EverBank Financial Corp
Form 10-K
February 19, 2016

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, 2015
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.
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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, 2015 (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 $19.65, was approximately $1,802,844,427. There was no non-voting common equity of the registrant outstanding on that date.

As of February 16, 2016, there were 125,104,343 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 19, 2016, 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, 2015.

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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 v other comparable words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, we also disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements contained in this report. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in Part I, Item 1A “Risk Factors” contained in 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 the anticipated benefits of such transactions;
- 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, mortgage warehouse finance customers, 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 United States (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);
- environmental liabilities with respect to properties that we take title to upon foreclosure
- fluctuations in our stock price; and
- inability of EverBank (EB), 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, 2015, we had total assets of $26.6 billion, total deposits of $18.2 billion and total shareholder's equity of $1.9 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, wealth management, residential lending and servicing, and capital markets. Commercial Banking includes commercial deposit services and activities, commercial and commercial real estate lending, commercial 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 29 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 $105,923 as of December 31, 2015, which we believe is more than three times the peer median.

Deposit clients can choose to manage their relationship with us through our omni channel platform including the Online Financial Center, tablet and mobile applications, phone and email, or our network of financial centers in key Florida metropolitan areas, which have average deposits per branch of $364.8 million as of December 31, 2015. Our distribution channels, client acquisition strategies and centralized operating platform provide the flexibility to tailor deposit growth 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 with a toolkit for global diversification including WorldCurrency® deposits denominated in 21 foreign currencies and MarketSafe® structured deposits, which totaled $567.8 million and $149.8 million respectively as of December 31, 2015. In addition, World Markets clients held over $175.8 million of precious metals in custody with us in non-Federal Deposit Insurance Corporation (FDIC) insured EverBank Metals Select® accounts as of December 31, 2015.

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 servicing rights to Ditech Financial LLC (Ditech), formerly known as GreenTree Servicing LLC. In 2015, we executed sales of $8.2 billion in unpaid principal balance (UPB), representing our remaining non-core servicing operations not included in the 2014 sale to Ditech.

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 investing and our disciplined approach to balancing risk against performance. Our flexibility to retain or sell originated assets or acquire assets enables us to achieve attractive risk adjusted returns in a variety of market conditions and enhance stockholder value.

Commercial Banking

Commercial Deposits

We continued to increase our emphasis on commercial deposits in 2015 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 23% of our total deposits as of December 31, 2015 compared to 19% 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 $3.5 million. We underwrite stabilized properties with experienced borrowers, strong property/tenant cash flow and collateral. We offer our clients competitive fixed and floating interest rates with flexible terms.

Commercial Finance

Our commercial finance platform includes vendor equipment finance, lender finance, capital equipment finance and business credit. Our vendor equipment finance division originates equipment leases and loans nationwide through relationships with over 900 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.

The lender finance business 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 84 months and range in size from $15.0 million to more than $50.0 million.

The capital equipment finance business, which commenced in late 2014, is a secured asset finance company providing structured equipment financing loans and leases to middle market companies with transaction sizes of $3.0 million to $20.0 million and terms ranging from 36 to 84 months. This business targets industries like transportation, construction, manufacturing, healthcare and energy with underlying assets that typically have high resale residual value.

Business credit is our asset-based lending (ABL) operation we purchased in May 2015 with advances and commitments of $94.0 million and $187.0 million, respectively, at acquisition. This ABL portfolio consists of secured revolving and term loans to middle market companies in need of working capital or companies undergoing restructuring. These loans typically range from $5.0 million to $40.0 million in commitments, are secured by tightly monitored, liquid inventory and receivables at discounted advance rates which results in reduced losses in the event of default.

Our commercial finance activities provide us with access to approximately 37,000 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 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, which may include sublimits, collateralized by agency and government residential loans originated by our clients. Our loan commitment sizes generally range from $30 million to $150 million. The majority of the advances made on these facilities are made as short-term repurchase agreements which protects us by providing us ownership of the collateral in the event of default. The advances made on these facilities are discounted based on the relative risk of the underlying collateral with higher advance rates on agency and government deliverable mortgages and smaller advance rates on servicing advances and mortgage servicing assets.

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 adjustable rate mortgage (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, borrowers, customers and the Deposit Insurance Fund (DIF), administered by the 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.

Certain of the regulatory requirements that are applicable to the Company and EverBank are described below. This description is not intended to be a complete explanation of such requirements and their effects on the Company and EverBank, and is qualified in its entirety by reference to the actual statutes and regulations. Any change in laws, regulations, or supervisory actions, whether by the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the FDIC, the Consumer Financial Protection Bureau (CFPB), or Congress, could have a material adverse impact on the Company and EverBank.

See also the discussion under “Risk Factors-Regulatory and Legal Risks.”

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 OCC succeeded the OTS with respect to EverBank's consent order, and the 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. EverBank 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 at any time between January 1, 2009 through December 31, 2010, as well as residential foreclosure sales that occurred during this time period, in order to determine among other things, 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 $39.9 million which was made by EverBank to a settlement fund to provide relief to qualified borrowers. In addition, EverBank contributed $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 did not eliminate all of our risks associated with foreclosure-related practices, and it did 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 remained in effect without modification. As of December 31, 2015, the settlement fund established at the termination of the Independent Foreclosure Review paid $37.5 million in remediation to about 31,000 borrowers, for a 95% cash-rate. Based upon this cash-rate, the OCC is permitting termination of the settlement fund in the first quarter of 2016. The remaining funds will escheat to the applicable state treasurer’s office.

In October 2013, EverBank, along with other mortgage servicers, also received a letter from the OCC requesting, in connection with the April 2011 consent order as amended, that EverBank provide the OCC with an action plan to identify errors and remediate potentially harmed borrowers serviced by EverBank from January 1, 2011 through the date EverBank independently validated that it had corrected all material errors identified during the Independent Foreclosure Review. EverBank submitted its action plan in 2013, which did not require an independent third party review. Pursuant to this plan, EverBank, through an independent paying agent, is in the process of making remediation payments totaling $1.64 million to approximately 48,000 borrowers. As of December 31, 2015, EverBank has paid $1.6 million in remediation to about 34,500 borrowers, for a 76% cash rate. At December 31, 2015, EverBank has accrued $1.2 million for potential remediation payments to be made to borrowers under that action plan. EverBank will be remediating two populations of borrowers.

On June 17, 2015, EverBank, entered into an amended consent order with the OCC that released EverBank from many of the requirements of the 2011 consent order, as amended in 2013, but found that certain aspects remained incomplete and imposed certain additional supervisory conditions related to EverBank’s residential mortgage servicing operations. These conditions included, among other things, limits on the acquisition of new third party residential mortgage loans and servicing rights, restrictions on providing servicing to third parties, restrictions on the outsourcing or sub-servicing of EverBank servicing activities to others, and new appointments of senior officers responsible for residential mortgage servicing or residential mortgage servicing risk management and compliance.

On January 5, 2016, the OCC terminated EverBank’s consent order, as amended in 2013 and 2015, having determined that EverBank had complied the requirements of such order. In conjunction with the termination, EverBank was required by the OCC to pay $1 million in civil money penalties pertaining to certain improper fees charged to borrowers between January 2011 and March 2015. The Company’s consent order with the FRB relating to its oversight of mortgage foreclosure practices currently remains in place.

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.

While much of the Dodd-Frank Act has been implemented in the form of final rules from the banking agencies, 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 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 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 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 have resulted 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 became 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 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 commenced with our company-run stress tests for the following cycle, using data as of September 30, 2014, and with a summary of results published on June 29, 2015.

Due to a change in rules, the stress testing cycle for EverBank that would have begun on October 1, 2015 instead began on January 1, 2016, using financial data as of December 31, 2015. The scenarios were provided on January 28, 2016, 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 between October 15, 2016 and October 31, 2016, unless that time period is extended by the regulators. Subsequent years are expected to follow the same schedule for EverBank. EverBank Financial Corp will also become subject to these requirements beginning in 2017.

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. 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. The Dodd-Frank Act subjects us to 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 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 revised the risk-based capital requirements applicable to savings and loan holding companies and depository institutions, including us and EverBank. 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 replaced the prior risk-weighting approach, with a more risk-sensitive approach. 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) introduced a new capital measure called “Common Equity Tier 1” (CET1), (ii) specified that Tier 1 capital consist of CET1 and “Additional Tier 1 capital” instruments meeting specified requirements, (iii) defined 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) expanded 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 introduced 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 previous 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 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. 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 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 prior capital rules 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, 2015, that we and EverBank 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.

Volcker Rule. 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 in December 2013. The regulations provided for a Volcker Rule conformance date of July 21, 2015. Conformance with the provisions prohibiting certain “covered funds” activities has since been extended by a FRB order that provided for an extension of the Volcker Rule conformance period for legacy ownership interests and sponsorship of covered funds until July 21, 2016. The FRB expressed its intention to grant the last available statutory extension for such covered funds activities until July 21, 2017. As of December 31, 2015, the fair value and book value of investments that are deemed "covered funds" was $7.4 million and $7.6 million, respectively. For further review of these holdings see the disclosure in the "Asset and Liability Management and Market Risk" section included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

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 such, we are subject to FRB examinations, supervision and reporting requirements, and to the FRB's enforcement authority. 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, such as EverBank. The Company is also subject to the rules and regulations of the Securities and Exchange Commission (SEC) under the federal securities laws.

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.

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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 on the acquiror, 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 acquire a savings institution that will be held as a separate subsidiary, then we may 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 by the OCC. 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.

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 criteria and that limit EverBank's aggregate investment in various types of loans to certain percentages of capital and/or assets.
Volcker Rule. During our evaluation of the impact of the Volcker Rule as described above, investments with a carrying value of $257.2 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, 2015, EverBank's limit on loans and extensions of credit to one borrower was approximately $319.1 million and $212.7 million, for the 15% limitation and 10% limitation, respectively. At December 31, 2015, EverBank's largest aggregate amount of loans and extensions of credit to a

single borrower was $150.0 million, with seven separate borrowers each having total loans in this amount. At December 31, 2015, each of these seven lending relationships were with clients in our mortgage warehouse finance area. All seven of these loan relationships were performing in accordance with the terms of their loan agreements as of December 31, 2015.

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 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, 2015, EverBank maintained 83.6% 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, 2015 and, therefore, was a QTL.

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 and FRB regulate all capital distributions by EverBank directly or indirectly to us, including dividend payments. For example, EverBank 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. EverBank also must give prior notice of any 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 conform to the requirements of the FRB's Regulation W. 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 (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.

The OCC categorized EverBank as "well capitalized" following its last examination. At December 31, 2015, EverBank exceeded all regulatory capital requirements and was considered to be "well capitalized" with a Tier 1 leverage ratio of 8.1%, a total risk-based capital ratio of 12.4%, and a Tier 1 risk-based capital ratio of 12.0%. 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 $264.8 million and $195.2 million as of December 31, 2015 and December 31, 2014, respectively. EverBank’s capital stock in FHLB includes $545.7 million purchased during 2015 and $494.8 million purchased during 2014. The FHLB repurchased $476.1 million in 2015 and $425.5 million in 2014.

For the year ended December 31, 2015, the FHLB paid dividends of $9.4 million on the capital stock held by EverBank. During the year ended December 31, 2014, the FHLB paid dividends of $5.5 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. Under proposed rules set forth by the FDIC in October 2015, banks such as EverBank with at least $10 billion in assets would pay a surcharge of 4.5 cents per $100 of their assessment base, after making certain adjustments to enable the reserve ratio to reach 1.35 percent after approximately two years of payments of the proposed surcharges.

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 2015 was $0.0058 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 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, among numerous other things, provisions that:

- limit the interest and other charges collected or contracted for by EverBank, including 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.

The CFPB adopted a rule that implements the ability-to-repay and qualified mortgage provisions of the Dodd-Frank Act (the “ATR/QM rule”), which took effect on January 10, 2014, and has impacted our residential mortgage lending practices, and the residential mortgage market generally. The ATR/QM rule requires lenders to consider, among other things, income, employment status, assets, payment amounts, and credit history before approving a mortgage, and provides a compliance “safe harbor” for lenders that issue certain “qualified mortgages.” The ATR/QM rule defines a “qualified mortgage” to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower have a total debt-to-income ratio that is less than or equal to 43 percent. While “qualified mortgages” will generally be afforded safe harbor status, a rebuttable presumption of compliance with the ability-to-repay requirements will attach to “qualified mortgages” that are “higher priced mortgages” (which are generally subprime loans). In addition, the banking regulators have issued final rules that require the securitizer of asset-backed securities to retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities, unless subject to an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as “qualified residential mortgages.” These definitions are expected to significantly shape the parameters for the majority of consumer mortgage lending in the U.S.

Reflecting the CFPB's focus on the residential mortgage lending market, the CFPB has also issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan originator compensation and loan originator qualifications) and has finalized integrated mortgage disclosure rules that replace and combine certain requirements under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In addition, the CFPB has issued rules 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 ARMs, periodic statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts. The CFPB has indicated that it expects to issue additional mortgage-related rules in the future.
It is anticipated that the CFPB will engage in numerous other rulemakings in the near term that may impact our business, as the CFPB has indicated that, in addition to specific statutory mandates, it is working on a wide range of initiatives to address issues in markets for consumer financial products and services, such as revisions to privacy notice requirements, new rules for deposit advance products, new rules regarding prepaid cards, new rules regarding debt collection practices, and amendments to the funds availability requirements of Regulation CC. The CFPB has also undertaken an effort to “streamline” consumer regulations and has established a database to collect, track and make public consumer complaints, including complaints against individual financial institutions.
The CFPB also has broad authority to prohibit unfair, deceptive and abusive acts and practices (UDAAP) and to investigate and penalize financial institutions that violate this prohibition. While the statutory language of the Dodd-Frank Act sets forth the standards for acts and practices that violate this prohibition, certain aspects of these standards are untested, which has created some uncertainty regarding how the CFPB will exercise this authority. The CFPB has, however, begun to bring enforcement actions against certain financial institutions for UDAAP violations and issued some guidance on the topic, which provides insight into the agency’s expectations regarding these standards. Among other things, CFPB guidance and its UDAAP-related enforcement actions have emphasized that management of third-party service providers is essential to effective UDAAP compliance and that the CFPB is particularly focused on marketing and sales practices.
We cannot fully predict the effect that being regulated by a new, additional regulatory authority focused on consumer financial protection, or any new implementing regulations or revisions to existing regulations that may result from the establishment of this new authority, will have on our businesses.
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, 2015, we had approximately 3,000 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 https://about.everbank/investors as soon as reasonably practicable after such material is electronically filed with or furnished to the 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 https://about.everbank/investors. 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 growth of the United States economy slows, or if the economy worsens or enters into a recession, our growth and profitability could be constrained. In addition, economic conditions in foreign countries can affect the stability of global financial markets, which could impact the U.S. economy and financial markets. 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 mortgage servicing rights (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 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 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. The FRB recently raised short-term interest rates, which will increase our short term borrowing costs and may reduce our profit margins in the near term. A sustained low interest rate environment could 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 fair 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.

As of December 31, 2015, the fair value of our securities portfolio was approximately $0.7 billion, of which approximately 84% 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 including changes in market interest rates and continued instability in the credit markets. 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.

Additionally in a rising rate environment, there may not be a market for loans which were originated at a lower interest rate than currently available. We expect to redeliver into the secondary markets certain loans, such as Ginnie

Mae (GNMA) pool buyouts, therby thereby, decreasing their duration. In the event that interest rates rise, and there is no market for such loans in the secondary market, we may be required to hold these loans for a significantly longer period of time than anticipated, which could negatively impact our net interest margin.

Rising interest rates may also increase the cost of our deposits, which are a primary source of funding. Deposits are a low cost and stable source of funding. We compete with banks and other financial institutions for deposits. In a rising rate environment, our funding costs may increase if we lose deposits and replace them with more expensive sources of funding, clients may shift their deposits into higher cost products or we may need to raise our interest rates to avoid losing deposits. Higher funding costs reduce net interest margin, net interest income and net income.

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

At December 31, 2015, our commercial real estate loans, net of discounts, were $3.7 billion, or approximately 17% of our total loan and lease 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 by our borrowers to timely repay their loans would adversely affect our results of operations and cash flows.

Our mortgage warehouse finance portfolio totaled $2.4 billion, or 11% of our total loan portfolio, net of allowances, at December 31, 2015. These lines of credit represent large, short-term, revolving facilities provided to financial services companies, typically mortgage banking companies, with a total commitment amount of $3.5 billion extended to 38 borrowers at December 31, 2015. These financial services companies utilize their lines of credit to fund transactions, which are primarily collateralized by agency and government residential loans they originated. The repayment of outstanding borrowings on these lines is typically dependent upon the borrowers ability to sell the loans they originated into the secondary market. In the event loans originated by these borrowers cannot be sold on the secondary market, their ability to repay us may be negatively affected. Due to this risk and the size of the exposure to any one borrower, the failure of one borrower to repay us could adversely impact our results of operations and cash flows.

Additionally in the event that a mortgage warehouse finance customer defaults, we would be required to take control of their collateral including the loans associated with the repurchase agreements and the related MSR that we are financing onto our balance sheet. 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 over a certain threshold. If we are required to add a significant amount of MSR above this threshold, we may be unable to effectively manage our regulatory capital ratios and may fall below well capitalized and/or required levels.

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 primarily originated commercial loans in Florida, however over the past several years, we have developed a platform to generate commercial loans nationally. If we do not maintain strong underwriting standards we may suffer losses if these loans fail to perform.

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 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.

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 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 business and financial performance could be adversely affected, directly or indirectly, by disasters, by terrorist activities or by international hostilities.

Neither the occurrence nor the potential impact of disasters, terrorist activities and international hostilities can be predicted. However, these occurrences could impact us directly as a result of damage to our facilities or by preventing us from conducting our business in the ordinary course, or indirectly as a result of their impact on our borrowers, the value of collateral, depositors, other clients, suppliers or other counterparties. We could also suffer adverse consequences to the extent that disasters, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of disasters or terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, particularly those that we depend upon but have no control over.

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, 2015, approximately 29% and 8% of our residential loan portfolio was secured by real estate located in California and Florida, respectively, and 12% and 9% 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.

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, 2015, 2014 and 2013, our loan repurchase reserve for loans that we sold or securitized was $4.3 million, $25.9 million and $20.2 million, respectively, representing a 83% decrease during 2015 and a 28% increase during 2014.

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, 2015, 2014 and 2013, our reserve for servicing repurchase losses was $1.8 million, $2.9 million and $23.7 million, respectively, representing a 39% decrease during 2015 and an 88% decrease during 2014.

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 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 date of foreclosure on the loan. As the loan owner, we would not suffer any loss of principal, but we could be required to advance fees on the loans, without receiving payment from the government entities for those fees, and not receive 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 such 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, 2015, 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 84% 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 agency thresholds, 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 than in the median price range markets, which affects the default rates and the marketability of these jumbo mortgages. 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 subject to error. 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 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 mortgage backed securities (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 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.
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.

Our stock price will fluctuate.
The market price and volume of our common stock is subject to fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our industry generally, as well as investor concern about our operations, financial results, liquidity and capital positions. In addition to the risk factors discussed above, the price and volume volatility of our common stock may be affected by, among other issues:
- our financial performance;
- operating results that vary from the expectations of securities analysts and investors;

- the operating results of companies in our industry;
- announcements of strategic acquisitions, developments and other material events by us or our competitors;
- changes in global financial markets and global economies and general market conditions;
- changes in laws and regulations affecting our business; and
- market prices for our securities.

Stock price volatility and a decrease in our stock price could make it difficult for us to raise equity capital or, if we are able to raise equity capital, could result in substantial dilution to our existing stockholders.

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, 2015, Lovett Miller owns 851,975 shares of our common stock, or 0.68%, and Sageview owns 10,312,230 shares of our common stock, or 8.2%. As a result of their significant holdings of our common stock, and, in the case of Sageview, its right to designate a member of our Board of Directors, these stockholders are expected to be able 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 and $175.0 million aggregate principal amount of 5.75% subordinated notes due 2025. In the future, we may increase our capital resources by making additional offerings of debt or equity securities, which may include senior or additional 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.

We are exposed to risks associated with our computer systems, third party provider systems and online commerce, 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 can be vulnerable to disruptions from human error, natural disasters, power outages and other unforeseen events. More specifically our internal systems and networks can be subject to computer viruses and cyber-attacks, such as denial of service attacks, spam attacks, hacking or identity theft. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise our information security. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, and temporary staff. Financial institutions have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade services, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means.

We and our third party vendors have been subject to cyber attacks, and although we have not experienced a cyber incident which has been successful in compromising our data to date, 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. These events may obstruct our ability to provide services and process transactions for our clients. 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. We monitor and modify, as necessary, our protective measures in response to the perpetual evolution of cyber threats. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities. Furthermore, due to the nature of cyber attacks, we may fail to discover a cyber attack on our systems, which could continue over several months before it is identified and curtailed.

A breach in the security of any of our information systems, or other cyber incidents, 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 to remediate any breach. Furthermore, as we are ultimately accountable for the actions of the third parties that support us, our clients could hold us accountable and terminate their accounts due to a cyber incident that occurs on their own system or one of our third party partners. If we or our vendors experience a significant data security breach or fail to detect and appropriately respond to significant data security breaches, we would be exposed to government enforcement actions, 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, content in any medium, website processes, 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 insufficient 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, 2015, we had outstanding market-based deposits of $0.7 billion, representing approximately 4% of our total deposits, the significant majority of which are WorldCurrency® deposits. Many of our WorldCurrency® depositors have chosen such 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 internal control systems could fail to detect certain events.
We are subject to certain operational risks, including, but not limited to, data processing system failures and errors and client or employee fraud. We maintain a system of internal controls designed to mitigate against such occurrences and maintain insurance coverage for such risks. However, should such an event occur that is not prevented or detected by our internal controls, is uninsured or in excess of applicable insurance limits, it could have a significant adverse effect on our business, results of operations or financial condition.
Our historical growth rate and performance may not be indicative of our future growth or financial results.
Our historical growth rate must be viewed in the context of the 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 asset acquisition opportunities. When comparing 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 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.
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, it may be difficult for us to replicate our historical earnings growth. We have historically benefited from the ongoing low interest rate environment, which has provided us with high net interest margins

which we used to grow our business. Higher rates may 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, mortgage warehouse finance customers, 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.

The reduction or elimination of the home mortgage interest income tax deduction could reduce demand for our residential mortgage loans.

Under current federal income tax law, homeowners may deduct from their taxable income interest on mortgage loans with a principal amount of up to $1 million secured by first or second homes. Congress may consider reducing the benefit of this deduction, by limiting total itemized deductions, allowing deductible expenses to be deducted only at rates less than the highest marginal tax rate, phasing out deductions over specified income thresholds, or eliminating the deduction entirely. Any of these tax law changes would increase the after-tax cost of mortgage loans to home buyers and owners, particularly those with higher incomes, and could therefore reduce demand for residential mortgage loans and depress housing prices. Single family mortgage lending constitutes a majority of our lending business. Our mortgage loan customers, on average, have higher incomes than the customers of many of our competitors. Our most popular mortgage loan product has an initial interest-only period. Any reduction in the benefit of the home mortgage interest deduction could therefore have a disproportionately adverse effect on us compared to other banking institutions and could materially and adversely affect our business, results of operations or financial condition.

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 consent orders with our regulators, and failure to comply with the requirements of the consent order could have a negative impact on us and/or EverBank.

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 OTS with respect to EverBank's mortgage foreclosure practices and the Company's oversight of those practices. The OCC succeeded the OTS with respect to EverBank's consent order, and the FRB succeeded the OTS with respect to the Company's consent order. The consent orders required, 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. 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 which was made by EverBank to a settlement fund to 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.

In October 2013, EverBank, along with other mortgage servicers, also received a letter from the OCC requesting, in connection with the April 2011 consent order as amended, 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. Pursuant to EverBank's plan, remediation payments totaling $1.6 million were made to borrowers in 2015. At December 31, 2015, EverBank has accrued approximately $1.2 million for potential further remediation payments to be made to borrowers under that action plan.

