels for deposit generation, including through new marketing and advertising efforts, which may require significant time, capital and effort to implement. Further, we are likely to face significant competition for deposits from other banking organizations that are also seeking stable deposits to support their funding needs. If EverBank is unable to develop new channels of deposit origination, it could have a material adverse effect on our business, results of operations, and financial position.

We are exposed to risks associated with our Internet-based systems and online commerce security, including "hacking" and "identity theft."

We operate primarily as an online bank with a small number of financial center locations and, as such, we conduct a substantial portion of our business over the Internet. We rely heavily upon data processing, including loan servicing and deposit processing, software, communications and information systems from a number of third parties to conduct our business.

Third party or internal systems and networks may fail to operate properly or become disabled due to deliberate attacks or unintentional events. Our operations are vulnerable to disruptions from human error, natural disasters, power loss, computer viruses, spam attacks, denial of service attacks, unauthorized access and other unforeseen events. Undiscovered data corruption could render our client information inaccurate. These events may obstruct our ability to provide services and process transactions. While we believe that we are in compliance with all applicable privacy and data security laws, an incident could put our client confidential information at risk.

Although we have not experienced a cyber incident which has been successful in compromising our data or systems, we can never be certain that all of our systems are entirely free from vulnerability to breaches of security or other technological difficulties or failures. We monitor and modify, as necessary, our protective measures in response to the perpetual evolution of cyber threats.

A breach in the security of any of our information systems, or other cyber incident, could have an adverse impact on, among other things, our revenue, ability to attract and maintain clients and business reputation. In addition, as a result of any breach, we could incur higher costs to conduct our business, to increase protection, or related to remediation. Furthermore our clients could blame us and terminate their account with us for a cyber incident which occurred on their own system or with that of an unrelated third party. In addition, a security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and possible financial liability.

Our business may be impaired if a third party infringes on our intellectual property rights.

Our business depends heavily upon intellectual property that we have developed and will develop in the future. Monitoring infringement of intellectual property rights is difficult, and the steps we have taken may not prevent unauthorized use of our intellectual property. In the past, we have had to engage in enforcement actions to protect our trademarks and copyrights from infringement and our domain names from theft, including administrative proceedings. We may in the future be unable to prevent third parties from acquiring trademark registrations or domain names that infringe or otherwise decrease the value of our trademarks and other intellectual property rights. Intellectual property theft on the Internet is relatively widespread, and individuals anywhere in the world can "scrape" our content or purchase infringing domains or use our service marks on their pay-per-click sites to draw clients for competitors while exploiting our service marks, or worse, engage in "phishing" to lure our clients into providing personal information. To the extent that we are unable to rapidly locate and stop an infringement, our intellectual property assets may become devalued and our brand may be tarnished. Third parties may also challenge, invalidate or circumvent our intellectual property rights and protections, registrations and licenses. Intellectual property litigation is expensive, and the outcome of an action could negatively impact our business, brand and profitability.

We may become involved in intellectual property or other disputes that could harm our business.

Third parties may assert claims against us, asserting that our marks, services, associated content in any medium, or software applications infringe their intellectual property rights. The laws and regulations governing intellectual property rights are continually evolving and subject to differing interpretations. Trademark owners often engage in litigation in state or federal courts or oppositions in the United States Patent and Trademark Office as a strategy to broaden the scope of their trademark rights. Patent owners, particularly non-practicing entities, often pursue enforcement of broad patents that can be construed to embrace aspects of EverBank services or operations. If any infringement claim is successful against us, we may be required to pay substantial damages or we may need to seek to obtain a license of the other party's intellectual property rights. We also could lose the expected future benefit of our marketing and advertising spending or software development costs. Moreover, we may be prohibited from providing our services or using content that incorporates the challenged intellectual property.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, custody, counterparty or other relationships. At various times, we may have significant exposure to a relatively small group of counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these transactions expose us to credit risk in the event of default of a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. Losses suffered through such increased credit risk exposure could have a material adverse effect on our financial condition, results of operations and cash flows.

We face increased risks with respect to our WorldCurrency® and other market-based deposit products.

As of December 31, 2014, we had outstanding market-based deposits of $0.8 billion, representing approximately 5% of our total deposits, the significant majority of which are WorldCurrency® deposits. Many of our WorldCurrency® depositors have chosen that family of products in order to diversify their portfolios with respect to foreign currencies. Appreciation of the U.S. dollar relative to foreign currencies, political and economic disruptions in foreign markets or significant changes in commodity prices or securities indices could significantly reduce the demand for our WorldCurrency® and other market-based products as well as a devaluation of these deposit balances, which could have a material adverse effect on our liquidity and results of operations. In addition, although we routinely use derivatives to offset changes to our deposit obligations due to fluctuations in currency exchange rates, commodity prices or securities indices to which these products are linked, these derivatives may not be effective. To the extent that these derivatives do not offset changes to our deposit obligations, our financial results may be adversely affected.

We operate in a highly competitive industry and market area.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include Internet banks and national, regional and community banks within the various markets we serve. We also face competition from many other types of financial institutions, including, without limitation, savings and loan institutions, credit unions, mortgage companies, other finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can (unless laws are changed) merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Many of our competitors have fewer regulatory constraints and may have lower cost structures.

In addition, many of our competitors have significantly more physical branch locations than we do, which may be an important factor to potential clients. Because we offer our services over the Internet, we compete nationally for clients against financial institutions ranging from small community banks to the largest international financial institutions. Many of our competitors continue to have access to greater financial resources than we have, which allows them to invest in technological improvements. Failure to successfully keep pace with technological change affecting the financial services industry could place us at a competitive disadvantage.

Our historical growth rate and performance may not be indicative of our future growth or financial results.

Our historical growth must be viewed in the context of the recent opportunities available to us as a result of the confluence of our access to capital at a time when market dislocations of historical proportions resulted in unprecedented asset acquisition opportunities. When evaluating our historical growth and prospects for future growth, it is also important to consider that while our business philosophy has remained relatively constant over time, our mix of business, distribution channels and areas of focus have changed frequently and dramatically over the last several years. Historically, we have entered and exited lines of business to adapt to changing market conditions and perceived opportunities, and may continue to do so in future periods.

In recent years, we have completed several significant transactions, including the acquisitions of MetLife Bank’s warehouse finance business and Business Property Lending from GECC in 2012, Tygris and Bank of Florida in 2010 and the sale of our default servicing platform to Green Tree in 2014. These transactions, along with equity capital infusions, have significantly expanded our asset and capital base, product mix and distribution channels. We also benefited from significant purchase price discounts from certain of these transactions, which are highly accretive to our earnings and which may not be available in the future. Over the longer-term, we expect margins on loans to revert to longer-term historical levels.

We have historically generated a significant amount of fee income through the origination and servicing of residential mortgage loans. Fundamental changes in bank regulations and the mortgage industry, weak economic conditions and the historically low interest rate environment that has characterized the last several fiscal quarters make it difficult to predict our future results or draw meaningful comparisons between our historical results and our results in future fiscal periods. We materially increased our investments in residential MSR from 2008 through the first quarter of 2010. During that time, we also significantly increased our investments in nonagency residential collateralized mortgage obligation securities (CMOs). Due to concentration limits we adopted pursuant to new regulatory constraints and possible future regulatory guidance, our concentration in such asset classes has been reduced. We may not be able to achieve similar performance from alternative asset classes in the future.

We may not be able to sustain our historical rate of growth or grow our business at all. Because of prolonged economic uncertainty and governmental intervention in the credit markets and mortgage lending industry, as well as increased delinquencies, it will be difficult for us to replicate our historical earnings growth as we continue to expand. We have benefited from the ongoing low interest rate environment, which has provided us with high net interest margins which we use to grow our business. Higher rates would compress our margins and may impact our ability to grow. Consequently, our historical results of operations will not necessarily be indicative of our future operations.

We are dependent on key personnel and the loss of one or more of those key personnel could harm our business.

Our future success significantly depends on the continued services and performance of our key management personnel. We believe our management team's depth and breadth of experience in the banking industry is integral to executing our business plan. We also will need to continue to attract, motivate and retain other key personnel. The loss of the services of members of our senior management team or other key employees or the inability to attract additional qualified personnel as needed could have a material adverse effect on our business, financial position, results of operations and cash flows.

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, correspondent lenders, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by loan applicants and third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation provided by third parties. If any of this information is misrepresented and such misrepresentation is not detected prior to loan funding, we generally bear the risk of loss associated with the misrepresentation.

Regulatory and Legal Risks

We operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, may adversely affect us.

We are subject to extensive regulation, supervision and legislation that govern almost all aspects of our operations. Intended to protect clients, depositors, the DIF and the overall financial system, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage, limit the dividend or distributions that EverBank can pay to us, restrict the ability of institutions to guarantee our debt, impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. We are currently facing increased regulation and supervision of our industry as a result of the financial crisis in the banking and financial markets, and, to the extent that we participate in any programs established or to be established by the U.S. Treasury or by the federal banking regulatory agencies, there will be additional and changing requirements and conditions imposed on us. Such additional regulation and supervision may increase our costs and limit our ability to pursue business opportunities. Further, our failure to comply with these laws and regulations, even if the failure is inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, including criminal sanctions, any of which could adversely affect our results of operations, capital base and the price of our securities.

We and EverBank have entered into a consent order with the OTS, and failure to comply with the requirements of the consent order could have a negative impact on us and/or EverBank.

On April 13, 2011, we and EverBank each entered into a consent order with the OTS with respect to EverBank's mortgage foreclosure practices and our oversight of those practices. The consent orders required, among other things, that we establish a new compliance program for our mortgage servicing and foreclosure operations and that we ensure that we have 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. We were also required to retain an independent firm 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. We are working to fulfill the requirements of the consent orders. In response to the consent orders, we have established an oversight committee of the Board of Directors to monitor the implementation of the actions required by the consent orders. Furthermore, we have enhanced and updated several policies, procedures, processes and controls to help ensure the mitigation of the findings of the consent orders, and submitted them to the FRB and the OCC (the applicable successors to the OTS) for review. In addition, we have enhanced our third-party vendor management system and our compliance program, hired additional personnel and retained an independent firm to conduct foreclosure reviews.

In August 2013, EverBank reached an agreement with the OCC which ended its participation in the Independent Foreclosure Review program mandated by the April 2011 consent order and replaced it with an accelerated remediation process. The agreement included a cash payment of approximately $39.9 million made by EverBank to a settlement fund, which provides relief to qualified borrowers. In addition, we contributed approximately $6.3 million 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 us from potential individual borrower claims or class actions lawsuits, which could result in additional expenses. Consistent with the agreement, an amendment to the April 2011 consent order was entered 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. We may be subject to civil monetary penalties with respect to the consent order, but the federal banking agencies have not indicated what the amount of any such penalties would be.

In October 2013, we, along with other mortgage servicers, received a letter from the OCC requesting, in connection with the April 2011 consent order, that we provide the OCC with an action plan to identify errors and remediate any 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. EverBank submitted its action plan in 2013, and as of December 31, 2014, EverBank has accrued approximately $3.5 million for potential

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remediation payments to be made to borrowers. Any remedies or penalties that may be imposed on us as a result or arising out of the consent order, the action plan, or any other investigation or action related to mortgage origination or servicing may have a material adverse effect on our results of operations, capital base and the price of our securities. Mortgage servicing practices have also been the subject of a settlement agreement among the U.S. Department of Justice, the Department of Housing and Urban Development, 50 state attorneys general, and certain major mortgage servicers.

The OTS, the OCC and other government agencies, including state attorneys general and the U.S. Department of Justice, investigated various mortgage related practices of certain servicers, some of which practices were also the subject of the horizontal review. In March 2012, the U.S. Department of Justice, the Department of Housing and Urban Development and 50 state attorneys general entered into separate consent judgments with five major mortgage servicers with respect to these matters. In total, the five mortgage servicers agreed to $25 billion in borrower restitution assistance and refinancing. Monetary sanctions imposed by the federal banking agencies as a consequence of the horizontal review are being held in abeyance, subject to provision of borrower assistance and remediation under the consent judgments. Certain other institutions subject to the consent decrees with the banking regulators announced in April 2011 have been contacted by the U.S. Department of Justice and state attorneys general regarding a settlement. If an investigation of EverBank were to occur, it could result in material fines, penalties, equitable remedies (including requiring default servicing or other process changes), other enforcement actions or additional litigation, and could result in significant legal costs in responding to governmental investigations and additional litigation. Any other requirements or remedies or penalties that may be imposed on us as a result of the horizontal review or any other investigation or action related to mortgage origination or servicing may have a material adverse effect on our results of operations, capital base and the price of our securities.

We anticipate that costs associated with foreclosures will remain high and may adversely affect us.

We expect that mortgage-related assessments and waivers, costs, including compensatory fees assessed by the GSEs, and other costs associated with foreclosures will remain elevated as additional loans are delayed in the foreclosure process. This will likely continue to increase noninterest expenses, including increasing default servicing costs and legal expenses. In addition, changes to our processes and policies, including those required under the consent orders with federal banking regulators, are likely to result in further increases in our default servicing costs over the longer term. Delays in foreclosure sales may result in additional costs associated with the maintenance of properties or possible home price declines, result in a greater number of nonperforming loans and increased servicing advances and may adversely affect the collectability of such advances and the value of our MSR asset and other real estate owned properties. In addition, the valuation of certain of our agency residential MBS could be negatively affected under certain scenarios due to changes in the timing of cash flows.

Governmental and other actions relating to recording mortgages in the name of Mortgage Electronic Registration Systems, Inc. (MERS) may have adverse consequences on us.

Mortgage notes, assignments or other documents are often required to be maintained and are often necessary to enforce mortgages loans. There has been significant public commentary regarding the industry practice of recording mortgages in the name of MERS, as nominee on behalf of the note holder, and whether securitization trusts own the loans purported to be conveyed to them and have valid liens securing those loans. We currently use the MERS system for a substantial portion of the residential mortgage loans that we originate, including loans that have been sold to investors. A component of the consent orders described above requires significant changes in the manner in which we service loans identifying MERS as the mortgagee. Additionally, certain local and state governments have commenced legal actions against MERS and certain MERS members, questioning the validity of the MERS model. Other challenges have also been made to the process for transferring mortgage loans to securitization trusts, asserting that having a mortgagee of record that is different than the holder of the mortgage note could ‘break the chain of title’ and cloud the ownership of the loan. If certain required documents are missing or defective, or if the use of MERS is found not to be valid, we could be obligated to cure certain defects or in some circumstances be subject to additional costs and expenses in servicing mortgages. Our use of MERS as nominee for mortgages may also create reputational and other risks for us.

We are subject to extensive regulation and supervision and possible enforcement actions.

We and EverBank are subject to comprehensive supervision and regulation that affect virtually all aspects of our operations, and a significant amount of discretion is vested in the various regulatory authorities. This supervision and regulation is designed primarily to protect depositors and other customers and the DIF administered by the FDIC, and the banking system as a whole, and generally is not intended for the protection of stockholders. This regulation and supervision affects most aspects of our business, including lending practices, capital structure, dividend policy, and growth. The Dodd-Frank Act, enacted in July 2010, instituted major regulatory, supervisory, and compliance changes. The key effects of the Dodd-Frank Act on our business are:

- changes in the thrift supervisory structure;
- changes to regulatory capital requirements;
- creation of new governmental agencies with authority over our operations including the CFPB;
- limitation on federal preemption; and
- changes to mortgage loan origination and risk retention practices.

For a more detailed description of the Dodd-Frank Act, see “Supervision and Regulation.”

Other changes to statutes, regulations, or regulatory policies or supervisory guidance, including changes in their interpretation or implementation, may affect us in substantial ways that we cannot predict. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies, or guidance could result in sanctions by regulatory agencies and other law enforcement authorities, including civil money penalties or fines or reputational damage, which could have a material adverse effect on our business, financial condition, or results of operation.

In addition the CFPB issued rules that were effective as of January 2014 and that require servicers to comply with new standards and practices with regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about mortgage loss mitigation options be provided to delinquent borrowers; providing delinquent borrowers access to servicer personnel with continuity of contact about the borrower’s mortgage loan account; and evaluating borrowers’ applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), periodic

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statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts. As a result of these new regulations, we will likely see increased regulatory and compliance costs, which we may not be able to pass on to consumers.

The ability-to-repay requirement for residential mortgage loans may limit our ability to sell or securitize certain of our mortgage loans and may give borrowers potential claims against us.

The Dodd-Frank Act amended the Truth-in-Lending Act to require that mortgage lenders show that they have verified the borrower's ability to repay a residential mortgage loan. Lenders of mortgages that meet a "qualified mortgage" standard have a safe harbor or a presumption of compliance with the requirement. Under final rules issued by the CFPB, qualified mortgages cannot have negative amortization, interest-only payments, balloon payments, terms over 30 years, or points and fees over certain thresholds. From time to time, we may originate mortgages that do not meet the "qualified mortgage" definition. In the event that we do originate such mortgages, however, we could be subject to statutory claims for violations of this requirement. In addition, if institutional mortgage investors limit their mortgage purchases, demand for our non-qualifying mortgages in the secondary market may be significantly limited in the future. If demand for our non-qualifying mortgages in the secondary market declines, we would be limited in our ability to resell such mortgages which could materially and adversely affect our business, results of operations or financial condition.

We are subject to more stringent capital standards.

We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, the regulators change these capital adequacy guidelines. If we fail to meet these minimum capital guidelines and other regulatory requirements, we or our subsidiaries may be restricted in the types of activities we may conduct and may be prohibited from taking certain capital actions, such as paying dividends and repurchasing or redeeming capital securities.

In particular, the capital requirements applicable to us and EverBank under the recently adopted Basel III Capital Rules began to be phased-in starting in 2015. EverBank is required to satisfy additional, more stringent, capital adequacy standards than it has in the past, and we, as a savings and loan holding company, are subject to consolidated risk-based capital requirements for the first time. The Basel III Capital Rules, among other things, limit our ability to include certain assets, including MSR, in our calculation of our regulatory capital ratios. MSR currently comprise a significant portion of our regulatory capital. At December 31, 2014, our net MSR totaled $435.6 million. For a more detailed description of the Basel III Capital Rules, see "Regulation and Supervision." Additionally, stress testing requirements may have the effect of requiring us or EverBank to comply with the requirements of the Basel III Capital Rules, or potentially even greater capital requirements, sooner than expected. While we and EverBank expect to meet the requirements of the Basel III Capital Rules, inclusive of the capital conservation buffer, as phased in by the FRB, we or EverBank may fail to do so. In that case, we may be required to raise additional capital at less attractive terms. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions and make capital distributions in the form of increased dividends or share repurchases. Higher capital levels could also lower our earnings and return on equity.

Unfavorable results from ongoing stress tests conducted by us may adversely affect our ability to retain clients or compete for new business opportunities.

We and EverBank will be required to publish a summary of the results of annual company-run stress tests. Published summary results will be required to include certain measures that evaluate our and EverBank's ability to absorb losses in severely adverse economic and financial conditions. We cannot predict how our clients will interpret and react to the published summary of these stress tests. Any potential misinterpretations and adverse reactions could limit our ability to attract and retain clients or to effectively compete for new business opportunities. The inability to attract and retain clients or effectively compete for new business may have a material and adverse effect on our business, financial condition or results of operations.

Additionally, our regulators may require us or EverBank to raise additional capital or take other actions, or may impose restrictions on our business, based on the results of the stress tests. We may not be able to raise additional capital if required to do so, or may not be able to do so on terms which are advantageous to us or our current stockholders. Any such capital raises, if required, may also be dilutive to our existing stockholders.

We are highly dependent upon programs administered by government agencies or government-sponsored enterprises, such as Fannie Mae, Freddie Mac and Ginnie Mae, to generate liquidity in connection with our conforming mortgage loans. Any changes in existing U.S. government or government-sponsored mortgage programs could materially and adversely affect our business, financial position, results of operations and cash flows.

Our ability to generate revenues through securities issuances guaranteed by GNMA, and through mortgage loan sales to GSEs such as Fannie Mae and Freddie Mac (as well as to other institutional investors), depends to a significant degree on programs administered by those entities. The GSEs play a powerful role in the residential mortgage industry, and we have significant business relationships with them. Many of the loans that we originate are conforming loans that qualify under existing standards for sale to the GSEs or for guarantee by GNMA. We also derive other material financial benefits from these relationships, including the assumption of credit risk by these GSEs on all loans sold to them that are pooled into securities, in exchange for our payment of guaranty fees, and the ability to avoid certain loan inventory finance costs through streamlined loan funding and sale procedures. Any discontinuation of, or significant reduction in, the operation of these GSEs or any significant adverse change in the level of activity in the secondary mortgage market or the underwriting criteria of these GSEs could have a material adverse effect on our business, financial position, results of operations and cash flows.

Because nearly all other non-governmental participants providing liquidity in the secondary mortgage market left that market during the mortgage financial crisis, the GSEs have been the only significant purchasers of residential mortgage loans. It remains unclear when private investors may begin to re-enter the market in a meaningful way. As described above, GSEs (which are in conservatorship, with heavy capital support from the U.S. government, and subject to serious speculation about their future structure, if any) may not be able to provide the substantial liquidity upon which our residential mortgage loan business relies.

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Federal, state and local consumer lending laws may restrict our ability to originate or increase our risk of liability with respect to certain mortgage loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans, and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending, servicing and loan investment activities. They increase our cost of doing business, and ultimately may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

Legislative action regarding foreclosures or bankruptcy laws may negatively impact our business.

Recent laws delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans (some for a limited period of time), or otherwise limit the ability of residential loan servicers to take actions that may be essential to preserve the value of the mortgage loans underlying the MSR. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increased servicing costs. Any restriction on our ability to foreclose on a loan, any requirement that we forego a portion of the amount otherwise due on a loan or any requirement that we modify any original loan terms will in some instances require us to advance principal, interest, tax and insurance payments, which is likely to negatively impact our business, financial condition, liquidity and results of operations.

We are exposed to environmental liabilities with respect to properties that we take title to upon foreclosure that could increase our costs of doing business and harm our results of operations.

In the course of our activities, we may foreclose and take title to residential and commercial properties and become subject to environmental liabilities with respect to those properties. The laws and regulations related to environmental contamination often impose liability without regard to responsibility for the contamination. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. Moreover, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based upon damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition, liquidity and results of operations would be significantly harmed.

Anti-takeover provisions could adversely affect our stockholders.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- limit the ability of a person to own, control or have the power to vote more than 9.9% of our voting securities;
- establish a classified board of directors, with directors of each class serving a three-year term;
- require that directors only be removed from office for cause and only upon a majority stockholder vote;
- provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and
- require supermajority stockholder voting to effect certain amendments to our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws.

In addition, there are substantial regulatory limitations on changes of control of savings and loan holding companies and federal savings associations. Any company that acquires control of a savings association becomes a "savings and loan holding company" subject to registration, examination and regulation by the FRB. "Control," as defined under federal banking regulations, includes ownership or control of shares, or holding irrevocable proxies (or a combination thereof), representing 25% or more of any class of voting stock, control in any manner of the election of a majority of the institution's directors, or a determination by the FRB that the acquirer has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Further, an acquisition of 10% or more of our common stock creates a rebuttable presumption of "control" under federal banking regulations. Additionally, there may be enhanced scrutiny of investments of less than 5% or more of any class of our common stock if certain control factors are present, including the amount of the investor's proposed total capital investment. These provisions could make it more difficult for a third party to acquire EverBank or us even if such an acquisition might be in the best interest of our stockholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We lease or sublease over 936,000 square feet of office, operations and retail space in 113 locations in 25 states. We also sublease out to third parties approximately 11,000 square feet of our leased space. We own one office space in Jacksonville, Florida.

Our principal executive offices are located at 501 Riverside Avenue, Jacksonville, Florida 32202. At this location we lease approximately 47,500 square feet under a lease that expires on June 30, 2017. We operate one of our four Jacksonville financial centers at this location, occupying approximately 3,300 square feet under a separate lease that expires on June 30, 2017. We also occupy approximately 5,700 square feet of space at this location, which is under a lease that expires on May 31, 2016.

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In addition to our headquarters, we conduct a majority of our mortgage operations and all of our mortgage servicing activities in Jacksonville, Florida.

We conduct the banking functions associated with our consumer direct channel in St. Louis, Missouri, our deposit operations are in Islandia, New York, our commercial finance activities are in Parsippany, New Jersey, our warehouse finance activities are in Boston, Massachusetts and Jacksonville, Florida and our commercial lending activities are conducted in Redmond, Washington and St. Louis, Missouri.

We evaluate our facilities to identify possible under-utilization and to determine the need for functional improvement and relocations. We believe that the facilities we lease are in good condition and are adequate to meet our current operational needs.

Item 3. Legal Proceedings

We are subject to various claims and legal actions in the ordinary course of our business. Some of these matters include employee-related matters and inquiries and investigations by governmental agencies regarding our employment practices. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, operating results, financial condition or cash flows.

EverBank is currently subject to the following legal proceedings:

Vathana Class Action

In April 2009, a putative class action entitled Vathana v. EverBank was filed in the Superior Court of Santa Clara County, California, against EverBank on behalf of all persons who invested in certain EverBank foreign currency certificates of deposit between April 24, 2005 and April 24, 2009, whose certificates of deposit were closed by EverBank and who were allegedly improperly paid the value of the account. In May 2009, EverBank removed the case to the United States District Court for the Northern District of California. The complaint alleges, among other things, that EverBank breached its contract with its customers by invoking the force majeure provision when closing certain foreign currency certificates of deposit, and that at the time of account closing, utilizing an improper conversion rate. On March 15, 2010, a class was certified for purchasers of a WorldCurrency® Certificate of Deposit denominated in Icelandic Krona which matured between October 8 and December 31, 2008. On October 14, 2010, the plaintiff filed a motion for partial summary judgment on the issue of whether EverBank breached its contract with the plaintiff by (1) failing to deliver Icelandic Krona when EverBank closed the plaintiff's Icelandic Krona certificates of deposit and (2) using commercially unreasonable conversion rates when converting from Icelandic Krona to U.S. Dollars. EverBank filed its reply and cross-motion for summary judgment on November 22, 2010. On March 9, 2012, the Court entered an Order Granting EverBank's Motion for Summary Judgment, finding that EverBank was permitted to close the clients Icelandic Krona CDs without notice to avoid losses to the clients or the bank. On September 7, 2012, plaintiff filed a brief appealing the lower court's granting of summary judgment in favor of EverBank. On October 9, 2012, EverBank filed its responsive brief. On October 31, 2014, the Ninth Circuit affirmed that EverBank did not breach the Terms and Conditions by closing the CDs without consent, but reversed and remanded the lower courts decision that EverBank did not breach the customer deposit agreement as to the conversion rate paid to customers. We continue to believe that the plaintiff's surviving claims are without merit and intend to contest all such claims vigorously.

Mortgage Electronic Registration Services Related Litigation

MERS, EverHome Mortgage Company, EverBank and other lenders and servicers that have held mortgages through MERS are parties to the following material and class action lawsuits where the plaintiffs allege improper mortgage assignment and, in some instances, the failure to pay recording fees in violation of state recording statutes: (1) State of Ohio, ex. rel. David P. Joyce, Prosecuting Attorney General of Geauga County, Ohio v. MERSCORP, Inc., Mortgage Electronic Registration Services, Inc. et al. filed in October 2011 in the Court of Common Pleas for Geauga County, Ohio, and later removed to federal court and subsequently remanded to state court; (2) Boyd County, ex. rel. Phillip Hedrick, County Attorney of Boyd County, Kentucky, et al. v. MERSCORP, Inc., Mortgage Electronic Registration Services, Inc., et al. filed in April 2012 in the United States District Court for the Eastern District of Kentucky and now on appeal to the United States Court of Appeals for the Sixth Circuit; (3) St. Clair County, Illinois v. Mortgage Electronic Registration Systems, Inc., MERSCORP, Inc. et al., filed in May 2012 in the Circuit Court of the Twentieth Judicial Circuit, St. Clair County, Illinois; (4) County of Multnomah v. Mortgage Electronic Registration Systems, Inc., et al., filed in December 2012 in an Oregon state court, later removed to the U.S. District Court for the District of Oregon and subsequently remanded back to the state court; and (5) Delaware County, PA, Recorder of Deeds v. MERSCORP, Inc., Mortgage Electronic Registration Systems, Inc., et al., filed in November 2013 in the Court of Common Pleas of Delaware County, Pennsylvania, and later removed to federal court and subsequently remanded back to state court. In these material and class action lawsuits, the plaintiffs in each case generally seek judgment from the courts compelling the defendants to record all assignments, restitution, compensatory and punitive damages, and appropriate attorneys' fees and costs. We believe that the plaintiff's claims are without merit and intend to contest all such claims vigorously.

Estate of Daniels

EverBank is a party in Richard Paul Lee Daniels, as Personal Representative of the Estate of Daniels, for the benefit of the Estate and Survivors v. EverBank, filed on September 4, 2014 in the Fourth Judicial Circuit, Duval County, Florida. In this case plaintiff seeks damages, alleging negligence and attractive nuisance on the part of EverBank. The matter is now in the discovery stage.