On January 5, 2016, the OCC terminated EverBank's consent order, as amended in 2013 and 2015, having determined that EverBank had complied the requirements of such order. In conjunction with the termination, EverBank was required by the OCC to pay $1 million in civil money penalties pertaining to certain improper fees charged to borrowers between January 2011 and March 2015. The Company's consent order with the FRB relating to its oversight of mortgage foreclosure practices currently remains in place.

Any further remedies or penalties that may be imposed on us as a result or arising out of the FRB consent order 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 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.

The CFPB has broad rule-making, supervisory, and examination authority of consumer products, as well as expanded data collecting and enforcement powers, over depository institutions with more than $10.0 billion in assets. As a result of these new regulations and the CFPB's supervision and enforcement activity, we will likely continue to see increased regulatory and compliance costs, which we may not be able to pass on to consumers.

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, the attorneys general from all 50 states, 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 all 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.
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 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, 2015, our net MSR totaled $335.3 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.

In addition we manage our capital requirements through balance sheet management, including the sale of loans held on our balance sheet. In a rising rate environment, there may not be a market for loans which were originated at a lower interest rate than currently available. If we are not able to sell these loans, our ability to manage our regulatory and statutory capital requirements could be adversely affected.

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 are required to publish a summary of the results of annual company-run stress tests. Published summary results are 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 GNMA, 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, 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, their programs for pooling mortgage loans and creating securities 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.
The GSEs have been a significant purchaser of residential mortgage loans. 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.

We also make sales of mortgage loans to institutional investors of mortgage loans which are ineligible for purchase by Fannie Mae or Freddie Mac or for guarantee by GNMA. After sale to institutional investors, these mortgage loans are sometimes securitized in private transactions or further sold to third-parties. The secondary market for these mortgage loans is limited, and the discontinuation of, or significant reduction in, the secondary mortgage market for non-GSE eligible mortgage loans or changes in the eligibility criteria used by institutional investors in this market or their ability to securitize or further sell these mortgage loans could have a material adverse effect on our business, financial position, results of operations and cash flows.
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.
Certain laws adopted following the financial crisis delayed 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;
- 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 847,000 square feet of office, operations and retail space in 106 locations in 24 states. We also sublease to third parties approximately 34,000 square feet of our leased space.

Our principal executive offices are located at 501 Riverside Avenue, Jacksonville, Florida 32202. We lease approximately 47,500 square feet at this location 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.

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. On October 9, 2015, the parties agreed to a settlement in principle and are in the process of finalizing settlement documents. All pending court dates have been stayed in the interim.

Mortgage Electronic Registration Services Related Litigation

Mortgage Electronic Registration Services (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., et al., filed in October 2011 in the Court of Common Pleas for Geauga County, Ohio; and (2) Delaware County, PA, Recorder of Deeds v. MERSCORP, Inc., et al., filed in November 2013 in the Court of Common Pleas of Delaware County, Pennsylvania. 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 plaintiffs' claims are without merit and contest all such claims vigorously.

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 July 17, 2015, the parties entered into a settlement agreement that was approved by the court on January 20, 2016. On February 8, 2016, the Court entered final judgment in the matter. On February 12, 2016, a notice of appeal was filed by an objector of the approved settlement. The claims administration process remains ongoing.

Bland Collective Action

We are party to a collective action arbitration demand under the Fair Labor Standards Act (FLSA) entitled Edward Moise, James Tyrrell, John Jahangani, Louis Andrew Doherty III, Calvin Cooper, Lemuel Bland and all others similarly situated v. EverBank and EverBank Financial Corp filed with the American Arbitration Association on September 3, 2015. The plaintiffs in this collective action arbitration allege that plaintiffs and the class were (1) improperly classified as exempt under the FLSA (2) entitled to and not paid overtime and (3) not paid federally mandated minimum wage. The demand seeks (1) unpaid back wages, (2) liquidated damages equal to the back pay and (3) costs of the suit incurred by plaintiff. On February 5, 2016, plaintiffs filed an amended demand for arbitration naming nine (9) individual plaintiffs and dropping the demand for collection action treatment. We believe that the plaintiffs' claims are without merit and intend to contest all such claims vigorously.

West Collective Action

The Company is a party to a collective action under the FLSA entitled Anthony West and all others similarly situated under 29 USC 216(B) v. EverBank Financial Corp filed on May 19, 2015 in the United States District Court for the Northern District of Texas, Dallas Division. The plaintiff in this collective action suit alleges that plaintiff and the class were (1) improperly classified as exempt under the FLSA (2) entitled to and not paid overtime and (3) not paid federally mandated minimum wage. The suit seeks (1) unpaid back wages, (2) liquidated damages equal to the back pay and (3) costs of the suit incurred by plaintiff. EverBank filed an answer to the complaint denying the claims. Plaintiff filed a motion for conditional certification on August 6, 2015, and EverBank filed its opposition on September 14, 2015. The case has been administratively closed pending a ruling on the motion for conditional certification.

Item 4. Mine Safety Disclosures

Not applicable.

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, 2015			
First Quarter	$19.16	$17.24	$0.04
Second Quarter	20.21	17.82	0.04
Third Quarter	20.69	19.06	0.06
Fourth Quarter	21.18	15.87	0.06
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

According to the records of our transfer agent, as of February 16, 2016, there were approximately 143 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 14, Note 15 and Note 26 to our Consolidated Financial Statements included in this report for more information.

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, 2015. 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	5/3/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015
EverBank Financial Corp	100.0	149.5	185.2	193.9	164.3
S&P 500 Index	100.0	103.3	136.8	155.6	157.7
S&P Banks Index	100.0	101.9	138.2	159.7	161.0

Issuer Purchases of Securities

The Company did not repurchase any outstanding common shares during the year ended December 31, 2015.

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, 2015, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015 and 2014 are derived from our audited Consolidated Financial Statements included in this report. The consolidated statements of operations for the years ended December 31, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 are derived from audited consolidated financial statements not included in this report.

Historical results are not necessarily indicative of future results.

We consummated several significant transactions in prior fiscal periods, 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)	2015	2014	2013	2012	2011
Income Statement Data:					
Interest income	$879.2	$733.8	$735.7	$655.6	$588.2
Interest expense	210.9	169.0	176.8	141.8	135.9
Net interest income	668.3	564.8	558.9	513.8	452.3
Provision for loan and lease losses(1)	38.2	24.5	12.0	32.0	49.7
Net interest income after provision for loan and lease losses	630.2	540.3	546.9	481.8	402.6
Noninterest income(2)	215.4	337.2	519.4	369.8	233.1
Noninterest expense(3)	638.4	638.9	848.2	735.6	554.2
Income before income taxes	207.2	238.6	218.0	116.0	81.5
Provision for income taxes	76.6	90.5	81.3	42.0	28.8
Net income	$130.5	$148.1	$136.7	$74.0	$52.7
Per Share Data:					
Weighted-average common shares outstanding:					
(units in thousands)					
Basic	124,527	122,940	122,245	104,014	74,892
Diluted	126,670	125,358	123,949	105,951	77,506
Earnings from continuing operations per common share:					
Basic	$0.97	$1.12	$1.04	$0.61	$0.55
Diluted	0.95	1.10	1.02	0.60	0.54
Dividends declared per common share	0.20	0.14	0.10	0.04	—
Tangible common equity per common share(4)	13.36	12.51	11.57	10.30	10.12

	As of December 31,				
(in millions)	2015	2014	2013	2012	2011
Balance Sheet Data:					
Cash and cash equivalents	$582.5	$366.7	$847.8	$443.9	$295.0
Investment securities	924.2	1,088.0	1,351.0	1,921.3	2,191.8
Loans held for sale	1,509.3	973.5	791.4	2,088.0	2,725.3
Loans and leases held for investment, net	22,149.4	17,699.4	13,189.0	12,423.0	6,441.5
Total assets	26,601.0	21,617.8	17,641.0	18,242.9	13,041.7
Deposits	18,242.0	15,508.7	13,261.3	13,142.4	10,265.8
Total liabilities	24,732.7	19,870.2	16,020.0	16,791.7	12,074.0
Total stockholders' equity	1,868.3	1,747.6	1,621.0	1,451.2	967.7

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(1) For the year ended December 31, 2015, provision for loan and lease losses includes a $1.4 million decrease in non-accretable discount related to Bank of Florida acquired credit-impaired loans (ACI). 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 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.

(2) For the year ended December 31, 2015, noninterest income includes $32.0 million in impairment charge related to MSR and a $0.3 million decrease related to restructuring cost. 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.

(3) For the year ended December 31, 2015, noninterest expense includes $4.2 million in transaction expense and non-recurring regulatory related expense and $20.2 million in restructuring cost. 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.

(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 and a reconciliation to the most comparable GAAP measure, see Table 4 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 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. 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 with short lead time by adapting our product offerings and marketing activities rather than incurring the higher fixed operating costs inherent in more branch-intensive banking models. Our extensive offering of deposit products and services includes proprietary features that distinguish us from our competitors and enhance our value proposition to clients. Our products, distribution and marketing strategies allow us to generate substantial deposit growth while maintaining an attractive mix of high value transaction and savings accounts.

Key Factors Affecting Our Business and Financial Statements

Economic and Interest Rate Environment

The results of our operations are highly dependent on economic conditions and market interest rates. To stimulate economic activity and stabilize the financial markets, the FRB has maintained historically low market interest rates since 2009. Market conditions have improved during this period as the unemployment rate declined to 5.0% at December 2015, and consumer confidence, GDP and 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 maintained an accommodative stance. Such factors, combined with geopolitical turmoil have continued to keep interest rates at near historical low levels. The Fed announced a quarter point increase to short term rates in December 2015. The resulting strength of the dollar coupled with falling oil prices has led to growing speculation as to how likely and quickly that the Fed may further raise short term interest rates. This has caused market disruption in the bond markets as the spread between the 10 year and 2 year swap rates at December 31, 2015 narrowed to just 1.01%.

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.”

Balance Sheet Growth and Composition

Our balance sheet has increased significantly since December 31, 2012 which has impacted our business and our economic performance. We have increased total assets from $18.2 billion to $26.6 billion from December 31, 2012 to December 31, 2015. This overall increase includes an increase in our loans held for investment from $12.5 billion at December 31, 2012 to $22.2 billion at December 31, 2015. While the overall balance sheet has grown 46% in the last 3 years, the composition of our balance sheet has evolved in this challenging interest rate and regulatory environment. We have adjusted to this environment through the purchase of government insured pool buyouts which we believe currently offer us a shorter duration and more attractive risk adjusted return compared to other loans and leases that we originate both for our balance sheet and that we sell into the secondary market.

Government Insured Pool Buyout Opportunities

Prior to our acquisitions of government insured pool buyout loans from third party servicers starting in 2014, we serviced a majority of the government insured pool buyout loans we owned. With the successful sale and transfer of our default servicing platform to Ditech in 2014 and subsequent sale of our FHA servicing in May 2015, a majority of our government insured pool buyout loans are now serviced by third party servicers. The two structures have different economics and has impacted the presentation of these activities on our balance sheets and income statements.

For the loans that were serviced by us, we carried the assets at our cost which generally included the UPB as well as the servicing asset or liability at time of acquisition. We recognized revenue on these assets when interest income was earned and amortized the premium or discount using the effective interest method. If and when a loan re-performed and was eligible for re-delivery into a GNMA II securitization, we recognized a gain for the proceeds received above our cost basis. This structure impacted interest income for the interest earned, noninterest income (gain on sale revenue) received on sale, and noninterest expense associated with high costs of servicing these defaulted loan assets. The noninterest expense recorded also included servicing advances made that were not eligible for reimbursement by the FHA.

For the loans that are serviced by third parties, we initially record the assets at the acquisition price which includes attribution of the purchase price to accrued interest, UPB and discount or premium. Given that these assets have experienced credit deterioration since origination and we don't expect to receive all contractual principal and interest payments, we have determined that they are acquired credit impaired (ACI) loans and account for these as a pool. As a result of this distinction, interest income is recorded based on the accretion rate which is the implied effective interest rate based on the expected cash flows of the pool and the net recorded investment in the pool. Included in the estimated cash flows are the timing of foreclosures and the timing and proceeds from sales of these loans. Any increase in expected and/or excess of cash flows received is taken as an adjustment to the prospective yield assuming there has not been a previous impairment of the pool. This type of structure impacts net interest income while having an immaterial impact to gain on sale revenue. Noninterest expense does not include the fixed and variable costs of the day to day servicing of these defaulted assets. A minority of our servicing contracts include language which requires us to bear the risk of loss associated with advances that are not eligible for reimbursement by the FHA.

Home Lending and Servicing Transformation

In the third quarter of 2013, we announced our exit from the wholesale broker lending channel in order to continue our focus on growth in retail and correspondent lending channels and add high quality residential loans to our balance sheet and position ourselves for a purchase market. In addition, between 2013 and 2015, we have seen a reduction in refinances and, more significantly, a reduction in HARP eligible refinances. There were a significant number of borrowers that were eligible and refinanced in 2013. We began seeing the amount of HARP refinance activity trail off in 2014 and have seen a further reduction in 2015. In 2013, over 25% of our residential loan fundings were HARP while less than 5% were HARP in 2015. Purchase business grew to be 59% of loan fundings in fourth quarter of 2015 compared to 49% in fourth quarter of 2014. As we have grown our retail lending channel, we have continued to evaluate the number of our retail lending offices and the profitability and potential growth in these offices. As these factors have changed, we have adapted our retail and overall residential lending strategy to try to balance the growth of the channel with profitability. As a result, we have taken several restructuring charges in our lending business over the past couple years.

Our servicing business has undergone a significant transformation since the end of 2013. During the fourth quarter of 2013, we entered into agreements to sell a majority of our default servicing operations and the rights to service and subservice UPB of $20.3 billion to Ditech. The sale and subservicing agreement was effective in May of 2014. This sale and subservicing arrangement helped us realign the profile of our servicing business and allowed us to focus more on the needs of our core clients through the transfer of higher delinquency, higher touch servicing rights. On April 27, 2015, we entered into an agreement to sell the rights to service the remaining Ginnie Mae and early buyout UPB associated with the subservicing arrangement to Ditech effective May 1, 2015. Concurrently, we entered into an additional sale of MSR to Nationstar Mortgage LLC (NSM) of a majority of our remaining non-core portfolios. As of December 31, 2015, a majority of the MSR sales were completed and transferred. A small portfolio is expected to be sold and transferred during first quarter of 2016. As a result of all these transactions, the amounts of our noninterest income and expense may differ significantly year to year.

Capital Raising Initiatives

Since December 31, 2012, we have used both the growth in retained earnings as well as the public equity and debt markets to maximize the return to our shareholders while also ensuring proper capital adequacy, including capital conservation buffers.

On May 8, 2012, we raised net proceeds of $198.5 million in our initial public offering. In addition, we converted $48.7 million of cash held in escrow in August of 2012 in a private placement. In the fourth quarter of 2012, we issued $150 million of Series A 6.75% Non-Cumulative Perpetual Preferred Stock. For regulatory purposes, the preferred stock qualifies as Tier 1 capital both at the Company and at the Bank as we contributed a majority of the proceeds from the sale to the Bank. On June 30, 2015, we completed the public offering and sale of $175.0 million in aggregate principal amount of 5.75% subordinated notes due in 2025. For regulatory capital adequacy purposes, the subordinated notes qualify as Tier 2 capital for the Company. We contributed a majority of the proceeds from the sale of the subordinated notes to the Bank which qualifies as Tier 1 capital for the Bank.

The capital raising initiatives, balance sheet growth, and repositioning activities all impact the comparability of our financial statements and are discussed throughout management's discussion and analysis.

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 2015 Key Highlights

- GAAP net income available to common shareholders was $42.6 million for the fourth quarter 2015, compared to $27.1 million for the third quarter 2015 and $35.5 million for the fourth quarter 2014. GAAP diluted earnings per share were $0.34 for the fourth quarter 2015, compared to $0.21 in the third quarter 2015 and $0.28 in the fourth quarter 2014.

- For full year 2015, GAAP net income available to common shareholders was $120.4 million, compared to $138.0 million for 2014. GAAP diluted earnings per share were $0.95 for full year 2015, compared to $1.10 for 2014.
- Adjusted net income available to common shareholders[1] was $42.9 million for the fourth quarter 2015, compared to $28.8 million for the third quarter 2015 and $37.6 million for the fourth quarter 2014. Adjusted diluted earnings per common share[1] in the fourth quarter 2015 were $0.34 compared to $0.23 in the third quarter 2015 and $0.30 in the fourth quarter 2014.
- Adjusted net income available to common shareholders[1] was $154.6 million for full year 2015, compared to $141.1 million for 2014. Adjusted diluted earnings per common share[1] were $1.22 for full year 2015, compared to $1.13 for 2014.
- Total assets of $26.6 billion at December 31, 2015, an increase of 5% compared to the prior quarter and 23% year over year.
- Loans and leases held for investment of $22.2 billion at December 31, 2015, an increase of 6% compared to the prior quarter and 25% year over year.
- Total originations of $3.3 billion in the quarter, flat compared to the prior quarter and up 8% year over year. Full year 2015 total originations of $13.1 billion, an increase of 19% year over year.
- Total deposits of $18.2 billion at December 31, 2015, an increase of 4% compared to the prior quarter and 18% year over year.
- Net interest margin of 2.90% for the quarter, flat compared to the prior quarter.
- Adjusted return on average equity (ROE)[1] was 10.1% for the quarter and 9.3% for the full year. GAAP ROE was 10.0% for the quarter and 7.3% for the full year.
- Tangible common equity per common share[1] of $13.36 at December 31, 2015, an increase of 7% year over year.
- Adjusted non-performing assets to total assets[1] were 0.53% at December 31, 2015. Annualized net charge-offs to average total loans and leases held for investment were 0.07% for the quarter.

- Consolidated common equity Tier 1 capital ratio of 9.9% and bank Tier 1 leverage ratio of 8.1% as of December 31, 2015.
- Subsequent to quarter end, the Office of the Comptroller of the Currency announced that it had terminated EverBank's 2011 consent order, as amended in 2013 and 2015, having determined that EverBank now complies with such order.

[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.

Key Metrics Table 1

(dollars in millions, except per share amounts)	As of and for the Year Ended December 31, 2015		2014		2013	
Performance Metrics:						
Total revenue[(1)]	$883.7		$902.0		$1,078.3	
Adjusted net earnings per common share, diluted[(2)]	$1.22		$1.13		$1.11	
Yield on interest-earning assets	3.94	%	4.08	%	4.39	%
Cost of interest-bearing liabilities	1.04	%	1.04	%	1.19	%
Net interest margin	2.99	%	3.14	%	3.34	%
Return on average assets	0.55	%	0.77	%	0.75	%
Return on average risk-weighted assets[(3) (11)]	0.84	%	1.19	%	1.20	%
Return on average equity[(4)]	7.3	%	9.0	%	9.1	%
Adjusted return on average equity[(5)]	9.3	%	9.2	%	9.9	%
Efficiency ratio[(6)]	72	%	71	%	79	%
Adjusted efficiency ratio[(7)]	67	%	70	%	75	%
Loans and leases held for investment as a percentage of deposits	122	%	115	%	100	%
Loans and leases held for investment excluding government insured pool buyouts as a percentage of deposits	99	%	91	%	86	%
Credit Quality Ratios:						
Adjusted non-performing assets as a percentage of total assets[(8)]	0.53	%	0.46	%	0.65	%
Net charge-offs to average loans and leases held for investment	0.11	%	0.13	%	0.21	%
Allowance for Loan and Lease Losses (ALLL) as a percentage of loans and leases held for investment	0.35	%	0.34	%	0.48	%
Government insured pool buyouts as a percentage of loans and leases held for investment	19	%	20	%	14	%
Capital:						
Common equity Tier 1 ratio (EverBank Financial Corp consolidated; see Table 50)[(11)]	9.9	%	11.6	%	12.1	%
Tier 1 leverage ratio (bank level; see Table 48)[(11)]	8.1	%	8.2	%	9.0	%
Total risk-based capital ratio (bank level; see Table 48)[(11)]	12.4	%	13.4	%	14.3	%
Average equity to average assets	7.6	%	8.7	%	8.5	%
Tangible common equity per common share[(9)]	$13.36		$12.51		$11.57	
Dividend payout ratio [(10)]	20.62	%	12.50	%	9.62	%
Consumer Banking Metrics:						
Unpaid principal balance of loans originated	$9,456.6		$8,413.1		$10,849.9	
Jumbo residential mortgage loans originated	5,052.3		4,287.2		3,391.0	
Unpaid principal balance of loans serviced for the Company and others	41,104.7		50,746.5		61,035.3	
Consumer Banking loans as a percentage of loans and leases held for investment	55	%	57	%	54	%
Consumer deposits	$14,054.4		$12,554.7		$11,434.7	
Commercial Banking Metrics:						
Loan and lease originations:						
Commercial and commercial real estate	$2,364.4		$1,288.8		$1,199.6	
Equipment financing receivables	1,282.5		1,316.7		774.7	
Commercial Banking loan and lease sales	320.9		109.3		80.4	
Commercial Banking loans as a percentage of loans and leases held for investment	45	%	43	%	46	%
Commercial deposits	$4,187.6		$2,954.0		$1,826.7	

(1) Total revenue is defined as net interest income before provision for loan and lease losses and total noninterest income.

(2) Adjusted net earnings per common share, diluted is calculated using a numerator based on adjusted net income. Adjusted net earnings per common share, diluted is a non-GAAP financial measure and its most directly comparable GAAP measure is net earnings per common share, diluted. Adjusted net income includes adjustments to our net income for certain significant items that we believe are not reflective of our ongoing business or operating performance. For a reconciliation of adjusted net income to net income, which is the most directly comparable GAAP measure, see Table 2.

(3) 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 (EverBank Financial Corp consolidated), see Table 46.

(4) 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).

(5) Adjusted return on average equity is calculated as adjusted net income less dividends declared on the Series A 6.75% Non-Cumulative Perpetual Preferred Stock divided by average common shareholders' equity. Adjusted net income is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is net income. For a reconciliation of adjusted net income to net income, see Table 2.

(6) 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.

(7) The adjusted efficiency ratio represents adjusted noninterest expense as a percentage of adjusted total revenue based on adjusted net income. The adjusted efficiency ratio is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is the efficiency ratio. For a reconciliation of adjusted net income to net income, see Table 2. For detailed information regarding the adjusted efficiency ratio, see Table 3. We use the adjusted efficiency ratio to measure adjusted noninterest costs expended to generate a dollar of adjusted revenue.

(8) 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".

(9) 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. 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 4 for a reconciliation of tangible common shareholders' equity to shareholders' equity.

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

(11) Risk-weighted assets and regulatory capital ratios calculated under Basel III beginning in 2015. Risk-weighted assets and regulatory capital ratios calculated under Basel I through December 31, 2014.