Wilson Class Action

On June 18, 2014, a punitive class action entitled Dwight Wilson, Jesus A. Avelar-Lemus, Jessie Cross, and Mattie Cross on behalf of themselves and all other similarly situated v. EverBank, N.A., Everhome Mortgage, Assurant, Inc., Standard Guaranty Insurance Company, and American Security Insurance Company was filed in the United States District Court for the Southern District of Florida. In this class action case, the plaintiffs seek damages for overpayment of lender placed insurance premiums, injunctive relief, declaratory relief and attorneys’ fees and costs. On August 22, 2014, EverBank filed its motion to dismiss. This matter is still in the pleading and initial discovery stage.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information and Price Range of Common Stock

Our common stock, par value $0.01 per share, is listed and traded on the NYSE, under the ticker symbol "EVER." Our common stock has been listed since May 3, 2012. The high and low sales prices of our common stock and the dividends paid on our common stock are reported below for each quarterly period indicated:

	Market Price Range		Cash Dividends per Share
	High	Low	
Year Ended December 31, 2014			
First Quarter	$20.00	$16.40	$0.03
Second Quarter	20.61	18.08	0.03
Third Quarter	20.50	17.66	0.04
Fourth Quarter	19.56	17.33	0.04
Year Ended December 31, 2013			
First Quarter	$17.29	$12.75	$0.02
Second Quarter	17.00	13.93	0.02
Third Quarter	16.80	13.95	0.03
Fourth Quarter	18.75	13.99	0.03

According to the records of our transfer agent, as of February 17, 2015, there were approximately 150 holders of record of our common stock.

Our Board of Directors considers the feasibility of paying a cash dividend to its stockholders on a quarterly basis. Based on general practice, dividends are declared upon completion of a quarter and, if declared, are paid prior to the end of the subsequent quarter. EverBank is subject to certain regulatory restrictions that may limit its ability to pay dividends to us and, therefore, our ability to pay dividends to our stockholders. EverBank must seek approval from the FRB prior to any declaration of the payment of any dividends or other capital distributions to us. EverBank may not pay dividends to us if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OCC notified EverBank that it is in need of more than normal supervision. Further, under the Federal Deposit Insurance Act, or FDIA, an insured depository institution such as EverBank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized." Payment of dividends by EverBank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an "unsafe and unsound" banking practice. In addition, we must make dividend payments on our preferred shares and any class or series of capital stock ranking senior to the common stock, as well as make interest payments or other payments due on indebtedness and debt securities, if any, before any dividends can be paid on the common stock.

See "Limitation on Capital Distributions" under "Supervision and Regulation" in Item 1 of this report and Note 15, Note 16 and Note 27 to our Consolidated Financial Statements included in this report for more information.

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EverBank Financial Corp Stock Performance Graph

The following performance graph and table do not constitute soliciting material and the performance graph and table should not be deemed filed or incorporated by reference into any other previous or future filings by us under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate the performance graph and table by reference therein.

The following graph shows the cumulative total return for our common stock compared to the cumulative total returns for the Standard & Poor's (S&P) 500 Index and the S&P Banks Index from May 3, 2012 (the date our common stock commenced trading on the NYSE) through December 31, 2014. The graph assumes that $100 was invested on May 3, 2012 in our common stock, the S&P 500 Index, and the S&P Banks Index. The cumulative total return on each investment assumes reinvestment of dividends.

Index	5/2/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
EverBank Financial Corp	100.0	108.7	137.9	149.6	154.7	166.5	150.9	185.2	199.5	204.2	179.3	193.9
S&P 500 Index	100.0	97.5	103.7	103.4	114.3	117.6	123.8	136.8	139.3	146.6	148.2	155.6
S&P Banks Index	100.0	98.2	104.6	101.9	111.5	123.6	124.6	138.2	148.8	146.7	151.4	159.7

Issuer Purchases of Securities

The Company did not repurchase any outstanding common shares during the year ended December 31, 2014.

Item 6. Selected Financial Data

The following selected financial information should be read in conjunction with ”Management's Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and the related notes included in this report to fully understand factors that may affect the comparability of the information presented below.

The consolidated statements of operations data for the years ended December 31, 2014, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014 and 2013 are derived from our audited Consolidated Financial Statements included in this report. The consolidated statements of operations for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 are derived from audited consolidated financial statements not included in this report.

Historical results are not necessarily indicative of future results.

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We consummated several significant transactions in prior fiscal periods, including the acquisitions of Tygris in February 2010, banking operations of Bank of Florida in May 2010, MetLife's warehouse business in April 2012, and BPL in October 2012. Accordingly, our operating results for the historical periods presented below are not comparable and may not be predictive of future results.

	Year Ended December 31,				
(in millions, except share and per share data)	2014	2013	2012	2011	2010
Income Statement Data:					
Interest income	$733.8	$735.7	$655.6	$588.2	$612.5
Interest expense	169.0	176.8	141.8	135.9	147.2
Net interest income	564.8	558.9	513.8	452.3	465.3
Provision for loan and lease losses(1)	24.5	12.0	32.0	49.7	79.3
Net interest income after provision for loan and lease losses	540.3	546.9	481.8	402.6	386.0
Noninterest income(2)	337.2	519.4	369.8	233.1	357.8
Noninterest expense(3)	638.9	848.2	735.6	554.2	493.9
Income before income taxes	238.6	218.0	116.0	81.5	249.9
Provision for income taxes	90.5	81.3	42.0	28.8	61.0
Net income	$148.1	$136.7	$74.0	$52.7	$188.9
Per Share Data:					
Weighted-average common shares outstanding:					
(units in thousands)					
Basic	122,940	122,245	104,014	74,892	72,479
Diluted	125,358	123,949	105,951	77,506	74,589
Earnings from continuing operations per common share:					
Basic	$1.12	$1.04	$0.61	$0.55	$2.00
Diluted	$1.10	$1.02	$0.60	$0.54	$1.94
Dividends declared per common share	$0.14	$0.10	$0.04	$—	$—
Tangible common equity per common share(4)	$12.51	$11.57	$10.30	$10.12	$10.65

	As of December 31,				
(in millions)	2014	2013	2012	2011	2010
Balance Sheet Data:					
Cash and cash equivalents	$366.7	$847.8	$443.9	$295.0	$1,169.2
Investment securities	1,088.0	1,351.0	1,921.3	2,191.8	2,203.6
Loans held for sale	973.5	791.4	2,088.0	2,725.3	1,237.7
Loans and leases held for investment, net	17,699.4	13,189.0	12,423.0	6,441.5	6,005.6
Total assets	21,617.8	17,641.0	18,242.9	13,041.7	12,007.9
Deposits	15,508.7	13,261.3	13,142.4	10,265.8	9,683.1
Total liabilities	19,870.2	16,020.0	16,791.7	12,074.0	10,994.7
Total stockholders’ equity	1,747.6	1,621.0	1,451.2	967.7	1,013.2

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(1) For the year ended December 31, 2014, provision for loan and lease losses includes a $1.2 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans (ACI). For the year ended December 31, 2013, provision for loan and lease losses includes a $3.2 million increase related to restructuring cost and a $0.2 million decrease in non-accretable discount related to Bank of Florida ACI. For the year ended December 31, 2012, provision for loan and lease losses includes a $5.2 million increase in non-accretable discount related to Bank of Florida ACI and a $6.0 million impact of adoption of troubled debt restructuring (TDR) guidance and policy change. For the year ended December 31, 2011, provision for loan and lease losses includes a $4.9 million increase in non-accretable discount related to Bank of Florida ACI, a $1.9 million impact of change in ALLL methodology and a $10.0 million impact of adoption of TDR guidance and policy change. For the year ended December 31, 2010, provision for loan and lease losses includes a $6.2 million increase in non-accretable

discount related to Bank of Florida ACI.

(2) For the year ended December 31, 2014, noninterest income includes $8.0 million in recovery on MSR valuation allowance, a $2.6 million increase related to an adjustment to restructuring cost recorded in 2013 and a $0.7 million decrease related to OTTI losses on investment securities. For the year ended December 31, 2013, noninterest income includes $95.0 million in recovery on MSR valuation allowance, $15.4 million in gain on early extinguishment of FHLB advances, a $5.9 million decrease related to restructuring cost and a $3.3 million decrease related to OTTI losses on investment securities. For the year ended December 31, 2012, noninterest income includes a $63.5 million impairment charge related to MSR. For the year ended December 31, 2011, noninterest income includes a $4.7 million gain on repurchase of trust preferred securities including $0.3 million resulting from the unwind of the associated cash flow hedge and a $39.5 million impairment charge related to MSR. For the year ended December 31, 2010, noninterest income includes a $68.1 million non-recurring bargain purchase gain associated with the Tygris acquisition, a $19.9 million gain on sale of investment securities due to portfolio concentration repositioning and a $5.7 million gain on repurchase of trust preferred securities.

(3) For the year ended December 31, 2014, noninterest expense includes $10.4 million in transaction expense and non-recurring regulatory related expense and $3.4 million in restructuring cost. For the year ended December 31, 2013, noninterest expense includes $78.2 million in non-recurring regulatory related expense and $22.1 million in restructuring cost. For the year ended December 31, 2012, noninterest expense includes $37.2 million in transaction expense and non-recurring regulatory related expense. For the year ended December 31, 2011, noninterest expense includes $27.1 million in transaction expense and non-recurring regulatory related expense and an $8.7 million decrease in fair value of the Tygris indemnification asset. For the year ended December 31,

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2010, noninterest expense includes $9.7 million in transaction expense, a $10.3 million loss on early extinguishment of acquired debt and a $22.0 million decrease in fair value of the Tygris indemnification asset. The carrying value of the Tygris indemnification asset has been $0 since March 31, 2011.

(4) 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. Tangible common equity per common share is calculated using a denominator that includes actual period end common shares outstanding and for years prior to 2012, additional common shares assuming conversion of all outstanding convertible preferred stock to common stock. 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. For more information on tangible equity and tangible common shareholders' equity, see Table 5 under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Key Metrics".

Item 7. 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 consolidated financial condition and results of operations of the Company and should be read in conjunction with our Consolidated Financial Statements and notes thereto included in this report.

In addition to historical financial information, the following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs, but that also involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Please see "Forward-Looking Statements" and "Item 1A. Risk Factors" for discussions of the uncertainties, risks and assumptions associated with these statements.

Reclassifications

Certain prior period information in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) has been reclassified to conform to current period classifications.

Introduction and Overview

We are a savings and loan 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 online financial portal, which is augmented by our nationwide network of independent financial advisors, high-volume financial centers in targeted Florida markets and other financial intermediaries. 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 loans and 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

2012 Acquisitions

General Electric Capital Corporation (GECC) Business Property Lending, Inc. (BPL) Acquisition

In June 2012, we entered into a Stock and Asset Purchase Agreement and a Tax Matters Agreement with GECC pursuant to which we agreed to purchase all of the issued and outstanding stock of BPL, a wholly owned subsidiary of GECC. On October 1, 2012, we completed the purchase for approximately \$2.4 billion in cash and announced the closing of the transaction. No debt was assumed in the acquisition. The acquisition included approximately \$2.3 billion of performing business lending loans selected by us, the origination and servicing platforms and servicing rights relating to \$2.9 billion of loans securitized by GECC.

Acquisition of Warehouse Finance Business

In April 2012, we acquired MetLife Bank’s warehouse finance business, including approximately \$351.6 million in assets for a price of approximately \$351.1 million. In connection with the acquisition, we hired 16 sales and operational staff from MetLife who were a part of the existing warehouse business. The warehouse business is operated out of locations in Boston, Massachusetts and Jacksonville, Florida.

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 since 2009. Market conditions have improved during this period as the headline unemployment rate has declined to 5.6% at December 2014, and consumer confidence, GDP and

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average home prices have all risen. While economic conditions have improved domestically, under-employment and labor force participation remain a worry amidst the backdrop of low inflation in the United States and abroad. Moreover, growth in the global markets remains sluggish, inflation in most of the Euro-Zone is at or below zero and central banks around the world have moved toward or maintained an accommodative stance. Such factors, combined with geopolitical turmoil have continued to keep interest rates at near historical low levels. The resulting strength of the dollar coupled with falling oil prices has led to growing expectations that the Fed may delay raising short term interest rates. However, the FRB has maintained that they expect to move forward with a rate increase during 2015 as unemployment rates and growth have substantially improved.

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. See "Risk Factors—We are subject to interest rate risk" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Regulatory Changes

Our financial condition and the results of our operations are dependent upon the composition of our balance sheet and the assets which we originate, sell, and/or retain for investment. Proposed changes to the regulatory capital treatment of certain securities and asset classes could cause our management to reevaluate components of our capital structure as well as our exposure to certain assets. See "Item 1. Business-Supervision and Regulation-Recent Regulatory Developments-Dodd-Frank Act" under the headings "Annual Company-Run Stress Tests" and "Basel III and Basel III Capital Rules" for more information.

Performance Highlights

Fourth Quarter and Full Year 2014 Key Highlights

- Generally Accepted Accounting Principles (GAAP) net income available to common shareholders was $35.5 million for the fourth quarter of 2014, compared to $41.0 million for the third quarter of 2014 and $15.9 million for the fourth quarter of 2013.
- GAAP diluted earnings per share were $0.28, compared to $0.33 in the third quarter of 2014 and $0.13 in the fourth quarter of 2013. Excluding the impact of $2.1 million in non-recurring regulatory and other expenses, net of tax, fourth quarter net income available to common shareholders would have been $37.6 million, or $0.30 per diluted share[1].
- For the full year 2014, GAAP net income available to common shareholders was $138.0 million compared to $126.6 million for 2013. GAAP diluted earnings per share were $1.10, compared to $1.02 in 2013.
- Total retained originations of $1.7 billion in the quarter and $6.0 billion for the year.
- Commercial originations of $842 million in the quarter and $2.6 billion for the year, an increase of 12% compared to the prior quarter and 32% year over year.
- Loans held for investment of $17.8 billion at December 31, 2014, an increase of 7% compared to the prior quarter and 34% year over year.
- Total assets of $21.6 billion at December 31, 2014, an increase of 5% compared to the prior quarter and 23% year over year.
- Total deposits of $15.5 billion at December 31, 2014, an increase of 7% compared to the prior quarter and 17% year over year.
- Return on average equity (ROE) was 9.0% for the quarter and 9.5% on an adjusted basis.
- Tangible common equity per common share of $12.51 at December 31, 2014, an increase of 8% year over year.
- Solid capital position with a common equity Tier 1 ratio of 11.6%, a bank Tier 1 leverage ratio of 8.2% and a bank total risk-based capital ratio of 13.4% at December 31, 2014.

- Adjusted non-performing assets to total assets[1] improved to 0.46% at December 31, 2014. Annualized net charge-offs to total loans and leases held for investment remained low at 0.12% for the quarter.

[1] Reconciliations of Non-GAAP financial measures can be found in the "Key Metrics" section below and "Financial Statements and Supplementary Data - Quarterly Financial Data".

Key Metrics

The primary metrics we use to evaluate and manage our financial results are described below. Although we believe these metrics are meaningful in evaluating our results and financial condition, they may not be directly comparable to similar metrics used by other financial services companies and may not provide an appropriate basis to compare our results or financial condition to the results or financial condition of our competitors. The following table sets forth the metrics we use to evaluate the success of our business and our resulting financial position and operating performance. The table below includes certain financial information that is calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles, or GAAP. We believe these measures provide useful information to investors in evaluating our financial performance. In addition, our management uses these measures to gauge the performance of our operations and for business planning purposes. These non-GAAP financial measures, however, may not be comparable to similarly titled measures reported by other companies because other companies may not calculate these non-GAAP measures in the same manner. As a result, the usefulness of these measures to investors may be limited, and they should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP. In the notes following the table we provide a reconciliation of these measures, or, in the case of ratios, the measures used in the calculation of such ratios, to the closest measures calculated directly from our GAAP financial statements.

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Key Metrics Table 1

(dollars in millions, except per share amounts)	As of and for the Year Ended December 31, 2014	2013	2012
Performance Metrics:			
Yield on interest-earning assets	4.08 %	4.39 %	4.78 %
Cost of interest-bearing liabilities	1.04 %	1.19 %	1.18 %
Net interest margin	3.14 %	3.34 %	3.74 %
Return on average assets	0.77 %	0.75 %	0.49 %
Return on average risk-weighted assets(1)	1.19 %	1.20 %	0.86 %
Return on average equity(2)	9.0 %	9.1 %	6.4 %
Efficiency ratio(3)	71 %	79 %	83 %
Loans and leases held for investment as a percentage of deposits	115 %	100 %	95 %
Loans and leases held for investment excluding government insured pool buyouts as a percentage of deposits	91 %	86 %	74 %
Credit Quality Ratios:			
Adjusted non-performing assets as a percentage of total assets(4)	0.46 %	0.65 %	1.08 %
Net charge-offs to average loans and leases held for investment	0.13 %	0.21 %	0.31 %
Allowance for Loan and Lease Losses (ALLL) as a percentage of loans and leases held for investment	0.34 %	0.48 %	0.66 %
Government insured pool buyouts as a percentage of loans and leases held for investment	20 %	14 %	22 %
Capital:			
Common equity tier 1 ratio (EFC consolidated, Basel I)(5)	11.6 %	12.1 %	10.8 %
Tier 1 leverage ratio (bank level)(6)	8.2 %	9.0 %	8.0 %
Total risk-based capital ratio (bank level)(6)	13.4 %	14.3 %	13.5 %
Average equity to average assets	8.7 %	8.5 %	7.7 %
Tangible common equity per common share(7)	$12.51	$11.57	$10.30
Dividend payout ratio (8)	12.50 %	9.62 %	6.56 %
Consumer Banking Metrics:			
Unpaid principal balance of loans originated	$8,413.1	$10,849.9	$9,644.6
Jumbo residential mortgage loans originated	4,287.2	3,391.0	1,399.0
Unpaid principal balance of loans sold	6,561.5	10,407.9	8,224.6
Unpaid principal balance of loans serviced for the Company and others	50,746.5	61,035.3	51,198.7
Consumer Banking loans as a percentage of loans and leases held for investment	57 %	54 %	55 %
Consumer deposits	$12,554.7	$11,434.7	$11,602.6
Commercial Banking Metrics:			
Loan and lease originations:			
Commercial and commercial real estate	$1,288.8	$1,199.6	$927.6
Equipment financing receivables	1,316.7	774.7	685.1
Commercial Banking loans as a percentage of loans and leases held for investment	43 %	46 %	45 %
Commercial deposits	$2,954.0	$1,826.7	$1,539.8

(1) Return on average risk-weighted assets equals net income divided by average risk-weighted assets. Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk

categories are aggregated for determining total risk-weighted assets. For detailed information regarding regulatory capital (EFC consolidated), see Table 2 .

(2) Due to the issuance of non-participating perpetual preferred stock during the fourth quarter of 2012, we amended our calculation for return on average equity. Beginning with the fourth quarter of 2012, 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). Prior to the fourth quarter of 2012, return on average equity was calculated as net income divided by average shareholders' equity.

(3) The efficiency ratio represents noninterest expense as a percentage of total revenue. Total revenue is defined as net interest income before provision for loan and lease losses and total noninterest income. We use the efficiency ratio to measure noninterest costs expended to generate a dollar of revenue.

(4) We define non-performing assets (NPA), as non-accrual loans, accruing loans past due 90 days or more and foreclosed property. Our NPA calculation excludes government-insured pool buyout loans for which payment is insured by the government. We also exclude loans, leases and foreclosed property accounted for under Accounting Standards Codification (ASC) 310-30 because we expect to fully collect the carrying value of such loans, leases and foreclosed property. For further discussion of NPA, see “Management's Discussion and Analysis of Financial Condition and Results of Operations — Loan and Lease Quality”.

(5) The common equity tier 1 ratio (EFC consolidated, Basel I) is calculated as common tier 1 capital divided by risk-weighted assets. Common tier 1 capital is calculated as tier 1 capital less the Series A 6.75% Non-Cumulative Perpetual Preferred Stock. Under the regulatory guidelines for risk-based capital, on-

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balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.
A reconciliation of EFC consolidated common tier 1 capital to EFC consolidated shareholders' equity which is the most comparable GAAP financial measure, is as follows:

Regulatory Capital (EFC consolidated) Table 2

		December 31,		
(dollars in thousands)		2014	2013	2012
(EFC consolidated)				
Shareholders' equity		$1,747,594	$1,621,013	$1,451,176
Less:	Preferred stock	(150,000)	(150,000)	(150,000)
	Goodwill and other intangibles	(49,589)	(51,072)	(54,780)
	Disallowed servicing asset	(32,054)	(20,469)	(32,378)
	Disallowed deferred tax asset	—	(63,749)	(67,296)
Add:	Accumulated losses (gains) on securities and cash flow hedges	65,597	52,615	86,784
Common tier 1 capital		$1,581,548	$1,388,338	$1,233,506
Risk-weighted assets		$13,665,981	$11,469,483	$11,369,460

(6) The Tier 1 leverage ratio and the total risk-based capital ratio are regulatory financial measures that are used to assess the capital position of financial services companies and, as such, these ratios are presented at the bank level.
The Tier 1 leverage ratio is calculated as Tier 1 capital divided by adjusted total assets. The total risk-based capital ratio is calculated as total risk-based capital (total regulatory capital) divided by total risk-weighted assets.
Adjusted total assets is a non-GAAP financial measure and its most directly comparable GAAP financial measure is bank level total assets. In calculating adjusted total assets, total assets are adjusted for goodwill, servicing assets and deferred tax assets disallowed from Tier 1 capital and other regulatory adjustments.
Total risk-weighted assets is a non-GAAP financial measure and its most directly comparable GAAP financial measure is bank level total assets. Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.
Tier 1 capital is a non-GAAP financial measure and its most directly comparable GAAP financial measure is bank level shareholders' equity. Tier 1 capital includes common equity and certain qualifying preferred stock less goodwill, disallowed servicing assets, disallowed deferred tax assets and other regulatory adjustments.
Total risk-based capital (total regulatory capital) is a non-GAAP financial measure and its most directly comparable GAAP financial measure is bank level shareholders' equity. Total risk-based capital (total regulatory capital) includes Tier 1 capital, ALLL, subject to limitations, and other regulatory adjustments.
A reconciliation of (1) Tier 1 capital to bank level shareholders' equity which is the most comparable GAAP financial measure, and (2) total risk-based capital (total regulatory capital) to bank level shareholders' equity which is the most comparable GAAP financial measure, is as follows:

Regulatory Capital (bank level) Table 3

		December 31,		
(dollars in thousands)		2014	2013	2012
(bank level)				
Shareholders' equity		$1,789,398	$1,662,164	$1,518,934
Less:	Goodwill and other intangibles	(49,589)	(51,072)	(54,780)
	Disallowed servicing asset	(32,054)	(20,469)	(32,378)
	Disallowed deferred tax asset	—	(63,749)	(67,296)
Add:	Accumulated losses (gains) on securities and cash flow hedges	64,002	50,608	83,477

Tier 1 capital	1,771,757	1,577,482	1,447,957
Add: Allowance for loan and lease losses	60,846	63,690	82,102
Total regulatory capital	$1,832,603	$1,641,172	$1,530,059
Adjusted total assets	$21,592,849	$17,554,236	$18,141,856
Risk-weighted assets	13,658,685	11,467,411	11,339,415

(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. Tangible common equity per common share is calculated using a denominator that includes actual period end common shares outstanding and for years prior to 2012, additional common shares assuming conversion of all outstanding convertible preferred stock to common stock. 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. See Table 5 for a reconciliation of tangible common shareholders' equity to shareholders' equity.

(8) Dividend payout ratio is calculated as dividends declared per common share divided by basic earnings per common share.

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

Adjusted Net Income Table 4

(dollars in thousands)	Year Ended December 31, 2014	2013	2012
Net income	$148,082	$136,740	$74,042
Transaction expense and non-recurring regulatory related expense, net of tax	6,462	48,477	23,088
Increase (decrease) in Bank of Florida non-accretable discount, net of tax	727	(95)	3,195
Adoption of Troubled Debt Restructuring (TDR) guidance and policy change, net of tax	—	—	3,709
MSR impairment (recovery), net of tax	(4,967)	(58,870)	39,375
Restructuring cost, net of tax	466	19,332	—
OTTI losses on investment securities (Volcker Rule), net of tax	425	2,045	—
Adjusted net income	$151,195	$147,629	$143,409

A reconciliation of (1) tangible equity to shareholders' equity, which is the most directly comparable GAAP measure, (2) tangible common equity to shareholders' equity, which is the most directly comparable GAAP measure, and (3) 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 5

(dollars in thousands)	December 31, 2014	2013	2012
Shareholders' equity	$1,747,594	$1,621,013	$1,451,176
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	3,705	5,813	7,921
Tangible equity	1,697,030	1,568,341	1,396,396
Less:			
Perpetual preferred stock	150,000	150,000	150,000
Tangible common equity	$1,547,030	$1,418,341	$1,246,396
Total assets	$21,617,788	$17,640,984	$18,242,878
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	3,705	5,813	7,921
Tangible assets	$21,567,224	$17,588,312	$18,188,098

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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 rate; (iii) net interest income; (iv) net interest spread; and (v) net interest margin.

Average Balance Sheet, Interest and Yield/Rate Analysis[1] [2] [3]

Table 6

	Year Ended December 31,								
	2014			2013			2012		
(dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets:									
Interest-earning assets:									
Cash and cash equivalents	$223,707	$567	0.25 %	$681,672	$1,663	0.24 %	$190,280	$485	0.25 %
Investments	1,322,523	38,612	2.92 %	1,638,135	55,072	3.36 %	2,125,761	80,628	3.79 %
Loans held for sale	1,292,692	46,460	3.59 %	1,999,837	71,387	3.57 %	2,562,084	119,793	4.68 %
Loans and leases held for investment:									
Consumer Banking:									
Residential mortgages:									
Residential	5,521,700	190,573	3.45 %	4,112,552	144,339	3.51 %	4,141,003	162,266	3.92 %
Government insured pool buyouts	2,983,943	130,435	4.37 %	2,377,007	128,631	5.41 %	1,467,827	71,656	4.88 %
Residential mortgages	8,505,643	321,008	3.77 %	6,489,559	272,970	4.21 %	5,608,830	233,922	4.17 %
Home equity lines	142,688	6,060	4.25 %	165,580	7,989	4.82 %	189,368	10,095	5.33 %
Other consumer and credit card	5,219	686	13.13 %	6,639	686	10.33 %	8,116	252	3.10 %
Commercial Banking:									
Commercial and commercial real estate:									
Commercial real estate and other commercial	3,287,423	185,488	5.64 %	3,351,596	205,137	6.12 %	1,694,448	102,803	6.07 %
Mortgage warehouse finance	1,012,933	29,582	2.92 %	960,573	30,709	3.20 %	461,075	16,140	3.50 %
Lender finance	644,812	23,717	3.68 %	444,612	17,106	3.85 %	215,149	6,931	3.22 %
Commercial and commercial real estate	4,945,168	238,787	4.83 %	4,756,781	252,952	5.32 %	2,370,672	125,874	5.31 %
	1,530,242	81,587	5.33 %	997,032	72,978	7.32 %	665,391	84,507	12.70 %

Equipment financing receivables												
Total loans and leases held for investment	15,128,960	648,128	4.28	%	12,415,591	607,575	4.89	%	8,842,377	454,650	5.14	%
Total interest-earning assets	17,967,882	$733,767	4.08	%	16,735,235	$735,697	4.39	%	13,720,502	$655,556	4.78	%
Noninterest-earning assets	1,324,122				1,395,821				1,463,969			
Total assets	$19,292,004				$18,131,056				$15,184,471			
Liabilities and Shareholders' Equity:												
Interest-bearing liabilities:												
Deposits:												
Interest-bearing demand	$3,007,036	$18,737	0.62	%	$2,970,596	$20,906	0.70	%	$2,267,069	$17,055	0.75	%
Market-based money market accounts	405,627	2,474	0.61	%	420,919	2,906	0.69	%	437,328	3,315	0.76	%
Savings and money market accounts, excluding market-based	5,068,096	31,667	0.62	%	5,019,352	35,058	0.70	%	4,056,511	31,202	0.77	%
Market-based time	554,151	4,280	0.77	%	661,640	5,243	0.79	%	833,707	7,850	0.94	%
Time, excluding market-based	3,820,902	44,754	1.17	%	3,298,679	37,639	1.14	%	2,315,432	29,363	1.27	%
Total deposits	12,855,812	101,912	0.79	%	12,371,186	101,752	0.82	%	9,910,047	88,785	0.90	%
Borrowings:												
Trust preferred securities	103,750	6,598	6.36	%	103,750	6,584	6.35	%	103,750	6,006	5.79	%
FHLB advances	3,259,601	60,450	1.85	%	2,346,107	68,214	2.91	%	1,903,154	44,879	2.36	%
Repurchase agreements	—	—	0.00	%	13,957	222	1.59	%	125,754	2,092	1.66	%
Other	23,935	—	0.00	%	1,516	—	0.00	%	10	—	0.00	%
Total borrowings	3,387,286	67,048	1.98	%	2,465,330	75,020	3.04	%	2,132,668	52,977	2.48	%
Total interest-bearing liabilities	16,243,098	$168,960	1.04	%	14,836,516	$176,772	1.19	%	12,042,715	$141,762	1.18	%
Noninterest-bearing demand deposits	1,139,766				1,413,108				1,500,925			
Other noninterest-bearing liabilities	230,313				341,232				476,394			
Total liabilities	17,613,177				16,590,856				14,020,034			
Total shareholders' equity	1,678,827				1,540,200				1,164,437			
	$19,292,004				$18,131,056				$15,184,471			

Total liabilities and shareholders’ equity												
Net interest income/spread		$564,807	3.04	%		$558,925	3.20	%		$513,794	3.60	%
Net interest margin			3.14	%			3.34	%			3.74	%
Memo: Total deposits including noninterest-bearing	$13,995,578	$101,912	0.73	%	$13,784,294	$101,752	0.74	%	$11,410,972	$88,785	0.78	%

(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 7

	Year Ended December 31, 2014 Compared to 2013 Increase (Decrease) Due to			2013 Compared to 2012 Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Cash and cash equivalents	$(1,117)	$21	$(1,096)	$1,228	$(50)	$1,178
Investments	(10,610)	(5,850)	(16,460)	(19,110)	(6,446)	(25,556)
Loans held for sale	(25,242)	315	(24,927)	(26,313)	(22,093)	(48,406)
Loans and leases held for investment:						
Consumer Banking:						
Residential mortgages:						
Residential	49,457	(3,223)	46,234	(1,115)	(16,812)	(17,927)
Government insured pool buyouts	32,844	(31,040)	1,804	44,368	12,607	56,975
Residential mortgages	82,301	(34,263)	48,038	43,253	(4,205)	39,048
Home equity lines	(1,105)	(824)	(1,929)	(1,268)	(838)	(2,106)
Other consumer and credit card	(147)	147	—	(46)	480	434
Commercial Banking:						
Commercial and commercial real estate:						
Commercial real estate and other commercial	(3,928)	(15,721)	(19,649)	100,589	1,745	102,334
Mortgage warehouse finance	1,674	(2,801)	(1,127)	17,482	(2,913)	14,569
Lender finance	7,702	(1,091)	6,611	7,389	2,786	10,175
Commercial and commercial real estate	5,448	(19,613)	(14,165)	125,460	1,618	127,078
Equipment financing receivables	39,028	(30,419)	8,609	42,118	(53,647)	(11,529)
Total loans and leases held for investment	125,525	(84,972)	40,553	209,517	(56,592)	152,925
Total change in interest income	88,556	(90,486)	(1,930)	165,322	(85,181)	80,141
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand	$256	$(2,425)	$(2,169)	$5,276	$(1,425)	$3,851
Market-based money market accounts	(106)	(326)	(432)	(125)	(284)	(409)
Savings and money market accounts, excluding market-based	340	(3,731)	(3,391)	7,414	(3,558)	3,856
Market-based time	(852)	(111)	(963)	(1,617)	(990)	(2,607)
Time, excluding market-based	5,959	1,156	7,115	12,487	(4,211)	8,276
Total deposits	5,597	(5,437)	160	23,435	(10,468)	12,967
Other borrowings:						
Trust preferred securities	—	14	14	—	578	578
FHLB advances	26,560	(34,324)	(7,764)	10,454	12,881	23,335
Repurchase agreements	(222)	—	(222)	(1,856)	(14)	(1,870)
Total borrowings	26,338	(34,310)	(7,972)	8,598	13,445	22,043
Total change in interest expense	31,935	(39,747)	(7,812)	32,033	2,977	35,010
Total change in net interest income	$56,621	$(50,739)	$5,882	$133,289	$(88,158)	$45,131

(1) The effect of changes in volume is determined by multiplying the change in volume by the previous period's average yield/cost. Similarly, the effect of rate changes is calculated by multiplying the change in average yield/cost by the previous period's volume. Changes applicable to both volume and rate have been allocated to rate.

Net Interest Income

Net interest income is affected by both changes in interest rates and the amount and composition of interest-earning assets and interest-bearing liabilities. Net interest margin is defined as net interest income as a percentage of average earning assets.

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net interest income increased by $5.9 million, or 1%, in 2014 compared to 2013 due to a decrease in interest expense of $7.8 million partially offset by a decrease in interest income of $1.9 million. Our net interest margin decreased by 20 basis points in 2014 from 2013, which was led by a decrease in yields on our interest-earning assets due to tighter spreads resulting from a contraction in refinance volume and price competition for new volumes partially offset by a decrease in yields on interest-bearing liabilities, which was affected by a relatively low interest rate environment. Yields on our earning assets decreased by 31 basis points in 2014 compared to 2013, primarily due to a decrease in yields on our investments and loans and leases held for investment partially offset by an increase in loans held for sale.

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Our investments yield decreased by 44 basis points in 2014 compared to 2013 due to the paydowns and sales of higher yielding investment securities during 2014 with a weighted average rate of 3.17% offset by the purchase of investment securities at lower yields with a weighted average rate of 2.64%. The lower yields on these securities is consistent with the tightening of spreads as well as the continued low interest rates prevalent in the market.

The yields on our loans held for investment portfolio decreased 61 basis points in 2014 compared to 2013, which was consistent across most of our portfolios. The yield on our residential mortgages held for investment decreased 44 basis points in 2014 compared to 2013 due to continued production and acquisition of current market rate assets coupled with paydowns of higher yielding assets originated or purchased in a higher interest rate environment and during periods of market dislocation. In addition, the acquisition of several government insured pool buyout portfolios at current market rates drove yields lower in the residential portfolio. The yield on our commercial and commercial real estate portfolio decreased 49 basis points due to production and acquisition of current market rate commercial assets coupled with paydowns of higher yielding assets, lower prepayment fees as well as the sale of certain non-performing assets in the fourth quarter of 2013. Some of the assets sold were high yielding assets as a result of the discount accretion associated with certain acquired credit impaired assets that were acquired during a period of market dislocation, however we saw declines in noninterest expense due to the reduction of non-performing assets including salaries and commissions related to management of those NPAs as well as a reduction in our FDIC deposit insurance assessment fees related to those assets. Yields on our equipment financing receivables decreased 199 basis points in 2014 compared to 2013 primarily due to continued production of loans and leases at current market interest rates coupled with a decline in the loans and leases acquired in the 2010 acquisition of our leasing business which we acquired at a substantial discount to par due to market dislocation.

The yields on our loans held for sale increased 2 basis points in 2014 compared to 2013 primarily due to the increase in the current market mortgage rates. Due to the nature of the loans held for sale account and the turnover of that account, the yields on these assets can vary depending on the current market interest rates.

Yields on our interest-bearing liabilities decreased 15 basis points in 2014 compared to 2013, which was led by a decrease in the rates paid on deposits as well as the relative make-up of our other borrowings balance during 2014 compared to 2013. The rates paid on our deposits decreased 3 basis points in 2014 compared to 2013 due to the reduction of interest rates paid on our demand, savings and money market accounts partially offset by an increase in rates paid on our time based deposits. The rates paid on other borrowings decreased 106 basis points in 2014 compared to 2013 due to the make-up of our FHLB borrowings, which saw an increase in short term borrowings which are being used to fund loan acquisitions during the year as we increase our retail deposit gathering initiatives to help fund the balance sheet growth experienced in 2014.

Average balances of our interest-earning assets increased by $1.2 billion, or 7%, in 2014 compared to 2013, primarily due to a $2.7 billion increase in loans and leases held for investment partially offset by a $707.1 million decrease in our loans held for sale, a $458.0 million decrease in cash and cash equivalents and a $315.6 million decrease in our investments portfolio.

The year over year increase in the average balance of loans held for investment was due primarily to our residential mortgages and equipment financing portfolios. The increase in the average balance of our residential mortgages portfolio is primarily due to the continued origination of our preferred jumbo ARM product for investment as well as several third party acquisitions of government insured pool buyouts. In addition, our equipment finance portfolio saw continued strong origination volumes in 2014. Please see "Analysis of Statements of Condition" for additional information on our loans held for investment.

The decrease in the average balance of our agency loans held for sale is primarily a result of slower refinance origination activity which can be seen throughout the industry. In addition, we continue to focus on balance sheet growth and have retained a majority of our preferred ARM originations into loans held for investment which had an effect on the average balance of loans held for sale in 2014 compared to 2013. Please see "Analysis of Statements of Condition" for additional information on our loans held for sale.

The decrease in the average balance of our investments portfolio is driven primarily by continued principal paydowns as well as the sale of certain investment securities during 2014. The decrease in the average balance of our cash and cash equivalents balance in 2014 compared to 2013 is due to the increase in our loans held for investment balance, including the purchase of third party GNMA pool buyout loans and strong retained organic loan growth. This was partially offset by an increase in our FHLB advances and deposits as well as a reduction in our loans held for sale balances.

Average balances in our interest-bearing liabilities increased by $1.4 billion, or 9%, in 2014, compared to 2013, primarily due to an increase in average balances in our interest-bearing deposits and FHLB advances. Average balances in our interest-bearing deposits increased by $0.5 billion, or 4%, in 2014, compared to 2013, primarily due to growth in time (excluding market-based) deposits as a result of increased marketing efforts during 2014 to grow our CD products. Average balances in our FHLB advances increased by $913.5 million in 2014, compared to 2013, to help fund balance sheet growth over the past year.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net interest income increased by $45.1 million, or 9%, in 2013 compared to 2012 due to an increase in interest income of $80.1 million offset by an increase in interest expense of $35.0 million. Our net interest margin decreased by 40 basis points in 2013 from 2012 which was led by a decrease in yields on our interest-earning assets.

Yields on our earning assets decreased by 39 basis points in 2013 compared to 2012, due primarily to a decrease in yields on our investment securities, loans and leases held for investment and our loans held for sale.

Our investment securities yield decreased by 46 basis points in 2013 compared to 2012. The decrease is due to paydowns of higher yielding investment securities offset by the purchase of lower yielding investment securities due to tighter spreads prevalent in the market.

Our equipment financing receivables portfolio led the decrease in loan and leases held for investment yields as a result of a decrease in excess accretion as well as continued organic production of equipment financing receivables at market interest rates. We define excess accretion as above market yields as a result of the market dislocation in 2008 and 2009. We recognized excess accretion of $17.2 million, a decrease of $23.6 million, in 2013, compared to 2012. Excess accretion is currently limited to our acquired Tygris loan and leases which included a significant liquidity discount at acquisition. This decrease was partially offset by an increase in our yields on the commercial and commercial real estate portfolio due to the acquisition of BPL on October 1, 2012.

The decrease in yields on our loans held for sale is primarily due to the transfer of $1.9 billion of mortgage pool buyouts with attractive yields from loans held for sale to loans held for investment during the third quarter of 2012 offset by organic production of mortgages at market interest rates that we intend to sell in the secondary market.

Yields on our interest-bearing liabilities remained consistent with 2012 due to an increase in rates on our FHLB advances offset by a decrease in rates on our deposits. The rates on our FHLB advances increased 55 basis points during 2013 compared to 2012 as a result of the maturity of lower rate, shorter term advances replaced by newer, longer term advances at higher interest rates. This increase is offset by a reduction of 3 basis points on our deposits from 2012 due to the reduction of bonus rates offered on deposits to new depositors in 2013.

Average balances of our interest-earning assets increased by $3.0 billion, or 22%, in 2013 compared to 2012, primarily due to a $3.6 billion increase in loans and leases held for investment. This increase was partially offset by a $492.6 million decrease in our investment securities portfolio due to paydowns and amortization received on securities.

The year over year increase in the average balance of loans held for investment was due primarily to our commercial and commercial real estate and residential mortgage portfolios. Our fourth quarter 2012 acquisition of BPL contributed to the growth in our commercial and commercial real estate portfolio with a $1.6 billion increase in our average balance in 2013. Our warehouse finance acquisition, which closed in the second quarter of 2012, contributed $499.5 million to the increase in our average balance in 2013.

The increase in the average balance of our residential mortgage portfolio is primarily due several third party acquisitions of government insured pool buyouts. As such, we transferred $810.9 million from loans held for sale to loans held for investment and all new originations are being classified as loans held for investment as a result of our intent to hold these loans for the foreseeable future. The preferred ARM loans were transferred to our portfolio as the credit profile and duration of these loans offer attractive risk adjusted returns.

Average balances in our interest-bearing liabilities increased by $2.8 billion, or 23%, in 2013, compared to the same period in 2012, primarily due to an increase in average balances in our interest-bearing deposits and FHLB advances.

Average balances in our interest-bearing deposits increased by $2.5 billion, or 25%, in 2013, compared to 2012, primarily due to growth in savings and money market accounts, time (excluding market-based) and interest-bearing demand deposits. The growth in lower-cost deposits was the result of successful sales and marketing efforts and clients' increased preference for more liquid products during 2013. We continued to focus on marketing and promoting products in 2013 and expect to replace a portion of our wholesale borrowings with core deposits over time.

Average balances in our FHLB advances increased by $443.0 million in 2013, compared to 2012, to fund strategic acquisitions and other asset growth and to take advantage of historically low interest rates. However, in September and October 2013, the Company early extinguished FHLB advances with a principal balance of $770.0 million and $104.0 million, respectively.

Provision for Loan and Lease Losses

We assess the allowance for loan and lease losses and make provisions for loan and lease losses as deemed appropriate in order to maintain the adequacy of the allowance for loan and lease losses. Increases in the allowance for loan and lease losses are achieved through provisions for loan and lease losses that are charged against net interest income. Additional allowance may result from a reduction of the net present value (NPV) of our ACI loans in the instances where we have a decrease in our cash flow expectations.

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

We recorded a provision for loan and lease losses of $24.5 million in 2014, which is an increase of $12.5 million, or 104%, from $12.0 million in 2013. Provision expense increased due to the continued growth in our loans held for investment balances due to acquisition and origination of loans held for investment. Net charge-offs were $19.7 million in 2014, which is a decrease of $6.7 million, or 25%, from $26.4 million in 2013. The net charge-off ratio was 0.13% in 2014 compared to 0.21% in 2013.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

We recorded a provision for loan and lease losses of $12.0 million in 2013, which is a decrease of $20.0 million, or 62%, from $32.0 million in 2012, due to improved credit performance of our loans and leases held for investment. During 2013, provision for loan and lease losses decreased for our commercial portfolio compared to the same period in 2012. The commercial and commercial real estate loan provision decreased due to lower delinquencies on our collectively evaluated for impairment loans. In addition, the commercial provision also decreased due to favorable property sales and an increase in performing TDRs that resulted in a change in our default assumption. Commercial impairment decreased due to increases in residual values of collateral as well as increases in expected cash flows. The decrease in the provision on our commercial portfolio is partially offset by an increase in provision of $3.2 million directly related to the sale of nonperforming assets in the fourth quarter of 2013.

The residential provision decreased primarily due to sustained performance of our preferred product originations, fewer charge-offs on our home equity lines and improved performance of our residential TDRs partially offset by increased losses in our VA loans in 2013.

For further discussion of changes in our allowance for loan and lease losses, see the “Loan and Lease Quality” section for information on net charge-offs, non-performing assets, and other factors considered by management in assessing the credit quality of the loan portfolio and establishing our allowance for loan and lease losses.

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Noninterest Income

The following table illustrates the primary components of noninterest income for the periods indicated.

Noninterest Income Table 8

	Year Ended December 31,		
(dollars in thousands)	2014	2013	2012
Loan servicing fee income	$158,463	$188,759	$175,264
Amortization of MSR	(79,234)	(126,803)	(137,433)
Recovery (impairment) of MSR	8,012	94,951	(63,508)
Net loan servicing income (loss)	87,241	156,907	(25,677)
Gain on sale of loans	163,644	242,412	289,532
Loan production revenue	20,952	35,986	44,658
Deposit fee income	14,783	19,084	21,450
Other lease income	16,997	24,681	33,158
Other	33,622	40,321	6,651
Total Noninterest Income	$337,239	$519,391	$369,772

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Noninterest income decreased by $182.2 million, or 35%, in 2014, compared to 2013. The decrease in noninterest income was primarily driven by a reduction in net loan servicing income, gain on sale of loans, loan production revenue, other lease income and other noninterest income.

Net loan servicing income decreased by $69.7 million, or 44%, in 2014 compared to 2013. The decrease was primarily due to a $86.9 million decrease in recoveries recognized on the MSR valuation allowance in 2014 compared to 2013. The recoveries of previous valuation allowances are a result of continued decreases in expected prepayment rates during the period. In addition, servicing fees decreased by $30.3 million, or 16%, in 2014 primarily due to the sale of $9.9 billion in UPB of servicing rights to GTS on March 28, 2014. These decreases were partially offset by a decrease in amortization of $47.6 million due to the GTS sale and lower projected prepayment speeds as a result of increases in mortgage interest rates when compared to 2013, which led to lower refinancing activity along with a decreased impact of government-sponsored refinancing programs, which were elevated in early 2013.

Gain on sale of loans decreased by $78.8 million, or 32%, in 2014 compared to 2013 primarily driven by lower agency mortgage lending volume, including high margin lending under government sponsored programs such as HARP and increased originations of our preferred ARM products. Total origination volume in 2014 was $8.4 billion compared to $10.8 billion in 2013, however, agency mortgage lending volume decreased by $3.4 billion, or 45%, to $4.1 billion in 2014 compared to 2013. The decrease in agency mortgage lending volume and the increased pricing competition is consistent with the decline in the overall mortgage origination market. Refinance activity in the market continues to decline as the incentive for refinance activity has fallen as interest rates have risen coupled with fewer borrowers that have a price incentive to refinance under government sponsored programs such as HARP. Our refinance volume was $3.8 billion in 2014 compared to $7.3 billion in 2013. Of the $8.4 billion originated in 2014, $4.6 billion was from purchase money business compared to $3.6 billion in 2013. The decrease in gain on sale of loans was also driven by the increased originations of our preferred ARM products which we plan to hold for the foreseeable future. We originated $3.4 billion of our preferred ARM product in 2014. The continued focus on the organic growth of our balance sheet has an impact on the absolute value of our gain on sale income, however it also has an ongoing effect on our net interest income and earnings in the future. The decrease in the gain on sale of loans related to the decrease in our loan originations and pricing competition was partially offset by gain on sale related to the sale of $811.3 million of re-performing government insured pool buyouts in 2014 with gains of $51.8 million compared to $631.1 million in 2013 with gains of $41.6 million. In addition, the Company sold $343 million of certain interest only loans as well as the sale of $79 million of residential non-performing loans, including TDRs, in the second quarter of 2014. These loans were selected for sale due to the higher FDIC assessments associated with carrying mortgages deemed "non-traditional mortgages" and non-performing assets. During the third quarter of 2014, we sold $544.6 million of preferred ARM loans with gains of $3.5 million. The table below details the UPB of our mortgage loans sold during the period and the related gain on sale recognized.

Loan production revenue decreased by $15.0 million, or 42%, in 2014 compared to 2013 due to the aforementioned decreases in agency origination volume. Direct revenues and expenses for our preferred ARM portfolio held for investment are deferred and recognized as an adjustment to yield over the life of the loan, which also contributed to the reduction.

Other lease income decreased by $7.7 million, or 31%, in 2014 compared to 2013 primarily due to decreases in the balance of our operating leases.

Other noninterest income decreased by $6.7 million, or 17%, in 2014 compared to 2013 primarily due to a $15.4 million gain recognized on the early extinguishment of FHLB advances during 2013, $4.0 million in income in the first quarter of 2013 related to the recovery of losses experienced on loans and servicing rights previously acquired and a decrease of $2.7 million in income related to prepayment fees on certain serviced commercial loans acquired in the BPL acquisition. These decreases were partially offset by $5.9 million of estimated losses recorded in 2013 and a $2.0 million gain on sale of MSR recorded in 2014 related to the GTS sale, $4.3 million of income due to releases of holdbacks related to MSR purchases, $2.4 million related to impairment write-offs of HTM securities in 2013 and an increase of $1.4 million of gains related to the sales of AFS securities.

On March 28, 2014, we recognized the transfer of servicing rights to GTS as a sale which resulted in a net loss of $3.9 million recognized in other noninterest income, of which a loss of $5.9 million was estimated and recorded in the fourth quarter of 2013 and a gain of $2.0 million was recorded in the first quarter of 2014, upon investor approval. The sales agreement included a customary, temporary subservicing arrangement. Also, we obtained the necessary investor approvals related to the sale of our default servicing platform. The loans associated with both the sale of MSR and the subserviced portfolio transferred in May 2014. The sale and the subservicing arrangement affected our noninterest expense beginning in the second quarter of 2014. The sale also impacted both servicing fees and amortization of

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MSR.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Noninterest income increased by $149.6 million, or 40%, in 2013, compared to 2012. The increase in noninterest income was primarily driven by net loan servicing income and other noninterest income offset by gain on sale of loans.

Net loan servicing income increased by $182.6 million in 2013 compared to 2012. The increase was primarily due to recoveries recognized on the MSR valuation allowance in 2013 compared to MSR impairment recognized in 2012 and a decrease in amortization of MSR in 2013 compared to 2012. MSR recovery is due to lower projected prepayment speeds as a result of increases in mortgage interest rates, which led to lower refinancing activity along with a decreased impact of government sponsored refinancing programs, such as HARP, which were elevated in early 2013 and 2012. These factors also contributed to a decrease in amortization of $10.6 million in 2013, compared to 2012, offset by the acquisition of $13.0 billion of UPB of residential servicing on April 1, 2013, compared to 2012. Servicing fees increased by $13.5 million in 2013 as the UPB of our servicing portfolio increased by $9.8 billion, to $61.0 billion as of December 31, 2013 due to the acquisition and new originations.

Gain on sale of loans decreased by $47.1 million, or 16%, in 2013 compared to 2012 primarily driven by a decrease in our gain on sale margin which was impacted by the volatility in interest rates as well as spread widening in products such as HARP 2.0 specified pools and the non-agency market. Refinancing demand was most notably due to the HARP 2.0 and the low mortgage interest rate environment throughout the period. This decrease was partially offset by increased lending volumes primarily driven by low interest rates for most of the period. Mortgage lending volume increased by $1.2 billion, or 12%, to $10.9 billion in 2013 compared to 2012. Lending volume also benefited from the continued expansion of our retail lending channel and increased lending of some of our preferred products which outweighed the decreased lending volume as a result of our exit from the wholesale broker business. However due to interest rate movements in the latter half of 2013, mortgage volumes decreased from a high of $3.3 billion in the second quarter of 2013 to $2.0 billion in the fourth quarter of 2013.

Other noninterest income increased by $33.7 million in 2013, compared to 2012 primarily due to $15.8 million prepayment penalty income related to acquired servicing rights related to the business lending trusts (BLTs) as well as $15.4 million gain recognized on the early extinguishment of FHLB advances during 2013. In addition, we recognized a $4.2 million gain on the sale of our available for sale investment securities as well as a $4.0 million gain related to the settlement of repurchase litigation in 2013. These increases were offset by a loss of $5.9 million related to the pending sale of our default servicing platform.

Noninterest Expense

The following table illustrates the primary components of noninterest expense for the periods indicated.

Noninterest Expense Table 9

	Year Ended December 31,		
(dollars in thousands)	2014	2013	2012
Salaries, commissions and other employee benefits expense	$370,470	$441,736	$331,756
Equipment expense	69,332	85,920	70,856
Occupancy expense	30,647	35,087	25,581
General and administrative expense:			
Legal and professional fees, excluding consent order expense	31,555	30,782	45,655
Foreclosure and other real estate owned (OREO)	25,534	34,051	54,385
Other credit-related expenses	2,189	15,792	29,490
FDIC premium assessment and other agency fees	19,465	34,857	39,183
Advertising and marketing expense	21,437	29,201	36,016
Subservicing expense	9,871	—	—
Consent order expense	4,597	72,339	24,657
Other	53,845	68,473	77,991
Total general and administrative expense	168,493	285,495	307,377
Total Noninterest Expense	$638,942	$848,238	$735,570

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Noninterest expense decreased by $209.3 million, or 25%, in 2014, compared to 2013. The decrease in noninterest expense was driven by decreases in salaries, commissions and employee benefits, occupancy and equipment expense, and general and administrative expenses.

Salaries, commissions and employee benefits decreased by $71.3 million, or 16%, in 2014, compared to 2013 primarily due to lower headcount in our Consumer Banking business as a result of the restructuring and repositioning activities we have executed over the last several quarters. In addition, lower production volumes related to slowed refinance activity continue to drive the decline in commissions expense. Consumer Banking salaries, commissions and employee benefits decreased by $63.3 million, or 23%, in 2014, which included a reduction of headcount associated with the transfer of the default servicing platform in May 2014 as well as a decrease in production partially offset by an increase in salaries expense in 2013 due to additional headcount as a result of the servicing rights purchased on April 1, 2013. Headcount was down 33% and 8% in our Consumer Banking and Commercial Banking reporting segments, respectively, as of December 31, 2014 compared to 2013.

Occupancy and equipment expense decreased by $21.0 million, or 17%, in 2014, compared to 2013. The decrease was primarily due to a $9.6 million decrease in costs associated with the expansion of our retail lending channels as well as $8.8 million in fixed asset write-downs and lease termination costs related to the sale of our default servicing platform and exit from wholesale lending recorded in 2013.

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Additionally, decreased expenses were due to lower ongoing costs as a result of the sale of our default servicing platform.

General and administrative expense decreased by $117.0 million, or 41%, in 2014, compared to 2013 primarily due to foreclosure and OREO expenses, other credit-related expenses, FDIC premium assessment and other agency fees, advertising and marketing expense, consent order expenses and other general and administrative expenses, which were partially offset by an increase in subservicing expense.

Foreclosure and OREO expense decreased by $8.5 million, or 25%, in 2014, compared to 2013 primarily due to a decrease in foreclosure-related expenses. Foreclosure expenses decreased by $6.5 million in 2014, compared to 2013 due to a reduction in the amount of unrecoverable advance losses related to our government-insured loans. OREO expense decreased by $2.0 million in 2014, due to continued stabilizing property values and declining losses incurred on OREO properties as a result.

Other credit-related expenses decreased by $13.6 million, or 86%, in 2014, compared to 2013 primarily due to a decline in repurchase reserve expenses related to our serviced loans partially offset by an increase in repurchase reserve expenses related to our originated loans. We describe our reserves for loans subject to representations and warranties in Note 25 in our consolidated financial statements and in the "Loans Subject to Representations and Warranties" section of this Annual Report on Form 10-K.

FDIC premium assessment and other agency fees decreased by $15.4 million, or 44%, in 2014 compared to 2013 primarily due to the balance sheet repositioning activities that occurred during the third quarter of 2013 including the sale of non-agency securities with high interest only concentration and the sale of $343 million of certain interest only loans as well as the sale of $79 million of residential non-performing loans, including TDR's.

Advertising and marketing expense decreased by $7.8 million, or 27%, in 2014 compared to 2013. This decrease was due to a reduction in overall marketing expenses related to deposit gathering initiatives and sponsorships as we began to see the benefits of the balance sheet and business repositioning activities we executed in the first half of 2014.

Consent order expenses decreased by $67.7 million, or 94%, in 2014 compared to 2013 due to decreases in professional fees associated with the review and estimated remediation payments that resulted from the settlement of the consent order with the Office of the Controller of the Currency (OCC) in 2013.

Other general and administrative expense decreased by $14.6 million, or 21%, in 2014 compared to 2013 primarily due to a decrease in loan origination expense as a result of lower production volumes as well as a decrease in interest losses on serviced loans that are paid in full, which was related to declines in both our refinance activity and our servicing portfolio as a result of the GTS sale.

Subservicing expense increased by $9.9 million in 2014 compared to 2013. This increase is related to the execution of a subservicing agreement with GTS for our government insured loan portfolio in connection with the transfer of our default servicing platform to GTS in May 2014.

Exit and Restructuring Costs

During the year ended December 31, 2014, all related severance and lease termination costs accrued as of December 31, 2013 for our exit and restructuring activities were paid out. No further payouts or additional costs are expected to be incurred related to these exit and restructuring activities.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Noninterest expense increased by $112.7 million, or 15%, in 2013, compared to 2012. The increase in noninterest expense was driven by increases in salaries, commissions and employee benefits, occupancy and equipment expense partially offset by a decrease in general and administrative expenses.