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

Adjusted Net Income — Table 2

	Year Ended December 31,		
(dollars in thousands, except per share amounts)	2015	2014	2013
Net income	$130,526	$148,082	$136,740
Transaction expense and non-recurring regulatory related expense, net of tax	2,610	6,462	48,477
Increase (decrease) in Bank of Florida non-accretable discount, net of tax	(859)	727	(95)
Mortgage Servicing Right (MSR) impairment (recovery), net of tax	19,831	(4,967)	(58,870)
Restructuring cost, net of tax	12,664	466	19,332
OTTI losses on investment securities (Volcker Rule), net of tax	—	425	2,045
Adjusted net income	$164,772	$151,195	$147,629
Adjusted net income allocated to preferred stock	10,125	10,125	10,125
Adjusted net income allocated to common shareholders	$154,647	$141,070	$137,504
Adjusted net earnings per common share, basic	$1.24	$1.15	$1.12
Adjusted net earnings per common share, diluted	$1.22	$1.13	$1.11
Weighted average common shares outstanding:			
(units in thousands)			
Basic	124,527	122,940	122,245
Diluted	126,670	125,358	123,949

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

Adjusted Efficiency Ratio — Table 3

	Year Ended December 31,		
(dollars in thousands)	2015	2014	2013
Net interest income	$668,343	$564,807	$558,925
Noninterest income	215,380	337,239	519,391
Total revenue	883,723	902,046	1,078,316
Adjustment items (pre-tax):			
MSR impairment (recovery)	31,986	(8,012)	(94,951)
Restructuring cost	256	(2,429)	5,872
OTTI losses on securities (Volcker Rule)	—	685	3,298
Adjusted total revenue	$915,965	$892,290	$992,535
Noninterest expense	$638,377	$638,942	$848,238
Adjustment items (pre-tax):			
Transaction expense and non-recurring regulatory related expense	(4,213)	(10,423)	(78,189)
Restructuring cost	(20,167)	(3,181)	(22,129)
Adjusted noninterest expense	$613,997	$625,338	$747,920
GAAP efficiency ratio	72%	71%	79%
Adjusted efficiency ratio	67%	70%	75%

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, Tangible Common Equity Per Common Share, and Tangible Assets — Table 4

	December 31,		
(dollars in thousands except share and per share amounts)	2015	2014	2013
Shareholders' equity	$1,868,321	$1,747,594	$1,621,013
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	1,772	3,705	5,813
Tangible equity	1,819,690	1,697,030	1,568,341
Less:			
Perpetual preferred stock	150,000	150,000	150,000
Tangible common equity	$1,669,690	$1,547,030	$1,418,341
Common shares outstanding at period end	125,020,843	123,679,049	122,626,315
Book value per common share	$13.74	$12.92	$12.00
Tangible common equity per common share	13.36	12.51	11.57
Total assets	$26,601,026	$21,617,788	$17,640,984
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	1,772	3,705	5,813
Tangible assets	$26,552,395	$21,567,224	$17,588,312

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 interest-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 5

	Year Ended December 31,								
	2015			2014			2013		
(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	$303,267	$803	0.26 %	$223,707	$567	0.25 %	$681,672	$1,663	0.24 %
Investments	1,003,365	30,796	3.07 %	1,322,523	38,612	2.92 %	1,638,135	55,072	3.36 %
Loans held for sale	1,790,472	59,670	3.33 %	1,292,692	46,460	3.59 %	1,999,837	71,387	3.57 %
Loans and leases held for investment:									
Consumer Banking:									
Residential mortgages:									
Residential	6,610,526	218,043	3.30 %	5,521,700	190,573	3.45 %	4,112,552	144,339	3.51 %
Government insured pool buyouts	3,887,078	178,110	4.58 %	2,983,943	130,435	4.37 %	2,377,007	128,631	5.41 %
Residential mortgages	10,497,604	396,153	3.77 %	8,505,643	321,008	3.77 %	6,489,559	272,970	4.21 %
Home equity lines	236,762	9,978	4.21 %	142,688	6,060	4.25 %	165,580	7,989	4.82 %
Other consumer and credit card	4,735	565	11.93 %	5,219	686	13.13 %	6,639	686	10.33 %
Commercial Banking:									
Commercial and commercial real estate:									
Commercial real estate and other commercial	3,701,660	199,401	5.39 %	3,287,423	185,488	5.64 %	3,351,596	205,137	6.12 %
Mortgage warehouse finance	1,690,629	46,037	2.72 %	1,012,933	29,582	2.92 %	960,573	30,709	3.20 %
Lender finance	964,089	34,222	3.55 %	644,812	23,717	3.68 %	444,612	17,106	3.85 %
Commercial and commercial real estate	6,356,378	279,660	4.40 %	4,945,168	238,787	4.83 %	4,756,781	252,952	5.32 %
	2,149,718	101,618	4.73 %	1,530,242	81,587	5.33 %	997,032	72,978	7.32 %

Equipment financing receivables												
Total loans and leases held for investment	19,245,197	787,974	4.09	%	15,128,960	648,128	4.28	%	12,415,591	607,575	4.89	%
Total interest-earning assets	22,342,301	$879,243	3.94	%	17,967,882	$733,767	4.08	%	16,735,235	$735,697	4.39	%
Noninterest-earning assets	1,306,284				1,324,122				1,395,821			
Total assets	$23,648,585				$19,292,004				$18,131,056			
Liabilities and Shareholders’ Equity:												
Interest-bearing liabilities:												
Deposits:												
Interest-bearing demand	$3,644,538	$24,692	0.68	%	$3,007,036	$18,737	0.62	%	$2,970,596	$20,906	0.70	%
Market-based money market accounts	361,494	2,205	0.61	%	405,627	2,474	0.61	%	420,919	2,906	0.69	%
Savings and money market accounts, excluding market-based	5,428,790	36,566	0.67	%	5,068,096	31,667	0.62	%	5,019,352	35,058	0.70	%
Market-based time	409,066	2,880	0.70	%	554,151	4,280	0.77	%	661,640	5,243	0.79	%
Time, excluding market-based	5,392,919	61,056	1.14	%	3,820,902	44,754	1.17	%	3,298,679	37,639	1.14	%
Total deposits	15,236,807	127,399	0.84	%	12,855,812	101,912	0.79	%	12,371,186	101,752	0.82	%
Borrowings:												
Trust preferred securities and subordinated notes payable	191,147	11,605	6.07	%	103,750	6,598	6.36	%	103,750	6,584	6.35	%
Long-term Federal Home Loan Bank (FHLB) advances	2,788,466	67,389	2.42	%	1,814,919	57,546	3.17	%	2,300,299	68,056	2.96	%
Short-term FHLB advances	2,126,405	4,507	0.21	%	1,444,682	2,904	0.20	%	45,808	158	0.34	%
Repurchase agreements	—	—	0.00	%	—	—	0.00	%	13,957	222	1.59	%
Other	—	—	0.00	%	23,935	—	0.00	%	1,516	—	0.00	%
Total borrowings	5,106,018	83,501	1.64	%	3,387,286	67,048	1.98	%	2,465,330	75,020	3.04	%
Total interest-bearing liabilities	20,342,825	$210,900	1.04	%	16,243,098	$168,960	1.04	%	14,836,516	$176,772	1.19	%
Noninterest-bearing demand deposits	1,283,657				1,139,766				1,413,108			
	217,671				230,313				341,232			

Other noninterest-bearing liabilities												
Total liabilities	21,844,153				17,613,177				16,590,856			
Total shareholders' equity	1,804,432				1,678,827				1,540,200			
Total liabilities and shareholders' equity	$23,648,585				$19,292,004				$18,131,056			
Net interest income/spread		$668,343	2.90	%		$564,807	3.04	%		$558,925	3.20	%
Net interest margin			2.99	%			3.14	%			3.34	%
Memo: Total deposits including noninterest-bearing	$16,520,464	$127,399	0.77	%	$13,995,578	$101,912	0.73	%	$13,784,294	$101,752	0.74	%

(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 cost amortization accounted for as yield adjustments.

(3) All interest income was fully taxable for all periods presented.

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 6

	Year Ended December 31, 2015 Compared to 2014 Increase (Decrease) Due to			2014 Compared to 2013 Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Cash and cash equivalents	$202	$34	$236	$(1,117)	$21	$(1,096)
Investments	(9,318)	1,502	(7,816)	(10,610)	(5,850)	(16,460)
Loans held for sale	17,890	(4,680)	13,210	(25,242)	315	(24,927)
Loans and leases held for investment:						
Consumer Banking:						
Residential mortgages:						
Residential	37,579	(10,109)	27,470	49,457	(3,223)	46,234
Government insured pool buyouts	39,478	8,197	47,675	32,844	(31,040)	1,804
Residential mortgages	77,057	(1,912)	75,145	82,301	(34,263)	48,038
Home equity lines	3,995	(77)	3,918	(1,105)	(824)	(1,929)
Other consumer and credit card	(64)	(57)	(121)	(147)	147	—
Commercial Banking:						
Commercial and commercial real estate:						
Commercial real estate and other commercial	23,373	(9,460)	13,913	(3,928)	(15,721)	(19,649)
Mortgage warehouse finance	19,791	(3,336)	16,455	1,674	(2,801)	(1,127)
Lender finance	11,743	(1,238)	10,505	7,702	(1,091)	6,611
Commercial and commercial real estate	54,907	(14,034)	40,873	5,448	(19,613)	(14,165)
Equipment financing receivables	33,028	(12,997)	20,031	39,028	(30,419)	8,609
Total loans and leases held for investment	168,923	(29,077)	139,846	125,525	(84,972)	40,553
Total change in interest income	177,697	(32,221)	145,476	88,556	(90,486)	(1,930)
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand	$3,972	$1,983	$5,955	$256	$(2,425)	$(2,169)
Market-based money market accounts	(269)	—	(269)	(106)	(326)	(432)
Savings and money market accounts, excluding market-based	2,254	2,645	4,899	340	(3,731)	(3,391)
Market-based time	(1,121)	(279)	(1,400)	(852)	(111)	(963)
Time, excluding market-based	18,426	(2,124)	16,302	5,959	1,156	7,115
Total deposits	23,262	2,225	25,487	5,597	(5,437)	160
Borrowings:						
Trust preferred securities and subordinated notes payable	5,558	(551)	5,007	—	14	14
Long-term FHLB advances	30,868	(21,025)	9,843	(14,360)	3,850	(10,510)
Short-term FHLB advances	1,370	233	1,603	4,825	(2,079)	2,746
Repurchase agreements	—	—	—	(222)	—	(222)
Total borrowings	37,796	(21,343)	16,453	(9,757)	1,785	(7,972)
Total change in interest expense	61,058	(19,118)	41,940	(4,160)	(3,652)	(7,812)
Total change in net interest income	$116,639	$(13,103)	$103,536	$92,716	$(86,834)	$5,882

(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, 2015 Compared to the Year Ended December 31, 2014

Net interest income increased by $103.5 million, or 18%, in 2015 compared to 2014 due to an increase in interest income of $145.5 million partially offset by an increase in interest expense of $41.9 million. Our net interest margin decreased by 15 basis points in 2015 from 2014, which was led by a decrease in yields on our interest-earning assets due to the low interest rate environment. The average rate paid on our interest-bearing liabilities remained stable throughout 2015 at 1.04%.

Yields on our interest-earning assets decreased by 14 basis points in 2015 compared to 2014, primarily due to a decrease in yields on our loans and leases held for investment and loans held for sale which was caused by the continued run-off of higher yielding assets originated in a higher interest rate environment or acquired at discounts that either prepaid or matured with assets that continue to be originated at market rates of interest. Competition and a relatively flat yield curve continue to put pressure on the amount of spread income we earn in our core banking operations. We continue to invest in government insured pool buyouts which earn attractive yields and have a relatively short weighted average expected duration of approximately two years.

The yields on our loans held for investment portfolio decreased 19 basis points in 2015 compared to 2014, which was consistent across most of our portfolios. The yield on our residential loan portfolio decreased 15 basis points in 2015 compared to 2014 due to continued origination of current market rate assets coupled with paydowns of higher yielding assets originated or purchased in a higher interest rate environment. The yield on our government insured pool buyouts increased 21 basis points in 2015 compared to 2014 due to the acquisition of $3.1 billion of government insured pool buyouts and the continued improvement in the labor and real estate markets which had a positive effect on the amount of loans that reperformed. These loans are delivered into the secondary market through our servicing agreements, which minimizes duration risk. As a majority of these loans are acquired credit-impaired and therefore accounted for under ASC 310-30, the increases in cash flows and improvements in yield are recognized prospectively. The yields on our commercial real estate and other commercial loan portfolio decreased 25 basis points due to production of current market rate commercial and commercial real estate assets coupled with paydowns of higher yielding assets. Included in the yield on our commercial real estate and other commercial loan portfolio are prepayment fees related to the acquired Business Property Lending, Inc. (BPL) portfolio. Prepayment fees on this portfolio totaled $14.7 million and $5.9 million in 2015 and 2014, respectively. The yields on our mortgage warehouse finance business decreased 20 basis points in 2015 compared to 2014 due to continued competition to be the lender of choice for our mortgage banking customers. Yields on our equipment financing receivables decreased 60 basis points in 2015 compared to 2014 primarily due to continued production of leases at current market interest rates coupled with a decline in the accretion income associated with the 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 decreased 26 basis points in 2015 compared to 2014 primarily due to the mix of assets in this portfolio as well as a decline in the average base mortgage rate (BMR). The daily average BMR declined from 4.21% in 2014 to 3.90% for the year ended December 31, 2015. 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.

The yields on our interest-bearing liabilities remained stable in 2015 compared to 2014. The rates paid on other borrowings decreased 34 basis points in 2015 compared to 2014 due to the make-up of our FHLB balance, which saw an increase in our short-term borrowings in order to fund loan acquisitions and temporary increases in our loans held for sale and mortgage warehouse finance balances as the prevailing low interest rate environment resulted in higher mortgage production volumes late in the year compared to prior periods. The rates paid on our deposits increased 5 basis points in 2015 compared to 2014 due to the growth in higher rate interest-bearing demand deposits and savings and money market accounts.

Average balances of our interest-earning assets increased by $4.4 billion, or 24%, in 2015 compared to 2014, primarily due to a $4.1 billion increase in loans and leases held for investment and a $497.8 million increase in our loans held for sale. This increase was partially offset by a $319.2 million decrease in our investments portfolio.

The year over year increase in the average balance of loans and leases held for investment was $4.1 billion in 2015 compared to 2014, as a result of increases of $2.0 billion, $1.4 billion and $0.6 billion in our residential mortgage, commercial and commercial real estate and equipment financing portfolios, respectively. The increase in the average balance of our residential mortgages portfolio was primarily due to the continued origination of preferred jumbo ARM products for investment as well as third party acquisitions of government insured pool buyouts. The increase in our commercial and commercial real estate portfolio was mainly a result of strong production in relation to paydowns in our commercial real estate portfolio and continued strong lender finance fundings coupled with increases in our mortgage warehouse finance balance due to the differences in the interest rate environments in the two periods. In addition, our equipment finance portfolio saw continued strong origination volumes during 2015. Please see "Analysis of Statements of Condition" for additional information on our loans held for investment.

The increase in the average balance of our loans held for sale was a result of increased production in both agency and jumbo preferred loans due to the low interest rate environment in 2015. In 2015, we sold $2.2 billion of UPB of both our preferred jumbo ARM products and preferred jumbo fixed rate mortgage products. 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 was primarily driven by continued principal paydowns as well as the sale of certain investment securities during 2014 and 2015. Please see "Analysis of Statements of Condition" for additional information on our investment securities.

Average balances in our interest-bearing liabilities increased by $4.1 billion, or 25%, in 2015 compared to 2014 due to increases in the average balance of our deposits of $2.4 billion and increases to our long-term and short-term FHLB advances of $1.0 billion and $0.7 billion, respectively. The increase in our deposit balances was primarily driven by an increase in time deposits coupled with an increase in our interest-bearing demand accounts. The increase in our average FHLB advances balance was to help fund balance sheet growth due to loan acquisitions as well as to help fund temporary increases in our loans held for sale and mortgage warehouse finance balances.

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.

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 during that period.

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 then 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 then 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 then 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 then 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 during that period. 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 was 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 continued to focus on balance sheet growth and 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 was 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 in 2014.

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.

The following tables provide a breakdown of the provision for loan and lease losses based on the method for determining the allowance at the years ended December 31, 2015, 2014 and 2013:

Provision for Loan and Lease Losses Table 7

	Year Ended December 31, 2015			
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
Residential mortgages	$(236)	$9,467	$1,057	$10,288
Commercial and commercial real estate	9,447	6,013	(1,696)	13,764
Equipment financing receivables	91	12,684	—	12,775
Home equity lines	—	1,466	—	1,466
Consumer and credit card	—	(106)	—	(106)
Total Provision for Loan and Lease Losses	$9,302	$29,524	$(639)	$38,187
		38 %	$13,654	56 %

	Year Ended December 31, 2014			
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
Residential mortgages	$4	$9,811	$1,105	$10,920
Commercial and commercial real estate	3,246	483	(1,235)	2,494
Equipment financing receivables	—	9,285	—	9,285
Home equity lines	—	1,674	—	1,674
Consumer and credit card	—	160	—	160
Total Provision for Loan and Lease Losses	$3,250	$21,413	$(130)	$24,533
	$2,116	1,037,700,000 %		104 %

	Year Ended December 31, 2013			
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
Residential mortgages	$(1,057)	$8,107	$(305)	$6,745
Commercial and commercial real estate	1,130	(12)	1,234	2,352
Equipment financing receivables	—	4,139	—	4,139
Home equity lines	—	(1,150)	—	(1,150)
Consumer and credit card	—	(48)	—	(48)
Total Provision for Loan and Lease Losses	$73	$11,036	$929	$12,038

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

We recorded a provision for loan and lease losses of $38.2 million in 2015, which is an increase of $13.7 million, or 56%, from $24.5 million in 2014. Provision expense increased due to the impairment of a large commercial relationship during the year, as well as due to growth in both the commercial and commercial real estate and equipment financing receivables portfolios. Specifically, a large commercial relationship was determined to be impaired during the year for which a specific reserve of $7.0 million was established. In addition, continued growth in our commercial segment resulted in an increase in the equipment financing receivables and commercial and commercial real estate portfolios of $2.3 billion combined, or 30%, with these portfolios providing an increase in the provision for loans and leases collectively evaluated of $8.9 million, or 91%. These increases in provision expense were partially offset by a decrease in our provision for ACI loans due to releases of prior valuation allowances on our ACI pools driven by improved expectations of future cash flows. Net charge-offs were $20.9 million in 2015, compared to $19.7 million in 2014. The net charge-off ratio was 0.11% in 2015 compared to 0.13% in 2014.

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 primarily increased due to the continued growth in our loans held for investment balances due to acquisition and origination of loans held for investment, which resulted in an increase in the provision for loan and lease losses collectively evaluated of $10.4 million, or 94%. Provision expense also increased due to the impairment of additional commercial and commercial real estate loans resulting in an increase to provision expense of $2.1 million. These increases in provision expense were partially offset by a decrease in our provision for ACI loans due to releases of prior valuation allowances on our ACI pools driven by improved expectations of future cash flows. 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.

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.

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)	2015	2014	2013
Loan servicing fee income	$117,763	$158,463	$188,759
Amortization of MSR	(71,150)	(79,234)	(126,803)
Recovery (impairment) of MSR	(31,986)	8,012	94,951
Net loan servicing income	14,627	87,241	156,907
Gain on sale of loans	125,927	163,644	242,412
Loan production revenue	22,574	20,952	35,986
Deposit fee income	14,015	14,783	19,084
Other lease income	14,716	16,997	24,681
Other	23,521	33,622	40,321
Total Noninterest Income	$215,380	$337,239	$519,391

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Noninterest income decreased by $121.9 million, or 36%, in 2015 compared to 2014. The decrease in noninterest income was primarily driven by a reduction in net loan servicing income, gain on sale of loans, other lease income and other noninterest income partially offset by an increase in loan production revenue.

Net loan servicing income decreased by $72.6 million, or 83%, in 2015 compared to 2014. The decrease was primarily due to changes in our valuation allowance associated with the fair market value of our MSR, which resulted in an MSR impairment of $32.0 million in 2015 compared to $8.0 million in recoveries recognized in 2014. The impairment and recovery of MSR are a result of differences in expected prepayment rates due to differences in the interest rate environment at December 31, 2015 compared to December 31, 2014. See "Analysis of Statement of Condition" for additional discussion of the changes in valuation allowance associated with our MSR. In addition, loan servicing fee income decreased by $40.7 million, or 26%, in 2015 compared to the same period in 2014 primarily due to the sale of $9.9 billion in UPB of MSR to Ditech on March 28, 2014, the sale of $5.5 billion in UPB of MSR and servicing rights related to loans held for investment to Ditech effective May 1, 2015 and the sale of $3.3 billion in UPB of MSR to NSM effective November 2, 2015 as well as a decrease in the weighted average servicing fee for loans we continue to service. These decreases were partially offset by a $8.1 million decrease in amortization of MSR due to the Ditech sales.

Gain on sale of loans decreased by $37.7 million, or 23%, in 2015 compared to 2014, primarily driven by a decrease in the sales of mortgage pool buyouts as well as a shift in agency product mix out of high margin products such as HARP, increased volume in jumbo preferred products and a decrease in sales volumes in 2015, which was consistent with the overall mortgage origination market. We sold $140.0 million of non-ACI mortgage pool buyout loans in 2015 compared to $407.1 million in 2014, which resulted in a decrease in gain on sale of $23.7 million from 2014 to 2015. Agency loan origination volume represented $4.0 billion, or 42%, of total origination volume in 2015 compared to $4.1 billion, or 49%, of total origination volume in 2014, which also contributed to the decrease in gain on sale of loans. In addition, gain on sale revenue for interest rate lock commitments is typically recorded at lock date, on a pull through adjusted basis, for loans that are intended to be sold in the secondary market. Total outstanding lock volume decreased to $1.1 billion at December 31, 2015 compared to $1.3 billion at December 31, 2014. These decreases were partially offset by an increase of $8.2 million related to gains recognized on sales of our commercial loans and leases, which was driven by a $211.6 million increase in commercial loan and lease sales from $109.3 million in 2014 to $320.9 million in 2015.

Loan production revenue increased by $1.6 million, or 8%, in 2015 compared to 2014 due to an increase in commercial origination fees as our commercial loans and leases grew 40%, from $2.6 billion in originations during

2014 to $3.6 billion in originations during 2015.
Other lease income decreased by $2.3 million, or 13%, in 2015 compared to 2014 primarily due to decreases in the balance of our operating leases.
Other noninterest income decreased by $10.1 million, or 30%, in 2015 compared to 2014 primarily due to $0.6 million in gains on sales of AFS securities during 2015 compared to $5.6 million in 2014, $4.3 million of income due to releases of holdbacks related to MSR purchases recognized in 2014 and a $2.0 million gain on sale of MSR recorded in 2014 related to the Ditech sale. These decreases were partially offset by a $1.3 million increase in income related to prepayment fees on certain serviced commercial loans acquired in the BPL acquisition.
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 MSR to Ditech on March 28, 2014. These decreases were partially

offset by a decrease in amortization of $47.6 million due to the Ditech 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 was consistent with the decline in the overall mortgage origination market during that period. Refinance activity in the market declined as the incentive for refinance activity decreased as interest rates rose, 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. 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, we 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.

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 Ditech 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 Ditech 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. 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 MSR.

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)	2015	2014	2013
Salaries, commissions and other employee benefits expense	$367,580	$370,470	$441,736
Equipment expense	62,242	69,332	85,920
Occupancy expense	27,004	30,647	35,087
General and administrative expense:			
Legal and professional fees, excluding consent order expense	26,818	31,555	30,782
Foreclosure and other real estate owned (OREO)	37,362	25,534	34,051
Other credit-related expenses	(8,203)	2,189	15,792
FDIC premium assessment and other agency fees	27,146	19,465	34,857
Advertising and marketing expense	25,221	21,437	29,201
Subservicing expense	5,033	9,871	—
Consent order expense	2,501	4,597	72,339
Other	65,673	53,845	68,473
Total general and administrative expense	181,551	168,493	285,495
Total Noninterest Expense	$638,377	$638,942	$848,238

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Noninterest expense decreased by $0.6 million, or less than 1%, in 2015 compared to 2014. The decrease in noninterest expense was driven by decreases in salaries, commissions and other employee benefits expense, occupancy and equipment expenses, partially offset by increases in general and administrative expense.

Salaries, commissions and employee benefits decreased by $2.9 million, or 1%, in 2015 compared to 2014 primarily due to lower headcount in our Consumer Banking business as a result of the restructuring and repositioning activities that were executed in May 2014 in conjunction with the transfer of our default servicing platform and our sale of servicing rights in May 2015 to Ditech. The decrease caused by the reduction in headcount was partially offset by higher commissions and incentive expense created by higher production volumes of $1.0 billion related to the low rate environment during 2015.

Occupancy and equipment expense decreased by $10.7 million, or 11%, in 2015 compared to 2014 primarily due to a decline in the space and equipment needed to support our employees given the reduction in full time employees as a result of the servicing platform and asset sales and other restructuring activities that occurred in the second and third quarters of 2014. This reduction in headcount as well as the reduction in the amount of equipment and space required for such personnel had a positive impact on occupancy and equipment expense in the 2015 compared to 2014.

General and administrative expense increased by $13.1 million, or 8%, in 2015 compared to 2014 primarily due to increases in foreclosure and OREO expense, FDIC premium assessment, advertising and marketing expense and other general and administrative expenses partially offset by decreases in legal and professional fees, other credit-related expenses, subservicing expense and consent order expense.