Salaries, commissions and employee benefits increased by $110.0 million, or 33%, in 2013, compared to 2012 primarily due to growth in our Consumer Banking segment. Consumer Banking salaries, commissions and employee benefits increased by $74.8 million in 2013, which included an increase in variable commissions of $21.8 million. Consumer Banking headcount growth was 14% as of December 31, 2013 compared to December 31, 2012. Salary and headcount increases were driven by increased mortgage lending and the expansion of our retail and consumer direct production channels. Additional growth was also due to headcount increases in our Commercial Banking and Corporate Services segments due to the acquisitions of warehouse finance and BPL in 2012, legal and regulatory compliance, as well as general operations growth in late 2012 and early 2013. This growth was partially offset by

headcount reductions in late 2013 as a result of lower production volumes related to lower refinance activity and our exit from the wholesale broker mortgage business as well as company-wide staffing optimization initiatives.
Occupancy and equipment expense increased by $24.6 million, or 25%, in 2013, compared to 2012. The increase was primarily due to a $9.6 million increase in costs associated with the expansion of our retail lending channels as well as $8.8 million in fixed asset write-downs and lease termination costs related to the sale of our default servicing platform and exit from wholesale lending. Additionally, increased expenses were due to our warehouse finance and BPL acquisitions and overall expansion and growth of the business.
General and administrative expense decreased by $21.9 million, or 7%, in 2013, compared to 2012 primarily due to foreclosure and OREO expenses, legal and professional fees, and other credit-related expenses, which were partially offset by an increase in consent order expenses.
Foreclosure and OREO expense decreased by $20.3 million, or 37%, in 2013, compared to 2012 primarily due to a decrease in foreclosure-related expenses. Foreclosure expenses decreased by $17.3 million in 2013, compared to 2012 due to improved credit quality and the decrease in government insured pool buyout activity over the past year. OREO expense decreased by $3.0 million in 2013, due to stabilizing property values and declining losses incurred on OREO properties as a result.
Other credit-related expenses decreased by $13.7 million, or 46%, in 2013, compared to 2012 primarily due to a decrease in our repurchase reserve expenses related to our originated and serviced loans. We describe our reserves for loans subject to representations and warranties in Note 25 in our consolidated financial statements and in the "Loans Subject to Representations and Warranties" section of this Annual Report on Form 10-K.
Legal and professional fees, excluding consent order expense, decreased by $14.9 million, or 33%, in 2013, compared to 2012. The decrease was primarily due to a decrease in consulting costs company-wide.

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Consent order expenses increased by $47.7 million, or 193%, in 2013, compared to 2012 due to increases in professional fees associated with the review and estimated remediation payments as a result of the settlement of the consent orders with the OCC.

Exit and Restructuring Costs

During the year ended December 31, 2013, we initiated an exit plan to discontinue our wholesale broker lending operations and focus on growth opportunities within our retail, direct and correspondent lending businesses. In conjunction with this decision, we initiated a company-wide staffing optimization initiative to ensure that our operating structure positions us to capitalize on these opportunities. In addition to these restructuring initiatives, we also entered into agreements to sell and discontinue our default servicing operations and the rights to service and subservice loans with Green Tree Servicing LLC.

During the year ended December 31, 2013, we recognized severance costs totaling $8.2 million. Of these amounts, $3.0 million related to the sale of the Company's default service platform with the remaining $5.2 million related to staffing optimization and the exit of the wholesale. As of December 31, 2013, the Company has made payments totaling $3.6 million relating to these activities. The $8.2 million of expense was recognized in the Consumer Banking, Commercial Banking, and Corporate Services segments totaling $6.1 million, $1.5 million and $0.6 million, respectively.

During the year ended December 31, 2013, we recognized lease termination costs totaling $4.1 million and made payments totaling $0.3 million. The $4.1 million of lease termination costs was recognized in the Consumer Banking segment.

During the year ended December 31, 2013, we recognized fixed asset impairment and other related costs totaling $4.7 million. Of these amounts, $4.3 million related to the sale of the Company's default service platform with the remaining $0.5 million related to staffing optimization and the exit of the wholesale business. All impairment expense was recognized in the Consumer Banking segment.

Provision for Income Taxes and Effective Tax Rates

Provision for Income Taxes and Effective Tax Rates — Table 10

	Year Ended December 31,		
(dollars in thousands)	2014	2013	2012
Provision for income taxes	$90,489	$81,300	$41,955
Effective tax rates	37.9 %	37.3 %	36.2 %

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

For the years ended December 31, 2014 and 2013, our effective income tax rate differs from the statutory federal income tax rate primarily due to state income taxes. Provision for income taxes increased by $9.2 million, or 11%, to $90.5 million in 2014 from $81.3 million in 2013, primarily due to an increase in pre-tax income.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

For the years ended December 31, 2013 and 2012, our effective income tax rate differs from the statutory federal income tax rate primarily due to state income taxes. Provision for income taxes increased by $39.3 million, or 94%, to $81.3 million in 2013 from $42.0 million in 2012, primarily due to an increase in pre-tax income.

Segment Results

We evaluate our overall financial performance through three reportable business segments: Consumer Banking, Commercial Banking and Corporate Services. To generate financial information by reportable business segment, we use an internal profitability reporting system which is based on a series of management estimates and allocations. We continually review and refine many of these estimates and allocations, many of which are subjective in nature. Any changes we make to estimates and allocations that may affect the reported results of any reportable business segment do not affect our consolidated financial position or consolidated results of operations.

We use funds transfer pricing in the calculation of the respective reportable business segment’s net interest income to measure the value of funds used in and provided by a reportable business segment. The difference between the interest income on earning assets and the interest expense on funding liabilities and the corresponding funds transfer pricing charge for interest income or credit for interest expense results in net interest income. We allocate risk-adjusted capital to our segments based upon the credit, liquidity, operating and interest rate risk inherent in the segment’s asset and liability composition and operations. These capital allocations are determined based upon formulas that incorporate regulatory, GAAP and economic capital frameworks including risk-weighting assets, allocating noninterest expense and incorporating economic liquidity premiums for assets deemed by management to lower liquidity profiles.

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The following table summarizes segment earnings and total assets for each of our segments as of and for each of the periods shown:

Segment Earnings and Segment Assets — Table 11

(dollars in thousands)	Year Ended December 31, 2014	2013	2012
Segment Earnings			
Consumer Banking	$168,553	$145,262	$138,281
Commercial Banking	177,321	172,496	78,924
Corporate Services	(107,303)	(99,718)	(101,208)
Segment earnings	$238,571	$218,040	$115,997
Segment Assets			
Consumer Banking	$13,825,052	$11,321,747	$12,274,855
Commercial Banking	7,892,974	6,331,646	5,972,260
Corporate Services	215,095	236,313	166,146
Eliminations	(315,333)	(248,722)	(170,383)
Total assets	$21,617,788	$17,640,984	$18,242,878

The following tables summarize segment income for each of our segments as of and for each of the periods shown:

Business Segments Selected Financial Information — Table 12A

(dollars in thousands)	Consumer Banking	Commercial Banking	Corporate Services	Consolidated
Year Ended December 31, 2014				
Net interest income	$319,807	$251,357	$(6,357)	$564,807
Provision for loan and lease losses	12,755	11,778	—	24,533
Net interest income after provision for loan and lease losses	307,052	239,579	(6,357)	540,274
Total noninterest income	295,449	41,349	441	337,239
Total noninterest expense	433,948	103,607	101,387	638,942
Income (loss) before provision for income taxes	$168,553	$177,321	$(107,303)	$238,571

Business Segments Selected Financial Information — Table 12B

(dollars in thousands)	Consumer Banking	Commercial Banking	Corporate Services	Consolidated
Year Ended December 31, 2013				
Net interest income	$301,544	$263,682	$(6,301)	$558,925
Provision for loan and lease losses	5,546	6,492	—	12,038
Net interest income after provision for loan and lease losses	295,998	257,190	(6,301)	546,887
Total noninterest income	468,238	50,451	702	519,391
Total noninterest expense	618,974	135,145	94,119	848,238
Income (loss) before provision of income taxes	$145,262	$172,496	$(99,718)	$218,040

Business Segments Selected Financial Information — Table 12C

(dollars in thousands)	Consumer Banking	Commercial Banking	Corporate Services	Consolidated
Year Ended December 31, 2012				
Net interest income	$340,729	$178,812	$(5,747)	$513,794
Provision for loan and lease losses	14,998	17,001	—	31,999
Net interest income after provision for loan and lease losses	325,731	161,811	(5,747)	481,795
Total noninterest income	321,640	47,960	172	369,772
Total noninterest expense	509,090	130,847	95,633	735,570

Income (loss) before provision for income taxes	$138,281	$78,924	$(101,208)	$115,997

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Consumer Banking

Consumer Banking			Table 13
	Year Ended December 31,		
(dollars in thousands)	2014	2013	2012
Net Interest Income	$319,807	$301,544	$340,729
Provision for loan and lease losses	12,755	5,546	14,998
Net interest income after provision for loan and lease losses	307,052	295,998	325,731
Noninterest income:			
Net loan servicing income (loss)	86,105	156,571	(27,020)
Gain on sale of loans	161,928	242,105	290,027
Loan production revenue	17,734	33,856	34,644
Deposit fee income	14,697	18,998	21,352
Other	14,985	16,708	2,637
Total noninterest income	295,449	468,238	321,640
Noninterest Expense			
Salaries, commissions, and other employee benefits	212,618	275,879	201,036
Equipment and occupancy expense	52,524	67,181	42,753
General and administrative expense	168,806	275,914	265,301
Total noninterest expense	433,948	618,974	509,090
Segment earnings	$168,553	$145,262	$138,281

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Consumer Banking segment earnings increased by $23.3 million, or 16%, in 2014 compared to 2013, primarily due to a decrease in noninterest expense and an increase in net interest income partially offset by a decrease in noninterest income.

Net interest income increased by $18.3 million, or 6%, in 2014 compared to 2013 due to an increase in interest income of $9.5 million, or 2%, in 2014 and a decrease in interest expense of $8.7 million, or 5%, in 2014. Please see "Analysis of Statements of Income" for an explanation of changes in average balances and yields/rates.

Noninterest income decreased by $172.8 million, or 37%, in 2014 compared to 2013. The decrease was driven by a decrease in gain on sale of loans of $80.2 million coupled by a decrease in net loan servicing income and loan production revenue of $70.5 million and $16.1 million, respectively, in 2014 compared to 2013. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.

Noninterest expense decreased by $185.0 million, or 30%, in 2014 compared to 2013. The decrease in 2014 was primarily due to decreases in salaries, commissions and employee benefits, equipment and occupancy expense and general and administrative expenses.

Salaries, commissions, and employee benefits decreased $63.3 million, or 23%, in 2014 compared to 2013. The decrease was primarily due to a decrease in headcount of 33% at December 31, 2014 compared to 2013, in addition to decreases in mortgage lending volumes. We incurred $6.0 million related to severance as a result of staffing optimization initiatives in the second half of 2013, which also contributed to the decrease in 2014. In addition, origination volume of preferred ARMs increased by $1.6 billion, or 86%, in 2014 compared to 2013 resulting in the deferral of additional salaries expense.

Equipment and occupancy expense decreased by $14.7 million, or 22% in 2014 compared to 2013, due to $9.6 million related to the expansion of our retail channel in 2013, $3.9 million in fixed asset write-downs recorded in 2013 related to the sale of our default servicing platform and $4.1 million in lease termination costs recorded in 2013.

General and administrative expenses decreased by $107.1 million, or 39%, in 2014 compared to 2013 primarily due to decreases in consent order expenses, advertising and marketing expenses, FDIC premium assessment and other agency fees, foreclosure and OREO expense and other credit-related expenses. Consent order expenses decreased by $64.5 million in 2014 compared to 2013, as a result of the settlement of our consent order in 2013, which required significant third party costs during 2013. Advertising and marketing expenses decreased $24.6 million in 2014 compared to 2013 primarily due to slowed deposit gathering initiatives resulting from repositioning of our asset balances and change in our funding strategy. FDIC assessment and other agency fees attributed to the segment decreased by $10.5 million in 2014 compared to 2013 due to a lower concentration of so called "higher risk" asset classes due to our asset repositioning activities over the last year, as well as a favorable adjustment to our previously paid FDIC fees in the first quarter of 2014. Foreclosure and OREO expenses and other credit-related expenses decreased by $7.5 million in 2014 compared to 2013 primarily due to a net decrease in repurchase reserve expenses and a reduction in losses on nonrecoverable advances associated with our government insured loans. Please see "Loan and Lease Quality" for additional discussion of our repurchase reserves.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Consumer Banking segment earnings increased by $7.0 million, or 5%, in 2013 compared to 2012, primarily due to an increase in noninterest income partially offset by a decrease in net interest income and an increase in noninterest expense.

Net interest income decreased by $39.2 million, or 12%, in 2013 compared to 2012 primarily due to an increase in interest expense. Interest expense increased primarily due to growth in FHLB advances and deposits throughout 2012 to fund a portion of our asset growth and to take advantage of historically low fixed borrowing rates. For a detailed explanation of changes in net interest income, please refer to our volume/rate analysis in Table 7.

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Provision for loan and lease losses decreased by $9.5 million, or 63%, in 2013 compared to 2012 primarily due to the improving credit performance in our residential portfolio. For a detailed explanation of changes in our allowance for loan and lease losses, please refer to "Loan and Lease Quality."

Noninterest income increased by $146.6 million, or 46%, in 2013 compared to 2012. The increase was driven by an increase in net loan servicing income and other noninterest income, partially offset by a decrease in gain on sale of loans. Net loan servicing income increased by $183.6 million in 2013 compared to 2012 primarily due to a decrease in amortization and impairment of MSR. Recovery (impairment) of MSR decreased by $158.5 million in 2013 due to a net impairment charge of $63.5 million in 2012 compared to recoveries of the valuation allowance of $95.0 million in 2013. Impairment in 2012 was due to a combination of a declining rate environment that resulted in higher prepayment speeds including the impact of HARP 2.0. In 2013, expected prepayment speeds decreased due to increased interest rates and a decline in refinance activity due to market penetration of eligible borrowers. Amortization expense decreased by $14.9 million, or 11%, in 2013 due to lower prepayment levels as a result of slowed refinancing demand and government sponsored refinancing programs, such as HARP, which were elevated earlier in 2013 and during 2012.

Other noninterest income increased by $14.1 million in 2013 compared to 2012 primarily due to a $15.4 million gain recognized on the early extinguishment of FHLB advances during 2013.

Gain on sale of loans decreased $47.9 million, or 17%, in 2013 compared to 2012. The decrease was primarily driven by a decrease in our gain on sale margin which was impacted by the volatility in interest rates as well as spread widening in products such as HARP 2.0 specified pools and the non-agency market. Refinancing demand was most notably due to the HARP 2.0 and the low mortgage interest rate environment throughout the period. This decrease was partially offset by increased lending volumes primarily driven by low interest rates for most of the period. Mortgage lending volume increased by $1.2 billion, or 12%, to $10.8 billion in 2013, compared to 2012. Lending volume also benefited from the continued expansion of our retail lending channel and increased lending of some of our preferred products which outweighed the decreased lending volume as a result of our exit from the wholesale broker business. However due to interest rate movements in the latter half of 2013, mortgage volumes decreased from a high of $3.3 billion in the second quarter of 2013, to $2.0 billion in the fourth quarter of 2013.

Noninterest expense increased by $109.9 million, or 22% in 2013 compared to 2012 primarily due to increases in salaries, commissions, and employee benefits, equipment and occupancy expense and consent order expense. These increases were partially offset by a decrease in foreclosure and OREO expense and other credit-related expenses.

Consumer Banking segment growth drove the increase in salaries, commissions, and employee benefits with an increase of $74.8 million primarily related to headcount increasing by 14% as of December 31, 2013, compared to December 31, 2012. This increase was due to the expansion of our retail and consumer direct production channels and our default servicing as well as an increase in commissions of $21.8 million in 2013 compared to 2012. In addition, we incurred $6.0 million related to severance as a result of staffing optimization initiatives in the second half of 2013.

Equipment and occupancy expense increased by $24.4 million, or 57%, in 2013 compared to 2012 primarily due to an increase in headcount of 14% as of December 31, 2013 compared to the same period in 2012. In addition, $9.6 million of the increase was related to the expansion of our retail channel and $3.9 million in fixed asset write-downs were recorded related to the expected sale of our default servicing platform. We also recognized $4.1 million in lease termination costs in 2013. Additional growth is due to our new WorldCurrency® system and overall expansion and growth of the segment.

Consent order expenses increased by $46.3 million in 2013, compared to 2012 due to increases in professional fee costs associated with the review and estimated remediation payments as a result of the settlement of the consent orders with the OCC.

Foreclosure and OREO expense decreased by $15.7 million, or 52%, in 2013, compared to 2012 primarily due to stabilizing property values and declining losses on OREO properties. Foreclosure expenses decreased by $17.3 million, or 42%, in 2013 compared to 2012 due to improved credit quality and home prices and the decrease in government insured pool buyout activity. This decrease was partially offset by an increase of $2.3 million, or 66%, in OREO related expenses and provisions.

Other credit-related expenses decreased by $14.9 million, or 51%, in 2013, compared to 2012. We describe our reserves related to loans subject to representations and warranties in Note 25 in our consolidated financial statements and in "Loans Subject to Representations and Warranties."

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Commercial Banking

Commercial Banking Table 14

(dollars in thousands)	Year Ended December 31, 2014	2013	2012
Net interest income	$251,357	$263,682	$178,812
Provision for loan and lease losses	11,778	6,492	17,001
Net interest income after provision for loan and lease losses	239,579	257,190	161,811
Noninterest income:			
Loan production revenue	3,218	2,130	10,020
Other lease income	16,997	24,681	33,157
Other	21,134	23,640	4,783
Total noninterest income	41,349	50,451	47,960
Noninterest expense:			
Salaries, commissions and other employee benefits expense	62,848	71,714	53,870
Equipment and occupancy expense	20,183	27,845	28,441
General and administrative expense	20,576	35,586	48,536
Total noninterest expense	103,607	135,145	130,847
Segment earnings	$177,321	$172,496	$78,924

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Commercial Banking segment earnings increased by $4.8 million, or 3%, in 2014 compared to 2013 primarily due to a decrease in noninterest expense partially offset by a decrease in net interest income and a decrease in noninterest income.

Net interest income decreased by $12.3 million, or 5%, in 2014 compared to 2013 primarily due to a decrease in interest income of $11.5 million in 2014. Please see "Analysis of Statements of Income" for an explanation of changes in average balances and yields/rates. In addition, net interest income after provision for loan losses decreased by an additional $5.3 million due to increases in the provision for loan and lease losses. Please see "Loan and Lease Quality" for an explanation and rollforward of changes in the ALLL.

Noninterest income in our Commercial Banking segment decreased by $9.1 million, or 18%, in 2014 compared to 2013 primarily due to a decrease in other lease income and other noninterest income. Other lease income decreased $7.7 million as a result of a decrease in our equipment under operating leases. Other noninterest income decreased $2.5 million primarily due to a decrease of $2.7 million in income related to prepayment fees on certain serviced commercial loans acquired in the BPL acquisition.

Noninterest expense decreased by $31.5 million, or 23%, in 2014 compared to 2013 primarily due to decreases in salaries, commissions, and employee benefits, equipment and occupancy expense and general and administrative expenses. Salaries, commissions, and employee benefits decreased by $8.9 million, or 12%, in 2014 compared to 2013 due to certain restructuring activities including the alignment and integration of our commercial lending platforms and the sale of non-performing assets consummated in the fourth quarter of 2013, which reduced staffing levels required to manage the non-performing assets. Equipment and occupancy expense decreased $7.7 million in 2014 compared to 2013 as a result of the same restructuring and alignment activities described above. General and administrative expenses decreased by $15.0 million in 2014 compared to 2013 primarily driven by decreases in our FDIC insurance assessments due to balance sheet repositioning in late 2013 and 2014, including the sale of nonperforming assets, which impacts our ongoing FDIC assessment. The FDIC assessment expense was also impacted by a positive adjustment to our risk assessment in prior quarters, which resulted in a $5.4 million refund of our previously paid insurance assessments.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Commercial Banking segment earnings increased by $93.6 million in 2013, compared to 2012 primarily due to increases in net interest income and noninterest income and a decrease in the provision for loan and lease losses which was partially offset by an increase in noninterest expense.

Net interest income increased by $84.9 million, or 47%, in 2013, compared to 2012 primarily due to an increase in interest income of $83.8 million. The warehouse finance acquisition, completed in the second quarter of 2012, and BPL acquisition, completed in the fourth quarter of 2012, contributed $13.3 million and $74.0 million, respectively, to the increase in interest income in 2013. For a detailed explanation of changes in net interest income, please refer to our volume/rate analysis in Table 7.

Provision for loan and lease losses decreased by $10.5 million, or 62%, in 2013 compared to 2012 primarily due to the improving credit performance in our commercial portfolios. For a detailed explanation of changes in our allowance for loan and lease losses, please refer to "Loan and Lease Quality."

Noninterest income increased by $2.5 million, or 5%, in 2013, compared to 2012, primarily due to $15.8 million prepayment penalty income recognized in 2013 related to serviced loans in the business lending trusts (BLTs) acquired with the BPL acquisition. These increases are offset by a decrease of $8.5 million in lease income in 2013 compared to 2012, as late fees related to our deferred financing leases are included in net interest income. Additionally, loan production revenue decreased by $7.9 million due to a decrease in ancillary production fees in the commercial real estate portfolio.

Noninterest expense increased by $4.3 million, or 3%, in 2013 compared to 2012. An increase in salaries, commissions and employee benefits of $17.8 million drove the increase in noninterest expense, which was partially offset by decreases in general and administrative expense.

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Salaries, commissions, and employee benefits increased by $17.8 million, or 33%, in 2013, compared to 2012, due to the warehouse finance and BPL acquisitions in 2012 as well as $1.5 million related to severance as a result of staffing optimization initiatives in the second half of 2013.

General and administrative expense decreased by $12.9 million, or 27%, in 2013, compared to 2012. The decrease in general and administrative expense was primarily driven by a decrease in OREO related expenses and provisions as a result of stabilizing property values and declining losses on OREO properties.

Corporate Services

Corporate Services Table 15

	Year Ended December 31,		
(dollars in thousands)	2014	2013	2012
Net interest income after provision for loan and lease losses	$(6,357)	$(6,301)	$(5,747)
Total noninterest income	441	702	172
Noninterest expense:			
Salaries, commissions and employee benefits	95,004	94,143	76,850
Equipment and occupancy expense	27,272	25,981	25,243
Other general and administrative expense	44,069	52,275	66,355
Intersegment allocations	(64,958)	(78,280)	(72,815)
Total noninterest expense	101,387	94,119	95,633
Segment earnings (loss)	$(107,303)	$(99,718)	$(101,208)

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Corporate Services segment loss increased by $7.6 million, or 8%, in 2014 compared to 2013 primarily due to an increase in noninterest expense. Noninterest expense increased by $7.3 million, or 8%, in 2014 compared to 2013 primarily due to general and administrative expense and intersegment allocations.

General and administrative expense decreased $8.2 million, or 16%, in 2014 compared to 2013 due to a reduction in the amount of advertising and marketing expense. Advertising and marketing expense is directly allocated to the segments and thus the decrease in advertising and marketing had a direct effect on the amount of intersegment allocations. Intersegment allocations decreased by $13.3 million, or 17%, in 2014 compared to 2013 as a result of certain repositioning activities, which impacted Corporate Services headcount as a percentage of overall headcount, which is the primary driver of intersegment allocations.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Corporate Services segment loss decreased by $1.5 million, or 1%, in 2013, compared to 2012. Noninterest expense decreased by $1.5 million, or 2%, in 2013 compared to 2012 due to decreases in general and administrative costs partially offset by an increase in salaries, commissions, and employee benefits.

General and administrative costs including intersegment allocations decreased by $19.5 million primarily due to a decrease in legal and professional costs. This decrease was primarily due to decreases in costs associated with strategic business acquisitions as well as costs associated with our IPO that occurred in 2012. The decreases were offset by increases in costs associated with our risk management functions, which increased in order to comply with public company requirements.

Salaries, commissions and employee benefits increased by $17.3 million, or 23%, primarily due to headcount increases of 7% in 2013 compared to 2012. This growth was due to continued business development and the need for additional support services due to increased governance and regulatory requirements.

Analysis of Statements of Condition

Investment Securities

Our overall investment strategy focuses on acquiring investment-grade senior mortgage-backed securities backed by seasoned loans with high credit quality and credit enhancements to generate earnings in the form of interest and dividends while offering liquidity, credit, and interest rate risk management opportunities to support our asset and liability management strategy. Within our investment strategy, we also utilize highly rated structured products including Re-securitized Real Estate Mortgage Investment Conduits (Re-REMICs) for the added protection from credit losses and ratings deteriorations that accompany alternative securities. All securities investments satisfy our internal guidelines for credit profile and generally have a relatively short duration which helps mitigate interest rate risk arising from changes in market interest rates.

Available for sale securities are used as part of our asset and liability management strategy and may be sold in response to, or in anticipation of, factors such as changes in market conditions and interest rates, changes in security prepayment rates, liquidity considerations and regulatory capital requirements.

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The following table sets forth the fair value of investment securities classified as available for sale and the amortized cost of investment securities held to maturity as of December 31, 2014, 2013, and 2012:

Investment Securities Carrying Value — Table 16

(dollars in thousands)	2014	2013	2012
Available for sale (at fair value):			
Residential CMO securities — nonagency	$774,235	$1,109,271	$1,611,775
Asset-backed securities	1,395	3,086	7,526
Other	681	3,270	577
Total investment securities available for sale	776,311	1,115,627	1,619,878
Held to maturity (at amortized cost):			
Residential CMO securities — agency	27,801	41,347	106,346
Residential Mortgage Backed Securities (MBS) — agency	87,283	65,965	31,901
Other	—	—	4,987
Total investment securities held to maturity	115,084	107,312	143,234
Total investment securities	$891,395	$1,222,939	$1,763,112

The amortized cost and fair value of debt securities at December 31, 2014 by contractual maturities are shown below. Actual maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties. MBS, including CMO securities, are disclosed separately in the table below, as these investment securities are likely to prepay prior to their scheduled contractual maturity dates.

Contractual Maturity Distribution, Weighted-Average Yield to Maturity, and Fair Value of Investment Securities — Table 17

(dollars in thousands)	Amortized Cost	Fair Value	Yield
Available for sale:			
After ten years			
Asset-backed securities	$1,800	$1,395	1.75 %
Not due at a single maturity			
Residential CMO securities — agency	33	36	6.00 %
Residential CMO securities — nonagency	774,804	774,235	2.71 %
Residential MBS securities — agency	165	174	2.98 %
Equity securities	77	471	
	776,879	776,311	
Held to maturity:			
Not due at a single maturity			
Residential CMO securities — agency	27,801	28,589	3.04 %
Residential MBS securities — agency	87,283	89,641	2.90 %
	115,084	118,230	
	$891,963	$894,541	

We have historically utilized the investment securities portfolio for earnings generation (in the form of interest and dividend income), liquidity, credit and interest rate risk management and asset diversification. Securities available for sale are used as part of our asset/liability management strategy and may be sold in response to, or in anticipation of, factors such as changes in market conditions and interest rates, changes in security prepayment rates, liquidity considerations and regulatory capital requirements. The principal categories of our investment portfolio are set forth below.

Residential — Agency

At December 31, 2014, our residential agency portfolio consisted of both residential agency CMO securities and residential agency MBS securities. Investments in residential agency CMO securities totaled $27.8 million, or 3%, of our investment securities portfolio. Our residential agency MBS portfolio totaled $87.5 million, or 10%, of our investment securities portfolio. Our residential agency portfolio is secured by seasoned first-lien fixed and adjustable rate residential mortgage loans insured by GSEs. Our residential agency CMO securities decreased by $13.6 million, or 33%, to $27.8 million at December 31, 2014 from $41.4 million at December 31, 2013 primarily due to reductions to amortized cost resulting from principal payments received and the amortization of premiums and discounts. Our residential agency MBS securities increased by $21.3 million, or 32%, to $87.5 million at December 31, 2014, from $66.2 million at December 31, 2013 primarily due to purchases of additional securities.

Residential — Nonagency

At December 31, 2014, our residential nonagency portfolio consisted entirely of investments in residential nonagency CMO securities. Investments in residential nonagency CMO securities totaled $774.2 million, or 87% of our investment securities portfolio. Our residential nonagency CMO securities decreased by $335.0 million, or 30%, to $774.2 million at December 31, 2014, from $1.1 billion at

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December 31, 2013 primarily due to sales of securities and reductions in amortized cost resulting from principal payments received partially offset by purchases of additional securities as well as reductions in the fair market value of the securities held.

Our residential nonagency CMO securities are secured by seasoned first-lien fixed and adjustable rate residential mortgage loans backed by loan originators other than Government Sponsored Enterprises (GSEs). Mortgage collateral is structured into a series of classes known as tranches, each of which contains a different maturity profile and pay-down priority in order to suit investor demands for duration, yield, credit risk and prepayment volatility. We have primarily invested in CMO securities rated in the highest category assigned by a nationally recognized statistical ratings organization. Many of these securities are Re-REMICs, which adds credit subordination to provide protection against future losses and rating downgrades. Re-REMICs constituted $456.5 million, or 59%, of our residential nonagency CMO investment securities at December 31, 2014.

We have internal guidelines for the credit quality and duration of our residential CMO securities portfolio and monitor these on a regular basis. At December 31, 2014, the portfolio carried a weighted average Fair Isaac Corporation (FICO) score of 729, a weighted average amortized loan-to-value ratio (LTV) of 60%, and was seasoned an average of 122 months. This portfolio includes protection against credit losses through subordination in the securities structures and borrower equity.

During the year ended December 31, 2014, we sold residential nonagency CMO securities with a book value of $140.8 million and recorded net securities gains totaling $4.3 million. During the year ended December 31, 2013, we sold residential nonagency CMO securities with a book value of $154.8 million and recorded net securities gains totaling $4.2 million.

Loans Held for Sale

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 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. Typically, the Company accounts for these transfers as sales and either retains or releases the right to service the loans. For non-conforming transactions, the Company sells whole loans outright to qualified institutional buyers and retains the related servicing rights.