Legal and professional fees decreased by $4.7 million, or 15%, in 2015 compared to 2014 primarily due to higher legal costs in 2014 related to activities to grow our balance sheet.

Foreclosure and OREO expenses increased by $11.8 million, or 46%, in 2015 compared to 2014 primarily due to an $5.5 million increase of unrecoverable advance losses related to our government-insured loans as well as increases in property and preservation costs of $4.4 million.

Other credit-related expenses decreased by $10.4 million in 2015 compared to 2014 primarily due to a decrease in the provision for our production repurchase reserve of $17.3 million partially offset by a $7.7 million increase in the provision related to our repurchase reserve for loans serviced. The decrease in our production repurchase reserve provision for 2015 was the result of the settlement of pending repurchase requests during the year as well as a reduced number of repurchase requests received from agency aggregators and non-GSE's when compared to 2014. The increase in the provision related to our repurchase obligations for loans serviced during 2015 was caused by lower repurchase request activity resulting in a smaller provision in 2015, combined with a large release of provision in 2014, as active repurchase requests were settled at a higher rate than new requests. See "Loan and Lease Quality" for further discussion of our repurchase reserves.

FDIC premium assessment and other agency fees increased by $7.7 million, or 39%, in 2015 compared to 2014 primarily due to a refund of previously paid FDIC assessments of $5.4 million received in 2014 as well as the continued growth in our balance sheet.

Advertising and marketing expense increased by $3.8 million, or 18%, in 2015 compared to 2014 primarily due to targeted marketing aimed at deposit gathering initiatives as a result of the asset growth and third party acquisition opportunities.

Subservicing expenses decreased by $4.8 million, or 49%, in 2015 compared to the same period in 2014 due to the subservicing agreement with Ditech in May 2014, which was in place through May 1, 2015. As a result, expenses were incurred for four months of 2015 compared to eight months of 2014.

Consent order expenses decreased by $2.1 million, or 46%, in 2015 compared to 2014 due to lower third party costs and remediation accruals. On January 5, 2016, the OCC announced that it terminated our consent order, and in conjunction with the termination we were required to pay $1.0 million in civil money penalties, which is accrued for in other general and administrative expense as of December 31, 2015.

Other general and administrative expense increased by $11.8 million, or 22%, in 2015 compared to 2014 primarily due to an increase in loan origination expenses due to a lower amount of direct origination costs deferred.

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 executed in 2014. In addition, lower production volumes related to slowed refinance activity continued 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. 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 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 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 Ditech sale.
Subservicing expense increased by $9.9 million in 2014 compared to 2013. This increase was related to the execution of a subservicing agreement with Ditech for our government insured loan portfolio in connection with the transfer of our default servicing platform to Ditech 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.

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)	2015		2014		2013	
Provision for income taxes	$76,633		$90,489		$81,300	
Effective tax rates	37.0	%	37.9	%	37.3	%

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

For the years ended December 31, 2015 and 2014, our effective income tax rate differs from the statutory federal income tax rate primarily due to state income taxes. Provision for income taxes decreased by $13.9 million, or 15%, to $76.6 million in 2015 from $90.5 million in 2014, primarily due to a decrease in pre-tax income.

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.

Segment Results

We evaluate our overall financial performance through three financial reporting segments: Consumer Banking, Commercial Banking, and Corporate Services. To generate financial information by operating 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, several of which are subjective in nature. Any changes we make to estimates and allocations that may affect the reported results of any business segment do not affect our consolidated financial position or consolidated results of operations.
We use funds transfer pricing in the calculation of each respective operating segment’s net interest income to measure the value of funds used in and provided by an operating 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.

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, 2015	2014	2013
Segment Earnings			
Consumer Banking	$110,637	$168,553	$145,262
Commercial Banking	221,502	177,321	172,496
Corporate Services	(124,980)	(107,303)	(99,718)
Segment earnings	$207,159	$238,571	$218,040
Segment Assets			
Consumer Banking	$16,273,989	$13,825,052	$11,321,747
Commercial Banking	10,354,535	7,892,974	6,331,646
Corporate Services	320,501	215,095	236,313
Eliminations	(347,999)	(315,333)	(248,722)
Total assets	$26,601,026	$21,617,788	$17,640,984

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, 2015				
Net interest income (loss)	$363,897	$315,711	$(11,265)	$668,343
Provision for loan and lease losses	11,649	26,538	—	38,187
Net interest income (loss) after provision for loan and lease losses	352,248	289,173	(11,265)	630,156
Total noninterest income	164,633	50,078	669	215,380
Total noninterest expense	406,244	117,749	114,384	638,377
Income (loss) before provision for income taxes	$110,637	$221,502	$(124,980)	$207,159
Adjustment Items (pre-tax):				
Transaction expense and non-recurring regulatory related expense	4,213	—	—	4,213
Increase (decrease) in Bank of Florida non-accretable discount	310	(1,696)	—	(1,386)
MSR impairment (recovery)	31,986	—	—	31,986
Restructuring cost	20,362	—	61	20,423
Adjusted income (loss) before income tax	$167,508	$219,806	$(124,919)	$262,395

Business Segments Selected Financial Information — Table 12B

(dollars in thousands)	Consumer Banking	Commercial Banking	Corporate Services	Consolidated
Year Ended December 31, 2014				
Net interest income (loss)	$319,807	$251,357	$(6,357)	$564,807
Provision for loan and lease losses	12,755	11,778	—	24,533
Net interest income (loss) 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 of income taxes	$168,553	$177,321	$(107,303)	$238,571

Adjustment items (pre-tax):				
Transaction expense and non-recurring regulatory related expense	8,689	—	1,734	10,423
Increase (decrease) in Bank of Florida non-accretable discount	—	1,173	—	1,173
MSR impairment (recovery)	(8,012)	—	—	(8,012)
Restructuring cost	752	—	—	752
OTTI losses on investment securities (Volcker rule)	685	—	—	685
Adjusted income (loss) before income tax	$170,667	$178,494	$(105,569)	$243,592

Business Segments Selected Financial Information Table 12C

(dollars in thousands)	Consumer Banking	Commercial Banking	Corporate Services	Consolidated
Year Ended December 31, 2013				
Net interest income (loss)	$301,544	$263,682	$(6,301)	$558,925
Provision for loan and lease losses	5,546	6,492	—	12,038
Net interest income (loss) 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 for income taxes	$145,262	$172,496	$(99,718)	$218,040
Adjustment items (pre-tax):				
Transaction expense and non-recurring regulatory related expense	74,901	—	3,288	78,189
Increase (decrease) in Bank of Florida non-accretable discount	—	(154)	—	(154)
MSR impairment (recovery)	(94,951)	—	—	(94,951)
Restructuring cost	26,381	4,179	621	31,181
OTTI losses on investment securities (Volcker rule)	3,298	—	—	3,298
Adjusted income (loss) before income tax	$154,891	$176,521	$(95,809)	$235,603

Consumer Banking

Consumer Banking

Table 13

(dollars in thousands)	Year Ended December 31, 2015	2014	2013
Net Interest Income	$363,897	$319,807	$301,544
Provision for loan and lease losses	11,649	12,755	5,546
Net interest income after provision for loan and lease losses	352,248	307,052	295,998
Noninterest income:			
Net loan servicing income	13,391	86,105	156,571
Gain on sale of loans	115,960	161,928	242,105
Loan production revenue	17,619	17,734	33,856
Deposit fee income	13,473	14,697	18,998
Other	4,190	14,985	16,708
Total noninterest income	164,633	295,449	468,238
Noninterest expense			
Salaries, commissions, and other employee benefits	203,477	212,618	275,879
Equipment and occupancy expense	48,093	52,524	67,181
General and administrative expense	154,674	168,806	275,914
Total noninterest expense	406,244	433,948	618,974
Segment earnings	$110,637	$168,553	$145,262

Residential Mortgage Lending and Servicing

Table 14

(dollars in thousands)	Year Ended December 31, 2015	2014	2013
Key Metrics:			
Mortgage lending volume:			
Agency	$4,006,216	$4,097,733	$7,458,903
Jumbo	5,052,273	4,287,189	3,390,976
Other	398,088	28,164	—
Mortgage lending volume	$9,456,577	$8,413,086	$10,849,879
Mortgage loans sold:(1)			
Agency, excluding GNMA II	$3,762,932	$4,271,154	$8,187,847
Jumbo	2,173,539	1,486,036	1,558,362
GNMA II	139,970	407,092	638,590
Other	17,160	207,989	23,142
Mortgage loans sold	$6,093,601	$6,372,271	$10,407,941
Applications	$1,296,496	$1,335,506	$2,374,710
Rate locks	1,144,034	1,251,366	1,272,266
Mortgage Lending Volume by Channel:			
Retail	$5,890,116	$4,484,442	$3,950,161
Consumer Direct	1,366,520	1,715,878	3,607,050
Correspondent	2,199,941	2,212,765	3,292,668
Purchase Activity (%):			
Retail	65 %	71 %	54 %
Consumer Direct	10 %	9 %	4 %
Correspondent	58 %	56 %	39 %
Total	56 %	54 %	33 %

(1) Excludes sales of loans to third party servicers out of government insured pool buyouts accounted for under ASC 310-30 since additional cash flows expected and/or realized in the pool are not recognized into earnings

immediately but come in as a prospective adjustment to yield for the remainder of the pool.

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Consumer Banking segment earnings decreased by $57.9 million, or 34%, in 2015 compared to 2014, primarily due to a decrease in total noninterest income partially offset by an increase in net interest income and a decrease in noninterest expense.

Net interest income increased by $44.1 million, or 14%, in 2015 compared to 2014 due to an increase in interest income of $115.2 million, or 23% partially offset by an increase in interest expense of $71.1 million, or 40%, in 2015. Please see "Analysis of Statements of Income" for an explanation of changes in average balances and yields/rates.
Noninterest income decreased by $130.8 million, or 44%, in 2015 compared to 2014. The decrease was driven by a decrease in gain on sale of loans of $46.0 million coupled by a decrease in net loan servicing income and other income of $72.7 million and $10.8 million, respectively, in 2015 compared to 2014. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.
Noninterest expense decreased by $27.7 million, or 6%, in 2015 compared to 2014. The decrease was primarily due to decreases in salaries, commissions and employee benefits, equipment and occupancy expense and general and administrative expense. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.
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 the 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.

Commercial Banking

Commercial Banking Table 15

(dollars in thousands)	Year Ended December 31, 2015	2014	2013
Net interest income	$315,711	$251,357	$263,682
Provision for loan and lease losses	26,538	11,778	6,492
Net interest income after provision for loan and lease losses	289,173	239,579	257,190
Noninterest income:			
Loan production revenue	4,944	3,218	2,130
Other lease income	14,712	16,997	24,681
Gain on sale of loans	9,960	1,711	301
Other	20,462	19,423	23,339
Total noninterest income	50,078	41,349	50,451
Noninterest expense:			
Salaries, commissions and other employee benefits expense	54,063	62,848	71,714
Equipment and occupancy expense	14,163	20,183	27,845
General and administrative expense	49,523	20,576	35,586
Total noninterest expense	117,749	103,607	135,145
Segment earnings	$221,502	$177,321	$172,496

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Commercial Banking segment earnings increased by $44.2 million, or 25%, in 2015 compared to 2014 primarily due to an increase in net interest income and noninterest income partially offset by an increase in noninterest expense.

Net interest income increased by $64.4 million, or 26%, in 2015 compared to 2014 primarily due to higher average balances experienced in the three major categories of our commercial and commercial real estate portfolio as well as an increase in equipment financing receivables. Please see "Analysis of Statements of Income" for an explanation of changes in average balances and yields/rates. Despite this growth in net interest income, net interest income after provision for loan and lease losses increased only 21% as a result of 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 increased by $8.7 million, or 21%, in 2015 compared to 2014 primarily due to an increase in gain on sale of loans partially offset by a decrease in other lease income. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.

Noninterest expense increased by $14.1 million, or 14%, in 2015 compared to 2014 primarily due to an increase in general and administrative expense, which was partially offset by decreases in salaries, commissions and other employee expense and equipment and occupancy expenses. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.

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.

Corporate Services

Corporate Services			Table 16
	Year Ended December 31,		
(dollars in thousands)	2015	2014	2013
Net interest income (loss) after provision for loan and lease losses	$(11,265)	$(6,357)	$(6,301)
Total noninterest income	669	441	702
Noninterest expense:			
Salaries, commissions and employee benefits	110,040	95,004	94,143
Equipment and occupancy expense	26,990	27,272	25,981
Other general and administrative expense	51,017	44,069	52,275
Inter-segment allocations	(73,663)	(64,958)	(78,280)
Total noninterest expense	114,384	101,387	94,119
Segment earnings (loss)	$(124,980)	$(107,303)	$(99,718)

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Corporate Services segment loss increased by $17.7 million, or 16%, in 2015 compared to 2014 primarily due to an increase in net interest loss and an increase in noninterest expense.

Net interest loss increased by $4.9 million, or 77%, in 2015 compared to 2014 primarily due to an increase in interest expense as a result of the subordinated notes issued in the second quarter of 2015.

Noninterest expense increased by $13.0 million, or 13%, in 2015 compared to 2014 primarily due to an increase in salaries, commissions and employee benefits, general and administrative expense and the further integration of core functions from Consumer and Commercial Banking, which was partially offset by an increase in inter-segment allocations for services provided directly to these other reportable segments.

Salaries, commissions and employee benefits increased $15.0 million, or 16%, in 2015 compared to 2014 due to a 9% increase in headcount in our Corporate Services segment.

General and administrative expense increased $6.9 million, or 16%, in 2015 compared to 2014 due to an increase in the amount of advertising and marketing expense. Advertising and marketing expense is directly allocated to the segments and thus the increase in advertising and marketing had a direct effect on the amount of inter-segment allocations. Inter-segment allocations increased by $8.7 million, or 13%, in 2015 compared to 2014 as a result of certain repositioning activities, which impacted Corporate Services headcount as a percentage of overall headcount, which is the primary driver of inter-segment allocations.

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.

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.

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, 2015, 2014, and 2013:

Investment Securities Carrying Value — Table 17

(dollars in thousands)	2015	2014	2013
Available for sale (at fair value):			
Residential collateralized mortgage obligations (CMO) securities — nonagency	$553,258	$774,235	$1,109,271
Asset-backed securities	1,352	1,395	3,086
Other (1)	409	681	3,270
Total investment securities available for sale	555,019	776,311	1,115,627
Held to maturity (at amortized cost):			
Residential CMO securities — agency	13,065	27,801	41,347
Residential Mortgage Backed Securities (MBS) — agency	90,681	87,283	65,965
Total investment securities held to maturity	103,746	115,084	107,312
Total investment securities	$658,765	$891,395	$1,222,939

(1) Other investments is comprised of residential agency CMO securities, residential agency MBS and equity securities.

The amortized cost and fair value of debt securities at December 31, 2015 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 18

(dollars in thousands)	Amortized Cost	Fair Value	Yield
Available for sale:			
After ten years			
Asset-backed securities	$1,632	$1,352	2.00 %
Not due at a single maturity			
Residential CMO securities — agency	24	25	6.00 %
Residential CMO securities — nonagency	558,621	553,258	2.61 %
Residential MBS securities — agency	148	155	2.91 %
Equity securities	76	229	
	560,501	555,019	
Held to maturity:			
Not due at a single maturity			
Residential CMO securities — agency	13,065	13,334	3.61 %
Residential MBS securities — agency	90,681	92,114	2.89 %
	103,746	105,448	
	$664,247	$660,467	

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 — Nonagency

At December 31, 2015, our residential nonagency portfolio consisted entirely of investments in residential nonagency CMO securities. Investments in residential nonagency CMO securities totaled $553.3 million, or 84% of our

investment securities portfolio. Our residential nonagency CMO securities decreased to $553.3 million at December 31, 2015 from $774.2 million at December 31, 2014, or 29%, primarily due to reductions in amortized cost resulting from principal payments received of $233.5 million.
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 entities (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 $244.1 million, or 44%, of our residential nonagency CMO investment securities at December 31, 2015.
We have internal guidelines for the credit quality and duration of our residential nonagency CMO securities portfolio and monitor these on a regular basis. At December 31, 2015, the portfolio carried a weighted average Fair Isaac Corporation (FICO), score of 729, a weighted

average amortized loan-to-value ratio (LTV), of 57%, and was seasoned an average of 132 months. This portfolio includes protection against credit losses through subordination in the securities structures and borrower equity.

Residential — Agency

At December 31, 2015, our residential agency portfolio consisted of both residential agency CMO securities and residential agency MBS securities. Investments in residential agency CMO securities totaled $13.1 million, or 2%, of our investment securities portfolio. Our residential agency MBS portfolio totaled $90.8 million, or 14%, 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 $14.7 million, or 53%, to $13.1 million at December 31, 2015 from $27.8 million at December 31, 2014 primarily due to reductions to amortized cost resulting from principal payments received of $14.6 million and the amortization of premiums and discounts. Our residential agency MBS securities increased by $3.4 million, or 4%, to $90.8 million at December 31, 2015, from $87.5 million at December 31, 2014 primarily due to purchases of $15.1 million partially offset by principal payments received of $11.1 million.

Loans Held for Sale

We typically transfer originated or acquired residential mortgage loans to various financial institutions, government agencies, or government-sponsored enterprises. In addition, we enter 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), Fannie Mae (FNMA) or GNMA, and are subsequently sold to third party investors. Typically, the Company accounts for these transfers as sales and retains the right to service the loans. For non-conforming transactions, the Company sells whole loans outright to qualified institutional buyers and typically 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, 2015 and 2014:

Loans Held for Sale		Table 19
(dollars in thousands)	2015	2014
Mortgage warehouse (carried at fair value)	$624,726	$410,948
Other residential (carried at fair value)	683,015	317,430
Total loans held for sale carried at fair value	1,307,741	728,378
Government insured pool buyouts	293	12,583
Other residential	22,481	232,546
Commercial and commercial real estate	178,753	—
Total loans held for sale carried at lower of cost or fair value	201,527	245,129
Total loans held for sale	$1,509,268	$973,507

Mortgage Warehouse

At December 31, 2015, our mortgage warehouse loans totaled $624.7 million, or 41%, 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 and the burden of complying with the requirements of hedge accounting, we have elected the fair value option of accounting under U.S. GAAP on this portfolio of loans. Mortgage warehouse loans increased by $213.7 million, or 52%, from $410.9 million at December 31, 2014 due to a decline in agency sales during the fourth quarter of 2015 when compared to the fourth quarter of 2014.

The following table represents the length of time the mortgage warehouse loans have been classified as held for sale at December 31, 2015 and 2014:

Mortgage Warehouse		Table 20
(dollars in thousands)	2015	2014
30 days or less	$299,910	$315,662

31- 90 days	299,996	78,688
Greater than 90 days	24,820	16,598
Total mortgage warehouse	$624,726	$410,948

Subsequent to December 31, 2015, we sold $12.3 million of the mortgage warehouse loans classified as held for sale that were held for more than 90 days. The remaining $12.5 million of warehouse loans were made up of conforming or government products and were current as of December 31, 2015.

Other Residential Loans Carried at Fair value

At December 31, 2015, our other residential loans carried at fair value totaled $683.0 million or 45% of our total loans held for sale portfolio. Sales within our fixed-rate jumbo loan portfolio occur less frequently when compared to sales within our mortgage warehouse portfolio as the market for non-conforming loans is less active and smaller when compared to the secondary market for conforming loans. Having a less active and smaller secondary market leads us to hold certain of our fixed-rate jumbo loans for longer periods when compared to its mortgage warehouse. Due to the duration that these loans are present on our balance sheet, we have elected the fair value option of accounting 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 $365.6 million or 115% from $317.4 million at December 31, 2014, in part due to originations of $1.6 billion, sales of $1.1 billion and paydowns of $56.4 million during the year. The remaining activity relates to gains included in earnings for the period. Gains include any changes in the fair value of the loans while present on our balance sheet.

The following table represents the length of time our other residential loans carried at fair value have been classified as held for sale at December 31, 2015 and 2014:

Other Residential Loans Carried at Fair Value		Table 21
(dollars in thousands)	2015	2014
90 days or less	$174,262	$258,411
91- 180 days	232,784	30,178
Greater than 180 days	275,969	28,841
Total other residential loans carried at fair value	$683,015	$317,430

Government Insured

At December 31, 2015 our government insured pool buyout loans totaled $0.3 million, or less than 1%, of our total loans held for sale portfolio, which was a decrease of $12.3 million or 98% from December 31, 2014 when our government insured pool buyout loans totaled $12.6 million. Government insured pool buyout loans are transferred to our held for sale portfolio upon re-performance and are subsequently re-securitized and/or sold to third parties. During the year ended December 31, 2015 we transferred $1.1 billion in UPB of government insured pool buyout loans from loans held for investment to loans held for sale. Of those government insured pool buyout loans transferred to loans held for sale, we transferred and subsequently sold loans with a net recorded investment of $140.0 million of conforming mortgages to GNMA in exchange for mortgage-backed securities and sold loans with a net recorded investment of $947.6 million to third parties through whole loan sales during the year ended December 31, 2015. The remaining change relates to discounts and premiums on the transferred loans. During the year ended December 31, 2014 we transferred $416.8 million of conforming mortgages to GNMA in exchange for mortgage-backed securities. At December 31, 2014 $9.0 million of GNMA securities were transferred and included in the loans held for sale balances above for which we retained effective control of the assets.

Other Residential Loans Carried at Lower of Cost or Fair Value

Our other residential loans carried at the lower of cost or fair value decreased by $210.1 million, or 90% from $232.5 million at December 31, 2014 to $22.5 million at December 31, 2015. During the year ended December 31, 2015, we transferred loans with a UPB of $212.3 million from held for sale to held for investment, transferred loans with a UPB of $1.1 billion from held for investment to held for sale and sold loans with a net recorded investment of $1.1 billion. The remaining change in balance relates to paydowns and payoffs.

Commercial and Commercial Real Estate

Our commercial and commercial real estate loans totaled $178.8 million, or 12%, of our total loans held for sale at December 31, 2015, which was an increase of $178.8 million from December 31, 2014. During the year ended December 31, 2015, the Company transferred $399.5 million of loans from held for investment to held for sale, transferred $111.6 million of loans from held for sale to held for investment and sold loans with a net recorded investment of $213.2 million. The remaining change in balance relates to paydowns on the outstanding loans.

Loans and Leases Held for Investment

The following table presents the balance of each major category in our loans and leases held for investment portfolio at December 31, 2015, 2014, 2013, 2012, and 2011:

Loans and Leases Held for Investment

Table 22

	2015		2014		2013		2012		2011	
(dollars in thousands)	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
Residential mortgages										
Residential	$7,501,767	33.7 %	$6,324,965	35.7 %	$5,153,106	39.0 %	$3,949,284	31.5 %	$3,727,542	57.2 %
Government insured pool buyouts	4,215,355	19.0 %	3,595,105	20.2 %	1,891,637	14.3 %	2,759,464	22.1 %	829,299	12.7 %
Commercial and commercial real estate										
Commercial real estate and other commercial	3,954,522	17.8 %	3,527,586	19.9 %	3,276,130	24.7 %	3,442,115	27.5 %	1,082,463	16.6 %
Mortgage warehouse finance	2,372,731	10.7 %	1,356,651	7.6 %	944,219	7.1 %	969,881	7.8 %	—	0.0 %
Lender finance	1,280,423	5.8 %	762,453	4.3 %	592,621	4.5 %	359,772	2.9 %	82,921	1.3 %
Equipment financing receivables	2,400,909	10.8 %	2,031,570	11.4 %	1,237,941	9.3 %	836,935	6.7 %	588,501	9.0 %
Home equity lines	496,969	2.2 %	156,869	0.9 %	151,916	1.1 %	179,600	1.4 %	200,112	3.1 %
Consumer and credit card	4,816	0.0 %	5,054	0.0 %	5,154	0.0 %	8,038	0.1 %	8,443	0.1 %
Total loans and leases, net of unearned income	22,227,492	100.0%	17,760,253	100.0%	13,252,724	100.0%	12,505,089	100.0%	6,519,281	100.0%
Allowance for loan and lease losses	(78,137)		(60,846)		(63,690)		(82,102)		(77,765)	
Total loans and leases, net	$22,149,355		$17,699,407		$13,189,034		$12,422,987		$6,441,516	

The balances presented

above include:					
Net purchased loan and lease discounts	$45,770	$47,108	$102,416	$164,132	$237,170
Net deferred loan and lease origination costs	$123,255	$94,778	$54,107	$25,275	$19,057

The following table shows the contractual maturities, including scheduled principal repayments, of our commercial and commercial real estate portfolio and the distribution between fixed and adjustable interest rate loans at December 31, 2015:

Maturities and Sensitivities of Selected Loans to Changes in Interest Rates(1) Table 23

(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)	$2,469,544	$1,812,245	$3,325,887	$7,607,676

(1) Based on contractual maturities.

(2) As of December 31, 2015, loans maturing after one year consisted of $2.2 billion in variable rate loans and $2.8 billion in fixed rate loans.

(3) Calculated net recorded investment does not include $34.9 million in ALLL.

Residential Mortgage Loans

At December 31, 2015, our residential mortgage loans totaled $7.5 billion, or 34%, of our total held for investment loan and lease portfolio. We primarily offer our customers 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 19%,from $6.3 billion at December 31, 2014. This increase was due primarily to retained originations of $3.6 billion and loans transferred from held for sale (LHFS) to held for investment (LHFI) of $0.2 billion in UPB, partially offset by transfers of $1.1 billion in UPB from LHFI to LHFS as well as paydowns and payoffs of existing loans during the year ended December 31, 2015.

Government Insured Buyouts

At December 31, 2015, our government insured buyout loan portfolio totaled $4.2 billion, or 19%, of our total loans and leases held for investment portfolio. Government insured pool buyouts increased by $0.6 billion, or 17%, from $3.6 billion at December 31, 2014. The increase was primarily the result of mortgage pool buyout purchases with a UPB of $3.1 billion partially offset by $1.1 billion of loans being transferred from LHFI to LHFS, $1.1 billion of delinquent loans reaching foreclosure as well as paydowns and payoffs of existing loans.

We have a history of servicing 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 GNMA security holder when repurchased). For banks like EB, with cost effective sources of short-term capital, this strategy represents a very attractive return with limited additional investment risk.

We also acquire mortgage pool buyouts through third-party acquisitions. At December 31, 2015, primarily all of the mortgage pool buyout purchases noted above related to acquisitions from third-parties with those parties retaining the related servicing rights. For these acquired loans, we initially record the assets at the acquisition price which includes attribution of the purchase price to accrued interest, UPB and discount or premium. Given that these assets have experienced credit deterioration since origination and we don't expect to receive all contractual principal and interest payments, we have determined that they are ACI loans and account for these as a pool. As a result of this distinction, interest income is recorded based on the accretion rate which is the implied effective interest rate based on the expected cash flows of the pool and the net recorded investment in the pool. Included in the estimated cash flows are the timing of foreclosure and the timing and proceeds from sales of these loans. Any increase in expected and/or excess of cash flows received is taken as an adjustment to the prospective yield assuming there has not been a previous impairment of the pool. This type of structure impacts net interest income while having an immaterial impact to gain on sale revenue. Noninterest expense does not include the fixed and variable costs of the day to day servicing of these defaulted assets. A minority of our servicing contracts include language which requires us to bear the risk of loss associated with advances that are not eligible for reimbursement by the FHA.

Before we contract with a third party to service a portion of our government insured buyout portfolio, we perform due diligence to ensure the servicer is (1) an approved servicer of mortgage loans for the various GSEs and other government agencies, (2) properly licensed and qualified to do business and is in good standing in each jurisdiction in which such licensing and qualification is necessary, (3) an approved servicer for any nationally recognized insurer providing mortgage insurance on the loans being serviced, and (4) qualified to act as servicer, and we confirm that no event has occurred which would make the third party unable to comply with all such eligibility requirements or would require notification to the GSEs or other government agencies. At December 31, 2015, primarily all of our government insured buyout portfolio was serviced by third parties.

Each loan in a GNMA pool is insured or guaranteed by one of several federal government agencies, including the Federal Housing Administration, VA 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.

Under these government programs, 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 risk to the potential claim payment through missed servicing milestones.

Mortgage Warehouse Finance

At December 31, 2015, our mortgage warehouse finance portfolio totaled $2.4 billion, or 10.7%, of our total held for investment loan and lease portfolio. Our mortgage warehouse finance business provides short-term revolving facilities, primarily collateralized by agency and government residential loans, to mid-sized, high-quality mortgage banking companies across the country.

Mortgage warehouse finance increased by $1.0 billion, or 74.9%, from $1.4 billion at December 31, 2014. This change was primarily due to increased utilization by existing customers of $0.4 billion, as well as origination activity of $0.6 billion. Due both to the short-term, revolving nature of these lines, which generally turn over at least every 90 days, and our customers' focus on residential financing, fluctuations in utilization rates noted between periods are generally driven by strengthening or weakening in residential mortgage demand as well as our ability to encourage customers to choose our lines over other potential funding options.

Lender Finance

At December 31, 2015, our lender finance portfolio totaled $1.3 billion, or 5.8%, of our total held for investment loan and lease portfolio. Our lender finance business provides revolving lines of credit and term loans secured by equipment and receivables primarily to specialty finance companies on a national basis. These specialty finance companies are distributed among multiple sectors including healthcare, air, rail, container, middle market lender, equipment leasing and specialty lending sectors.

Lender finance increased by $0.5 billion, or 67.9%, from $0.8 billion at December 31, 2014. This increase was primarily due to acquisitions of $0.4 billion and origination activity of $0.1 billion on commercial credit facilities. Due both to the short-term, revolving nature of these lines and the diversified operations of our customers within multiple sectors, fluctuations in utilization rates noted between periods are generally driven by changes in the need for specialty financing as impacted by overall economic developments within the U.S. economy as well as our ability to encourage customers to choose our lines over other potential funding options.

Other Commercial and Commercial Real Estate

At December 31, 2015, our other commercial and commercial real estate portfolio totaled $4.0 billion, or 17.8%, of our total held for investment loan and lease portfolio. Other commercial and commercial real estate business consists of asset-based lending, owner-occupied and non-owner occupied commercial real estate, and other commercial and industrial loans.

Other commercial and commercial real estate increased by $0.4 billion, or 12.1%, from $3.5 billion at December 31, 2014. This change was primarily due to originations of $1.2 billion and acquisitions of $0.3 billion, partially offset by net transfers to loans held for sale totaling $0.3 billion in addition to paydowns and payoffs.

During the year ended December 31, 2015, of the $285.7 million in acquisitions, $91.7 million related to an acquired portfolio of asset based lending loans. The purchase was funded entirely by cash with the transaction being accounted for using the acquisition method of accounting. As of December 31, 2015, we have grown the asset based lending portfolio to $167.5 million. For further review of this acquisition, see Note 6 .

Equipment Financing Receivables

Equipment financing receivables increased by $0.4 billion, or 18%, to $2.4 billion, or 11%, of our total loan and lease held for investment portfolio at December 31, 2015 from $2.0 billion at December 31, 2014. The increase was the result of originations of $1.3 billion and earned income of $0.1 billion, partially offset by paydowns on existing loan and lease receivables of $0.9 billion and transfers to held for sale of $0.1 billion. 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, 2015, our home equity lines totaled $0.5 billion, or 2%, of our total held for investment loan and lease portfolio, an increase of $0.3 billion, or 217%, from $0.2 billion at December 31, 2014. This increase was primarily the result of originations of $0.4 billion, partially offset by paydowns on our existing lines of credit.

Consumer and Credit Card Loans

At December 31, 2015, consumer and credit card loans, in the aggregate, totaled $4.8 million, or less than 1% of our total held for investment portfolio, a decrease of $0.2 million from $5.1 million at December 31, 2014. These loans include direct personal loans, credit card loans and lines of credit, automobile and other loans to our clients 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, 2015, 2014, and 2013:

Change in Mortgage Servicing Rights — Table 24

(dollars in thousands)	2015	2014	2013
Balance, beginning of period	$435,619	$506,680	$375,859
Originated servicing rights capitalized upon sale of loans	57,212	57,877	100,426
Acquired servicing rights	—	—	65,188
Sale of servicing rights	(54,227)	(55,547)	—
Amortization	(71,150)	(79,234)	(126,803)
Decrease (increase) in valuation allowance	(31,986)	8,012	94,951
Other	(188)	(2,169)	(2,941)
Balance, end of period	$335,280	$435,619	$506,680
Valuation allowance:			
Balance, beginning of period	$—	$8,012	$102,963
Increase in valuation allowance	48,147	—	693
Recoveries	(16,161)	(8,012)	(95,644)
Write-off of valuation allowance	(20,208)	—	—
Balance, end of period	$11,778	$—	$8,012

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 $0.7 million, or 1%, in the year ended December 31, 2015 compared to the same period in 2014 primarily due to a decrease in residential mortgage loans sold during the period of $0.5 billion. Mortgage origination volumes and sales volumes are impacted by volatility in the current interest rate environment.

Sale of servicing rights decreased by $1.3 million during the year ended December 31, 2015 compared to the same period in 2014 due to the sales of $8.2 billion in UPB of GNMA, FHLMC, and FNMA MSR totaling $54.2 million of MSR during 2015, compared to the sale of $9.9 billion in UPB of FNMA MSR totaling $55.5 million of MSR in 2014.

Amortization expense decreased by $8.1 million, or 10%, during 2015 compared to the same period in 2014 due to the reduction in UPB of our servicing portfolio through paydowns and third party residential sales as noted above. In addition, amortization of our commercial MSR declined 42% to $1.6 million in 2015 from $3.8 million in 2014, which is in line with the decline in our commercial MSR balance.

During the year ended December 31, 2015 we recorded a net impairment of $32.0 million primarily due to declining interest rates resulting in higher expected prepayments in the near term. Therefore amortization expense on the servicing portfolio was accelerated and a valuation allowance was recorded. The BMR decreased 10 basis points from 4.00% at December 31, 2014 to 3.90% at December 31, 2015. In addition, as a result of the three MSR sales in 2015 we determined that $20.2 million of the basis of our MSR asset was permanently impaired and non-recoverable and thus wrote off the $20.2 million through our valuation allowance upon sale. As a result of the aforementioned activity, the remaining balance of our valuation allowance was $11.8 million at December 31, 2015.

Other Assets

The following table sets forth other assets by category as of December 31, 2015 and 2014:

Other Assets		Table 25
(dollars in thousands)	2015	2014
Foreclosure claims receivable, net of allowance of $11,187 and $17,336, respectively	$530,624	$451,125
Accrued interest receivable	153,156	126,581
Income taxes receivable, net	69,485	85,897
Servicing advances, net of allowance of $10,280 and $12,226, respectively	53,709	93,960
Goodwill	46,859	46,859
Equipment under operating leases, net	43,250	13,173
Margin receivable, net	40,811	35,816
Corporate advances, net of allowance of $556 and $5,960, respectively	28,300	50,470
Other real estate owned, net of allowance of $5,316 and $441, respectively	17,253	22,509
Prepaid assets	12,802	11,968
Fair value of derivatives, net	10,061	18,809
Intangible assets, net	1,772	3,705
Other	40,795	37,258
	$1,048,877	$998,130

Other assets increased $50.7 million, or 5%, to $1.0 billion at December 31, 2015 from $998.1 million at December 31, 2014. The increase was driven primarily by increases in foreclosure claims receivable, accrued interest receivable, equipment under operating leases and margin receivable which were partially offset by decreases in income taxes receivable, servicing advances, corporate advances, other real estate owned and fair value of derivatives.

Foreclosure claims receivable increased by $79.5 million, or 18%, from December 31, 2014 to December 31, 2015. In 2015, we acquired government insured mortgages in various stages of delinquency with an approximate UPB of $3.1 billion. The increase in foreclosure claims receivable was primarily due to the timing and amount of new claims being added to the balance sheet and claim funds being received as well as continued purchases of government insured residential mortgage loans.

Accrued interest receivable increased by $26.6 million, or 21%, from December 31, 2014 to December 31, 2015. The increase was primarily due to an increase in the period end balance of our government insured pool buyouts from $3.6 billion at December 31, 2014 to $4.2 billion at December 31, 2015.

Income taxes receivable decreased by $16.4 million, or 19%, from December 31, 2014 to December 31, 2015. The decrease was primarily due to a tax refund that was received from the federal government during the first quarter of 2015 in the amount of $37.2 million partially offset by the accrual of the current year's income tax liability during 2015.

Servicing advances decreased by $40.3 million, or 43%, from December 31, 2014 to December 31, 2015 primarily due to the reduction in advances related to the sale of MSR to Ditech and Nationstar during 2015.

Equipment under operating leases increased by $30.1 million, or 228%,from December 31, 2014 to December 31, 2015. The increase was primarily due to acquisition of additional equipment under operating leases of approximately $5.2 million in the third quarter and $29.9 million in the fourth quarter.

Net margin receivable increased by $5.0 million, or 14%, from December 31, 2014 to December 31, 2015. Our margin receivable is utilized to offset derivative liability positions in our balance sheet. The increase in margin receivable was primarily the result of a decrease in the fair values of derivative instruments. As the fair values of these derivative instruments decline, the overall liability position held by the Company increases resulting in greater margin requirements and fewer asset positions available for netting against these liabilities. See Note 22 in our consolidated financial statements for more information related to our netting and cash collateral adjustments.

Corporate advances decreased by $22.2 million, or 44%, from December 31, 2014 to December 31, 2015. The decrease was primarily due to the sale of MSR and related advances to Ditech and Nationstar during 2015.

Other real estate owned decreased by $5.3 million, or 23%, from December 31, 2014 to December 31, 2015. The decrease was due to the sale of OREO of $13.4 million and a $3.5 million increase in the reserves which was offset by

$11.6 million in additional OREO acquired.

The fair value of our derivatives decreased by $8.7 million, or 47%, from December 31, 2014 to December 31, 2015. The decrease was due to a decline in the value on our interest rate lock, foreign currency, commodity, metals and U.S. Treasury yield indexed options and indemnification asset partially offset by increases in value on our other derivative asset classes. The fair values of our interest rate lock commitments are highly correlated to the current interest rates in the market and whether rates are moving down or moving up. The fair value of the indemnification asset decreased due to the receipt of funds from our counterparty to make us whole for lost interest and advances on a portion of our government insured pool buyout portfolio. The value of our foreign currency derivatives is directly correlated to the relative strength of the US Dollar compared to the other currencies. The value of the foreign exchange derivatives increase in value as the US dollar strengthens with a direct offset in the FX denominated deposit that is marked to spot making it a highly effective economic hedge. Commodity, metals and U.S. Treasury yield indexed options are highly correlated to the performance of the various indices to which they relate. These options are mirrored by embedded options within our deposit product and are a highly effective hedge.

Deferred Tax Liability

Net deferred tax liability increased by $69.2 million, from $17.2 million at December 31, 2014, to $86.4 million at December 31, 2015. The increase was primarily driven by an increase in equipment lease originations, tax mark-to-market adjustments and the tax effect of other comprehensive income adjustments. See Note 18 in our consolidated financial statements for more information on taxes.

Accumulated Other Comprehensive Income

Accumulated other comprehensive loss decreased by $1.6 million to a loss of $64.0 million at December 31, 2015, from a loss of $65.6 million at December 31, 2014, primarily due to the reclassifications of unrealized losses during the period into income on interest rate swaps and debt securities and the associated tax effect which was partially offset by net unrealized losses as a result of changes in fair value related to our interest rate swaps and debt securities.

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 the fair value of our interest rate swaps and debt securities partially offset by the reclassifications of unrealized losses during the period into income.

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 Credit-Impaired Receivables

For acquired credit-impaired, or ACI, loans accounted for under accounting standards codification (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 losses following the allowance for loan loss framework. For more information on ACI loans accounted for under ASC 310-30, see Note 6 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, 2015 and 2014:

Carrying Value of ACI Loans — Table 26

(dollars in thousands)	Residential	Commercial and Commercial Real Estate	Total
Under ASC 310-30			
2015			
UPB or contractual net investment	$3,503,138	$117,051	$3,620,189
Plus: contractual interest due or unearned income	2,601,232	43,694	2,644,926
Contractual cash flows due	6,104,370	160,745	6,265,115
Less: nonaccretable difference	2,395,113	5,725	2,400,838
Less: Allowance for loan losses	7,031	346	7,377
Expected cash flows	3,702,226	154,674	3,856,900
Less: accretable yield	252,841	43,690	296,531
Carrying value	$3,449,385	$110,984	$3,560,369
Carrying value as a percentage of UPB or contractual net investment	98 %	95 %	98 %
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 %

In our residential portfolio, additional impairment of $1.1 million was recorded as a valuation allowance for year ended December 31, 2015. Within this portfolio, we also reclassified $82.0 million from accretable yield due to a reduction in undiscounted expected cash flows of our government insured buyout portfolio. This reduction was primarily a result of changes in our expectation of loan modifications and liquidation timing which is stratified by servicer, coupon and state. The revisions to the expected cash flows were a result of continued monitoring and analytics available to us given the increases in portfolio balances and historical activity related to these assets. This change in assumptions drove a reduction in the expected cash flows but, as a result of the decreased duration, the weighted average yield on the portfolio increased.

In our commercial and commercial real estate ACI portfolio, a reduction in the impairment reserve of $1.7 million was recorded for the year ended December 31, 2015 on one of our loan pools due to improving expected cash flows. Within this portfolio, we also reclassified $6.2 million from accretable yield due to decreases in undiscounted expected cash flows on certain of our commercial loan pools.

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 Office of the Comptroller of the Currency (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 acquire 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 the contractual terms of their loans, the loan is classified as a troubled debt restructuring (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 non-performing assets (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.

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 27

	December 31,				
(dollars in thousands)	2015	2014	2013	2012	2011
Non-accrual loans and leases:					
Consumer Banking:					
Residential mortgages	$32,218	$24,576	$59,526	$73,752	$81,594
Home equity lines	3,286	2,363	3,270	4,246	4,251
Other consumer and credit card	53	38	18	332	419
Commercial Banking:					
Commercial and commercial real estate	71,913	41,140	18,569	76,289	104,829
Equipment financing receivables	17,407	8,866	4,527	2,010	2,385
Total non-accrual loans and leases	124,877	76,983	85,910	156,629	193,478
Accruing loans 90 days or more past due	—	—	—	—	6,673
Total non-performing loans (NPL)	124,877	76,983	85,910	156,629	200,151
Other real estate owned	17,253	22,509	29,034	40,492	42,664
Total NPA	142,130	99,492	114,944	197,121	242,815
TDR less than 90 days past due	16,425	13,634	76,913	90,094	92,628
Total NPA and TDR[(1)]	$158,555	$113,126	$191,857	$287,215	$335,443
Total NPA and TDR	$158,555	$113,126	$191,857	$287,215	$335,443
Government insured 90 days or more past due still accruing	3,199,978	2,646,415	1,039,541	1,729,877	1,570,787
Loans and leases accounted for under ASC 310-30:					
90 days or more past due	5,148	8,448	10,083	79,984	149,743
OREO	—	—	—	16,528	19,456
Total regulatory NPA and TDR	$3,363,681	$2,767,989	$1,241,481	$2,113,604	$2,075,429
Adjusted credit quality ratios: [(1)]					
NPL to total loans	0.53 %	0.41 %	0.61 %	1.08 %	2.18 %
NPA to total assets	0.53 %	0.46 %	0.65 %	1.08 %	1.86 %
NPA and TDR to total assets	0.60 %	0.52 %	1.09 %	1.57 %	2.57 %
Credit quality ratios including government insured loans and loans and leases accounted for under ASC 310-30:					
NPL to total loans	14.08 %	14.63 %	8.12 %	13.55 %	20.95 %
NPA to total assets	12.58 %	12.74 %	6.60 %	11.09 %	15.20 %
NPA and TDR to total assets	12.64 %	12.80 %	7.04 %	11.59 %	15.91 %

(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 increased by $45.4 million, or 40%, to $158.6 million at December 31, 2015 from $113.1 million at December 31, 2014. This increase was comprised of a $47.9 million increase in nonaccrual loans and leases and a $2.8 million increase in TDRs less than 90 days past due, offset by a decrease in real estate owned of $5.3 million. The increase in nonaccrual loans was primarily attributable to an increase of $30.8 million, or 75%, in commercial and commercial real estate nonaccrual loans and an increase of $8.5 million, or 96%, in equipment financing receivables nonaccrual loan and leases. This increase in commercial and commercial real estate nonaccrual loans was primarily the result of the downgrade to substandard and impairment of a commercial relationship with a post-impairment balance at December 31, 2015 of $43.9 million due to concerns regarding the borrower's ability to continue to service the debt due to potential vacancies on our borrower's properties going forward. This increase in nonaccrual equipment financing receivables was primarily the result of the maturation and growth of our equipment financing receivables portfolio with greater than 90% of both our nonaccrual leases and total portfolio having been originated since 2012.

Total regulatory NPA and TDR increased by $0.6 billion, or 22%, to $3.4 billion at December 31, 2015 compared to $2.8 billion at December 31, 2014. The increase in total regulatory NPA and TDR was primarily driven by an increase of $0.6 billion, or 21%, in government insured loans 90 days or more past due still accruing which is reflective of the increase in government insured pool buyouts in our loans held for investment portfolio.

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, 2015, we had special mention loans and leases totaling $38.8 million, or 0.2% 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 decreased by $23.8 million, or 38.0%, to $38.8 million at December 31, 2015, from $62.5 million at December 31, 2014. This decrease occurred entirely in our commercial and commercial real estate portfolio and was primarily driven by improving credit quality and payoffs.

During December 31, 2015, $7.7 million of interest income would have been recognized in accordance with contractual terms had nonaccrual loans and TDRs been current. For these loans, $0.9 million was included in net interest income for December 31, 2015.

Analysis for the Allowance for Loan and Lease Losses

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, 2015, 2014, 2013, 2012, and 2011:

Allowance for Loan and Lease Losses Activity — Table 28

	Year Ended December 31,				
(dollars in thousands)	2015	2014	2013	2012	2011
ALLL, beginning of period	$60,846	$63,690	$82,102	$77,765	$93,689
Charge-offs:					
Consumer Banking:					
Residential mortgages	9,143	8,366	15,575	19,226	36,664
Home equity lines	1,510	1,033	1,816	3,295	5,806
Other consumer and credit card	68	91	69	163	193
Commercial Banking:					
Commercial and commercial real estate	2,424	6,913	12,917	8,597	19,446
Equipment financing receivables	11,528	5,797	3,651	3,671	5,371
Total charge-offs	24,673	22,200	34,028	34,952	67,480
Recoveries:					
Consumer Banking:					
Residential mortgages	708	1,096	1,696	650	46
Home equity lines	338	552	513	248	24
Other consumer and credit card	—	—	76	61	35
Commercial Banking:					
Commercial and commercial real estate	440	9	4,786	6,056	2,028
Equipment financing receivables	2,291	888	604	275	116
Total recoveries	3,777	2,545	7,675	7,290	2,249
Net charge-offs	20,896	19,655	26,353	27,662	65,231
Provision for loan and lease losses	38,187	24,533	12,038	31,999	49,704
Transfers to loans held for sale	—	(7,722)	(4,097)	—	(397)
ALLL, end of period	$78,137	$60,846	$63,690	$82,102	$77,765
Net charge-offs to average loans and leases held for investment	0.11 %	0.13 %	0.21 %	0.31 %	1.02 %

Net charge-offs for the year ended December 31, 2015 totaled $20.9 million, up $1.2 million, or 6%, over the year ended December 31, 2014. The increase in net charge-offs was primarily a result of an increase in net charge-offs associated with our equipment financing receivables offset by a decrease in net charge-offs of commercial and commercial real estate loans. Despite the noted increase in net charge-offs, we continue to experience a declining ratio of net charge-offs to average loans and leases held for investment as this ratio declined 0.02% during the year ended December 31, 2015 resulting in an overall ratio of 0.11% at December 31, 2015. This decline is consistent with the trend that has been noted in each of the years presented above as our nationwide model and centralized credit decisioning and underwriting process allows us to tightly control loan originations and acquisitions in order to allow for greater geographic or industry diversification compared to banks with a more regional focus. Through this diversification, we are better able to manager our exposure to volatile industries such as oil and gas or energy related companies where our total exposure at December 31, 2015 represented less than 1% of loans and leases with a direct exposure of less than 50 basis points.