The following table presents the balance of each major category in our loans held for sale portfolio at December 31, 2014 and 2013:

Loans Held for Sale		Table 18
(dollars in thousands)	2014	2013
Mortgage warehouse (carried at fair value)	$410,948	$613,459
Other residential (carried at fair value)	317,430	58,912
Total loans held for sale carried at fair value	728,378	672,371
Government insured pool buyouts	12,583	53,823
Other residential	232,546	8,939
Commercial and commercial real estate	—	56,249
Total loans held for sale carried at lower of cost or market	245,129	119,011
Total loans held for sale	$973,507	$791,382

Mortgage Warehouse

At December 31, 2014, our mortgage warehouse loans totaled $410.9 million, or 42%, of our total loans held for sale portfolio. Our mortgage warehouse loans are largely comprised of agency deliverable products that we typically sell within three months subsequent to origination. We economically hedge our mortgage warehouse portfolio with forward purchase and sales commitments designed to protect against potential changes in fair value. Due to the short duration that these loans are present on our balance sheet, we have elected fair value accounting on this portfolio of loans due to the burden of complying with the requirements of hedge accounting. Mortgage warehouse loans decreased by $202.6 million from $613.5 million at December 31, 2013 due to decreased refinance activity related to

historically low interest rates as well as the reduced impact of government refinance programs such as HARP 2.0.
The following table represents the length of time the mortgage warehouse loans have been classified as held for sale:

Mortgage Warehouse		Table 19
(dollars in thousands)	2014	2013
30 days or less	$315,662	$378,736
31- 90 days	78,688	199,743
Greater than 90 days	16,598	34,980
Total mortgage warehouse	$410,948	$613,459

Subsequent to December 31, 2014, we sold $2.0 million of the mortgage warehouse loans classified as held for sale that were held for more than 90 days. The remaining $14.6 million of warehouse loans were made up of conforming or government products and were current as of December 31, 2014.

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Other Residential Loans Carried at Fair value

At December 31, 2014, our other residential loans carried at fair value totaled $317.4 million or 33% of our total loans held for sale portfolio. Due to the short duration that these loans are present on our balance sheet, we have elected the fair value option of accounting under U.S. GAAP for our originated fixed rate jumbo preferred loans held for sale. Electing to use fair value accounting allows 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 carried at fair value increased by $258.5 million from $58.9 million at December 31, 2013, in part due to originations of $890.5 million, sales of $603.3 million and paydowns of $36.1 million during the year.

Government Insured

At December 31, 2014 our government insured pool buyout loans totaled $12.6 million, or 1% of our total loans held for sale portfolio, which is a decrease of $41.2 million from December 31, 2013 when our government insured pool buyout loans totaled $53.8 million. Government insured pool buyout loans are transferred to our held for sale portfolio upon re-performance and are subsequently re-securitized and sold. During the years ended December 31, 2014 and 2013 we transferred $416.8 million and $645.5 million, respectively, of conforming mortgages to GNMA in exchange for mortgage-backed securities. At December 31, 2014 and 2013, there were $9.0 million and $50.5 million, respectively of GNMA securities that were transferred and included in the loans held for sale balance above for which we retained effective control of the assets. In addition to the ability to work out these assets and re-securitize into GNMA pools, we have acquired a significant portion of these assets at a discount to UPB.

Other Residential Loans Carried at Lower of Cost or Market Value (LOCOM)

Our other residential loans carried at LOCOM increased by $223.6 million, from $8.9 million at December 31, 2013 to $232.5 million at December 31, 2014. During the year ended December 31, 2014, we transferred $1.7 billion of loans from held for investment to held for sale, transferred $231.4 million from held for sale to held for investment and sold $1.3 billion of our other residential loans carried at LOCOM.

Commercial and Commercial Real Estate

At December 31, 2014, there were no commercial and commercial real estate loans in our held for sale portfolio. Commercial and commercial real estate loans represent revolving and term credit facilities to other specialty finance companies where the Company is lead agent. As lead agent the Company holds a portion of each facility within its commercial held for investment loan portfolio; with the remaining portion being held with the intent to sell. Our commercial and commercial real estate portfolio decreased from $56.2 million at December 31, 2013 to $0 at December 31, 2014. The reduction was primarily due to transfers from held for investment to held for sale of $44.4 million, loans sales of $94.6 million, and paydowns and payoffs on existing loans.

Loans and Leases Held for Investment

The following table presents the balance of each major category in our loan and lease held for investment portfolio at December 31, 2014, 2013, 2012, 2011, and 2010:

Loans and Leases Held for Investment

Table 20

	2014			2013			2012			2011			2010		
(dollars in thousands)	Balance	%		Balance	%		Balance	%		Balance	%		Balance	%	
Residential mortgages															
Residential	$6,324,965	35.7	%	$5,153,106	39.0	%	$3,949,284	31.5	%	$3,727,542	57.2	%	$2,790,512	45.8	%
Government insured pool buyouts	3,595,105	20.2	%	1,891,637	14.3	%	2,759,464	22.1	%	829,299	12.7	%	1,392,273	22.7	%
Commercial and commercial	5,646,690	31.8	%	4,812,970	36.3	%	4,771,768	38.2	%	1,165,384	17.9	%	1,230,128	20.2	%

real estate										
Equipment financing receivables	2,031,570	11.4 %	1,237,941	9.3 %	836,935	6.7 %	588,501	9.0 %	451,443	7.4 %
Home equity lines	156,869	0.9 %	151,916	1.1 %	179,600	1.4 %	200,112	3.1 %	224,627	3.7 %
Consumer and credit card	5,054	0.0 %	5,154	0.0 %	8,038	0.1 %	8,443	0.1 %	10,285	0.2 %
Total loans net of discounts	17,760,253	100.0%	13,252,724	100.0%	12,505,089	100.0%	6,519,281	100.0%	6,099,268	100.0%
Allowance for loan and lease losses	(60,846)		(63,690)		(82,102)		(77,765)		(93,689)	
Total loans and leases, net	$17,699,407		$13,189,034		$12,422,987		$6,441,516		$6,005,579	
The balances presented above include:										
Net purchased loan and lease discounts	$47,108		$102,416		$164,132		$237,170		$393,014	
Net deferred loan and lease origination costs	$94,778		$54,107		$25,275		$19,057		$10,861	

The following table shows the contractual maturities, including scheduled principal repayments, of our commercial portfolio and the distribution between fixed and adjustable interest rate loans at December 31, 2014:

Maturities and Sensitivities of Selected Loans to Changes in Interest Rates(1) Table 21

(dollars in thousands)	Due in One Year or Less	Due After One to Five Years(2)	Due After Five Years(2)	Total
Commercial and commercial real estate(3)	$1,532,349	$1,347,949	$2,766,392	$5,646,690

(1) Based on contractual maturities.

(2) As of December 31, 2014, loans maturing after one year consisted of $1.6 billion in variable rate loans and $2.5 billion in fixed rate loans.

(3) Calculated net recorded investment does not include $23.1 million in ALLL.

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Residential Mortgage Loans

At December 31, 2014, our residential mortgage loans totaled $6.3 billion, or 36%, of our total held for investment loan and lease portfolio. We primarily offer our clients residential closed-end mortgage loans typically secured by first liens on one-to-four family residential properties.

Residential mortgage loans increased by $1.2 billion, or 23%, to $6.3 billion at December 31, 2014 from $5.2 billion at December 31, 2013. This increase was due primarily to retained originations of $3.4 billion partially offset by transfers of $1.5 billion in UPB from loans held for investment to loans held for sale (HFS) as well as paydowns and payoffs of existing loans during the year ended December 31, 2014.

Government Insured Buyouts

At December 31, 2014, our government insured buyout loan portfolio totaled $3.6 billion, or 20%, of our total held for investment loan and lease portfolio. Government insured pool buyouts increased by $1.7 billion, or 90%, from $1.9 billion at December 31, 2013. The increase was primarily the result of mortgage pool buyout purchases of $3.4 billion, partially offset by $562.1 million of loans being transferred from loans held for investment to loans held for sale, and $652.4 million of delinquent loans reaching foreclosure, with the remaining decline in the government insured buyout portfolio being attributable to paydowns and payoffs of existing loans.

We have a history of servicing FHA loans. As a servicer, we have the right to purchase government insured loans at par (i.e., the amount that has to be passed through to the GNMA security holder when repurchased). For banks like EverBank, that have cost effective sources of short term capital, this strategy potentially represents an attractive return with limited additional investment risk.

Each loan in a GNMA pool is insured or guaranteed by one of several federal government agencies, including the Federal Housing Administration, Department of Veterans’ Affairs or the Department of Agriculture’s Rural Housing Service. The loans must at all times comply with the requirements for maintaining such insurance or guarantee. Prior to our acquisition of these loans, we perform due diligence to ensure a valid guarantee is in place; therefore we believe that a negligible amount of principal is at risk.

Duration is a potential risk of holding these loans and exposes us to interest rate risk and the risk of a funding mismatch. In most cases, acquired loans or loans purchased out of our servicing assets are greater than 89 days past due upon purchase. Loans that go through foreclosure have an expected duration of one to two years, depending on the state’s servicing timelines. Bankruptcy proceedings and loss mitigation requirements could extend the duration of these loans. Extensions for these reasons do not impact the insurance or guarantee and are modeled into the acquisition price.

Loans can re-perform on their own or through loss mitigation and/or modification. Most loans are 20 to 30 year fixed rate instruments. Re-performing loans earn a higher yield as they can earn an above market note rate rather than a government guaranteed reimbursement rate. In order to mitigate the duration risk on re-performing loans, EverBank has the ability to sell those loans into the secondary market.

Servicing operations must comply with the government agencies' servicing requirements in order to avoid interest curtailments (principal is not at risk). As a result, operational capacity poses a lesser risk to the claim through missed servicing milestones, which may result in interest curtailments. For acquired pool buyouts, we, in general, purchase loans early in the default cycle to obtain control of the files before processing errors jeopardize claims.

Commercial and Commercial Real Estate Loans

At December 31, 2014, our commercial and commercial real estate loans, which include owner-occupied and non-owner occupied commercial real estate, commercial investment properties, asset-backed commercial and small business commercial loans, totaled $5.6 billion, or 32% of our total held for investment loan and lease portfolio.

Commercial and commercial real estate loans increased by $0.8 billion, or 17% at December 31, 2014 to $5.6 billion from $4.8 billion at December 31, 2013. This change was primarily due to origination activity of $1.3 billion, purchases of $95.3 million, and increases in utilization by existing customers on lines of credit of $201.2 million, partially offset by $44.4 million of loans being transferred from HFI to HFS with the remaining decline the product of paydowns and payoffs of existing loans. Originations during the year ended December 31, 2014 included advances on new customer relationships within the lender finance and mortgage warehouse operations totaling $431.8 million at December 31, 2014. The increase in utilization by existing customers was driven largely by growth within our mortgage warehouse operations, which primarily provides short-term revolving facilities to mid-sized, high quality mortgage banking companies. These facilities are collateralized by agency and government residential loans originated by our clients.

Equipment Financing Receivables

Equipment financing receivables increased by $0.8 billion, or 64%, to $2.0 billion, or 11% of our total held for investment loan and lease portfolio at December 31, 2014 from $1.2 billion at December 31, 2013. The increase was the result of originations of $1.1 billion, acquisitions of $235.3 million and earned income of $76.2 million, partially offset by amortization of deferred origination costs of $14.9 million, transfers to HFS of $20.8 million, and chargeoffs of $5.8 million, with the remaining decline the product of paydowns, payoffs, and loan and lease expirations. Our equipment finance portfolio generally consists of short-term and medium-term leases and loans secured by essential use office product, healthcare, industrial, trucking, and information technology equipment to small and mid-size lessees and borrowers.

Home Equity Lines

At December 31, 2014, our home equity lines totaled $156.9 million, or 1% of our total held for investment loan and lease portfolio, an increase of $5.0 million, or 3%, from $151.9 million at December 31, 2013. This increase was primarily the result of originations of $28.2 million, partially offset by paydowns on our existing lines of credit.

Consumer and Credit Card Loans

At December 31, 2014, consumer and credit card loans, totaled $5.1 million, or less than 1% of our total held for investment loan and lease portfolio. These loans include direct personal loans, credit card loans and lines of credit, automobile and other loans to our clients

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which are generally secured by personal property. Lines of credit are generally floating rate loans that are unsecured or secured by personal property.

Mortgage Servicing Rights

The following table presents the change in our MSR portfolio for the years ended December 31, 2014, 2013, and 2012:

Change in Mortgage Servicing Rights Table 22

(dollars in thousands)	2014	2013	2012
Balance, beginning of period	$506,680	$375,859	$489,496
Originated servicing rights capitalized upon sale of loans	57,877	100,426	76,238
Acquired servicing rights	—	65,188	14,445
Sale of servicing rights	(55,547)	—	—
Amortization	(79,234)	(126,803)	(137,433)
Decrease (increase) in valuation allowance	8,012	94,951	(63,508)
Other	(2,169)	(2,941)	(3,379)
Balance, end of period	$435,619	$506,680	$375,859
Valuation allowance:			
Balance, beginning of period	$8,012	$102,963	$39,455
Increase in valuation allowance	—	693	68,206
Recoveries	(8,012)	(95,644)	(4,698)
Balance, end of period	$—	$8,012	$102,963

We carry MSR at amortized cost net of any required valuation allowance. We amortize MSR in proportion to and over the period of estimated net servicing income and evaluate MSR quarterly for impairment.

Originated servicing rights decreased by $42.5 million, or 42%, during the year ended December 31, 2014 compared to the same period in 2013. The decrease is primarily due to lower mortgage lending volume of $2.4 billion during the year ended December 31, 2014 compared to the same period in 2013. Volumes have decreased as a result of the continuing decline in overall refinance activity in the market as the incentive for refinance activity has fallen as interest rates have risen.

Acquired servicing rights decreased by $65.2 million for the year ended December 31, 2014 due to the purchase of servicing rights of Fannie Mae residential servicing assets on April 1, 2013.

Sale of servicing rights increased by $55.5 million for the year ended December 31, 2014 compared to the same period in 2013, due to the sale of our default servicing platform, which included $9.9 billion in UPB of servicing rights to GTS on March 28, 2014 that transferred in May 2014.

Amortization expense decreased by $47.6 million, or 38%, during the year ended December 31, 2014 compared to the same period in 2013. The decrease in amortization expense was primarily due to lower refinancing activity resulting in lower prepayment speeds compared to the same period in 2013. Additionally, a portion of the decrease in amortization expense is due to the sale of servicing right to GTS. Annualized amortization rates as of December 31, 2014, 2013, and 2012 approximated 17.0%, 18.9%, and 31.5% respectively.

During 2012, the impact of HARP 2.0 and a further decline in interest rates caused our prepayment speeds to exceed our expectations and resulted in an impairment, net of recoveries, of $63.5 million for the year ended December 31, 2012. A decrease in actual prepayment speeds compared to previously expected speeds was the primary driver for the recovery of $95.0 million of the MSR valuation allowance during the year ended December 31, 2013. During 2014, we recovered the remaining valuation allowance, which resulted in the reduction in the recoveries at December 31, 2014 compared to 2013. At December 31, 2014, we estimate that approximately 13.2% of our portfolio was eligible to refinance under the HARP program. As such, near term annualized prepayment speeds were estimated at 12.5% at December 31, 2014.

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Other Assets

The following table sets forth other assets by category as of December 31, 2014 and 2013:

Other Assets		Table 23
(dollars in thousands)	2014	2013
Foreclosure claims receivable, net of allowance of $17,336 and $14,398, respectively	$451,125	$208,226
Accrued interest receivable	126,581	66,782
Servicing advances, net of allowance of $12,226 and $10,995, respectively	93,960	225,436
Income taxes receivable, net	85,897	71,372
Corporate advances, net of allowance of $5,960 and $6,168, respectively	50,470	64,702
Goodwill	46,859	46,859
Margin receivable, net	35,816	6,370
Other real estate owned, net of allowance of $441 and $5,958, respectively	22,509	29,034
Fair value of derivatives, net	18,809	28,170
Equipment under operating leases	13,173	28,126
Prepaid assets	11,968	12,270
Intangible assets, net	3,705	5,813
Other	37,258	49,840
	$998,130	$843,000

Other assets increased $155.1 million to $998.1 million at December 31, 2014 from $843.0 million at December 31, 2013. The increase was driven primarily by increases in foreclosure claims receivable, accrued interest receivable and margin receivable partially offset by a decrease in servicing advances, equipment under operating leases, corporate advances and the fair value of derivatives.

Foreclosure claims receivable increased by $242.9 million, or 117%, during the year ended December 31, 2014 compared to December 31, 2013. The increase was primarily due to the purchase from third parties of $3.1 billion of delinquent Government National Mortgage Association (GNMA) pool buyouts for the year ended December 31, 2014, of which $271.0 million was either purchased subsequent to foreclosure or has been foreclosed upon since acquisition and remains in foreclosure claims receivable at December 31, 2014. Amounts recognized within foreclosure claims receivable represent the claims associated with insured loans while awaiting completion of their conveyance to or payment from the FHA.

Accrued interest receivable increased by $59.8 million, or 90%, at December 31, 2014 compared to December 31, 2013. The increase was due primarily to interest accrued on delinquent GNMA pool buyouts purchased during 2014 of $3.4 billion. These loans are acquired as delinquent loans with the FHA insuring the investor's receipt of the government guaranteed reimbursement rate of interest which is typically tied to the 10 year treasury yield. As a result, interest continues to accrue throughout the life of these loans ceasing only at the time of foreclosure.

Margin receivable increased by $29.4 million, during the year ended December 31, 2014 compared to December 31, 2013. The increase was primarily the result of additional collateral being posted for certain derivative trading activity related to the hedging of our pipeline as well as for new forward-starting interest rate swaps entered into during the third and fourth quarters of 2014. Collateral pledged related to the hedging of our pipeline increased as the fair value of our forward sales commitments declined from December 31, 2013 resulting in additional margin being required. Forward-starting interest rate swaps with a total notional value of $500 million were entered into during the third quarter of 2014, with an additional $25 million entered into during the fourth quarter, in order to lock in long-term funding costs on variable-rate forecasted debt. The execution of these trades resulted in additional margin requirements. See Note 23 in our consolidated financial statements for more information related to our netting and cash collateral adjustments.

Servicing advances decreased by $131.5 million, or 58%, during the year ended December 31, 2014 compared to December 31, 2013 primarily due to $115.0 million of escrow advances transferred to GTS in May 2014 in conjunction with our default servicing platform and MSR sales.

Equipment under operating leases decreased by $15.0 million, or 53%, during the year ended December 31, 2014 compared to December 31, 2013. The decrease was due to a reduction in equipment costs associated with operating leases partially offset by depreciation expense during the period.

Corporate advances decreased by $14.2 million, or 22%, at December 31, 2014 compared to December 31, 2013. The decrease was due to reimbursement of corporate advances in conjunction with the MSR sale to GTS.

Fair value of derivatives decreased $9.4 million, or 33%, during the year ended December 31, 2014 compared to December 31, 2013. The change in fair value of derivatives was due to the decrease in the value of forward and optional forward sale commitments.

Deferred Income Taxes

Our net deferred tax asset decreased $68.6 million, to a net deferred tax liability of $17.2 million at December 31, 2014 from $51.4 million at December 31, 2013. See Note 19 in our consolidated financial statements for more information on taxes.

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Accumulated Other Comprehensive Income
Accumulated other comprehensive income decreased by $13.0 million to a loss of $65.6 million at December 31, 2014, from a loss of $52.6 million at December 31, 2013, primarily due to the net unrealized losses as a result of changes in fair value related to the fair value of our interest rate swaps and debt securities partially offset by the reclassifications of unrealized losses during the period into income.
Accumulated other comprehensive income increased by $34.2 million to a loss of $52.6 million at December 31, 2013, from a loss of $86.8 million at December 31, 2012, primarily due to the reclassifications of unrealized losses during the period and a reduction in net unrealized losses as a result of changes in fair value related to our interest rate swaps partially offset by an increase in net unrealized losses as a result of changes in the fair value of our available for sale securities and a reclassification of $4.2 million of unrealized gains into earnings related to the sale of available for sale securities. We reclassified $31.0 million in pretax unrealized losses to other noninterest income related to the early extinguishment of $770.0 million in principal of our FHLB advances.
Loan and Lease Quality
We use a comprehensive methodology to monitor credit quality and prudently manage credit concentration within our portfolio of loans and leases. Our underwriting policies and practices govern the risk profile, credit and geographic concentration for our loan and lease portfolios. We also have a comprehensive methodology to monitor these credit quality standards, including a risk classification system that identifies potential problem loans based on risk characteristics by loan type as well as the early identification of deterioration at the individual loan level. In addition to our ALLL, we have additional protections against potential credit losses, including credit indemnification agreements, purchase discounts on acquired loans and leases and other credit-related reserves, such as those on unfunded commitments.
Discounts on Acquired Equipment Financing Receivables
For acquired credit-impaired, or ACI, loans accounted for under ASC 310-30, we periodically reassess cash flow expectations at a pool or loan level. In the case of improving cash flow expectations for a particular loan or pool of loans, we reclassify an amount of non-accretable difference as accretable yield, thus increasing the prospective yield of the pool. In the case of deteriorating cash flow expectations, we record a provision for loan or lease losses following the allowance for loan loss framework. For more information on ACI loans accounted for under ASC 310-30, see Note 7 in our consolidated financial statements.
The following table presents a bridge from UPB, or contractual net investment, to carrying value for ACI loans accounted for under ASC 310-30 at December 31, 2014 and 2013:
Carrying Value of ACI Loans Table 24

(dollars in thousands)	Residential		Commercial and Commercial Real Estate		Total	
Under ASC 310-30						
2014						
UPB or contractual net investment	$2,655,497		$198,061		$2,853,558	
Plus: contractual interest due or unearned income	2,170,038		78,304		2,248,342	
Contractual cash flows due	4,825,535		276,365		5,101,900	
Less: nonaccretable difference	1,962,183		18,468		1,980,651	
Less: Allowance for loan losses	5,974		2,042		8,016	
Expected cash flows	2,857,378		255,855		3,113,233	
Less: accretable yield	240,650		61,256		301,906	
Carrying value	$2,616,728		$194,599		$2,811,327	
Carrying value as a percentage of UPB or contractual net investment	99	%	98	%	99	%
2013						
UPB or contractual net investment	$696,222		$339,179		$1,035,401	
Plus: contractual interest due or unearned income	578,945		101,297		680,242	

Contractual cash flows due	1,275,167	440,476	1,715,643
Less: nonaccretable difference	522,589	39,208	561,797
Less: Allowance for loan losses	4,925	9,834	14,759
Expected cash flows	747,653	391,434	1,139,087
Less: accretable yield	101,183	59,663	160,846
Carrying value	$646,470	$331,771	$978,241
Carrying value as a percentage of UPB or contractual net investment	93 %	98 %	94 %

In our residential portfolio, additional impairment of $1.1 million was recognized for the year ended December 31, 2014. Within this portfolio, we also reclassified $15.5 million from nonaccretable difference to accretable yield due to increases in cash flow expectations on our government insured pool buyouts.

In our commercial and commercial real estate ACI portfolio, a reduction in the impairment reserve of $1.2 million was recorded for the year ended December 31, 2014, while charge-offs against the allowance for loan loss over the same period totaled $4.1 million. Within this portfolio, we reclassified $20.7 million from nonaccretable difference to accretable yield due to increases in cash flow expectations.

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Problem Loans and Leases

Loans and leases are placed on nonaccrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual, which is generally when the loan becomes 90 days past due as defined by the OCC, with the exception of government insured loans and ACI loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is reversed from interest income, and both the accrual of interest income and the amortization of unamortized deferred fees, costs, discounts and premiums are suspended. Concurrent with the placing of a loan on nonaccrual status, an assessment must be performed, considering both the creditworthiness of the borrower and the value of any collateral underlying the loan, to determine whether doubt exists about the collectability of the recorded investment in the loan. If collectability of the recorded investment in the loan is in doubt, any payments received subsequent to placing the loan on nonaccrual status are applied using the cost recovery method reducing the recorded investment to the extent necessary to eliminate such doubt. Once it can be determined that no doubt exists regarding the collectability of the recorded investment in the loan, subsequent interest payments may be recorded as interest income on a cash basis.

For purposes of disclosure in the table below, we exclude government insured pool buyout loans from our definition of non-performing loans and leases. We also exclude ACI loans from non-performing status because we expect to fully collect their new carrying value which reflects purchase discounts. If we are unable to reasonably estimate future cash flows, these loans may be classified as nonaccrual loans and interest income will not be recognized until the timing and amount of future cash flows can be reasonably estimated.

Real estate we acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until sold, and is carried at the balance of the loan at the time of foreclosure or at estimated fair value less estimated costs to sell, whichever is less.

In cases where a borrower experiences financial difficulties and we make certain concessionary modifications to contractual terms, the loan is classified as a TDR. Loans restructured with terms and at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified are not considered to be impaired loans in calendar years subsequent to the restructuring.

The following table sets forth the composition of our NPA including nonaccrual, accruing loans and leases past due 90 or more days, TDR and OREO, as of the dates indicated. The balances of NPA reflect the net investment in such assets including deductions for purchase discounts.

Non-Performing Assets[1] Table 25

	December 31,				
(dollars in thousands)	2014	2013	2012	2011	2010
Non-accrual loans and leases:					
Consumer Banking:					
Residential mortgages	$24,576	$59,526	$73,752	$81,594	$53,719
Home equity lines	2,363	3,270	4,246	4,251	2,420
Consumer and credit card	38	18	332	419	920
Commercial Banking:					
Commercial and commercial real estate	41,140	18,569	76,289	104,829	153,024
Equipment financing receivables	8,866	4,527	2,010	2,385	3,755
Total non-accrual loans and leases	76,983	85,910	156,629	193,478	213,838
Accruing loans 90 days or more past due	—	—	—	6,673	1,754
Total non-performing loans (NPL)	76,983	85,910	156,629	200,151	215,592
Other real estate owned	22,509	29,034	40,492	42,664	37,450
Total NPA	99,492	114,944	197,121	242,815	253,042
TDR less than 90 days past due	13,634	76,913	90,094	92,628	70,173
Total NPA and TDR[1]	$113,126	$191,857	$287,215	$335,443	$323,215
Total NPA and TDR	$113,126	$191,857	$287,215	$335,443	$323,215
Government-insured 90 days or more past due still accruing	2,646,415	1,039,541	1,729,877	1,570,787	553,341

Loans and leases accounted for under ASC 310-30:										
90 days or more past due	8,448		10,083		79,984		149,743		195,425	
OREO	—		—		16,528		19,456		19,166	
Total regulatory NPA and TDR	$2,767,989		$1,241,481		$2,113,604		$2,075,429		$1,091,147	
Adjusted credit quality ratios: (1)										
NPL to total loans	0.41	%	0.61	%	1.08	%	2.18	%	2.98	%
NPA to total assets	0.46	%	0.65	%	1.08	%	1.86	%	2.11	%
NPA and TDR to total assets	0.52	%	1.09	%	1.57	%	2.57	%	2.69	%
Credit quality ratios including government-insured loans and loans and leases accounted for under ASC 310-30:										
NPL to total loans	14.63	%	8.12	%	13.55	%	20.95	%	13.31	%
NPA to total assets	12.74	%	6.60	%	11.09	%	15.20	%	8.50	%
NPA and TDR to total assets	12.80	%	7.04	%	11.59	%	15.91	%	9.09	%

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(1) We define NPA as nonaccrual loans, accruing loans past due 90 days or more and foreclosed property. Our NPA calculation excludes government-insured pool buyout loans for which payment is insured by the government. We also exclude loans, leases and foreclosed property accounted for under ASC 310-30 because we expect to fully collect the carrying value of such loans, leases and foreclosed property.

Total NPA and TDR decreased by $78.7 million, or 41%, to $113.1 million at December 31, 2014 from $191.9 million at December 31, 2013. This decrease was comprised of an $8.9 million decrease in nonaccrual loans and leases, a $6.5 million decrease in OREO and a $63.3 million decrease in TDRs less than 90 days past due. The decrease in nonaccrual loans and leases was primarily attributable to a decrease in residential nonaccrual loans of $35.0 million, or 59%, offset partially by a $22.6 million, or 122%, increase in commercial and commercial real estate nonaccrual loans and a $4.3 million, or 96%, increase in equipment financing receivables nonaccrual loan and leases. The decreases in residential nonaccrual loans and TDRs less than 90 days past due were both due to the sale of residential mortgage loans during the second quarter of 2014. The increase in commercial and commercial real estate nonaccrual loans was the result of our periodic credit reviews and additional information that was made available to us in the second quarter of 2014. The main reason for the downgrades was the review of these borrower’s ability to repay the debt based on operations or other forms of subordinate support coupled with deteriorated collateral values since origination.

Total regulatory NPA and TDR increased by $1.5 billion, or 123%, to $2.8 billion at December 31, 2014 from $1.2 billion at December 31, 2013. This increase was primarily driven by a $1.6 billion increase in governmental insured 90 days or more past due still accruing due to acquisitions of government insured pool buyouts during 2014.