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

Allowance for Loan and Lease Losses Table 29

	December 31,									
	2015		2014		2013		2012		2011	
(dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Residential mortgages	$26,951	34.5 %	$25,098	41.2 %	$26,497	41.6 %	$33,631	41.0 %	$43,454	55.9 %
Commercial and commercial real estate	34,875	44.6 %	23,095	38.0 %	29,987	47.1 %	39,863	48.5 %	28,209	36.3 %
Equipment financing receivables	12,187	15.6 %	8,649	14.2 %	4,273	6.7 %	3,181	3.9 %	3,766	4.8 %
Home equity lines	4,108	5.3 %	3,814	6.3 %	2,812	4.4 %	5,265	6.4 %	2,186	2.8 %
Consumer and credit card	16	— %	190	0.3 %	121	0.2 %	162	0.2 %	150	0.2 %
	$78,137	100 %	$60,846	100 %	$63,690	100 %	$82,102	100 %	$77,765	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.

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, 2015, 2014, 2013, 2012 and 2011 were 0.11%, 0.13%, 0.21%, 0.31% and 1.02%, respectively.

The ALLL totaled $78.1 million at December 31, 2015, an increase of $17.3 million, or 28%, from December 31, 2014 primarily due to additional ALLL recorded on the commercial and commercial real estate and equipment finance receivable portfolios. This additional ALLL was the result of growth in the impaired and nonaccrual balances, slightly weakening credit quality as well as overall growth in these portfolios. The ALLL totaled $60.8 million at December 31, 2014, a decrease of $2.8 million from December 31, 2013 primarily due to the 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 30

(dollars in thousands)	December 31, 2015 Excluding ACI Loans	December 31, 2015 ACI Loans	December 31, 2015 Total	December 31, 2014 Excluding ACI Loans	December 31, 2014 ACI Loans	December 31, 2014 Total
Residential mortgages	$19,920	$7,031	$26,951	$19,124	$5,974	$25,098
Commercial and commercial real estate	34,529	346	34,875	21,053	2,042	23,095
Equipment financing receivables	12,187	—	12,187	8,649	—	8,649
Home equity lines	4,108	—	4,108	3,814	—	3,814
Consumer and credit card	16	—	16	190	—	190
Total ALLL	$70,760	$7,377	$78,137	$52,830	$8,016	$60,846
ALLL as a percentage of loans and leases held for investment	0.38 %	0.21 %	0.35 %	0.35 %	0.28 %	0.34 %
Residential mortgages	$8,260,706	$3,456,416	$11,717,122	$7,297,368	$2,622,702	$9,920,070
Commercial and commercial real estate	7,496,346	111,330	7,607,676	5,450,049	196,641	5,646,690
Equipment financing receivables	2,400,909	—	2,400,909	2,031,570	—	2,031,570
Home equity lines	496,969	—	496,969	156,869	—	156,869
Consumer and credit card	4,816	—	4,816	5,054	—	5,054
Total loans and leases held for investment	$18,659,746	$3,567,746	$22,227,492	$14,940,910	$2,819,343	$17,760,253

The recorded investment in loans and leases held for investment, excluding ACI loans, increased by $3.7 billion, or 25%, to $18.7 billion at December 31, 2015 from $14.9 billion at December 31, 2014. The growth was primarily attributable to new originations and strategic acquisitions of residential mortgages and commercial and commercial real estate partially offset by transfers of loans and leases to held for sale.

Residential

The recorded investment in residential mortgages, excluding ACI loans, increased by $1.0 billion, or 13%, to $8.3 billion at December 31, 2015, from $7.3 billion at December 31, 2014. The ALLL for residential mortgages, excluding ACI loans, increased by $0.8 million, or 4%, to $19.9 million at December 31, 2015, from $19.1 million at December 31, 2014 as a result of increased past due and nonaccrual loans as well as the overall growth experienced in our residential mortgage portfolio. Charge-off activity for residential mortgages increased 9% to $9.1 million for the year ended December 31, 2015. Loan performance and historical loss rates are analyzed using the prior 12 months delinquency rates and actual charge-offs.

The ALLL for our residential ACI portfolio increased by $1.1 million, or 18%, to $7.0 million at December 31, 2015, from $6.0 million at December 31, 2014. This increase was the result of changes in our expectation of loan modifications and liquidation timing resulting in a reduction in the expected cash flows for our residential ACI pools. 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 unless the present value of future expected cash flows discounted at the effective interest rate of the pool decreases such that the book value of the pool is considered impaired. 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. Although we structure all of our loan sales as non-recourse, the underlying sales agreements require us to make certain market standard representations and warranties at the time of sale, which may require us to repurchase a loan that does not meet these representations and warranties under certain circumstances. Repurchased loans are acquired at fair value and when delinquent are recorded at collateral value with no associated allowance. 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 loans, by origination/vintage year and by product type. The table further segregates our portfolio between loans that were originated by EB and those that were acquired. The differentiation between acquired loans and originated loans is made due to the difference in the accounting guidance applicable to each of these pools of loans when it comes to the recording of our allowance for loan and lease losses. For acquired or repurchased loans, the origination year is based on the loan's origination date.

Residential Mortgage Loans Held for Investment Analysis			Table 31
December 31, 2015	Origination Year		
(dollars in thousands)	Prior - 2009	2010 - 2015	Total
Originated residential loans:			
Jumbo 5/1	$108,235	$1,284,717	$1,392,952
Jumbo 7/1	32,587	2,685,456	2,718,043
Jumbo 10/1	33,099	1,867,070	1,900,169
Jumbo fixed	2,690	10,730	13,420
Other originated	217,677	420,269	637,946
Total originated residential loans	394,288	6,268,242	6,662,530
Acquired or repurchased residential loans:			
Loan repurchases	40,150	43,563	83,713
Other acquired:			
ASC 310-20 (non-ACI loan acquisitions)	564,876	145,811	710,687
ASC 310-30 (ACI loan acquisitions)	44,679	158	44,837
Total acquired or repurchased residential loans	649,705	189,532	839,237
Total residential mortgage loans	$1,043,993	$6,457,774	$7,501,767

Due to recent 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, 2015, the $6.3 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 65% and a weighted average original FICO score of 763. Of those originated residential loans, $4.4 million were greater than 30 days past due and $2.5 million were on non-accrual status at December 31, 2015.

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

Government Insured Pool Buyouts Loans Held for Investment Analysis				Table 32
December 31, 2015	Delinquency Status			
(dollars in thousands)	Current	30 - 89 Days Past Due	90 Days or Greater Past Due	Total
FHA insured	$558,126	$320,382	$3,103,301	$3,981,809
VA/other government insured	122,162	14,707	96,677	233,546
Total government insured	$680,288	$335,089	$3,199,978	$4,215,355

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 are greater than 89 days past due upon purchase and are therefore accounted for as ACI loan acquisitions. 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.

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

Government Insured Buyouts Concentration of Credit Risk — Table 33

December 31, 2015	State Concentration		
	FHA	VA/Other	% of US Population
New Jersey	9.7 %		2.8 %
New York	8.2 %		6.3 %
California	6.7 %		12.1 %
Florida	6.6 %	6.7 %	6.1 %
Texas	5.9 %	12.6 %	8.1 %
Georgia		8.0 %	3.1 %
North Carolina		6.2 %	3.1 %
Ohio		5.3 %	3.7 %

Commercial and Commercial Real Estate

The recorded investment for commercial and commercial real estate, excluding ACI loans, increased by $2.0 billion, or 38%, to $7.5 billion at December 31, 2015, from $5.5 billion at December 31, 2014. The increase was due to organic growth in our commercial and commercial real estate portfolio as well as acquisitions of commercial credit facilities during the year ended December 31, 2015.

The ALLL for commercial and commercial real estate, excluding ACI loans, increased by 64%, to $34.5 million at December 31, 2015, from $21.1 million at December 31, 2014. The ALLL as a percentage of loans and leases held for investment for commercial and commercial real estate, excluding ACI loans, increased slightly to 0.5% as of December 31, 2015 compared with 0.4% at December 31, 2014. This increase was the result of growth in both the impaired and nonaccrual loan populations as well as slightly weakening credit quality.

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 15 quarter period is considered the most relevant starting point for analyzing the reserve. During periods of significant volatility and severe loss experience, a shortened time period may be used which is more reflective of expected future losses. At December 31, 2015, one segment that is included in commercial and commercial real estate loans used a shortened historical loss period of 11 quarters compared to two segments having used 8 and 7 quarters at December 31, 2014. Charge-off activity for commercial and commercial real estate decreased 65% to $2.4 million for the year ended December 31, 2015, from $6.9 million for the year ended December 31, 2014. Loan delinquency is one of the leading indicators of credit quality. As of December 31, 2015 and December 31, 2014, less than 0.1% and 0.1%, respectively, of the recorded investment in commercial and commercial real estate, excluding ACI loans, was past due.

The ALLL for our commercial and commercial real estate ACI portfolio decreased by $1.7 million, or 83%, to $0.3 million at December 31, 2015, from $2.0 million at December 31, 2014. This decrease was the result of the reversal of previous impairment on one of our commercial loan pools due to improving cash flow expectations.

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. 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 $1.2 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.

The table below presents our commercial and commercial real estate portfolio by origination/vintage year and by product type and further segregates our portfolio between those loans originated or acquired by us. The differentiation made between acquired loans and originated loans is due to the difference in the accounting guidance applicable to each of these pools of loans when it comes to the recording of our allowance for loan and lease losses. For acquired loans, the origination year is based on the loans origination date.

Commercial and Commercial Real Estate Loans Held for Investment Analysis Table 34

December 31, 2015	Origination Year		
(dollars in thousands)	Prior - 2009	2010 - 2015	Total
Commercial real estate - originated			
Owner occupied	$31,402	$138,048	$169,450
Non-owner occupied	48,642	1,526,793	1,575,435
Other commercial real estate	20,045	756,656	776,701
Originated commercial real estate	100,089	2,421,497	2,521,586
Commercial - originated			
Mortgage warehouse finance (1)	—	2,372,731	2,372,731
Lender finance (2)	47,951	1,232,472	1,280,423
Other commercial originated	2,730	135,235	137,965
Originated commercial	50,681	3,740,438	3,791,119
Total originated commercial and commercial real estate	150,770	6,161,935	6,312,705
Commercial and commercial real estate - acquired			
Acquired non-credit impaired (ASC 310-20)	1,095,506	88,135	1,183,641
Acquired credit impaired (ASC 310-30)	111,208	122	111,330
Total acquired commercial and commercial real estate	1,206,714	88,257	1,294,971
Total commercial and commercial real estate	$1,357,484	$6,250,192	$7,607,676

(1) Represents short-term revolving credit facilities, which are underwritten every 364 or 365 days. These loans are considered to be originated by the us, as these loans were acquired in 2012 and have been subsequently underwritten by us.

(2) Lender finance loans are categorized based on the origination date of the borrower's original credit facility. Due to the unique nature of these loans and our extensive underwriting process, these loans are categorized as originated by us.

As of December 31, 2015, the $2.4 billion of commercial real estate loans originated by us on or after January 1, 2010 had a weighted average LTV of 58%. Of the $6.2 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 and none were on non-accrual status at December 31, 2015.

As of December 31, 2015, $32.9 million, or less than 1%, of commercial and commercial real estate loans originated by the Company on or after January 1, 2010 were rated as watch, representing loans that may have exhibited potential signs of credit weakness but remain pass rated due to an expectation that the borrower will be able to stabilize its performance and the potential for future losses is minimized, while no loans were rated as special mention. Special mention loans represent loans that have a pending event that will occur within the next 180 days that could jeopardize loan repayment and possibly lead to a future loss event. The special mention rating is generally viewed as being temporary in nature such that the loan is expected to either be upgraded to a pass rating or downgraded to a substandard rating. A substandard rating represents 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, leading to the possibility of future losses. As of December 31, 2015, $1.5 million, or less than 1%, of commercial and commercial real estate loans originated by us on or after January 1, 2010 were rated as substandard. All remaining loans originated by us on or after January 1, 2010 were rated as pass.

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 35

	Delinquency Status			
(dollars in thousands)	Current	30 - 89 Days Past Due	90 Days or Greater Past Due	Total
December 31, 2015				
Healthcare	$676,987	$5,868	$696	$683,551
Office products	474,705	12,586	1,576	488,867
Specialty vehicle	236,851	700	—	237,551
Information technology	235,085	1,044	381	236,510
Capital equipment	213,122	—	—	213,122
Construction	207,656	—	598	208,254
Other	329,056	2,512	1,486	333,054
Total equipment financing receivables	$2,373,462	$22,710	$4,737	$2,400,909
December 31, 2014				
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
Specialty vehicle	153,042	—	143	153,185
Construction	175,980	—	—	175,980
Small fleet trucking	204,816	—	—	204,816
Other	252,368	1,461	191	254,020
Total equipment financing receivables	$2,005,672	$22,635	$3,263	$2,031,570

Our equipment financing business finances essential-use health care, office products, technology, transportation, capital equipment, 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 $2.4 billion in equipment financing receivables less than 30 days past due as of December 31, 2015, $9.4 million are on nonaccrual status, while $3.3 million of the equipment financing receivables 30-89 days past due are on nonaccrual status. 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.

Loans Subject to Representations and Warranties

We originate residential mortgage loans, primarily first-lien home loans, through our retail, consumer 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. We also sell residential mortgage loans that do not meet the criteria for whole loan sales to GSEs (nonconforming mortgages or jumbo 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.

If it is determined that the loans sold are (1) with respect to the GSEs, in breach of these representations and 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.

At the time of repurchase, 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 foreclosing the loan and subsequent liquidation of the mortgage property.

We also have 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 jumbo loan products. However, we are subject to EPD provisions and prepayment protection provisions on non-conforming jumbo loan products and community reinvestment loans. Total non-conforming jumbo UPB and community reinvestment loans sold subject to EPD protection was $262.5 million at December 31, 2015.

As of December 31, 2015, we had 58 active repurchase requests for loans sold or securitized by the Company. We have summarized the activity for the years ended December 31, 2015, 2014, and 2013 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 36
(dollars in thousands)	2015	2014	2013
Agency	102	160	144
Agency Aggregators / Non-GSE (1)	33	296	256
Repurchase requests received	135	456	400
Agency	70	130	75
Agency Aggregators / Non-GSE (1)	81	232	148
Requests successfully defended	151	362	223
Agency	52	51	27
Agency Aggregators / Non-GSE (1)	237	32	76
Loans repurchased, indemnified or made whole	289	83	103
Agency	$680	$2,151	$2,315
Agency Aggregators / Non-GSE (1)	14,932	3,233	6,668
Net realized losses on loan repurchases	$15,612	$5,384	$8,983
Years of origination of loans repurchased	2003 - 2015	2003 - 2014	2000 - 2013

(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 2015 below:

Summary Statistics by Vintage				Table 37
Losses to date	2004-2005	2006-2009	2010-2015	Total
(dollars in thousands)				
Total sold UPB	$11,334,198	$18,997,792	$39,888,245	$70,220,235
Request rate (1)	0.50 %	2.10 %	0.34 %	0.88 %
Requests received	256	1,854	569	2,679
Pending requests	12	25	19	56
Resolved requests	244	1,829	550	2,623
Repurchase rate	41 %	48 %	25 %	42 %
Loans repurchased	100	870	139	1,109
Average loan size	$222	$215	$239	$229
Loss severity	16 %	38 %	6 %	30 %
Losses realized	$3,641	$70,914	$2,002	$76,557
Losses realized (basis points)	3.2	37.3	0.5	10.9

(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 EPDs generally surface 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 related to those vintages.

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

The following is a rollforward of our reserves for repurchase losses for the years ended December 31, 2015, 2014 and 2013:

Reserves for Repurchase Obligations for Loans Sold or Securitized — Table 38

(dollars in thousands)	2015	2014	2013
Balance, beginning of period	$25,940	$20,225	$27,000
Provision for new sales/securitizations	2,379	2,199	3,759
Provision (release of provision) for changes in estimate of existing reserves	(8,417)	8,900	(1,551)
Net realized losses	(15,612)	(5,384)	(8,983)
Balance, end of period	$4,290	$25,940	$20,225

The liability for repurchase losses decreased by $21.7 million, or 83%, from $25.9 million as of December 31, 2014 to $4.3 million as of December 31, 2015. The decrease in liability is primarily due to the decreased number of repurchase requests received from investors over the comparable time period, an increase in net realized losses and a release of provision due to the settlement of pending repurchase requests with a UPB of $49.8 million, and a slight increase in the reserve for new sales and securitizations.

Loan Servicing

When we service residential mortgage loans where either 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 or 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, 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, 2015. Of the $6.3 billion in acquired UPB, $955.6 million was still outstanding as of December 31, 2015. Since 2013, 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, 2015, 2014, and 2013:

Reserves for Repurchase Obligations for Loans Serviced — Table 39

(dollars in thousands)	2015	2014	2013
Balance, beginning of period	$2,947	$23,668	$26,026
Provision (release of provision) for changes in estimate of existing reserves	16	(7,723)	9,400
Net realized losses	(1,157)	(12,998)	(11,758)
Balance, end of period	$1,806	$2,947	$23,668

The liability for repurchase losses decreased by $1.1 million, or 39%, from $2.9 million as of December 31, 2014 to $1.8 million as of December 31, 2015. The decrease in the liability since December 31, 2014 is primarily due to the run-off of losses for active repurchase requests that were estimated in the prior periods. Net realized losses decreased by $11.8 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Along with the run-off of losses, the Company has seen a reduction in the number of repurchase requests being received as the Company received just 135 repurchase requests for loans serviced in the year ended December 31, 2015, while settling 440 repurchase requests through make-whole payments, loan repurchases and rescinded requests for the same period. As of December 31, 2015, we had 15 active repurchase requests for loans being serviced.

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 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 and financial center distribution channels. The consumer direct channel includes: Internet, email, telephone and mobile device access to product and customer 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. FHLB 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 40

	December 31, 2015			2014			2013		
(dollars in thousands)	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate
Noninterest-bearing demand	$1,141,357	$1,283,657	0.00%	$984,703	$1,139,766	0.00%	$1,076,631	$1,413,108	0.00%
Interest-bearing demand	3,709,156	3,644,538	0.68%	3,540,027	3,007,036	0.62%	3,006,401	2,970,596	0.70%
Market-based money market accounts	342,600	361,494	0.61%	374,856	405,627	0.61%	413,137	420,919	0.69%
Savings and money market accounts, excluding market-based	6,338,685	5,428,790	0.67%	5,136,031	5,068,096	0.62%	5,110,992	5,019,352	0.70%
Market-based time	374,171	409,066	0.70%	466,514	554,151	0.77%	597,858	661,640	0.79%
Time, excluding market-based	6,336,073	5,392,919	1.14%	5,006,566	3,820,902	1.17%	3,056,321	3,298,679	1.14%
	$18,242,042			$15,508,697			$13,261,340		

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

Deposit Maturity | Table 41

(dollars in thousands)	December 31, 2015
3 months or less	$467,025
3 through 6 months	245,221
6 through 12 months	381,621
12 through 24 months	309,238
24 through 36 months	248,440
Over 36 months	547,590
Total certificates of deposit with denominations greater than or equal to $100,000	$2,199,135

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 $2.7 billion, or 18%, to $18.2 billion at December 31, 2015 from $15.5 billion at December 31, 2014. During the year ended December 31, 2015, noninterest-bearing deposits increased by $0.2

billion, or 16%, to $1.1 billion primarily due to an increase in commercial noninterest-bearing demand deposits partially offset by a decrease in escrow deposits. Interest-bearing deposits increased by $2.6 billion, or 18%, to $17.1 billion at December 31, 2015 from $14.5 billion at December 31, 2014. This increase in interest-bearing deposits was primarily due to growth in time deposits and savings and money market accounts.

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.

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 $1.9 billion, or 47%, to $5.9 billion at December 31, 2015 from $4.0 billion at December 31, 2014. This increase in FHLB borrowings is primarily attributable to an increase in loans held for investment. 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 was primarily attributable to an increase in 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, 2015, 2014 and 2013:

FHLB Borrowings Outstanding — Table 42

(dollars in thousands)	Weighted-Average Remaining Maturity[3] (in years)	2015	2014	2013
Fixed-rate advances with a weighted-average interest rate of 1.21%, 1.17% and 1.60%, respectively[1]	2.32	$5,852,000	$3,979,000	$2,353,000
Floating-rate advance with an interest rate of 0.28%, 0.22% and 0.00%, respectively[2]	18.82	25,000	25,000	—
		$5,877,000	$4,004,000	$2,353,000

(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) Weighted-average remaining maturity is calculated as of December 31, 2015.

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, 2015, 2014 and 2013, respectively.

FHLB Borrowings — Table 43

(dollars in thousands)	2015	2014	2013
Long-term fixed-rate advances:			
Average daily balance	$2,746,157	$1,809,714	$2,292,773
Weighted-average interest rate	1.79 %	2.15 %	1.99 %
Maximum month-end amount	$3,752,000	$1,953,000	$2,642,700
Short-term fixed-rate advances:			
Average daily balance	$2,136,155	$1,445,093	$11,918
Weighted-average interest rate	0.21 %	0.20 %	0.20 %
Maximum month-end amount	$3,150,000	$2,450,000	$650,000
Floating-rate advances:			
Average daily balance	$25,000	$5,205	$—
Weighted-average interest rate	0.26 %	0.22 %	— %
Maximum month-end amount	$25,000	$25,000	$—
Convertible advances[1]:			
Average daily balance	$—	$—	$7,452
Weighted-average interest rate	— %	— %	4.24 %
Maximum month-end amount	$—	$—	$17,000
Overnight advances:			
Average daily balance	$—	$137	$33,890
Weighted-average interest rate	— %	0.36 %	0.39 %
Maximum month-end amount	$—	$50,000	$200,500

(1) Convertible advances are callable quarterly by FHLB; interest is payable on call dates.

Trust Preferred Securities

Our outstanding trust preferred securities totaled $103.8 million at December 31, 2015 and December 31, 2014.

Subordinated Notes Payable

The Company's subordinated notes payable were $172.4 million and $0 at December 31, 2015 and December 31, 2014, respectively. On June 30, 2015, the Company completed the public offering and sale of $175.0 million in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (subordinated notes). The subordinated notes were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The subordinated notes will mature on July 2, 2025 and bear a fixed rate of interest of 5.75% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2016.

The subordinated notes are unsecured and will rank equally with all other unsecured subordinated indebtedness of the Company, including any subordinated indebtedness issued in the future under the indenture governing the subordinated notes. The subordinated notes are subordinated in right of payment to all senior indebtedness of the Company. The subordinated notes are obligations of EverBank Financial Corp only and are not guaranteed by any subsidiaries, including EB. Additionally, the subordinated notes are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, which means that creditors of our subsidiaries (including in the case of EB, its depositors) generally will be paid from those subsidiaries' assets before holders of the subordinated notes have any claim to those assets.

For regulatory capital adequacy purposes, the subordinated notes qualify as Tier 2 capital for the Company. If in the future the subordinated notes no longer qualify as Tier 2 capital, the subordinated notes may be redeemed by the Company, in whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, subject to prior approval by the Board of Governors of the Federal Reserve System.

On June 30, 2015, the Company made a capital contribution to EB in the amount of $150.0 million from the net proceeds received from the issuance of the subordinated notes.

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, debt and equity capital raises provide us with sources of liquidity. To manage fluctuations in short-term funding needs, we utilize borrowings under lines of credit with other financial institutions, such as the Federal Home Loan Bank of Atlanta, 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 2015. Cash and cash equivalents were $582.5 million, available for sale investment securities were $555.0 million, and total deposits were $18.2 billion as of December 31, 2015.

As of December 31, 2015, we had an $8.4 billion line of credit with the FHLB, of which $6.1 billion was utilized. The amount utilized includes not only outstanding balances of FHLB advances, but also letters of credit issued by FHLB on our behalf and breakage fees related to forward-dated borrowing arrangements described in Note 24. As of December 31, 2015, we pledged collateral with the Federal Reserve Bank that provided $103.2 million of borrowing capacity at the discount window but did not have any borrowings outstanding. The maximum potential borrowing at the Federal Reserve Bank is limited only by eligible collateral.