We use an asset risk classification system in compliance with guidelines established by the OCC Handbook as part of our efforts to monitor asset quality. In connection with examinations of insured institutions, examiners have the authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: “substandard,” “doubtful,” and “loss.” Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on currently existing facts, conditions and values. An asset classified as loss is considered uncollectible and of such little value that continuance as an asset is not warranted. Commercial loans with adverse classifications are reviewed by the commercial credit committee of our executive credit committee monthly.

In addition to the problem loans described above, as of December 31, 2014, we had special mention loans and leases totaling $62.5 million, or 0.3% of the total loan portfolio, which are not included in either the non-accrual or 90 days past due loan and lease categories. Special mention loans exhibit potential credit weaknesses or downward trends that may result in future rating downgrades, but no loss of principal or interest is expected at this time. Special mention loans and leases increased by $16.5 million, or 36%, to $62.5 million at December 31, 2014, from $46.0 million at December 31, 2013. This increase was primarily driven by one relationship within our Lender Finance business, which has been substantially remediated. No losses are expected at this time, and management will continue to closely monitor this relationship.

During 2014, $3.3 million of interest income would have been recognized in accordance with contractual terms had nonaccrual loans and TDRs been current. For these loans, $2.3 million was included in net interest income during 2014.

Analysis for the Allowance for Loan and Lease Losses

The following table allocates the allowance for loan and lease losses by category:

Allowance for Loan and Lease Losses — Table 26

(dollars in thousands)	December 31, 2014 Amount	%	2013 Amount	%	2012 Amount	%	2011 Amount	%	2010 Amount	%
	$25,098	41.2 %	$26,497	41.6 %	$33,631	41.0 %	$43,454	55.9 %	$46,584	49.7 %

Residential mortgages										
Commercial and commercial real estate	23,095	38.0 %	29,987	47.1 %	39,863	48.5 %	28,209	36.3 %	33,490	35.8 %
Equipment financing receivables	8,649	14.2 %	4,273	6.7 %	3,181	3.9 %	3,766	4.8 %	2,454	2.6 %
Home equity lines	3,814	6.3 %	2,812	4.4 %	5,265	6.4 %	2,186	2.8 %	10,907	11.6 %
Consumer and credit card	190	0.3 %	121	0.2 %	162	0.2 %	150	0.2 %	254	0.3 %
	$60,846	100 %	$63,690	100 %	$82,102	100 %	$77,765	100 %	$93,689	100 %

The ALLL represents our estimate of probable and reasonably estimable credit losses inherent in loans and leases held for investment as of the balance sheet date.

Our methodology for assessing the adequacy of the ALLL includes segmenting loans in the portfolio by product type. The portfolio includes risk characteristics related to each segment, such as loan type and guarantees, as well as borrower type and geographic location. For these measurements, we use assumptions and methodologies that are relevant to estimating the level of impairment and probable losses in the loan portfolio. To the extent the data supporting such assumptions has limitations, management’s judgment and experience play a key role in recording allowance estimates. Management must use judgment in establishing metrics and assumptions related to a modeling process. The models and assumptions used to determine the allowance are reviewed and validated to ensure theoretical foundation, integrity, computational accuracy and sound reporting practice.

Residential mortgages, equipment financing receivables, home equity lines and consumer and credit cards each have distinguishing borrower needs and differing risks associated with each product type. Commercial and commercial real estate loans are further analyzed for the borrower’s ability and intent to repay and the value of the underlying collateral. The amount of impairment is based on an analysis of the most probable source of repayment, including the present value of the loan’s expected future cash flows, the estimated market value or the fair value of the underlying collateral. Interest income on impaired loans is accrued as earned, unless the loan is placed on non-accrual status.

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Individual loans and leases considered to be uncollectible are charged off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan or lease type, length of delinquency, insufficient collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information, such as Broker Price Opinions. Updated financial information on commercial and commercial real estate loans is also obtained from the borrower at least annually, or more frequently if the loan becomes delinquent. Charge-offs are generally taken on loans once the impairment is determined to be other-than-temporary. Recoveries on loans previously charged off are added to the allowance. Net charge-offs to average loans held for investment for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 were 0.13%, 0.21%, 0.31%, 1.02% and 1.46%, respectively.

The ALLL totaled $60.8 million at December 31, 2014, a decrease of $2.8 million from December 31, 2013 primarily due to improved credit quality associated with the commercial and commercial real estate portfolios as well as the residential mortgage portfolio. The ALLL totaled $63.7 million at December 31, 2013, a decrease of $18.4 million from December 31, 2012 primarily due to improved credit quality associated with the commercial and commercial real estate portfolios as well as the home equity lines and residential mortgage portfolio. The ALLL totaled $82.1 million at December 31, 2012, an increase of $4.3 million from December 31, 2011 primarily due to growth in our commercial and commercial real estate portfolios.

Factors considered in the calculation of the allowance for loan and lease losses not accounted for under ASC 310-30 include several quantitative and qualitative factors such as historical loss experience, trends in delinquency, changes in portfolio composition and underwriting standards, concentrations, experience and ability of management, and general economic trends along with other external factors. We analyze the loan portfolio at least quarterly to assess the overall level of the ALLL and non-accretable discounts. We also rely on internal and external loan review procedures to further assess individual loans and loan pools, and economic data for overall industry and geographic trends.

The tables below set forth the calculation of the ALLL based on the method for determining the allowance.

Analysis for Loan and Lease Losses — Table 27

	December 31, 2014			December 31, 2013		
(dollars in thousands)	Excluding ACI Loans	ACI Loans	Total	Excluding ACI Loans	ACI Loans	Total
Residential mortgages	$19,124	$5,974	$25,098	$21,572	$4,925	$26,497
Commercial and commercial real estate	21,053	2,042	23,095	20,153	9,834	29,987
Equipment financing receivables	8,649	—	8,649	4,273	—	4,273
Home equity lines	3,814	—	3,814	2,812	—	2,812
Consumer and credit card	190	—	190	121	—	121
Total ALLL	$52,830	$8,016	$60,846	$48,931	$14,759	$63,690
ALLL as a percentage of loans and leases held for investment	0.35 %	0.28 %	0.34 %	0.40 %	1.49 %	0.48 %
Residential mortgages	$7,297,368	$2,622,702	$9,920,070	$6,393,348	$651,395	$7,044,743
Commercial and commercial real estate	5,450,049	196,641	5,646,690	4,471,365	341,605	4,812,970
Equipment financing receivables	2,031,570	—	2,031,570	1,237,941	—	1,237,941
Home equity lines	156,869	—	156,869	151,916	—	151,916
Consumer and credit card	5,054	—	5,054	5,154	—	5,154

Total loans and leases held for investment	$14,940,910	$2,819,343	$17,760,253	$12,259,724	$993,000	$13,252,724

The recorded investment in loans and leases held for investment, excluding ACI loans, increased by $2.7 billion, or 22%, to $14.9 billion at December 31, 2014 from $12.3 billion at December 31, 2013. The growth is primarily attributable to new originations and strategic acquisitions of residential mortgages.

Residential

The recorded investment in residential mortgages, excluding ACI loans, increased by $0.9 billion, or 14%, to $7.3 billion at December 31, 2014, from $6.4 billion at December 31, 2013. The ALLL for residential mortgages, excluding ACI loans, decreased by $2.4 million, or 11%, to $19.1 million at December 31, 2014, from $21.6 million at December 31, 2013 as a result of the continued performance of our high credit quality residential mortgage portfolio. Charge-off activity for residential mortgages decreased 46% to $8.4 million for the year ended December 31, 2014 from $15.6 million for year ended December 31, 2013. Loan performance and historical loss rates are analyzed using the prior 12 months delinquency rates and actual charge-offs.

ACI loans are recorded at fair value on the date of acquisition and accrue income over the life of the loan based on expected cash flows. Under the accounting guidance, expected losses are a component of the expected cash flow analysis performed with no allowance necessary at the time of acquisition. An allowance is recorded when the present value of future expected cash flows discounted at the effective interest rate of the pool decreases after the acquisition date such that the book value of the pool is considered impaired. As of December 31, 2014 less than $6.0 million of allowance exists for our residential ACI portfolio as it has been performing as expected. Non-ACI loans are also recorded at fair value on the date of acquisition and credit losses subsequent to acquisition are included in the allowance for loan losses. As such, these loans carry an allowance that is smaller than what the inherent credit losses are at the acquisition date.

The table below presents our residential mortgage portfolio, excluding government insured, by vintage year and by product type. The table below further segregates our portfolio between loans that were originated by the Company and those that were acquired. The differentiation made between acquired loans and originated loans is due to the difference in the accounting guidance applicable to each of these

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pools of loans when it comes to the recording of our allowance for loan and lease losses.

Residential Mortgage Loans Held for Investment Analysis			Table 28
December 31, 2014	Origination Year		
(dollars in thousands)	Prior - 2009	2010 - 2014	Total
Originated residential loans:			
Jumbo 5/1	$132,859	$1,417,131	$1,549,990
Jumbo 7/1	41,743	2,134,516	2,176,259
Jumbo 10/1	45,748	1,124,337	1,170,085
Jumbo fixed	3,845	46,299	50,144
Other originated	235,448	190,831	426,279
Total originated residential loans	459,643	4,913,114	5,372,757
Acquired or repurchased residential loans:			
Loan repurchases	42,029	44,923	86,952
Other acquired:			
ASC 310-20 (non-ACI loan acquisitions)	647,027	160,976	808,003
ASC 310-30 (ACI loan acquisitions)	56,946	307	57,253
Total acquired or repurchased residential loans	746,002	206,206	952,208
Total residential mortgage loans	$1,205,645	$5,119,320	$6,324,965

Due to economic conditions, our capacity for balance sheet growth and the historical credit quality of our originated jumbo loans, we have retained a significant portion of the preferred jumbo ARM products that we have originated since 2010. Our sales team targets borrowers with high FICO scores and our underwriting standards require low LTV ratios. The result of these underwriting practices is a portfolio with high credit quality and LTV ratios that provide greater collateral coverage for potential losses. As of December 31, 2014, the $4.9 billion in residential loans originated on or after January 1, 2010 and retained in loans held for investment had a weighted average original LTV of 66% and a weighted average original FICO score of 764. Of those residential loans originated on or after January 1, 2010, less than one percent were greater than 30 days past due at December 31, 2014.

Although we structure all of our loan sales as non-recourse sales, the underlying sales agreements require us to make certain market standard representations and warranties at the time of sale, which may require under certain circumstances for us to repurchase a loan that does not meet these representations and warranties. Repurchased loans are acquired at fair value and when delinquent are recorded at collateral values with no associated allowance.

The table below presents our government insured residential mortgage pool buyout loans by delinquency status and by product type.

Government Insured Pool Buyouts Loans Held for Investment Analysis				Table 29
December 31, 2014	Delinquency Status			
(dollars in thousands)	Current	30 - 89 Days Past Due	90 Days or Greater Past Due	Total
FHA insured	$340,435	$158,052	$2,859,608	$3,358,095
VA/other government insured	110,405	29,839	96,766	237,010
Total government insured	$450,840	$187,891	$2,956,374	$3,595,105

Government insured pool buyouts consist of loans that are insured or guaranteed by one of several federal government agencies, including the Federal Housing Administration, Department of Veterans' Affairs or the Department of Agriculture's Rural Housing Service. As a servicer of these loans, we have the opportunity to purchase above market rate, government insured loans at par. In most cases, acquired loans or loans purchased out of our servicing assets are greater than 89 days past due upon purchase. Loans that go through foreclosure have an expected duration of one to two years, depending on the state's servicing timelines, which may vary widely based on state foreclosure laws. Allowance related to these government insured loans is low as payment of a majority of the principal, interest and servicer advances related to these loans is insured by the various government agencies.

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The table below presents the five highest concentration percentages by state for the Company's government insured residential mortgage pool buyout loans by product type and the corresponding states' percentages of the United States (U.S.) population.

Government Insured Buyouts Concentration of Credit Risk — Table 30

December 31, 2014	State Concentration		
	FHA	VA/Other	% of US Population
New Jersey	11.3 %		2.8 %
New York	8.1 %		6.3 %
Florida	7.6 %	6.5 %	6.1 %
Illinois	5.9 %		4.2 %
California	5.4 %		12.1 %
Texas		13.6 %	8.1 %
Georgia		10.3 %	3.1 %
North Carolina		6.0 %	3.1 %
Ohio		5.0 %	3.7 %

Commercial and Commercial Real Estate

The recorded investment for commercial and commercial real estate, excluding ACI loans, increased by $1.0 billion, or 22%, to $5.5 billion at December 31, 2014, from $4.5 billion at December 31, 2013. The increase is due to the organic growth in our commercial and commercial real estate portfolio during the year ended December 31, 2014.

The ALLL for commercial and commercial real estate, excluding ACI loans, increased by 4%, to $21.1 million at December 31, 2014, from $20.2 million at December 31, 2013. The reserve on loans collectively evaluated for impairment increased by 2%, to $20.3 million at December 31, 2014, from $19.9 million at December 31, 2013. The reserves on loans individually evaluated for impairment increased by 190% to $0.7 million at December 31, 2014, from $0.2 million at December 31, 2013. The outstanding balance of loans individually evaluated for impairment increased by 86% from December 31, 2013 to December 31, 2014. The ALLL as a percentage of loans and leases held for investment for commercial and commercial real estate, excluding ACI loans, remained static at 0.4% as of December 31, 2014 compared with 0.5% at December 31, 2013. This consistency in coverage ratio is reflective of continued diligence in ensuring that newly originated loans adhere to higher underwriting standards than in previous periods.

For commercial and commercial real estate loans, the most significant historical loss factors include credit quality and charge-off activity. The loss factors used in our allowance calculation have remained consistent over the periods presented. Charge-off activity is analyzed using a 15 quarter time period to determine loss rates consistent with loan segments used in recording the allowance estimate. During periods of more consistent and stable performance, this period is considered the most relevant starting point for analyzing the reserve. During periods of significant volatility and severe loss experience, a shortened period may be used which is more reflective of expected future losses. At December 31, 2014, two segments that are included in commercial and commercial real estate loans used shortened historical loss periods of 8 and 7 quarters as compared to three segments with historical loss periods of 12, 8, and 4 quarters used at December 31, 2013. The difference is due to additional loan history that is more indicative of future expected losses. Charge-off activity for commercial and commercial real estate decreased by 46% to $6.9 million for the year ended December 31, 2014, from $12.9 million for the year ended December 31, 2013. Loan delinquency is one of the leading indicators of credit quality. As of December 31, 2014 and December 31, 2013, 0.1% of the recorded investment in commercial and commercial real estate, excluding ACI loans, was past due.

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The table below presents our commercial and commercial real estate portfolio by vintage year and by product type and further segregates our portfolio between those loans originated or acquired by the Company.

Commercial and Commercial Real Estate Loans Held for Investment Analysis Table 31

December 31, 2014	Origination Year		
(dollars in thousands)	Prior - 2009	2010 - 2014	Total
Commercial real estate - originated			
Owner occupied	$35,078	$79,417	$114,495
Non-owner occupied	71,538	1,071,768	1,143,306
Other commercial real estate	48,126	503,008	551,134
Originated commercial real estate	154,742	1,654,193	1,808,935
Commercial - originated			
Mortgage warehouse finance	—	1,356,651	1,356,651
Lender finance	43,520	718,933	762,453
Other commercial originated	3,347	55,240	58,587
Originated commercial	46,867	2,130,824	2,177,691
Total originated commercial and commercial real estate	201,609	3,785,017	3,986,626
Commercial and commercial real estate - acquired			
Acquired non-credit impaired (ASC 310-20)	1,425,160	38,263	1,463,423
Acquired credit impaired (ASC 310-30)	196,508	133	196,641
Total acquired commercial and commercial real estate	1,621,668	38,396	1,660,064
Total commercial and commercial real estate	$1,823,277	$3,823,413	$5,646,690

As of December 31, 2014, the $3.8 billion of commercial and commercial real estate loans originated by the Company on or after January 1, 2010 had a weighted average original LTV of 64% and a weighted average current risk rating of 4.7. Loans with a risk rating of one through six are considered pass rated loans with an acceptable amount of risk for the Company. Loans rated as seven or higher present increased risk to the Company and are therefore more closely monitored. The weighted average original LTV ratio and weighted average current risk rating calculated above excludes our mortgage warehouse finance loans as these loans are comprised of repurchase agreements executed with well capitalized mortgage lenders. Mortgage warehouse finance loans are typically collateralized by agency deliverable loans and are underwritten at a discount when compared to the UPB of the originated mortgage loans to account for potential reductions in the fair value of the loan subsequent to origination and before final sale. The weighted average original LTV ratio also excludes lender finance loans due to the structured nature of these participated loans. Of the $3.8 billion of commercial and commercial real estate loans originated by the Company on or after January 1, 2010, none were greater than 30 days past due at December 31, 2014.

As of December 31, 2014, $11.4 million of commercial and commercial real estate loans originated by the Company on or after January 1, 2010 are rated at level six, or watch rated, representing loans that may have exhibited potential signs of credit weakness but that remain pass rated due to an expectation that the borrower will be able to stabilize its performance and $14.7 million are rated at level seven, or special mention, representing loans that have a pending event that will occur within the next 180 days that could jeopardize loan repayment. The special mention rating is generally viewed as being temporary in nature such that the loan is expected to either be upgraded to a risk rating of six or downgraded to a risk rating of eight. As of December 31, 2014, $1.7 million of commercial and commercial real estate loans originated by the Company on or after January 1, 2010 are rated at level eight or substandard, representing loans for which the balance is considered at risk as it is not adequately protected by the paying capacity of the borrower or by the collateral pledged, if any. All remaining loans originated by the Company on or after January 1, 2010 are rated a five or better.

Acquired credit impaired loans are recorded at fair value on the date of acquisition and accrue income over the life of the loan based on expected cash flows. Under the accounting guidance, expected losses are a component of the expected cash flow analysis performed with no allowance necessary at the time of acquisition. An allowance is recorded when the present value of future expected cash flows discounted at the effective interest rate of the pool decreases after the acquisition date such that the book value of the pool is considered impaired. As of December 31, 2014 our commercial ACI portfolio had an allowance of $2.0 million, or 1%, of the recorded investment in commercial ACI loans. Non-ACI loans are also recorded at fair value on the date of acquisition and only credit losses subsequent to acquisition are included in the allowance for loan losses. As such, these loans carry an allowance that is smaller than what the inherent credit losses are at the acquisition date. A majority of the $1.5 billion in non-credit impaired, acquired loans were acquired in our acquisition of BPL at fair value with no allowance recorded at acquisition. As additional losses are incurred and modeled, we record the applicable provision and allowance for loan and lease losses.

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Equipment Financing Receivables

The table below presents our equipment financing receivables portfolio by delinquency status and collateral type.

Equipment Financing Receivables Held for Investment Analysis Table 32

December 31, 2014 (dollars in thousands)	Delinquency Status Current	30 - 89 Days Past Due	90 Days or Greater Past Due	Total
Healthcare	$565,558	$8,003	$1,237	$574,798
Office products	431,540	11,624	1,659	444,823
Information technology	222,368	1,547	33	223,948
Small fleet trucking	204,816	—	—	204,816
Construction	175,980	—	—	175,980
Other	405,410	1,461	334	407,205
Total equipment financing receivables	$2,005,672	$22,635	$3,263	$2,031,570

Our equipment financing business finances essential-use healthcare, office products, information technology, small fleet trucking, construction and other types of equipment primarily to small and medium-sized lessees and borrowers with financing terms ranging from 36 to 72 months. Allowance related to these loans and leases is low due to the shorter financing terms of these products and the quality of the underlying collateral securing the transaction. Of the $2.0 billion in equipment financing receivables that are current, $5.3 million are on nonaccrual status, while $2.4 million of the $22.6 million in equipment financing receivables 30-89 days past due are on nonaccrual status. The remaining equipment financing receivables on nonaccrual status are those loans and leases that are 90 days or greater past due. It is the Company's policy to keep a loan or lease on nonaccrual status until the borrower has demonstrated performance according to the terms of their agreement for a period generally of at least six months.

The following table provides an analysis of the ALLL, provision for loan and lease losses and net charge-offs for the years ended December 31, 2014, 2013, 2012, 2011, and 2010:

Allowance for Loan and Lease Losses Activity Table 33

(dollars in thousands)	Year Ended December 31, 2014	2013	2012	2011	2010
ALLL, beginning of period	$63,690	$82,102	$77,765	$93,689	$93,178
Charge-offs:					
Consumer Banking:					
Residential mortgages	8,366	15,575	19,226	36,664	19,730
Home equity lines	1,033	1,816	3,295	5,806	7,540
Other consumer and credit card	91	69	163	193	610
Commercial Banking:					
Commercial and commercial real estate	6,913	12,917	8,597	19,446	46,168
Equipment financing receivables	5,797	3,651	3,671	5,371	6,050
Total charge-offs	22,200	34,028	34,952	67,480	80,098
Recoveries:					
Consumer Banking:					
Residential mortgages	1,096	1,696	650	46	267
Home equity lines	552	513	248	24	187
Other consumer and credit card	—	76	61	35	214
Commercial Banking:					
Commercial and commercial real estate	9	4,786	6,056	2,028	598
Equipment financing receivables	888	604	275	116	2
Total recoveries	2,545	7,675	7,290	2,249	1,268
Net charge-offs	19,655	26,353	27,662	65,231	78,830

Provision for loan and lease losses	24,533	12,038	31,999	49,704	79,341
Other	(7,722)	(4,097)	—	(397)	—
ALLL, end of period	$60,846	$63,690	$82,102	$77,765	$93,689
Net charge-offs to average loans and leases held for investment	0.13 %	0.21 %	0.31 %	1.02 %	1.46 %

Net charge-offs for the year ended December 31, 2014 totaled $19.7 million, down $6.7 million over the year ended December 31, 2013. Net charge-offs for 2013 totaled $26.4 million, down $1.3 million from 2012. These decreases in net charge-offs are primarily a result of stabilizing property values of the residential and commercial real estate portfolios as well as the sale of residential nonperforming loans during the second quarter of 2014. Net charge-offs for 2012 totaled $27.7 million, down $37.6 million over 2011. Net charge-offs decreased from $78.8 million in 2010 to $65.2 million in 2011. Residential mortgages experienced increasing levels of net charge-offs from 2010 to 2011, growing from

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$19.5 million to $36.6 million, respectively. Subsequent to this period of increasing residential mortgage net charge-offs, which peaked in 2011, net charge-offs have declined over the subsequent three years with net charge-offs of residential mortgages totaling $18.6 million, $13.9 million and $7.3 million for the years ended December 31, 2012, 2013 and 2014, respectively.

Loans Subject to Representations and Warranties

We originate residential mortgage loans, primarily first-lien home loans, through our direct and correspondent channels with the intent of selling a substantial majority of them in the secondary mortgage market. We sell and securitize conventional conforming and federally insured single-family residential mortgage loans predominantly to GSEs, such as FNMA and FHLMC. A majority of the conventional conforming and federally insured single-family mortgage loans sold to non-GSEs were agency deliverable product that were eventually sold by large aggregators of agency product who securitized and sold the loans to the agencies. We also sell residential mortgage loans that do not meet criteria for loan sales to GSEs (nonconforming mortgage loans), to private non-GSE purchasers through whole loan sales and securitizations.

Although we structure all of our loan sales as non-recourse sales, the underlying sale agreements require us to make certain market standard representations and warranties at the time of sale, which may vary from agreement to agreement. Such representations and warranties typically include those made regarding the existence and sufficiency of file documentation, credit information, compliance with underwriting guidelines and the absence of fraud by borrowers or other third parties such as appraisers in connection with obtaining the loan. We have exposure to potential loss because, among other things, the representations and warranties we provide purchasers typically survive for the life of the loan.

Beginning in 2009, higher loan delinquencies, resulting from deterioration in overall economic conditions and trends, particularly those impacting the residential housing sector, caused investors to carefully examine and re-underwrite credit files for those loans in default to determine if there had been a breach of a representation or a warranty in the sale agreement. Investors have most often cited income and employment misrepresentations as the grounds for us to repurchase loans.

Upon receipt of a repurchase demand from an investor, we review the allegations and re-underwrite the loan. We also verify any third-party information included as support for the repurchase demand. In certain cases, we may request the investor to provide additional information to assist us in our determination of whether to repurchase the loan.

Upon completion of our own internal investigation as to the validity of a repurchase claim, our findings are discussed by senior management and subject-matter experts as part of our loan repurchase subcommittee. If the subcommittee determines that we are obligated to repurchase a loan, such recommendation is presented to executive management for review and approval.

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, we generally have 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. Our obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan. For example, if an investor has already liquidated the mortgage loan, the investor no longer has a mortgage asset that we could repurchase.

Of the three courses of action described above, a loan repurchase is the only remedy where we will place the loan asset that is the subject of the repurchase demand on our balance sheet, assuming we cannot cure the breach and redeliver the loan into the secondary market. In the case of indemnification, the investor still owns the loan asset and we indemnify the investor for losses incurred resulting from our breach of a representation and warranty. In the case of a make-whole payment, the investor or subsequent purchaser of a loan asset has liquidated the loan and there is no loan asset for us to repurchase. We are simply obligated to make the investor whole for losses incurred between the initial purchase price and the liquidation price, and related costs.

At the time we repurchase a loan, we determine whether to hold the loan for sale or for investment. If the loan is sellable on the secondary market, we may elect to do so. If the loan is not sellable on the secondary market or there are other reasons why we would elect to retain the loan, we will service the asset to minimize our losses. This may include, depending on the status of the loan at the time of repurchase, modifying the loan, or foreclosure on the loan

and subsequent liquidation of the mortgage property.
When we sell residential mortgage loans on the secondary mortgage market, our repurchase obligations are typically not limited to any specific period of time. Rather, the contractual representations and warranties we make on these loans survive indefinitely for the life of the loan.
We also have a limited repurchase exposure for early payment defaults (EPD) which are typically triggered if a borrower does not make the first several payments due after the mortgage loan has been sold to an investor. Certain of our private investors have agreed to waive EPD provisions for conventional conforming and federally insured single-family residential mortgage loans and certain preferred jumbo loan products. However, we are subject to EPD provisions and prepayment protection provisions on non-conforming preferred jumbo loan products and community reinvestment loans. Total non-conforming UPB sold subject to prepayment and default protection was $385.6 million at December 31, 2014. Total originations of community reinvestment loans sold under the State of Florida housing program was minimal.

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As of December 31, 2014, we had 353 active repurchase requests. We have summarized the activity for the years ended December 31, 2014, 2013, and 2012 below regarding repurchase requests received, requests successfully defended, and loans that we repurchased or for which we indemnified investors or made investors whole with the corresponding origination years:

Loan Repurchase Activity — Table 34

(dollars in thousands)	2014	2013	2012
Agency	160	144	121
Agency Aggregators / Non-GSE (1)	296	256	316
Repurchase requests received	456	400	437
Agency	130	75	92
Agency Aggregators / Non-GSE (1)	232	148	177
Requests successfully defended	362	223	269
Agency	51	27	53
Agency Aggregators / Non-GSE (1)	32	76	112
Loans repurchased, indemnified or made whole	83	103	165
Agency	$2,151	$2,315	$4,766
Agency Aggregators / Non-GSE (1)	3,233	6,668	12,867
Net realized losses on loan repurchases	$5,384	$8,983	$17,633
Years of origination of loans repurchased	2003 - 2014	2000 - 2013	2000 - 2012

(1) Includes a majority of agency deliverable products that were sold to large aggregators of agency product who securitized and sold the loans to the agencies.

We have summarized repurchase statistics for vintages 2004 through 2014 below:

Summary Statistics by Vintage — Table 35

Losses to date (dollars in thousands)	2004-2005	2006-2009	2010-2014	Total
Total sold UPB	$11,334,198	$18,997,792	$33,940,596	$64,272,586
Request rate (1)	0.50 %	2.10 %	0.30 %	0.90 %
Requests received	253	1,837	460	2,550
Pending requests	38	270	38	346
Resolved requests	215	1,567	422	2,204
Repurchase rate	37 %	37 %	21 %	34 %
Loans repurchased	80	580	88	748
Average loan size	$222	$215	$230	$224
Loss severity	15 %	46 %	7 %	37 %
Losses realized	$2,576	$57,455	$1,486	$61,517
Losses realized (bps)	2.3	30.0	0.4	9.6

(1) Request rate is calculated as the number of requests received to date, compared to the total number of loans sold for the period.

The most common reasons for loan repurchases and make-whole payments relate to missing documentation, program violation, and claimed misrepresentations related to undisclosed debts, appraisal value and/or stated income. Additionally, we also received requests to repurchase or make whole loans because they did not meet the specified investor guidelines. Repurchase demands relating to early payment defaults, typically arise within six (6) months of selling the loan to an investor. From 2004 through 2009, we sold loans servicing released, therefore the lack of servicing statistics and status of the loans sold is not known. As such, there is additional uncertainty surrounding the reserves for repurchase obligations for loans sold or securitized.

Along with the contingent obligation associated with representations and warranties noted above, the Company also has a noncontingent obligation to stand ready to perform over the term of the representation and warranties. A liability is established when the obligation is both probable and reasonably estimable and is recognized as a reduction on net gains on loan sales and securitizations. When calculating the reserve associated with this noncontingent obligation, we estimate the probable losses inherent in the population of loans sold, subject to standard representations and warranties, based on trends in repurchase requests and actual loss severities experienced.