At December 31, 2015, our availability under Promontory Interfinancial Network, LLC’s CDARS® One-Way Buy℠ deposits was $3.8 billion with $140.4 million in outstanding balances. Although our availability under the program was $3.8 billion at December 31, 2015, 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 $500.0 million as the practical maximum capacity for this type of deposit funding. As of December 31, 2015, 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.

2015 Capital Actions

On January 21, 2016, the Company's Board of Directors declared a quarterly cash dividend of $0.06 per common share, payable on February 19, 2016, to stockholders of record as of February 10, 2016. Also on January 21, 2016, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on April 5, 2016, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of March 21, 2016.

On October 22, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.06 per common share, payable on November 23, 2015, to stockholders of record as of November 10, 2015. Also on October 22, 2015, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on January 5, 2016, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of December 21, 2015.

On July 23, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.06 per common share, payable on August 21, 2015, to stockholders of record as of August 11, 2015. Also on July 23, 2015, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on October 5, 2015, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of September 18, 2015.

On April 23, 2015, the Company's Board of Directors declared a quarterly cash dividend of $0.04 per common share, payable on May 20, 2015, to stockholders of record as of May 12, 2015. Also on April 23, 2015, the Company's Board of Directors declared a quarterly cash dividend of $421.875, payable on July 6, 2015, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of June 19, 2015.

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.

Capital Ratios

As a result of recent regulatory requirements pursuant to the Dodd-Frank Act and Basel III, the Company and EB will be subject to increasingly stringent regulatory capital requirements.

The Basel III Capital Rules became effective for the Company and EB on January 1, 2015 and introduced a new capital measure called CET1 which requires that most deductions and/or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and expands the scope of the deductions and adjustments from capital as compared to existing regulations. These deductions include, for example, the requirement that MSR and 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. 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 initial implementation of the requirements of Basel III at March 31, 2015 resulted in decreases to both Tier 1 Capital and adjusted total assets, but provided a one-time increase to our Tier 1 capital to adjusted tangible assets ratio. Under prior rules, the threshold deduction for mortgage servicing assets (MSA) represented the excess of the book value of the MSA (net of any related deferred tax liability) over 90% of the associated MSA's fair value. The implementation of Basel III required that this deduction be adjusted to the excess of the book value of the MSA over 10% of CET1 with a phase-in percentage applied as applicable. The result of this change at December 31, 2015 was an increase to the MSA threshold deduction of $7.6 million for the Company and a decrease of $5.7 million for EB, which resulted in a decline of Tier 1 capital and adjusted tangible assets for the Company and an increase in Tier 1 capital and adjusted tangible assets for EB. Basel III also eliminated a prior practice of allowing thrift institutions to base their average assets calculations on ending balance sheet balances in favor of using an average assets approach consistent with the approach utilized by most other financial institutions. This change resulted in a further reduction of average tangible assets at December 31, 2015 of $1.3 billion for both the Company and EB when compared to the prior methodology as averaging in prior periods with lower asset balances served to reduce the resulting average tangible assets balance. Due to the greater reduction in average tangible assets when compared to the reduction in Tier 1 capital, the overall impact of these changes was an increase to our Tier 1 capital to adjusted tangible assets ratio. For our common equity Tier 1 ratio and our Tier 1 risk based capital ratio, the impact was restricted to just the change in Tier 1 capital mentioned above and maintained the use of period end risk weighted assets. As such, it had a negative impact on these two ratios at December 31, 2015.

At December 31, 2015, EB exceeded all regulatory capital requirements and was considered “well-capitalized” with a common equity Tier 1 ratio of 12.0%, a Tier 1 leverage ratio of 8.1%, a Tier 1 risk-based capital ratio of 12.0% and a total risk-based capital ratio of 12.4%. At December 31, 2015, the Company also exceeded all regulatory capital requirements and considered “well-capitalized” with a common equity Tier 1 ratio of 9.9%, a Tier 1 leverage ratio of 7.7%, a Tier 1 risk-based capital ratio of 11.4% and a total risk-based capital ratio of 12.9%. Management believes, at December 31, 2015, that both the Company and EB would meet all capital adequacy requirements under the Basel III capital rules on a fully phased-in basis if such requirements were currently effective.

On June 30, 2015, the Company completed the public offering and sale of $175.0 million in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (subordinated notes). For regulatory capital adequacy purposes, the subordinated notes qualify as Tier 2 capital for the Company. Also on June 30, 2015, the Company made a capital contribution to EB in the amount of $150.0 million from the net proceeds received from the issuance of the subordinated notes.

The table below shows regulatory capital and risk-weighted assets for EB at December 31, 2015 and December 31, 2014:

Regulatory Capital (bank level)	Table 44	
	December 31, 2015	December 31, 2014
(dollars in thousands)		

		(under Basel III)	(under Basel I)
Shareholders' equity		$2,050,456	$1,789,398
Less:	Goodwill and other intangibles	(47,143)	(49,589)
	Disallowed servicing asset	(17,719)	(32,054)
Add:	Accumulated losses on securities and cash flow hedges	62,887	64,002
Tier 1 capital		2,048,481	1,771,757
Add:	Allowance for loan and lease losses	78,789	60,846
Total regulatory capital		$2,127,270	$1,832,603
Adjusted total assets		$25,281,658	$21,592,849
Risk-weighted assets		17,133,084	13,658,685

The regulatory capital ratios for EverBank, along with the capital amounts and ratios for the minimum capital adequacy purposes and well capitalized requirements under the prompt corrective action framework are as follows:

Regulatory Capital Ratios (bank level) Table 45

	Actual			For 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, 2015 (under Basel III)									
Common equity Tier 1 to risk-weighted assets	$2,048,481	12.0	%	$770,989	4.5	%	$1,113,650	6.5	%
Tier 1 capital to adjusted tangible assets	2,048,481	8.1		1,011,266	4.0		1,264,083	5.0	
Tier 1 capital to risk-weighted assets	2,048,481	12.0		1,027,985	6.0		1,370,647	8.0	
Total capital to risk-weighted assets	2,127,270	12.4		1,370,647	8.0		1,713,308	10.0	
December 31, 2014 (under Basel I)									
Tier 1 capital to adjusted tangible assets	$1,771,757	8.2	%	$863,714	4.0	%	$1,079,643	5.0	%
Tier 1 capital to risk-weighted assets	1,771,757	13.0		N/A	N/A		819,521	6.0	
Total capital to risk-weighted assets	1,832,603	13.4		1,092,695	8.0		1,365,869	10.0	

The table below shows regulatory capital, adjusted total assets and risk-weighted assets for the Company at December 31, 2015.

Regulatory Capital (EverBank Financial Corp consolidated) Table 46

(dollars in thousands)		December 31, 2015 (under Basel III)		December 31, 2014 (under Basel I)	
Shareholders’ equity		$1,868,321		$1,747,594	
Less:	Preferred stock	(150,000	)	(150,000	)
	Goodwill and other intangibles	(47,143	)	(49,589	)
	Disallowed servicing asset	(30,959	)	(32,054	)
Add: Accumulated losses on securities and cash flow hedges		64,013		65,597	
Common Tier 1 capital		1,704,232		1,581,548	
Add: Preferred stock		150,000		150,000	
Add: Additional Tier 1 capital (trust preferred securities)		103,750		103,750	
Tier 1 capital		1,957,982		1,835,298	
Add: Subordinated notes payable		172,420		—	
Add: Allowance for loan and lease losses		78,789		60,846	
Total regulatory capital		$2,209,191		$1,896,144	
Adjusted total assets		$25,286,802		21,601,742	
Risk-weighted assets		17,131,756		13,665,981	

The regulatory capital ratios for the Company, along with the capital amounts and ratios for minimum capital adequacy purposes and well capitalized requirements under the prompt corrective action framework are as follows:

Regulatory Capital Ratios (EverBank Financial Corp consolidated) Table 47

	Actual	For Capital Adequacy	To Be Well Capitalized Under

(dollars in thousands)	Capital	Ratio		Purposes Minimum Amount	Ratio		Prompt Corrective Action Provisions Minimum Amount	Ratio	
December 31, 2015 (under Basel III)									
Common equity Tier 1 to risk-weighted assets	$1,704,232	9.9	%	$770,929	4.5	%	$1,113,564	6.5	%
Tier 1 capital to adjusted tangible assets	1,957,982	7.7		1,011,472	4.0		1,264,340	5.0	
Tier 1 capital to risk-weighted assets	1,957,982	11.4		1,027,905	6.0		1,370,541	8.0	
Total capital to risk-weighted assets	2,209,191	12.9		1,370,541	8.0		1,713,176	10.0	

Restrictions on Paying Dividends

Federal banking regulations impose limitations upon certain capital distributions by savings banks, 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 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 volume 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 a decrease in interest rates of 0.25%, as of December 31, 2015.

Interest Rate Sensitivity — Table 48

(dollars in thousands)	December 31, 2015	
	Net Change in EVE	% Change of EVE
Up 200 basis points	$(51,545)	(2.2)%
Up 100 basis points	27,099	1.2%
Down 25 basis points	(64,173)	(2.7)%

The projected change in EVE to changes in interest rates at December 31, 2015 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 of 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 requires 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 $7.4 million at December 31, 2015, have been identified that may be required to be divested prior to July 21, 2017. 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 (FSA), optional forward purchase and sales commitments (OFSA), interest rate swaps and interest rate swap futures.

We enter into these derivative contracts with major financial institutions or purchase them from active exchanges where applicable. 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 and multiple 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 22 in our consolidated financial statements.

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 24 to the consolidated financial statements included in this report regarding our contractual obligations.
We service mortgage loans for ourselves and others. See Note 8 to the consolidated financial statements included in this report regarding servicing activities.
We have a special purpose wholly-owned subsidiary of the Company, EverBank Funding, LLC (EverBank Funding) to facilitate private securitization transactions. These securitization transactions issue certificates that are 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 securitizations were performed during 2015 and 2014.

Contractual Obligations and Credit Commitments

The following tables contain supplemental information regarding our total contractual obligations and credit commitments as of December 31, 2015:

Contractual Obligations and Credit Commitments					Table 49
	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)]	$11,531,798	$—	$—	$—	$11,531,798
Time deposits	4,258,798	1,332,811	1,124,815	2,283	6,718,707
Other borrowings[(2)]	3,040,000	1,490,000	405,000	992,000	5,927,000
Trust preferred securities and subordinated notes payable[(3)]	—	—	—	278,750	278,750
Interest on interest-bearing debt[(4)]	129,996	186,766	119,728	232,642	669,132
Operating lease obligations	17,890	26,595	16,644	12,401	73,530
Interest rate swap agreements[(5)]	3,564	7,725	10,832	16,527	38,648
Forward contracts to sell residential mortgage loans[(6)]	1,669,404	—	—	—	1,669,404
Commitments to originate residential mortgage loans[(7)]	1,077,091	—	—	—	1,077,091
Strategic marketing and promotional arrangements	3,869	8,089	8,581	18,762	39,301
Total contractual obligations	$21,732,410	$3,051,986	$1,685,600	$1,553,365	$28,023,361
Credit commitments[(8)]					
Unfunded commitments to extend credit[(9)]	$2,335,398	$573,636	$231,240	$190,400	$3,330,674
Standby letters of credit	15,639	—	—	—	15,639
Total credit commitments	$2,351,037	$573,636	$231,240	$190,400	$3,346,313
Total contractual obligations and credit commitments	$24,083,447	$3,625,622	$1,916,840	$1,743,765	$31,369,674

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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 included in the less than one year category in the contractual obligations table because we are unable to reasonably predict the ultimate amount or timing of future payments. Refer to Note 12 of the consolidated financial statements for additional information on deposits.

(2) Refer to Note 13 and Note 24 of the consolidated financial statements for additional information on other borrowings.

(3) Refer to Note Note 14 of the consolidated financial statements for additional information on trust preferred securities and subordinated notes payable.

(4) The variable interest rate component on other borrowings and trust preferred securities has been forecasted based on a yield curve at December 31, 2015 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.

(5) Interest rate swap amounts are derived from the forecast of three-month LIBOR at December 31, 2015 on all open swap positions at that date. Open swap positions relate to asset and liability hedge swaps and trust preferred hedge swaps.

(6) Refer Note 22 of the consolidated financial statements for additional information on forward contracts to sell residential mortgage loans.

(7) 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 22. Refer to Note 24 for additional information on IRLCs classified as held for investment.

(8)

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.

(9) Includes $991.8 million of commercial and leasing pipeline.

Our liability for unrecognized tax benefits (UTBs) as of December 31, 2015 was $1.4 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 18 in the consolidated financial statements.

We enter into other derivatives to hedge certain business activities. See Note 22 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.

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 fair 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 population to be collectively evaluated 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 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 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 is 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, 2015 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.

Item 8. Financial Statements

Index to Financial Statements and Supplemental Data

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, 2015 and 2014, 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, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, 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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, 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 19, 2016

EverBank Financial Corp and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2015 and 2014
(Dollars in thousands, except per share data)

	2015	2014
Assets		
Cash and due from banks	$55,300	$49,436
Interest-bearing deposits in banks	527,151	317,228
Total cash and cash equivalents	582,451	366,664
Investment securities:		
Available for sale, at fair value	555,019	776,311
Held to maturity (fair value of $105,448 and $118,230 as of December 31, 2015 and 2014, respectively)	103,746	115,084
Other investments	265,431	196,609
Total investment securities	924,196	1,088,004
Loans held for sale (includes $1,307,741 and $728,378 carried at fair value as of December 31, 2015 and 2014, respectively)	1,509,268	973,507
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	22,227,492	17,760,253
Allowance for loan and lease losses	(78,137)	(60,846)
Total loans and leases held for investment, net	22,149,355	17,699,407
Mortgage servicing rights (MSR), net	335,280	435,619
Premises and equipment, net	51,599	56,457
Other assets	1,048,877	998,130
Total Assets	$26,601,026	$21,617,788
Liabilities		
Deposits:		
Noninterest-bearing	$1,141,357	$984,703
Interest-bearing	17,100,685	14,523,994
Total deposits	18,242,042	15,508,697
Other borrowings	5,877,000	4,004,000
Trust preferred securities and subordinated notes payable	276,170	103,750
Accounts payable and accrued liabilities	337,493	253,747
Total Liabilities	24,732,705	19,870,194
Commitments and Contingencies (Note 24)		
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, 2015 and 2014) (Note 15)	150,000	150,000
Common Stock, $0.01 par value (500,000,000 shares authorized at December 31, 2015 and 2014; 125,020,843 and 123,679,049 issued and outstanding at December 31, 2015 and 2014, respectively)	1,250	1,237
Additional paid-in capital	874,806	851,158
Retained earnings	906,278	810,796
Accumulated other comprehensive income (loss) (AOCI), net of benefit for income taxes of $39,893 and $40,211 at December 31, 2015 and 2014, respectively	(64,013)	(65,597)
Total Shareholders' Equity	1,868,321	1,747,594
Total Liabilities and Shareholders' Equity	$26,601,026	$21,617,788

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Income
For the Years Ended December 31, 2015, 2014 and 2013
(Dollars in thousands, except per share data)

	2015	2014	2013
Interest Income			
Interest and fees on loans and leases	$847,644	$694,588	$678,962
Interest and dividends on investment securities	30,796	38,612	55,072
Other interest income	803	567	1,663
Total Interest Income	879,243	733,767	735,697
Interest Expense			
Deposits	127,399	101,912	101,752
Other borrowings	83,501	67,048	75,020
Total Interest Expense	210,900	168,960	176,772
Net Interest Income	668,343	564,807	558,925
Provision for Loan and Lease Losses	38,187	24,533	12,038
Net Interest Income after Provision for Loan and Lease Losses	630,156	540,274	546,887
Noninterest Income			
Loan servicing fee income	117,763	158,463	188,759
Amortization of mortgage servicing rights	(71,150)	(79,234)	(126,803)
Recovery (impairment) of mortgage servicing rights	(31,986)	8,012	94,951
Net loan servicing income	14,627	87,241	156,907
Gain on sale of loans	125,927	163,644	242,412
Loan production revenue	22,574	20,952	35,986
Deposit fee income	14,015	14,783	19,084
Other lease income	14,716	16,997	24,681
Other	23,521	33,622	40,321
Total Noninterest Income	215,380	337,239	519,391
Noninterest Expense			
Salaries, commissions and other employee benefits expense	367,580	370,470	441,736
Equipment expense	62,242	69,332	85,920
Occupancy expense	27,004	30,647	35,087
General and administrative expense	181,551	168,493	285,495
Total Noninterest Expense	638,377	638,942	848,238
Income before Provision for Income Taxes	207,159	238,571	218,040
Provision for Income Taxes	76,633	90,489	81,300
Net Income	$130,526	$148,082	$136,740
Less: Net Income Allocated to Preferred Stock	(10,125)	(10,125)	(10,125)
Net Income Allocated to Common Shareholders	$120,401	$137,957	$126,615
Basic Earnings Per Common Share	$0.97	$1.12	$1.04
Diluted Earnings Per Common Share	$0.95	$1.10	$1.02
Dividends Declared Per Common Share	$0.20	$0.14	$0.10

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2015, 2014 and 2013
(Dollars in thousands)

	2015	2014	2013
Net Income	$130,526	$148,082	$136,740
Unrealized Gains (Losses) on Debt Securities			
Reclassification of unrealized gains to noninterest income	(527)	(5,596)	(4,225)
Unrealized gains (losses) due to changes in fair value	(4,387)	(6,914)	(18,304)
Other-than-temporary impairment (OTTI) (noncredit portion), net of accretion	—	685	923
Tax effect	1,889	4,494	8,215
Change in unrealized gains (losses) on debt securities	(3,025)	(7,331)	(13,391)
Interest Rate Swaps			
Net unrealized gains (losses) due to changes in fair value	(9,920)	(27,177)	24,043
Reclassification of net unrealized losses (1)	16,736	18,032	52,701
Tax effect	(2,207)	3,494	(29,184)
Change in interest rate swaps	4,609	(5,651)	47,560
Other Comprehensive Income (Loss)	1,584	(12,982)	34,169
Comprehensive Income (Loss)	$132,110	$135,100	$170,909

(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 are reclassifications from AOCI of $16,736, $18,032 and $21,665 for the years ended December 31, 2015, 2014 and 2013, respectively.

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended December 31, 2015, 2014 and 2013
(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, 2013	$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
Net income	—	—	—	130,526	—	130,526
Other comprehensive income (loss)	—	—	—	—	1,584	1,584
Issuance of common stock	—	13	13,659	—	—	13,672
Share-based grants (including income tax benefits)	—	—	9,989	—	—	9,989
Cash dividends on common stock	—	—	—	(24,919)	—	(24,919)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2015	$150,000	$1,250	$874,806	$906,278	$(64,013)	$1,868,321

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Cash Flows
For Years Ended December 31, 2015, 2014 and 2013
(Dollars in thousands)

	2015	2014	2013
Operating Activities:			
Net income	$130,526	$148,082	$136,740
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of premiums and deferred origination costs	57,268	38,536	39,625
Depreciation and amortization of tangible and intangible assets	27,302	31,781	39,533
Reclassification of net loss on settlement of interest rate swaps	16,736	18,032	52,701
Amortization and impairment of mortgage servicing rights, net of recoveries	103,136	71,222	31,852
Deferred income taxes (benefit)	68,845	76,605	98,533
Provision for loan and lease losses	38,187	24,533	12,038
Loss on other real estate owned (OREO)	3,489	3,548	6,372
Gain on extinguishment of debt, net	—	—	(49,150)
Share-based compensation expense	6,885	7,040	4,779
Payments for settlement of forward interest rate swaps	—	(32,445)	(53,226)
Other operating activities	(881)	(7,322)	6,419
Changes in operating assets and liabilities:			
Loans held for sale, including proceeds from sales and repayments	(524,501)	43,961	785,244
Other assets	183,299	177,568	235,651
Accounts payable and accrued liabilities	(8,518)	(14,891)	18,181
Net cash provided by (used in) operating activities	101,773	586,250	1,365,292
Investing Activities:			
Investment securities available for sale:			
Purchases	(63,659)	(132,885)	(212,399)
Proceeds from sales	48,527	149,062	159,043
Proceeds from prepayments and maturities	231,205	311,688	542,980
Investment securities held to maturity:			
Purchases	(14,947)	(25,842)	(37,982)
Proceeds from prepayments and maturities	25,656	16,530	68,673
Purchases of other investments	(545,789)	(494,777)	(107,675)
Proceeds from sales of other investments	476,915	426,232	137,716
Net change in loans and leases held for investment	(5,739,471)	(5,533,188)	(1,065,181)
Purchases of premises and equipment, including equipment under operating leases	(49,610)	(28,315)	(19,173)
Proceeds related to sale or settlement of other real estate owned	13,355	24,556	67,326
Proceeds from insured foreclosure claims	922,525	298,507	227,271
Purchases of mortgage servicing assets	—	—	(74,889)
Proceeds from sale of mortgage servicing assets	53,253	37,738	289
Other investing activities	7,009	21,732	24,851
Net cash provided by (used in) investing activities	(4,635,031)	(4,928,962)	(289,150)

(Continued)

EverBank Financial Corp and Subsidiaries
Consolidated Statements of Cash Flows
For Years Ended December 31, 2015, 2014 and 2013
(Dollars in thousands)

	2015	2014	2013
Financing Activities:			
Net increase (decrease) in nonmaturity deposits	$1,497,425	$424,716	$579,187
Net increase (decrease) in time deposits	1,224,602	1,825,468	(450,923)
Net change in repurchase agreements	—	—	(142,322)
Net change in short-term Federal Home Loan Bank (FHLB) advances	74,000	1,376,000	153,500
Proceeds from long-term FHLB advances	2,130,000	375,000	400,000
Repayments of long-term FHLB advances, including early extinguishment	(331,000)	(100,000)	(1,184,427)
Proceeds from issuance of subordinated notes payable, net of issuance costs	172,286	—	—
Payments for settlement of contingent consideration	—	(24,000)	(24,000)
Proceeds from issuance of common stock	13,672	7,466	13,041
Dividends paid	(35,044)	(27,336)	(19,823)
Other financing activities	3,104	4,284	3,489
Net cash provided by (used in) financing activities	4,749,045	3,861,598	(672,278)
Net change in cash and cash equivalents	215,787	(481,114)	403,864
Cash and cash equivalents at beginning of period	366,664	847,778	443,914
Cash and cash equivalents at end of period	$582,451	$366,664	$847,778
Supplemental Disclosures of Cash Flow Information:			
Cash paid (received) for:			
Interest	$199,597	$167,921	$175,932
Income taxes	(11,628)	23,884	79,627

(Concluded)
See Note 1 for disclosures related to supplemental noncash information.
See notes to consolidated financial statements.

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

1. Organization and Basis of Presentation

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

EB's subsidiaries are:

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

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

b) Basis of Presentation — The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. The results of operations for acquired companies are included from their respective dates of acquisition.

Accounting principles generally accepted in the United States of America require management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Material estimates relate to the Company's allowance for loan and lease losses, loans and leases acquired with evidence of credit deterioration, contingent liabilities, and the fair values of investment securities, loans held for sale, MSR and derivative instruments. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

c) Supplemental Cash Flow Information — Noncash investing activities are presented in the following table for the years ended December 31, 2015, 2014, and 2013:

	2015	2014	2013
Supplemental Schedules of Noncash Investing Activities:			
Loans transferred to foreclosure claims	$1,119,590	$654,818	$630,543

See Note 5 for disclosures relating to noncash activities relating to loan transfers.

d) Reclassification — Certain prior year amounts have been aggregated or disaggregated to conform to the current year presentation. These reclassifications have no effect on previously reported net income available to common shareholders, earnings per common share, or shareholders' equity.

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents-Cash and cash equivalents include cash, amounts due from banks, and interest-bearing deposits in other banks with an original maturity of three months or less.

b) Investment Securities-Investment securities are accounted for according to their purpose and holding period. Investments classified as trading securities are bought and held principally for the purpose of selling them in the near term and are carried at fair value. Unrealized gains or losses on trading securities are recorded in earnings as a component of other noninterest income.

Investment securities for which the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Securities not classified as held to maturity or trading are considered to be available for sale and are reported at fair value. Unrealized gains and losses on available for sale securities are reported net of applicable taxes as a component of AOCI.