Recently the Federal Housing Finance Agency (FHFA) announced that two new representations and warranties frameworks were to be implemented in order to provide lenders a higher degree of certainty and clarity around repurchase exposure, as well as consistency around repurchase timelines and remedies. Version one of the framework applies to conventional loans that were acquired by FNMA or FHLMC (GSEs)

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on a flow basis after January 1, 2013 but before July 1, 2014, while version two of the framework applies to conventional loans that were acquired by the GSEs on a flow basis on or after July 1, 2014. Under the new frameworks lenders will be relieved of their obligation to remedy mortgage loans that are in breach of certain underwriting and eligibility representations and warranties if the borrower meets one of two payment history requirements and the other eligibility criteria described herein. To be eligible for relief under the first version of the framework, a mortgage loan must meet the following requirements: (A) the mortgage loan must have an acquisition date after January 1, 2013 but before July 1, 2014 (whole loan purchases or mortgage loans delivered into MBS) and (B) the mortgage loan must meet one of the following payment history requirements: (1) the borrower was not 30 days delinquent during the 36 months following the acquisition date or (2) the borrower (i) had no more than two 30-day delinquencies and no 60-day or greater delinquencies, during the 36 months following the acquisition date; and (ii) was current as of the 60th month following the acquisition date. The GSEs are relaxing the requirements for relief under the second version of the framework, so that mortgages that would previously have obtained relief upon the borrower's 60th payment will now receive relief upon the borrower's 36th monthly payment. The remaining eligibility criterion remained unchanged from version one to version two of the framework. Added emphasis will be made going forward on performing post-purchase reviews in order to support the new frameworks and identify data discrepancies and other defects at purchase as opposed to at default. During 2014, the GSEs announced changes to their representation and warranty framework, stating statements/misrepresentations/omissions and data inaccuracies have been revised to state that the GSEs will only issue repurchase requests for significant violations that reflect a pattern of activity involving multiple parties to the transaction, for purposes of the life of loan exclusions, the definition of fraud has been revised to clarify the distinction between fraud and misstatement under the guides, and the changes to the framework are effective retroactively for whole loans purchased, and mortgage loans delivered into MBS with pool issue dates, on and after January 1, 2013, except that these changes do not apply to any loans for which the GSEs have issued a repurchase request prior to November 20, 2014. These changes will have an impact on the calculated reserves for the 2013 book year and forward.

The following is a rollforward of our reserves for repurchase losses for the years ended December 31, 2014, 2013 and 2012:

Reserves for Loans Sold or Securitized — Table 36

(dollars in thousands)	2014	2013	2012
Balance, beginning of period	$20,225	$27,000	$32,000
Provision for new sales/securitizations	2,199	3,759	756
Provision for changes in estimate of existing reserves	8,900	(1,551)	11,877
Net realized losses on repurchases	(5,384)	(8,983)	(17,633)
Balance, end of period	$25,940	$20,225	$27,000

The liability for repurchase losses was $25.9 million as of December 31, 2014 compared to $20.2 million as of December 31, 2013. The increase in the liability is primarily due to the increased number of repurchase requests received during the current period from agency aggregators and non-GSEs and an increase in the reserve for active repurchase requests due to increased information and clarity into the repurchase loan pipeline, including the probability of repurchase and underlying collateral values.

The following table provides a breakout of the repurchase reserve into its major components as of December 31, 2014 and December 31, 2013:

Analysis of Reserves for Repurchase Obligations for Loans Sold or Securitized — Table 37

(dollars in thousands)	2014	2013
Reserve for active (pending) repurchase requests	$19,673	$12,440
Remaining repurchase reserve	6,267	7,785
Total repurchase reserve	$25,940	$20,225

As seen in the pending pipeline analysis below, the majority of active repurchase requests are for loans sold or securitized prior to 2010. We believe repurchase requests for these vintages will ease going forward as the FHFA announced in 2013 its goal for the GSEs to complete their demands for remedies for breaches of representations and warranties related to pre-conservatorship loan activity. We have seen an easing of repurchase requests related to most of our counterparties as a result of the GSEs progress.

Pending Pipeline Analysis for Repurchase Obligations for Loans Sold or Securitized				Table 38
(dollars in thousands)	2002 - 2003	2004 - 2009	2010 - 2014	Total
Pending Pipeline at December 31, 2014				
Active repurchase requests	7	308	38	353
UPB of active repurchase (pending) requests	$1,287	$74,763	$9,783	$85,833
Pending Pipeline at December 31, 2013				
Active repurchase requests	5	301	34	340
UPB of active repurchase (pending) requests	$707	$73,005	$7,995	$81,707

We performed a sensitivity analysis on our remaining repurchase reserve by varying the foreclosure rate, repurchase rate, request rate
and severity assumptions independently for each loan sale vintage year. The pending pipeline was held constant for the sensitivity analysis as
this portion of the reserve is based on previously received repurchase requests from counterparties with a severity based on realized losses from previously received repurchase requests. By increasing these assumptions by 10% and 20%, the reserve balance as of December 31, 2014 would have increased from $25.9 million to $27.1 million and $28.6 million, respectively which is an increase of and 5% and 10% from the baseline. Based upon qualitative and quantitative factors, including the number of pending repurchase requests, rescission rates and trends in loss severities, we may make adjustments to the base reserve balance to incorporate recent, known trends.

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Loan Servicing

When we service residential mortgage loans where FNMA or FHLMC is the owner of the underlying mortgage loan asset, we are subject to potential repurchase risk for: (1) breaches of loan level representations and warranties even though we may not have originated the mortgage loan; and (2) failure to service such loans in accordance with the applicable GSE servicing guide. If a loan purchased or securitized by FNMA or FHLMC is in breach of an origination representation and warranty, such GSE may look to the loan servicer for repurchase. If we are obligated to repurchase a loan from either FNMA or FHLMC, we seek indemnification from the counterparty that sold us the MSR, if the counterparty is a third party, which presents potential counterparty risk if such party is unable or unwilling to satisfy its indemnification obligations.

Total acquired UPB for counterparties unable or unwilling to satisfy their indemnification obligations subject to repurchase risk was $6.3 billion at December 31, 2014. Of the $6.3 billion in acquired UPB, we were actively servicing $1.0 billion of remaining UPB. During 2014, no new counterparties were identified that were unwilling or unable to satisfy their indemnification obligations.

The following is a rollforward of our reserves for servicing repurchase losses related to these counterparties for the years ended December 31, 2014, 2013, and 2012 :

Reserves for Repurchase Obligations for Loans Serviced			Table 39
(dollars in thousands)	2014	2013	2012
Balance, beginning of period	$23,668	$26,026	$30,364
Provision for changes in estimate of existing reserves	(7,723)	9,400	10,457
Net realized losses on repurchases	(12,998)	(11,758)	(14,795)
Balance, end of period	$2,947	$23,668	$26,026

The liability for repurchase losses was $2.9 million as of December 31, 2014 compared to $23.7 million as of December 31, 2013. The decrease in the liability since December 31, 2013 is primarily due to the run-off of losses for active repurchase requests that were estimated in the prior periods, changes in estimates of existing reserves, and a decrease in the number of repurchase requests received in the current period. Net realized losses increased by $1.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. Along with the increased losses, the Company received just 39 repurchase requests in the year ended December 31, 2014, while settling 364 repurchase requests through make-whole payments, loan repurchases and rescinded requests for the same period.

Analysis of Reserves for Repurchase Obligations for Loans Serviced		Table 40
(dollars in thousands)	2014	2013
Reserve for active (pending) repurchase requests	$1,108	$10,338
Remaining repurchase reserve	1,839	13,330
Total repurchase reserve	$2,947	$23,668

Pending Pipeline Analysis of Reserves for Repurchase Obligations for Loans Serviced		Table 41
(dollars in thousands)	December 31, 2014	December 31, 2013
UPB of pending pipeline	$6,586	$57,988
Number of new repurchase requests received in quarter	6	294
Number of repurchase requests settled in quarter	16	142
Active repurchase requests at period end	38	361

The reduction in repurchase requests along with the increase in request settlements led to an overall reduction of $51.4 million of UPB within the pending pipeline from December 31, 2013 to December 31, 2014. As can been seen in the analysis above, the reduction of UPB within the pending pipeline led to a decrease of $9.2 million in repurchase liability for active repurchase requests and a decrease of $11.5 million in the remaining repurchase liability.

The following is a sensitivity analysis as of December 31, 2014 of our reserve related to our estimated servicing repurchase losses based on ASC Topic 460, Guarantees:

Sensitivity of Servicing Repurchase Losses Table 42

	Frequency and Severity				
(dollars in thousands)	Up 20%	Up 10%	Base	Down 10%	Down 20%
Reserve for servicing repurchase losses	$4,035	$3,475	$2,947	$2,479	$2,043

As seen in the analysis above by increasing the frequency and severity 20%, the reserve balance as of December 31, 2014 would have increased by 37% from the baseline. Conversely, by decreasing the frequency and severity by 20%, the reserve balance as of December 31, 2014 would have decreased by 31%. Based upon qualitative and quantitative factors, including the number of pending repurchase requests, rescission rates and trends in loss severities, management may make adjustments to the base reserve balance to incorporate recent, observable trends.

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Loans in Foreclosure

Losses can arise from certain government agency agreements which limit the agency's repayment guarantees on foreclosed loans, resulting in certain minimal foreclosure costs being borne by servicers. In particular, government insured loans serviced under GNMA guidelines require servicers to fund any foreclosure claims not otherwise covered by insurance claim funds of the U.S. Department of Housing and Urban Development and/or the U.S. Department of Veterans Affairs.

Other than foreclosure-related costs associated with servicing government insured loans, we have not entered into any servicing agreements that require us as servicer to cover foreclosure-related costs.

Funding Sources

Deposits obtained from clients are our primary source of funds for use in lending, acquisitions and other business purposes. We generate deposit client relationships through our consumer direct, financial center and financial intermediary distribution channels. The consumer direct channel includes: internet, email, telephone and mobile device access to product and client support offerings. Our differentiated products, integrated online financial portal and value-added account features deepen our interactions and relationships with our clients resulting in high retention rates. Other funding sources include short-term and long-term borrowings and shareholders' equity. Borrowings have become an important funding source as we have grown.

Deposits

The following table shows the distribution of our deposits by type of deposit at the dates indicated:

Deposits by Category — Table 43

	December 31, 2014			2013			2012		
(dollars in thousands)	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate
Noninterest-bearing demand	$984,703	$1,139,766	0.00%	$1,076,631	$1,413,108	0.00%	$1,445,783	$1,500,925	0.00%
Interest-bearing demand	3,540,027	3,007,036	0.62%	3,006,401	2,970,596	0.70%	2,681,769	2,267,069	0.75%
Market-based money market accounts	374,856	405,627	0.61%	413,137	420,919	0.69%	439,399	437,328	0.76%
Savings and money market accounts, excluding market-based	5,136,031	5,068,096	0.62%	5,110,992	5,019,352	0.70%	4,451,843	4,056,511	0.77%
Market-based time	466,514	554,151	0.77%	597,858	661,640	0.79%	736,612	833,707	0.94%
Time, excluding market-based	5,006,566	3,820,902	1.17%	3,056,321	3,298,679	1.14%	3,386,982	2,315,432	1.27%
	$15,508,697			$13,261,340			$13,142,388		

The following table shows scheduled maturities of certificates of deposit with denominations greater than or equal to $100,000:

Deposit Maturity — Table 44

(dollars in thousands)	December 31, 2014
3 months or less	$657,467
3 through 6 months	369,000
6 through 12 months	398,341
12 through 24 months	359,085
24 through 36 months	117,678

Over 36 months	514,444
Total certificates of deposit with denominations greater than or equal to $100,000	$2,416,015

Our major source of funds and liquidity is our deposit base, which provides funding for our investment securities and our loan and lease portfolios. We carefully manage our interest paid on deposits to control the level of interest expense we incur. The mix and type of interest-bearing and noninterest-bearing deposits in our deposit base changes due to our funding needs, marketing activities and market conditions.

Total deposits increased by $2.2 billion, or 17%, to $15.5 billion at December 31, 2014 from $13.3 billion at December 31, 2013. During the year ended December 31, 2014, noninterest-bearing deposits decreased by $0.1 billion, or 9%, to $1.0 billion primarily due to a decrease in escrow deposits. Interest-bearing deposits increased by $2.3 billion, or 19%, to $14.5 billion at December 31, 2014 from $12.2 billion at December 31, 2013. This increase in interest-bearing deposits is primarily due to growth in time deposits and interest-bearing demand deposits.

Total deposits increased by $0.1 billion, or 1%, to $13.3 billion at December 31, 2013 from $13.1 billion at December 31, 2012. As a result of decreased advertising and marketing spending, deposit growth slowed during 2013 by design to match decreased asset funding requirements. During the year ended December 31, 2013, noninterest-bearing deposits decreased by $0.4 billion, or 26%, to $1.1 billion, primarily due to decreases in our escrow deposits and business accounts. Interest-bearing deposits increased by $0.5 billion, or 4%, to $12.2 billion at December 31, 2013 from $11.7 billion at December 31, 2012. This increase in interest-bearing deposits was primarily due to growth in savings and money market accounts and interest-bearing demand accounts. This increase was partially offset by a decrease in time deposits.

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FHLB Borrowings

In addition to deposits, we use borrowings from the FHLB as a source of funds to meet the daily liquidity needs of our clients and fund growth in earning assets. Our FHLB borrowings increased by $1.7 billion, or 70%, to $4.0 billion at December 31, 2014 from $2.4 billion at December 31, 2013. This increase in FHLB borrowings is primarily attributable to an increase in loans held for investment. Our FHLB borrowings decreased by $0.7 billion, or 22%, to $2.4 billion at December 31, 2013 from $3.0 billion at December 31, 2012. The decrease in FHLB borrowings during 2013 was primarily attributable to a decline in short-term assets including warehouse loans held for sale and an increase in deposits partially offset by an increase in longer duration loans held for investment. See "Liquidity Management" for information on remaining borrowing capacity.

The following table provides a summary of our FHLB advances at December 31, 2014, 2013 and 2012:

FHLB Borrowings Outstanding — Table 45

(dollars in thousands)	Weighted-Average Remaining Maturity[5] (in years)	2014	2013	2012
Fixed-rate advances with a weighted-average interest rate of 1.17%, 1.60%, and 2.05%, respectively[1]	2.37	$3,979,000	$2,353,000	$2,412,858
Floating-rate advance with an interest rate of 0.22%, 0.00% and 0.00%[2]	19.82	25,000	—	—
Convertible advances with a weighted-average fixed rate of 0.00%, 0.00%, and 4.24%, respectively[3]	—	—	—	17,000
Overnight advances with a weighted-average floating interest rate of 0.00%, 0.00%, and 0.36%, respectively[4]	—	—	—	600,500
		$4,004,000	$2,353,000	$3,030,358

(1) Interest is payable either monthly or quarterly.
(2) The floating-rate advance interest rate resets on a quarterly basis, matures October 2034 and can be repaid in whole or in part on any quarterly interest payment date without prepayment penalty.
(3) Convertible advances are callable quarterly by FHLB; interest is payable on call dates.
(4) Overnight advance interest rates are adjusted daily by FHLB.
(5) Weighted-average remaining maturity is calculated as of December 31, 2014.

The table below summarizes the average outstanding balance of our FHLB advances, the weighted average interest rate, and the maximum amount of borrowings in each category outstanding at any month-end during the years ended December 31, 2014, 2013 and 2012, respectively.

FHLB Borrowings — Table 46

(dollars in thousands)	2014	2013	2012
Fixed-rate advances:			
Average daily balance	$3,254,807	$2,304,691	$1,639,703
Weighted-average interest rate	1.28 %	1.98 %	1.93 %
Maximum month-end amount	$4,278,000	$2,642,700	$2,412,858
Floating-rate advances:			
Average daily balance	$5,205	$—	$—
Weighted-average interest rate	0.22 %	— %	— %
Maximum month-end amount	$25,000	$—	$—
Convertible advances:			
Average daily balance	$—	$7,452	$27,503
Weighted-average interest rate	— %	4.24 %	4.38 %
Maximum month-end amount	$—	$17,000	$44,000
Overnight advances:			
Average daily balance	$137	$33,890	$235,260

Weighted-average interest rate	0.36 %	0.39 %	0.40 %
Maximum month-end amount	$50,000	$200,500	$840,500

During September 2013, the Company early extinguished FHLB advances with a principal balance of $770.0 million. The consideration paid for the early extinguishment was $734.0 million representing the net settlement of the advance balances. The resulting gain of $36.0 million recognized upon extinguishment was recorded in other noninterest income in the consolidated statements of income. As a result of the extinguishment, the forecasted transactions related to the interest payments associated with this debt were no longer expected to occur which resulted in the reclassification of $31.0 million in unrealized losses previously recorded in accumulated other comprehensive income to other noninterest income.

In early October 2013, the Company settled an additional FHLB advance with a principal balance of $104.0 million. The consideration paid for this early extinguishment was $93.6 million representing the net settlement of the advance balance. The resulting gain of $10.4 million realized upon extinguishment was recorded in other noninterest income in the consolidated statements of income.

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Repurchase Agreements

The Company had no repurchase agreements outstanding as of December 31, 2014 and December 31, 2013. The table below summarizes the average outstanding balance of our repurchase agreements, the weighted average interest rate, and the maximum amount of repurchase agreements at any month-end during the years ended December 31, 2014 and 2013.

Repurchase Agreements — Table 47

(dollars in thousands)	2014	2013
Repurchase agreements:		
Average daily balance	$—	$13,945
Weighted-average interest rate	— %	1.94 %
Maximum month-end amount	$—	$20,000

Trust Preferred Securities

Our outstanding trust preferred securities totaled $103.8 million at December 31, 2014 and December 31, 2013.

Liquidity Management

Liquidity refers to the measure of our ability to meet the cash flow requirements of depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs. We continuously monitor our liquidity position to ensure that assets and liabilities are managed in a manner that will meet all short-term and long-term cash requirements.

Funds invested in short-term marketable instruments, the continuous maturing of other interest-earning assets, cash flows from self-liquidating investments such as mortgage-backed securities, the possible sale of available for sale securities, and the ability to securitize certain types of loans provide sources of liquidity from an asset perspective. The liability base provides sources of liquidity through issuance of deposits and borrowed funds. In addition, raises of equity capital provide us with a source of liquidity. To manage fluctuations in short-term funding needs, we utilize borrowings under lines of credit with other financial institutions, such as the FHLB, securities sold under agreements to repurchase, federal fund lines of credit with correspondent banks, and, for contingent purposes, the Federal Reserve Bank discount window. We also have access to term advances with the FHLB, as well as brokered certificates of deposits, for longer term liquidity needs. We believe our sources of liquidity are sufficient to meet our cash flow needs for the foreseeable future.

We continued to maintain a strong liquidity position during 2014. Cash and cash equivalents were $0.4 billion, available for sale investment securities were $0.8 billion, and total deposits were $15.5 billion as of December 31, 2014.

As of December 31, 2014, we had a $6.9 billion line of credit with the FHLB, of which $4.1 billion was utilized. Based on asset size, the maximum potential line available with the FHLB was $7.2 billion at December 31, 2014, assuming eligible collateral to pledge. As of December 31, 2014, we pledged collateral with the FRB that provided $37.0 million of borrowing capacity at the discount window but did not have any borrowings outstanding. The maximum potential borrowing at the FRB is limited only by eligible collateral.

At December 31, 2014, our availability under Promontory Interfinancial Network, LLC’s CDARS® One-Way Buy℠ deposits was $3.2 billion with $295.3 million in outstanding balances. Although our availability under Promontory Interfinancial Network, LLC’s CDARS® One-Way Buy℠ deposits was $3.2 billion at December 31, 2014, funding from this source is also limited by the overall network volume of CDARS One-Way Buy deposits available in the marketplace. Our treasury function views $500 million as the practical maximum availability for this type of funding. As of December 31, 2014, our availability under federal funds commitments was $65.0 million with no outstanding borrowings.

We continue to evaluate the ultimate impact of the implementation of the new capital and liquidity standards under the Basel III Capital Rules and the Dodd-Frank Act on the Company's liquidity management functions. See also the discussion under "Business--Recent Regulatory Developments" and “Risk Factors-Regulatory and Legal Risk Factors.”

Capital Management

Management, and our Board of Directors, regularly reviews our capital position to help ensure it is appropriately positioned under various operating and market environments.

2014 Capital Actions

On January 22, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.04 per common share, payable on February 20, 2015, to stockholders of record as of February 11, 2015. Also on January 22, 2015, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on April 6, 2015, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of March 20, 2015.

On October 23, 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.04 per common share, payable on November 24, 2014, to stockholders of record as of November 12, 2014. Also on October 23, 2014, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on January 5, 2015, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of December 19, 2014.

On July 25, 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.04 per common share, payable on August 25, 2014, to stockholders of record as of August 13, 2014. Also on July 25, 2014, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on October 6, 2014, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of September 19, 2014.

On April 25, 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.03 per common share, payable on May 22, 2014, to stockholders of record as of May 12, 2014. Also on April 25, 2014, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on July 7, 2014, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of June 23, 2014.

On January 24, 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.03 per common share, payable on February 22, 2014, to stockholders of record as of February 11, 2014. Also on January 24, 2014, the Company's Board of Directors declared a

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quarterly cash dividend of $421.875, payable on April 7, 2014, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of March 21, 2014.

Capital Ratios

As a savings and loan holding company, we are not currently subject to specific statutory capital requirements. However, we are required to serve as a source of strength for EverBank and must have the ability to provide financial assistance if EverBank experiences financial distress.

As a result of recent regulatory requirements pursuant to the Dodd-Frank Act and Basel III, we will be subject to increasingly stringent regulatory capital requirements. For a discussion of the regulatory capital requirements please see "Regulatory Changes" under Key Factors Affecting our Business and Financial Statements above.

At December 31, 2014, EverBank exceeded all regulatory capital requirements and was considered to be "well-capitalized" with a Tier 1 leverage ratio of 8.2% and a total risk-based capital ratio of 13.4%. Management believes, at December 31, 2014, that we and EverBank would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

The table below shows regulatory capital and risk-weighted assets for EB at December 31, 2014 and December 31, 2013:

Regulatory Capital (bank level) Table 48

(dollars in thousands)		December 31, 2014	December 31, 2013
Shareholders' equity		$1,789,398	$1,662,164
Less:	Goodwill and other intangibles	(49,589)	(51,072)
	Disallowed servicing asset	(32,054)	(20,469)
	Disallowed deferred tax asset	—	(63,749)
Add:	Accumulated losses on securities and cash flow hedges	64,002	50,608
Tier 1 Capital		1,771,757	1,577,482
Add:	Allowance for loan and lease losses	60,846	63,690
Total regulatory capital		$1,832,603	$1,641,172
Adjusted total assets		$21,592,849	$17,554,236
Risk-weighted assets		13,658,685	11,467,411

The regulatory capital ratios for EverBank, along with the capital amounts and ratios for the minimum OCC requirement and the framework for prompt corrective action are as follows:

Regulatory Capital Ratios (bank level) Table 49

	Actual		For OCC Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	Capital	Ratio	Minimum Amount	Ratio	Minimum Amount	Ratio
December 31, 2014						
Tier 1 capital to adjusted tangible assets	$1,771,757	8.2 %	$863,714	4.0 %	$1,079,643	5.0 %
Total capital to risk-weighted assets	1,832,603	13.4	1,092,695	8.0	1,365,869	10.0
Tier 1 capital to risk-weighted assets	1,771,757	13.0	N/A	N/A	819,521	6.0
December 31, 2013						
Tier 1 capital to adjusted tangible assets	$1,577,482	9.0 %	$702,169	4.0 %	$877,712	5.0 %
Total capital to risk-weighted assets	1,641,172	14.3	917,393	8.0	1,146,741	10.0
Tier 1 capital to risk-weighted assets	1,577,482	13.8	N/A	N/A	688,045	6.0

Restrictions on Paying Dividends

Federal banking regulations impose limitations upon certain capital distributions by savings associations, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The OCC regulates all capital distributions by EB directly or indirectly to us, including dividend payments. EB may not pay dividends to us if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OCC notifies EB that it is subject to heightened supervision. Under the Federal Deposit Insurance Act, an insured depository institution such as EB is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized." Payment of dividends by EB also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an "unsafe and unsound" banking practice.

Asset and Liability Management and Market Risk

Interest rate risk is our primary market risk and results from our business of investing in interest-earning assets with funds obtained from interest-bearing deposits and borrowings. Interest rate risk is defined as the risk of loss of future earnings or market value due to changes in interest rates. We are subject to this risk because:

- assets and liabilities may mature or re-price at different times or by different amounts;
- short-term and long-term market interest rates may change by different amounts;
- similar term rate indices may exhibit different re-pricing characteristics; and
- the life of assets and liabilities may shorten or lengthen as interest rates change.

Interest rates may also have a direct or indirect effect on loan demand, credit losses, mortgage origination volume, the fair value of MSRs and other items affecting earnings. Our objective is to measure the impact of interest rate changes on our capital and earnings and manage the balance sheet in order to decrease interest rate risk.

Interest rate risk is monitored by the Asset and Liability Committee (ALCO) which is composed of certain of our executive officers and other members of management, in accordance with policies approved by our Board of Directors. ALCO has employed policies that attempt to manage our interest-sensitive assets and liabilities, in order to control interest rate risk and avoid incurring unacceptable levels of credit or concentration risk. We manage our exposure to interest rates by structuring our balance sheet according to these policies in the ordinary course of business. In addition, the ALCO policy permits the use of various derivative instruments to manage interest rate risk or hedge specified assets and liabilities.

Consistent with industry practice, we primarily measure interest rate risk by utilizing the concept of "Economic Value of Equity" (EVE) which is defined as the present value of assets less the present value of liabilities. EVE scenario analysis estimates the fair value of the balance sheet in alternative interest rate scenarios. The EVE does not consider management intervention and assumes the new rate environment is constant and the change is instantaneous. Further, as this framework evaluates risks to the current balance sheet only, changes to the volumes and pricing of new business opportunities that can be expected in the different interest rate outcomes are not incorporated in this analytical framework. For instance, analysis of our history suggests that declining interest rate levels are associated with higher loan production volumes at higher levels of profitability. While this business hedge historically offsets most, if not all, of the heightened amortization of our MSR portfolio and other identified risks associated with declining interest rate scenarios, changes in loan production volumes fall outside of the EVE framework. As a result, we further evaluate and consider the impact of other business factors in a separate net income sensitivity analysis.

If EVE rises in a different interest rate scenario, that would indicate incremental prospective earnings in that hypothetical rate scenario. A perfectly matched balance sheet would result in no change in the EVE, no matter what the rate scenario. The table below shows the estimated impact on EVE of increases in interest rates of 1% and 2% and decreases in interest rates of 0.25%, as of December 31, 2014.

Interest Rate Sensitivity — Table 50

(dollars in thousands)

	December 31, 2014	
	Net Change in EVE	% Change of EVE
Up 200 basis points	$(52,060)	(2.3)%
Up 100 basis points	10,340	0.5%
Down 25 basis points	(36,164)	(1.6)%

The projected change in EVE to changes in interest rates at December 31, 2014 was in compliance with established policy guidelines. Exposure amounts depend on numerous assumptions. Due to historically low interest rates, the table above may not accurately reflect the effect of decreasing interest rates upon our net interest income that would occur under a more traditional, higher interest rate environment because short-term interest rates are near zero percent and facts underlying certain of our modeling assumptions, such as the fact that deposit and loan rates cannot fall below zero percent, distort the model’s results.

Volcker Rule

The Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act, which is commonly referred to as the Volcker Rule. Generally, the Volcker Rule prohibits a “banking entity” from engaging in “proprietary trading” or from acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with hedge funds, private equity funds and other “covered funds.” Through a series of extensions, the Federal Reserve Board has generally extended the deadline for conforming activities and investments under the Rule to July 21, 2017. The Volcker Rule provides a significantly broader definition to proprietary trading, and captures many activities that would not traditionally have been referred to as proprietary trading, including risk mitigating hedging and market-making activities. This required the Company to undertake a careful review to ensure that it has identified all potential Volcker Rule proprietary trading within the organization. Like the prohibition on proprietary trading, the restrictions on “covered funds” – the term for any fund covered by the Volcker Rule – apply to many entities and investment activities that would not traditionally have been referred to as hedge funds or private equity funds, including the acquisition of an “ownership interest” in certain trust preferred collateralized debt obligations, collateralized loan obligations and Re-REMICs that are considered to be “covered funds” under the Rule. Based on our evaluation of the impact of these changes, investments with a carrying value of $87.6 million at December 31, 2014, have been identified that may be required to be divested. The Volcker Rule also requires the Company to develop and provide for the continued administration of a compliance program reasonably designed to ensure and monitor the Company’s compliance with the Volcker Rule. We continue to evaluate the Volcker Rule and the final rules adopted thereunder.

Use of Derivatives to Manage Risk

Interest Rate Risk

An integral component of our interest rate risk management strategy is our use of derivative instruments to minimize significant fluctuations in earnings caused by changes in interest rates. As part of our overall interest rate risk management strategy, we enter into contracts or derivatives to hedge interest rate lock commitments, loans held for sale, trust preferred debt, and forecasted payments on debt. These derivatives include forward purchase and sales commitments, optional forward purchase and sales commitments, and interest rate swaps and interest rate swap futures.

We enter into these derivative contracts with major financial institutions. Credit risk arises from the inability of these counterparties to meet the terms of the contracts. We minimize this risk through collateral arrangements, master netting arrangements, exposure limits and monitoring procedures.

Commodity Market Risk

Commodity risk represents exposures to deposit instruments linked to various commodity, metals, and U.S. Treasury yield markets. We offer market-based deposit products consisting of MarketSafe® products, which provide investment capabilities for clients seeking portfolio diversification with respect to commodities and other indices, which are typically unavailable from our banking competitors. MarketSafe® deposits rate of return is based on the movement of a particular market index. In order to manage the risk that may occur from fluctuations in the related markets, we enter into offsetting options with exactly the same terms as the commodity linked MarketSafe® deposits, which provide an economic hedge.

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of deposits and future cash flows denominated in currencies other than the U.S. dollar. We offer WorldCurrency® deposit products which provide investment capabilities to clients seeking portfolio diversification with respect to foreign currencies. The products include WorldCurrency® single-currency certificates of deposit and money market accounts denominated in the world's major currencies. In addition, we offer foreign currency linked MarketSafe® deposits which provide returns based upon foreign currency linked indices. Exposure to loss on these products will increase or decrease over their respective lives as currency exchange rates fluctuate. In addition, we offer foreign exchange contracts to small and medium size businesses with international payment needs. Foreign exchange contract products, which include spot and simple forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate. These types of products expose us to a degree of risk. To manage the risk that may occur from fluctuations in world currency markets, we enter into offsetting short-term forward foreign exchange contracts with terms that match the amount and the maturity date of our single-currency certificates of deposit, money market deposit instruments, or foreign exchange contracts. In addition, we enter into offsetting options with exactly the same terms as the foreign currency linked MarketSafe® deposits, which provide an economic hedge. For more information, including the notional amount and fair value, of these derivatives, see Note 23 in our consolidated financial statements.

Impact of Inflation

The consolidated financial statements and notes thereto presented in this report have been prepared in accordance with GAAP, which requires that we measure our financial condition and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, nearly all of a bank's assets and liabilities are monetary in nature. As a result, the impact of interest rates on our performance is greater than the impact of general levels of inflation. Interest rates do not necessarily move in the same direction, or to the same extent, as the prices of goods and services.

Off-Balance Sheet Arrangements

We have limited off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our clients. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in our consolidated balance sheets.

We enter into contractual loan commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of our commitments to extend credit are contingent upon clients maintaining specific credit standards until the time of loan funding. We decrease our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. We assess the credit risk associated with certain commitments to extend credit and establish a liability for probable credit losses. Standby letters of credit are written conditional commitments issued by us to guarantee the performance of a client to a third party. In the event the client does not perform in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek recovery from the client. Our policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements. See Note 25 to the consolidated financial statements included in this report regarding our contractual obligations.

We service mortgage loans for ourselves and others. See Note 9 to the consolidated financial statements included in this report regarding servicing activities.

During 2013, we created a special purpose wholly-owned subsidiary of the Company, EverBank Funding, LLC (EverBank Funding) to facilitate private securitization transactions. Total securitizations by EverBank Funding through December 31, 2013 were $610.6 million. These securitization transactions issued certificates that were offered and sold to qualified institutional buyers. Unless so registered, the offered certificates may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. No similar securitizations were performed during 2014.

In connection with the securitization transactions, we sold, on a servicing-retained basis, certain residential mortgage loans we originated to unaffiliated purchasers (the Sellers). The Sellers subsequently sold such mortgage loans to EverBank Funding, which transferred the mortgage loans to the issuing trusts in exchange for the offered certificates and certain non-offered certificates. None of the certificates were retained by EverBank Funding or any affiliate of EverBank Funding.

We retained the servicing rights associated with the mortgages held by the trusts that performed the securitizations, and we will continue to service the loans. Additionally, the creditors of the trusts have no recourse against us except in accordance with our obligations under

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standard representations and warranties. Neither of the trusts has been consolidated into the financial statements as we are not the primary beneficiary of the trusts.

Contractual Obligations and Credit Commitments

The following tables contain supplemental information regarding our total contractual obligations and credit commitments as of December 31, 2014:

Contractual Obligations and Credit Commitments — Table 51

	Payments Due by Period				
(dollars in thousands)	< 1 Year	1 - 3 Years	3 - 5 Years	> 5 Years	Total
Contractual obligations					
Deposits without a stated maturity[1]	$10,035,617	$—	$—	$—	$10,035,617
Time deposits	3,602,696	1,054,778	821,936	22	5,479,432
Other borrowings[2]	2,357,000	570,000	390,000	817,000	4,134,000
Trust preferred securities	—	—	—	103,750	103,750
Interest on interest-bearing debt[3]	110,184	141,843	162,264	194,760	609,051
Operating lease obligations	19,161	29,790	16,971	20,620	86,542
Interest rate swap agreements[4]	2,646	6,433	7,704	15,347	32,130
Forward contracts to sell residential mortgage loans [5]	1,235,905	—	—	—	1,235,905
Commitments to originate residential mortgage loans [6]	1,128,057	—	—	—	1,128,057
Strategic marketing and promotional arrangements	3,756	7,853	8,332	23,116	43,057
Total contractual obligations	$18,495,022	$1,810,697	$1,407,207	$1,174,615	$22,887,541
Credit commitments [7]					
Unfunded commitments to extend credit [8]	$1,955,145	$187,553	$383,553	$58,344	$2,584,595
Standby letters of credit	859	—	—	—	859
Total credit commitments	$1,956,004	$187,553	$383,553	$58,344	$2,585,454
Total contractual obligations and credit commitments	$20,451,026	$1,998,250	$1,790,760	$1,232,959	$25,472,995

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(1) Deposits without a stated maturity do not have fixed contractual obligations relating to future interest payments. Hence, these interest amounts have been excluded from the contractual obligations table because we are unable to reasonably predict the ultimate amount or timing of future payments. Refer to Note 13 of the consolidated financial statements for additional information on deposits.

(2) Refer to Note 14 of the consolidated financial statements for additional information on other borrowings.

(3) The variable interest rate component on other borrowings and trust preferred securities has been forecasted based on a yield curve at December 31, 2014 for the purpose of estimating future payments relating to these obligations. The fixed rate interest component is calculated based on the fixed rate in the debt agreement.

(4) Interest rate swap amounts are derived from the forecast of three-month LIBOR at December 31, 2014 on all open swap positions at that date. Open swap positions relate to asset and liability hedge swaps and trust preferred hedge swaps.

(5) Refer Note 23 of the consolidated financial statements for additional information on forward contracts to sell residential mortgage loans.

(6) Commitments to originate loans in the table above relate to interest rate lock commitments (IRLCs). IRLCs classified as held for sale are included in our derivatives disclosure in Note 23. Refer to Note 25 for additional information on IRLCs classified as held for investment.

(7) Commitments to extend credit, standby letters of credit, and commercial letters of credit do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon.

(8) Includes $905.3 of commercial and leasing pipeline.

Our liability for unrecognized tax benefits (UTBs) as of December 31, 2014 was $1.6 million. We are unable to reasonably estimate the period of cash settlement with the respective taxing authority. As a result, our liability for UTBs is not included in the table above. For further detail on the impact of income taxes refer to Note 19 in the consolidated financial statements.

We enter into other derivatives to hedge certain business activities. See Note 23 to the consolidated financial statements included in this report for additional information.

We believe that we will be able to meet our contractual obligations as they come due through the maintenance of adequate cash levels. We expect to maintain adequate cash levels through profitability, loan and securities repayment and maturity activity, and continued deposit gathering activities. We have in place various borrowing mechanisms for both short-term and long-term liquidity needs.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies, as described in detail in the notes to consolidated financial statements discussed below, are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. We believe that the critical accounting policies and estimates discussed below require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. Changes in these estimates or the use of different estimates could have a material impact on our financial position, results of operations or liquidity.

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Investment Securities

Investment securities generally must be classified as held to maturity, available for sale or trading. Held to maturity securities are principally debt securities that we have both the positive intent and ability to hold to maturity. Trading securities are held primarily for sale in the near term to generate income. Securities that do not meet the definition of trading or held to maturity are classified as available for sale.

The classification of investment securities is significant since it directly impacts the accounting for unrealized gains and losses on these securities. Unrealized gains and losses on trading securities flow directly through earnings during the periods in which they arise. Trading and available for sale securities are measured at fair value each reporting period. Unrealized gains and losses on available for sale securities are recorded as a separate component of shareholders' equity (accumulated other comprehensive income or loss) and do not affect earnings until realized or deemed to be other than temporarily impaired. Investment securities that are classified as held to maturity are recorded at amortized cost, unless deemed to be other than temporarily impaired.

The fair values of investment securities are generally determined by various pricing models. We evaluate the methodologies used to develop the resulting fair values. We perform a quarterly analysis on the pricing of investment securities to ensure that the prices represent a reasonable estimate of the fair value. Our procedures include initial and ongoing review of pricing methodologies and trends. We ensure prices represent a reasonable estimate of fair value through the use of broker quotes, current sales transactions from our portfolio and pricing techniques, which are based on the net present value of future expected cash flows discounted at a rate of return market participants would require. Significant inputs used in internal pricing techniques are estimated by type of underlying collateral, estimated prepayment speeds where applicable and appropriate discount rates. As a result of this analysis, if we determine there is a more appropriate fair value, the price is adjusted accordingly.

When the level and volume of trading activity for certain securities has significantly declined or when we believe that pricing is based in part on forced liquidation or distressed sales, we estimate fair value based on a combination of pricing information and an internal model using a discounted cash flow approach. We make 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 are weighted to derive the final fair value for each security trading in an inactive market.

The fair value of investment securities is a critical accounting estimate. Changes in the fair value estimates or the use of different estimates could have a material impact on our financial position, results of operations or liquidity.

Loans Held for Sale

We have elected the fair value option for certain residential and commercial mortgage loans in order to offset 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. These loans are initially recorded and carried at fair value, with changes in fair value recognized in gain on sale of loans. Loan origination fees are recorded when earned, and related costs are recognized when incurred.

We have not elected the fair value option for other residential mortgage and other commercial and commercial real estate loans primarily because these loans are expected to be short in duration with minimal interest rate risk. These loans are carried at the lower of cost or fair value. Direct loan origination fees and costs are deferred at loan origination or acquisition. These amounts are recognized as income at the time the loan is sold and included in gain on sale of loans. Gains and losses on sale of these loans are recorded in earnings.

We generally estimate the fair value of loans held for sale based on quoted market prices for securities backed by similar types of loans less appropriate loan level price adjustments and guarantee fee adjustments. If quoted market prices are not available, fair value is estimated based on valuation models. We periodically compare the value derived from our valuation models to executed trades to assure that the valuations are reflective of actual sales prices.

For loans carried at lower of cost or market value, fair value estimates are derived from models using characteristics of loans. The key assumptions we use in the valuation models are prepayment speeds, loss estimates and the discount rate. Prepayment and credit loss assumptions based on the historical performance of the loans are adjusted for the current economic environment as appropriate. The discount rate used in these valuations is derived from the whole loan purchase market, adjusted for our estimate of the required yield for these loans. We believe that such assumptions

are consistent with assumptions that other major market participants use in determining such assets' fair values.
The fair value of loans held for sale is a critical accounting estimate. Changes in fair value or the use of different estimates could have a material impact on our financial position, results of operations or liquidity.

Allowance for Loan and Lease Losses (ALLL)

The ALLL represents management's estimate of probable and reasonably estimable credit losses inherent in loans and leases held for investment in our loan portfolio as of the balance sheet date. The estimate of the allowance is based on a variety of factors, including an evaluation of the loan and lease portfolio, past loss experience, adverse situations that have occurred but are not yet known that may affect the borrower's ability to repay, the estimated value of underlying collateral and current economic conditions. Quarterly, we assess the risk inherent within our loan and lease portfolio based on risk characteristics relevant to each segment such as loan type and guarantees as well as borrower type and geographic location. Based on this analysis, we record a provision for loan and lease losses in order to maintain the appropriate allowance for the portfolio.

Determining the amount of the ALLL is considered a critical accounting estimate, as it requires significant judgment, internally developed modeling and assumptions. Loans and leases are segmented into the following portfolio segments: (1) residential mortgages, (2) commercial and commercial real estate, (3) equipment financing receivables, (4) home equity lines and (5) consumer and credit card. We may also further disaggregate these portfolios into classes based on the associated risks within those segments. Residential mortgages, equipment financing receivables, home equity lines, and consumer and credit card each have distinguishing borrower needs and differing risks associated with each product type. Commercial and commercial real estate loans are further analyzed for the borrower's ability to repay and the description of underlying collateral. Significant judgment is used to determine the estimation method that fits the credit risk characteristics of each portfolio segment. We apply an average loss rate model on commercial and commercial real estate portfolios and certain equipment financing receivables, and a roll-rate methodology on our residential mortgages, certain equipment financing receivables, home equity lines and consumer and credit card portfolios. We use internally developed models in this process. Management must use judgment in establishing input metrics for the modeling processes. The models and assumptions used to determine the allowance are validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented. Loans and leases in every portfolio considered to be uncollectible are charged off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan and lease type, length of delinquency, insufficiency of collateral value, lien priority and the overall financial condition of the borrower. Recoveries on loans and leases previously charged off are added to the allowance.

Reserves are determined for impaired commercial and commercial real estate loans, certain equipment financing receivables, and residential mortgages classified as TDR at the loan level. Reserves are established for these loans based upon an estimate of probable losses for the loans deemed to be impaired. This estimate considers all available evidence using one of the methods provided by applicable authoritative guidance. Loans for which impaired reserves are provided are excluded from the general reserve calculations described above to prevent duplicate reserves.

Loan and lease portfolios tied to acquisitions made during the year are incorporated into the Company's allowance process. If the acquisition has an impact on the level of exposure to a particular loan or lease type, industry or geographic market, this increase in exposure is factored into the allowance determination process.

The ALLL is maintained at an amount we believe to be sufficient to provide for estimated losses inherent in our loan and lease portfolio at each balance sheet date. Changes in these estimates and assumptions are possible and could have a material impact on our allowance, and therefore our financial position, liquidity or results of operations.

Acquired Loans and Leases Held for Investment

We account for acquired loans and leases under ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, or ASC 310-30, or ASC Topic 310-20, Receivables — Nonrefundable Fees and Other Costs, or ASC 310-20. ASC 310-20 requires that the difference between the initial investment and the related loan's principal amount at the date of purchase be recognized as an adjustment of yield over the expected life of the loan. We anticipate prepayments in applying the interest method. When a difference arises between the prepayments anticipated and actual prepayments received, we recalculate the effective yield to reflect actual payments to date and anticipated future payments.

At acquisition, we review each loan or pool of loans to determine whether there is evidence of deterioration in credit quality since origination and if it is probable that we will be unable to collect all amounts due according to the loan's contractual terms. We consider expected prepayments and estimate the amount and timing of undiscounted expected principal, interest and other cash flows for each loan or pool of loans meeting the criteria above, and determine the excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should not be accreted (non-accretable difference). The remaining amount, representing the excess or deficit of the loan's or pool's cash flows expected to be collected over the amount paid, is accreted or amortized into interest income over the remaining life of the loan or pool (accretable yield). We record a discount to UPB on these loans at acquisition to reflect them at their net expected cash flow.

Acquired equipment financing receivables are recorded as the sum of expected lease payments and estimated residual values less unearned income, which includes purchased lease discounts. Unearned income and purchased lease discounts are recognized based on the expected cash flows using the effective interest method.

Periodically, we evaluate the expected cash flows for each pool. Prior expected cash flows are compared to current expected cash flows and cash collections to determine if any additional impairment should be recognized in the allowance. An additional allowance for loan losses is recognized if it is probable the Company will not collect all of the cash flows expected to be collected as of the acquisition date. If the re-evaluation indicates a loan or pool of loans' expected cash flows has significantly increased when compared to previous estimates, the prospective yield will be increased to recognize the additional income over the life of the asset.

Mortgage Servicing Rights

We recognize as assets the rights to service mortgage loans for others, whether acquired through bulk purchases of MSR or through origination and sale of mortgage loans and agency MBS with servicing rights retained. We amortize MSR in proportion to and over the estimated life of the projected net servicing revenue and periodically evaluate them for impairment using fair value estimates. We have not elected fair value accounting for our MSR. Until recently, there has not been an active market for trading MSR. Despite increased trading activity, readily observable market prices along with the exact terms and conditions of the sales prevalent in the market may not be readily available.

Specific characteristics of the underlying loans greatly impact the estimated value of the related MSR. As a result, we stratify our mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and value our MSR using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted mortgage loan prepayment rates and discount rates.

Derivative Financial Instruments

We use derivative financial instruments to hedge our exposure to interest rate risk, foreign currency risk and changes in the fair value of loans held for sale. We use freestanding derivatives to manage the overall changes in price on loans held for sale or trading investments, including interest rate swaps, forward purchase and sales commitments and option contracts. We also have freestanding derivatives related to the fair value of the shares expected to be released to us from escrow which was recorded as a result of the Tygris acquisition and a recourse commitment asset which was recorded as a result of a 2011 purchase of a pool of loans. We offer various index-linked time deposit products to our clients with returns that are based on a variety of reference indices including commodities, foreign currency, precious metals and U.S. Treasury yields, and typically offset our exposure from such products by entering into hedging contracts. All derivatives are recognized on the balance sheet at fair value.

The fair value of interest rate swaps is determined by a derivative valuation model. The inputs for the valuation model primarily include start and end swap dates, swap coupons and notional amounts. 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 factor. The fair value of forward sales and optional forward purchase and sales commitments is determined based upon the difference between the settlement values of the commitments and the quoted market values of the securities. Fair

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values of foreign exchange contracts are based on quoted prices for each foreign currency at the balance sheet date. For indexed options and embedded options, the fair value is determined by obtaining market or dealer quotes for instruments with similar characteristics.

We may adjust certain fair value estimates determined using valuation models to ensure that those estimates continue to appropriately represent fair value. These adjustments, which are applied consistently over time, are generally required to reflect factors such as counterparty credit risk. In addition, valuation models related to certain derivatives contain adjustments for market liquidity. In assessing the credit risk relating to derivative assets and liabilities, we take into account the impact of risk including, but not limited to, collateral arrangements. We also consider the effect of our own non-performance credit risk on fair values. Imprecision in estimating these factors could impact our financial condition, liquidity or results of operations.

Contingent Liabilities

We estimate contingent liabilities based on management's evaluation of the probability of outcomes and their ability to estimate the range of exposure. As stated in ASC Topic 450, Contingencies, a liability is contingent if the extent of loss is not presently known but may become known in the future through the occurrence of some uncertain future event. Accounting standards require that a liability be recorded if it if determined that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. In deriving an estimate, management is required to make assumptions about matters that are, by their nature, highly uncertain. The assessment of contingent liabilities, including legal contingencies and repurchase obligations, involves the use of critical estimates, assumptions and judgments. Management's estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events will not differ from Management's assessments. Whenever practicable, Management consults with outside experts (attorneys, consultants, claims administrators, etc.) to assist with the gathering and evaluation of information related to contingent liabilities.

Recently Issued Accounting Pronouncements

We have evaluated new accounting pronouncements that have recently been issued and have determined that there are no new accounting pronouncements that should be described in this section that will impact our operations, financial condition or liquidity in future periods. Refer to Note 3 of our consolidated financial statements included in this report for a discussion of recently issued accounting pronouncements that have been adopted by us during the year ended December 31, 2014 or that will only require enhanced disclosures in our financial statements in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See the “Asset and Liability Management and Market Risk” and "Use of Derivatives to Manage Risk" sections of Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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Item 8. Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
EverBank Financial Corp and Subsidiaries
Jacksonville, Florida

We have audited the accompanying consolidated balance sheets of EverBank Financial Corp and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Assessment as to the Effectiveness of Internal Control Over Financial Reporting within Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EverBank Financial Corp and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Jacksonville, Florida
February 20, 2015

EverBank Financial Corp and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2014 and 2013
(Dollars in thousands, except per share data)

	2014	2013
Assets		
Cash and due from banks	$49,436	$46,175
Interest-bearing deposits in banks	317,228	801,603
Total cash and cash equivalents	366,664	847,778
Investment securities:		
Available for sale, at fair value	776,311	1,115,627
Held to maturity (fair value of $118,230 and $107,921 as of December 31, 2014 and 2013, respectively)	115,084	107,312
Other investments	196,609	128,063
Total investment securities	1,088,004	1,351,002
Loans held for sale (includes $728,378 and $672,371 carried at fair value as of December 31, 2014 and 2013, respectively)	973,507	791,382
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	17,760,253	13,252,724
Allowance for loan and lease losses	(60,846)	(63,690)
Total loans and leases held for investment, net	17,699,407	13,189,034
Mortgage servicing rights (MSR), net	435,619	506,680
Deferred income taxes, net	—	51,375
Premises and equipment, net	56,457	60,733
Other assets	998,130	843,000
Total Assets	$21,617,788	$17,640,984
Liabilities		
Deposits:		
Noninterest-bearing	$984,703	$1,076,631
Interest-bearing	14,523,994	12,184,709
Total deposits	15,508,697	13,261,340
Other borrowings	4,004,000	2,377,000
Trust preferred securities	103,750	103,750
Accounts payable and accrued liabilities	253,747	277,881
Total Liabilities	19,870,194	16,019,971
Commitments and Contingencies (Note 25)		
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 and 6,000 issued and outstanding at December 31, 2014 and 2013) (Note 16)	150,000	150,000
Common Stock, $0.01 par value (500,000,000 shares authorized at December 31, 2014 and 2013; 123,679,049 and 122,626,315 issued and outstanding at December 31, 2014 and 2013, respectively)	1,237	1,226
Additional paid-in capital	851,158	832,351
Retained earnings	810,796	690,051
Accumulated other comprehensive income (loss) (AOCI), net of benefit for income taxes of $40,211 and $32,224 at December 31, 2014 and 2013, respectively	(65,597)	(52,615)
Total Shareholders' Equity	1,747,594	1,621,013
Total Liabilities and Shareholders' Equity	$21,617,788	$17,640,984

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Income
For the Years Ended December 31, 2014, 2013 and 2012
(Dollars in thousands, except per share data)

	2014	2013	2012
Interest Income			
Interest and fees on loans and leases	$694,588	$678,962	$574,443
Interest and dividends on investment securities	38,612	55,072	80,628
Other interest income	567	1,663	485
Total Interest Income	733,767	735,697	655,556
Interest Expense			
Deposits	101,912	101,752	88,785
Other borrowings	67,048	75,020	52,977
Total Interest Expense	168,960	176,772	141,762
Net Interest Income	564,807	558,925	513,794
Provision for Loan and Lease Losses	24,533	12,038	31,999
Net Interest Income after Provision for Loan and Lease Losses	540,274	546,887	481,795
Noninterest Income			
Loan servicing fee income	158,463	188,759	175,264
Amortization of mortgage servicing rights	(79,234)	(126,803)	(137,433)
Recovery (impairment) of mortgage servicing rights	8,012	94,951	(63,508)
Net loan servicing income (loss)	87,241	156,907	(25,677)
Gain on sale of loans	163,644	242,412	289,532
Loan production revenue	20,952	35,986	44,658
Deposit fee income	14,783	19,084	21,450
Other lease income	16,997	24,681	33,158
Other	33,622	40,321	6,651
Total Noninterest Income	337,239	519,391	369,772
Noninterest Expense			
Salaries, commissions and other employee benefits expense	370,470	441,736	331,756
Equipment expense	69,332	85,920	70,856
Occupancy expense	30,647	35,087	25,581
General and administrative expense	168,493	285,495	307,377
Total Noninterest Expense	638,942	848,238	735,570
Income before Provision for Income Taxes	238,571	218,040	115,997
Provision for Income Taxes	90,489	81,300	41,955
Net Income	$148,082	$136,740	$74,042
Less: Net Income Allocated to Preferred Stock	(10,125)	(10,125)	(10,724)
Net Income Allocated to Common Shareholders	$137,957	$126,615	$63,318
Basic Earnings Per Common Share	$1.12	$1.04	$0.61
Diluted Earnings Per Common Share	$1.10	$1.02	$0.60
Dividends Declared Per Common Share	$0.14	$0.10	$0.04

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2014, 2013 and 2012
(Dollars in thousands)

	2014	2013	2012
Net Income	$148,082	$136,740	$74,042
Unrealized Gains (Losses) on Debt Securities			
Reclassification of unrealized gains to noninterest income	(5,596)	(4,225)	—
Unrealized gains (losses) due to changes in fair value	(6,914)	(18,304)	58,893
Other-than-temporary impairment (OTTI) (noncredit portion), net of accretion	685	923	—
Tax effect	4,494	8,215	(22,327)
Change in unrealized gains (losses) on debt securities	(7,331)	(13,391)	36,566
Interest Rate Swaps			
Net unrealized gains (losses) due to changes in fair value	(27,177)	24,043	(36,503)
Reclassification of net unrealized losses (1)	18,032	52,701	11,103
Tax effect	3,494	(29,184)	9,799
Change in interest rate swaps	(5,651)	47,560	(15,601)
Other Comprehensive Income (Loss)	(12,982)	34,169	20,965
Comprehensive Income (Loss)	$135,100	$170,909	$95,007

(1) Reclassification of net unrealized losses includes $31,036 recorded to other noninterest income for the year ended December 31, 2013. Included in interest expense is $18,032, $21,665 and $11,103 for the years ended December 31, 2014, 2013 and 2012, respectively.

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2014, 2013 and 2012
(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, 2012	$3	$751	$561,247	$513,413	$(107,749)	$967,665
Net income	—	—	—	74,042	—	74,042
Other comprehensive income (loss)	—	—	—	—	20,965	20,965
Conversion of preferred stock	(3)	188	(185)	—	—	—
Issuance of common stock, net of issue costs	—	271	249,054	—	—	249,325
Repurchase of common stock	—	—	(360)	—	—	(360)
Issuance of preferred stock, net of issue costs	150,000	—	(5,675)	—	—	144,325
Share-based grants (including income tax benefits)	—	—	7,004	—	—	7,004
Cash dividends on common stock	—	—	—	(4,744)	—	(4,744)
Cash dividends on preferred stock	—	—	—	(7,046)	—	(7,046)
Balance, December 31, 2012	$150,000	$1,210	$811,085	$575,665	$(86,784)	$1,451,176
Net income	—	—	—	136,740	—	136,740
Other comprehensive income (loss)	—	—	—	—	34,169	34,169
Issuance of common stock	—	16	13,025	—	—	13,041
Share-based grants (including income tax benefits)	—	—	8,241	—	—	8,241
Cash dividends on common stock	—	—	—	(12,229)	—	(12,229)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2013	$150,000	$1,226	$832,351	$690,051	$(52,615)	$1,621,013
Net income	—	—	—	148,082	—	148,082
Other comprehensive income (loss)	—	—	—	—	(12,982)	(12,982)
Issuance of common stock	—	11	7,455	—	—	7,466
Share-based grants (including income tax benefits)	—	—	11,352	—	—	11,352
Cash dividends on common stock	—	—	—	(17,212)	—	(17,212)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2014	$150,000	$1,237	$851,158	$810,796	$(65,597)	$1,747,594

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Cash Flows
For Years Ended December 31, 2014, 2013 and 2012
(Dollars in thousands)

	2014	2013	2012
Operating Activities:			
Net income	$148,082	$136,740	$74,042
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of premiums and deferred origination costs	38,536	39,625	25,014
Depreciation and amortization of tangible and intangible assets	31,781	39,533	37,556
Reclassification of net loss on settlement of interest rate swaps	18,032	52,701	11,103
Amortization and impairment of mortgage servicing rights, net of recoveries	71,222	31,852	200,941
Deferred income taxes (benefit)	76,605	98,533	(31,417)
Provision for loan and lease losses	24,533	12,038	31,999
Loss on other real estate owned (OREO)	3,548	6,372	7,962
Gain on extinguishment of debt, net	—	(49,150)	—
Share-based compensation expense	7,040	4,779	4,252
Payments for settlement of forward interest rate swaps	(32,445)	(53,226)	(65,306)
Other operating activities	(7,322)	6,419	1,506
Changes in operating assets and liabilities:			
Loans held for sale, including proceeds from sales and repayments	43,961	785,244	(1,674,185)
Other assets	177,568	235,651	282,163
Accounts payable and accrued liabilities	(14,891)	18,181	70,434
Net cash provided by (used in) operating activities	586,250	1,365,292	(1,023,936)
Investing Activities:			
Investment securities available for sale:			
Purchases	(132,885)	(212,399)	(210,717)
Proceeds from sales	149,062	159,043	—
Proceeds from prepayments and maturities	311,688	542,980	548,060
Investment securities held to maturity:			
Purchases	(25,842)	(37,982)	(14,917)
Proceeds from prepayments and maturities	16,530	68,673	