Interest and dividends are recognized in interest income on an accrual basis. Amortization and accretion of purchase premiums and discounts on all categories of investments are recognized in interest income using the effective interest method over the expected term of the securities. Gains and losses on the disposition of securities are recorded on the trade date using the specific identification method and are recognized in other noninterest income.

Management evaluates all investments for OTTI on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. For investments in which the fair value is less than the amortized cost, the Company performs an OTTI analysis to determine whether the impairment is temporary and assesses whether (a) it has the intent to sell the debt security, (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery, (c) it does not expect to recover the amortized cost basis, or (d) it does not expect to collect all cash flows according to the contractual terms.

The Company’s OTTI policy for investments defines certain triggers that require a present value calculation of expected cash flows. If none of these triggers are met, the Company performs a qualitative analysis to determine if it expects to recover the entire amortized cost basis of the investment.

When certain triggers indicate the likelihood of an OTTI or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs a present value cash flow analysis using models that project prepayments, default rates and loss severities on the collateral supporting the security. The Company considers the following factors in determining whether a credit loss exists:

- The period over which the debt security is expected to recover;
- The length of time and extent to which the fair value has been less than the amortized cost basis;
- The level of credit enhancement provided by the structure which includes, but is not limited to credit subordination positions, overcollateralization and protective triggers;
- The cause of impairment and changes in the near term prospects of the issuer or underlying collateral of a security, such as changes in default rates, loss severities given default and significant changes in prepayment assumptions;
- The level of excess cash flows generated from the underlying collateral supporting the principal and interest payments of the debt securities; and
- Any adverse changes to credit conditions of the issuer or the security such as credit downgrades by the rating agencies.

If the Company intends to sell the debt security, or it is more likely than not that it will be required to sell the security before recovery of its remaining amortized cost basis, total OTTI will be recognized in earnings. However, if neither of those conditions exist, the amount of OTTI related to the credit loss is measured as the excess of the amortized cost over the present value of expected cash flows and is recognized with other securities gains and losses in other noninterest income. The amount of impairment related to all other factors is recognized in AOCI.

Subsequent noncredit losses recorded in AOCI attributed to held to maturity investments are accreted to the amortized cost of the investment over the remaining expected life, based on the amount and timing of future estimated cash flows.

For equity securities, declines in the fair value below their cost are deemed to be other than temporary unless the Company has the intent and ability to retain the investment in the issuer for a period of time sufficient to allow recovery in the fair value.

c) Loans Held for Sale-Loans held for sale represent loans for which the Company has neither the intent nor ability to hold such loans on the balance sheet for the foreseeable future. Certain of these loans represent loans originated with the intent to sell shortly after origination. These loans may be carried at the lower of cost or fair value or, when the Company has elected the fair value option of accounting under generally accepted accounting principles (U.S. GAAP), fair value.

The Company has elected the fair value option for certain residential mortgage loans. Electing to use the fair value option of accounting represents an irrevocable accounting election that 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. 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.

The Company has not elected the fair value option for other residential mortgage, government insured pool buyouts and other commercial and commercial real estate loans as a majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period subsequent to transfer. These loans are carried at the lower of cost or fair value. In determining the lower of cost or fair value adjustment on loans held for sale, the Company pools loans based on similar risk characteristics such as loan type and interest rate. 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. Both reductions in the fair value of loans during their holding period below cost and gains and losses on sale of these loans are recorded in gain on sale of loans.

Loans and leases are transferred from loans and leases held for investment to held for sale when the Company no longer has the intent to hold them for the foreseeable future. At the time of transfer, such loans are transferred at the lower of cost or fair value. If fair value is determined to be lower than amortized cost, the reduction in carrying value is provisioned for and charged off through the allowance for loan and lease losses to arrive at the appropriate carrying value within loans held for sale. Conversely, loans and leases are transferred from held for sale to held for investment when the Company determines that it has both the intent and ability to hold these loans and leases for the foreseeable future. Loans and leases transferred from loans held for sale to loans held for investment are transferred at the lower of cost or fair value on the date of reclassification with any fair value adjustment being recognized as an adjustment to the loan’s net recorded investment.

Certain guarantees arise from agreements associated with servicing, securitization and sale of the Company's residential mortgage loans. Under these agreements, the Company may be obligated to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties with respect to non-government-sponsored entities (GSE) purchases, or breach of contractual representations and warranties with respect to GSEs. These guarantees are accounted for in accordance with Accounting Standards Codification (ASC) 460, Guarantees, when the obligation is both probable and reasonably estimable and is included in accounts payable and accrued liabilities on the consolidated balance sheets. The guarantee is calculated at the fair value of the guaranty on the date of the loan sale or securitization. The corresponding provision is recognized as a reduction to the net gains on sale, while reductions in the obligation result in a credit to general and administrative expenses as the guarantor is released from risk under the guarantee. Along with this contingent obligation, the Company also records a reserve for those losses that have been incurred but not yet recorded in accordance with ASC 450-20. The Company records a reserve when (1) information is available before the financial statements are issued or available to be issued indicate that it is probable that a liability had been incurred as of the date of the financial statements, and (2) the amount of loss can be reasonably estimable. The reserve for repurchase obligations is included in accounts payable and accrued liabilities on the consolidated balance sheets with changes to the reserve made through general and administrative expenses. See Note 5 and Note 24 for further information related to these guarantees.

d) Loans Held for Investment-Loans that the Company has the intent and ability to hold for the foreseeable future are classified as loans held for investment. Loans held for investment are reported at the principal amount outstanding, net of the allowance for loan and lease losses, net of deferred loan fees and costs and any discounts received or premiums paid on purchased loans. Deferred fees, costs, discounts and premiums are amortized over the estimated life of the loan using the effective interest method. Interest income on loans is recognized as earned and is computed using the effective interest method. In certain cases, where the Company can identify a large number of similar loans for which prepayment is both probable and estimable, the Company estimates prepayments in applying the effective interest method. Key assumptions in estimating prepayments include historical prepayment trends and future interest rate expectations. The Company monitors these key assumptions and adjusts the prepayment expectations when appropriate.

Acquired loans are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, when applicable. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration in credit quality since origination and if it is probable that the Company will be unable to collect all amounts due according to the loan's contractual terms. The Company considers expected prepayments and estimates 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 determines 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 or pool cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining expected life of the loan or pool (accretable yield). The loans are reflected in the consolidated balance sheets net of these amounts. Periodically, the Company evaluates 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. Impairment is recognized through an additional allowance for loan losses if the present value of future cash flows discounted at the effective interest rate of the pool has decreased. The present value of any subsequent increase in the pool's actual cash flows or cash flows expected to be collected is used first to reverse any existing valuation allowance for that pool. Any remaining increase in cash flows expected to be collected is taken as an increase of the prospective accretable yield and recognized over the estimated remaining life of the pool.

Certain loan modifications or restructurings are accounted for under ASC 310-40, Troubled Debt Restructuring by Creditors, when applicable. In general, the modification or restructuring of a debt constitutes a troubled debt restructuring (TDR) if the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a more than insignificant concession to the borrower that the Company would not otherwise consider under current market conditions. Such modifications could involve forgiving or forbearing a portion of interest or principal on any loans or making loans at a rate that is less than that of market rates. In such cases the amount of the forgiveness is charged off.

Debt restructurings or loan modifications for a borrower do not necessarily constitute TDRs and TDRs do not necessarily result in nonaccrual loans. Loans restructured 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 Company may modify certain loans to retain clients or to maximize collection of the loan balance. The Company has maintained several programs designed to assist borrowers by extending payment dates or reducing the borrower's contractual payments. All loan modifications are made on a case by case basis.

The initial and ongoing decision regarding accrual status is a separate and distinct process from the TDR analysis and determination. If the borrower has demonstrated performance under the previous terms and shows the capacity to continue to perform under restructured terms, accrual status is maintained provided the restructuring is supported by a current, well documented credit assessment of the borrower's financial condition and prospects for repayment under the revised terms. This evaluation includes consideration of the borrower's sustained historical repayment performance for the six-month period prior to the date of the restructuring. If the borrower was materially delinquent on payments prior to the restructure, but shows the potential capacity to meet the restructured terms, the loan would continue to be kept on nonaccrual status until the borrower has demonstrated performance according to the terms of the restructuring agreement for a period generally of at least six months.

e) Equipment Financing Receivables Held for Investment-Equipment financing receivables are recorded as the sum of the future minimum loan and lease payments, initial deferred costs and estimated or contractual residual values less unearned income. Our determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until contract termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. The Company updates its valuation analysis on an annual basis or more frequently as warranted by events or circumstances. When the Company determines that the fair value of an equipment financing receivable is lower than the expected residual value of the leased asset at contract expiration, the difference is recognized as an asset impairment in the period in which the analysis is completed. Interest income is recognized as earned using the effective interest method. Direct fees and costs associated with the origination of loans and leases are deferred and included as a component of equipment financing receivables. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the loan or lease using the effective interest method.

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

f) Asset Quality-Written underwriting standards established by the Executive Credit Committee and management govern the lending activities of the Company. Established loan and lease origination procedures require appropriate documentation including borrower financial data and credit reports. For loans secured by real property, the Company generally requires property appraisals, title insurance or a title opinion, hazard insurance and flood insurance, where appropriate. Loan payment performance is monitored and late charges are assessed on past due accounts. Legal proceedings are instituted, as necessary, to minimize loss. Commercial and residential loans of the Company are periodically reviewed through a loan review process. All other loans are also subject to loan review through a periodic sampling process.

The Company uses an asset risk classification system consistent with guidelines established by the Office of the Comptroller of the Currency (OCC) as part of its efforts to monitor asset quality. In connection with examinations of insured institutions, both federal and state examiners also have the authority to identify problem assets and, if appropriate, classify them. There are five credit quality indicators for commercial and commercial real estate loans:

Pass-These loans represent an acceptable risk for the Company. The loans may represent loans that are secured with cash or other guarantees or that may experience a decline in earnings.

Special mention-These loans represent an increased risk to the Company. The loans exhibit potential credit weaknesses or downward trends. While potentially weak, the loans are currently marginally acceptable, and no loss of principal or interest is expected.

Substandard-These loans have one or more weaknesses and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
Doubtful-These loans have the weaknesses of substandard loans with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on existing facts, conditions and values.
Loss-These loans are considered uncollectible and of such little value that continued recognition as a loan is not warranted.

There are two credit quality indicators for residential mortgages, equipment financing receivables, home equity lines, and consumer and credit card loans:

Performing-No significant change in the collection of payments from the borrower.
Non-performing-Loans that are 90 days past due or on nonaccrual and are not accounted for under ASC 310-30.

Commercial loans with adverse classifications are reviewed by the Commercial Credit Committee of the Executive Credit Committee on a periodic basis.

The Company reports loans that are less than one month past due as current and loans that are less than three months past due as 30-89 days past due. For those loans that are three months or more past due, the Company reports these loans as 90 days or greater.

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 or lease becomes 90 days past due, with the exception of government-insured loans. Accordingly, when a loan or lease 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. Payments received are applied to the principal balance of the loan or lease. When a client demonstrates a period of performance under the terms of the loan or lease, interest accruals and amortization of deferred fees, costs, discounts and premiums are resumed and suspended interest is recognized. Acquired loans that are accounted for under ASC 310-30 are excluded from being classified as nonaccrual when the Company can reasonably estimate cash flows.

Loans are derecognized and recognized in other assets when real estate is acquired by the Company as a result of foreclosure or by deed-in-lieu of foreclosure. Loans foreclosed upon that have an enforceable government guarantee are recorded as foreclosure claims receivable. Loans that do not have enforceable government guarantees are recorded as OREO. See Note 10 for additional information.

g) Allowance for Loan and Lease Losses-The allowance for loan and lease losses represents management’s estimate of probable and reasonably estimable credit losses inherent in loans and leases held for investment 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.

For purposes of determining the allowance for loan and lease losses, the Company removes loans that are considered impaired or that are accounted for under ASC 310-30 from the population to be collectively evaluated as such loan segments are to be considered under their applicable guidance. Loans and leases collectively evaluated are segmented according to each population’s risk characteristics such as loan type and guarantees as well as borrower type and geographic location. Loans are segmented into the following portfolio segments: (i) residential mortgages, (ii) commercial and commercial real estate, (iii) equipment financing receivables, (iv) home equity lines and (v) consumer and credit card. The Company also further disaggregates these portfolios into classes based on the associated risks within those segments. Residential mortgages are divided into two classes: residential and government insured pool buyout loans. Commercial and commercial real estate loans are similarly divided into four classes: other commercial finance, commercial real estate, lender finance and mortgage warehouse finance. Equipment financing receivables, home equity lines, and consumer and credit card are not further segmented.

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. The Company uses 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.

The foundation for estimating the allowance for loan or lease losses is a review of the various portfolios and the historical performance of those portfolios. The historical performance of each portfolio is analyzed by examining the level of charge-offs over a specific period of time, which may vary depending on the characteristics of the underlying loans within each portfolio. The historical average charge-off level for each portfolio is updated and reviewed at least quarterly. In the Company's commercial and commercial real estate and certain equipment financing receivable portfolios, the loss allowance is also significantly impacted by the migration of loans among the credit quality classifications, which occur as additional information regarding our borrowers is gathered through periodic credit quality reviews. Any estimates derived through these analyses are then subjected to further evaluation to ensure that the resulting allowance is appropriate in light of all known qualitative or environmental factors.

Once a residential mortgage is classified as a TDR, it is evaluated individually for impairment. These reserves are established based on an estimate of expected losses, which considers all available evidence as required under the applicable authoritative guidance. Interest income is recognized as earned unless the loan is placed on nonaccrual status.

Management considers a loan to be impaired for classes within commercial and commercial real estate, when based on current information and events, it is determined that it is probable the Company will not be able to collect all amounts due according to the terms of the loan agreement including scheduled interest payments. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an impairment reserve or a charge-off to the allowance. Interest income is recognized as earned unless the loan is placed on nonaccrual status.

Reserves are determined for impaired commercial and commercial real estate loans individually based on management's evaluation of the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and the realizable value of any collateral. Reserves are established for these loans based upon an estimate of expected losses for the individual loans deemed to be impaired. This estimate considers all available evidence using one of the methods provided by applicable authoritative guidance. Loans determined to be collateral dependent are measured at the fair value of collateral less disposal costs. Loans for which impaired reserves are provided are excluded from the population to be collectively evaluated to prevent duplicate reserves.

The resulting allowance estimates based on the above-described methodologies, regardless of the method of estimation, may be further adjusted to reflect relevant economic factors and specific market risk components.

Examples of qualitative factors considered in evaluating the overall allowance estimate include:

- Changes in underwriting standards and/or other lending policies or procedures;
- Changes in the experience, ability and depth of lending management staff;
- Changes in the nature of the portfolio including its composition, concentrations and delinquency; and
- Changes in the perceived collectability of loans or leases driven by macroeconomic trends, regulatory changes, industry performance or geographic influences.

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.

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 or 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 credited back to the allowance. Loans and leases that have been charged-off against the allowance are periodically monitored to evaluate whether further adjustments to the allowance are necessary.

Loans in the commercial and commercial real estate portfolio are charged-off when:

- The loan is risk rated "doubtful" or "loss".
- The loan or a portion thereof is determined to be uncollectible after considering the borrower's overall financial condition and collateral deficiency. A loan is considered uncollectible when: (a) the borrower is delinquent in principal or interest 90 days or more; (b) significant improvement in the borrower's repayment capacity is doubtful; and/or (c) collateral value is insufficient to cover outstanding indebtedness and no other viable assets exist.
- The Company has agreed, in writing, to accept a deficiency note.

Loans in the residential mortgage and home equity portfolios are charged-off when:

- The loan or a portion thereof is determined to be uncollectible after considering the borrower's overall financial condition and collateral deficiency. A loan is considered uncollectible when: (a) the borrower is delinquent in principal or interest 180 days or more; (b) it is probable that collateral value is insufficient to cover outstanding indebtedness and no other viable assets exist; or (c) notification of the borrower's bankruptcy is received.
- In cases where the Company is in a subordinate position to other debt, the senior lien holder has foreclosed and extinguished the junior lien.

Loans and leases in the equipment financing receivables portfolio are charged-off when the loan or lease becomes 150 days delinquent.

Credit card receivables are charged-off when the balance becomes 90 days delinquent.

Other consumer loans are evaluated on a case by case basis, and are generally charged-off when the balance becomes 120 days delinquent.

Based on facts and circumstances available, management believes that the allowance for loan and lease losses is appropriate to cover any probable losses in the Company's loan and lease portfolio. However, future adjustments to the allowance may be necessary, and the Company's results of operations could be adversely affected if circumstances differ substantially from the assumptions used by management in determining the allowance for loan and lease losses.

h) Reserve for Unfunded Lending Commitments-In addition to the allowance for loan and lease losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, excluding commitments measured at fair value. Unfunded lending commitments are subject to the same assessment as funded loans, except utilization assumptions are considered. The reserve for unfunded lending commitments is included in accounts payable and accrued liabilities on the consolidated balance sheets with changes to the reserve made through general and administrative expenses.

i) Mortgage Servicing Rights-MSR are acquired through bulk purchases of MSR or are created by selling purchased or originated mortgage loans and agency mortgage-backed securities (MBS) with servicing rights retained. Originated mortgage servicing rights are recognized based on the fair values of the mortgage loans or securities and the related servicing rights at the date of sale using values derived from an internal model. MSR are amortized in proportion to, and over the estimated life of the projected net servicing revenue and are periodically evaluated for impairment.

The Company identifies classes of servicing rights based upon the nature of the underlying assumptions used to estimate the fair value of the asset along with the risks associated with the underlying asset. Based upon these criteria, the Company has identified two classes of MSR: residential and commercial.

The Company stratifies its MSR based on the predominant risk characteristics of the underlying financial assets, including product type and interest rate coupon. The effect of changes in market interest rates on estimated rates of loan prepayment is the predominant risk characteristic of the MSR. Impairment is recognized through a valuation allowance for each stratum. The valuation allowance is adjusted to reflect the amount, if any, by which the cost basis of the MSR for a given stratum exceeds its fair value. Any fair value in excess of the cost basis for a given stratum is not recognized. The Company recognizes a direct write-down when the recoverability of the valuation allowance is determined to be unrecoverable.

Because quoted market prices from active markets are not readily available, a present value cash flow model is used to estimate the fair value of MSR. The key assumptions used in the MSR valuation model are the anticipated rate of loan prepayments and discount rates. Other assumptions such as costs to service the underlying loans, foreclosure costs, ancillary income, and float rates are also used in determining the value of the MSR. All of the assumptions are based on standards used by market participants in valuing MSR and are reviewed and approved by management on a quarterly basis. In addition, third-party appraisals of fair value are obtained at least quarterly to confirm the reasonableness of values generated by the valuation model.

Loan servicing fee income represents income earned for servicing mortgage loans owned by investors. It includes mortgage servicing fees and other ancillary servicing income, net of guaranty fees and subservicing costs paid to third parties. Servicing fees are generally calculated on the outstanding principal balances of the loans serviced and are recorded as income when earned, which is generally when cash is received.

j) Premises and Equipment-Computer hardware and software, furniture, equipment, buildings and leasehold improvements are carried at amortized cost. Depreciation is computed using the straight-line method over the estimated useful lives of hardware, software, furniture, equipment and buildings ranging from 3 to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the period the Company expects to occupy the leased space. The Company reviews premises and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is considered not to be recoverable when its carrying amount exceeds the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal. If it is determined that the carrying amount of the asset is not recoverable, an impairment loss is recognized equal to the amount by which the carrying amount for an asset exceeds its fair market value.

k) Goodwill and Intangible Assets-Goodwill, core deposit premiums and other intangible assets are included in other assets in the consolidated balance sheets.

Goodwill is not amortized but is evaluated for potential impairment on an annual basis or when events or circumstances indicate a potential impairment at the reporting unit level. Reporting units are first evaluated qualitatively to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is believed that it is more likely than not that a reporting unit's fair value is less than its carrying value, the Company will estimate the reporting unit's fair market value to determine whether carrying value exceeds fair market value. If carrying value exceeds fair market value, goodwill is written down.

The Company uses judgment in assessing goodwill and intangible assets for impairment. Estimates of fair value are based on projections of revenues, operating costs and cash flows of each reporting unit considering historical and anticipated future results, general economic and market conditions as well as the impact of planned business or operational strategies. The valuations employ a combination of present value techniques to measure fair value and take into consideration relevant market factors. Additionally, judgment is used in determining the useful lives of finite-lived intangible assets. Changes in judgments and projections could result in a significantly different estimate of the fair value of the reporting units and could result in an impairment of goodwill.

Core deposit premiums are amortized over the estimated life of the acquired deposits using the straight-line method. Core deposit premiums are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Other identifiable intangible assets were recognized through business combinations. These intangible assets are amortized over their estimated lives. No residual value was assigned to any of these intangible assets.

l) Servicing and Corporate Advances-In the ordinary course of servicing residential and other mortgage loans, the Company routinely advances principal and interest payments to investors prior to their collection from mortgagors and payments of property taxes and insurance premiums in the event mortgagors have not funded their escrow accounts sufficiently (Servicing Advances). Additionally, the Company expends funds related to legal fees, property valuation fees, property inspection fees, maintenance and other preservation costs as required on properties that are in foreclosure (Corporate Advances). The Company establishes an allowance for uncollectible advances based on an analysis of the underlying loans. The allowance reflects an amount which, in management’s judgment, is adequate to provide for probable losses after giving consideration to the composition of the underlying loans, current economic conditions, past loss experience, an evaluation of probable losses in the current servicing portfolio, and such other factors that warrant current recognition in estimating losses. Servicing and corporate advances are included in other assets in the consolidated balance sheets.

m) Foreclosure Claims Receivable-Foreclosure claims receivable represent receivables recognized by the Company for government-insured or guaranteed loans that have been foreclosed upon for which it has the intent and ability to recover its losses through the government guarantee. Such assets are measured based on the anticipated amount of the principal and interest expected to be recovered under the claim. These receivables are reviewed periodically for impairment. A valuation allowance is established based on an analysis of the underlying loans. The allowance reflects an amount which, in management’s judgment, is adequate to provide for probable losses after giving consideration to the composition of the underlying loans, current economic conditions, past loss experience, an evaluation of probable losses in the current servicing portfolio, and such other factors that warrant current recognition in estimating losses. The receivable is presented net of the related valuation allowance and is included in other assets in the consolidated balance sheets. Gains and losses upon settlement of foreclosure claims receivable are recognized in general and administrative expense.

n) Other Real Estate Owned-OREO consists of property that has been acquired by foreclosure or by deed in lieu of foreclosure. The properties are carried at the lower of cost or fair value (less estimated costs to sell) and are included in other assets in the consolidated balance sheets. Costs relating to the development and improvement of property are capitalized, to the extent the balance does not exceed fair value (less cost to sell), whereas those relating to maintaining the property are charged to expense. Subsequent declines in value are based on valuations and are separately reserved until the property is sold. Gains and losses upon disposition of other real estate owned are recognized in general and administrative expense.
o) Equipment Under Operating Leases, Net-Equipment under operating leases is carried at amortized cost and is included in other assets in the consolidated balance sheets. Equipment under operating leases is depreciated on a straight-line basis to its estimated residual value over the lease term. Our determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until lease termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. The Company updates its valuation analysis on an annual basis or more frequently as warranted by events or circumstances.
The Company reviews equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of an asset is considered not to be recoverable when its carrying amount exceeds the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal. If it is determined that the carrying amount of the asset is not recoverable, an impairment loss is recognized equal to the amount by which the carrying amount for an asset exceeds its fair market value.
p) Deposits-Deposits with clients include noninterest-bearing and interest-bearing demand deposits, savings and money market accounts, and time deposits. The Company offers deposits denominated in United States (U.S.) dollars as well as various foreign currencies. Foreign-currency denominated deposits are recorded at the spot rate, with any foreign currency gain or loss recognized as an adjustment to the carrying value. To manage the risk that may occur from fluctuations in world currency markets, the Company enters into short-term forward foreign exchange contracts. The Company also offers certain time deposits that provide clients the option to receive payments at maturity based on increases in various metal, commodity, foreign currency and U.S. Treasury yield indices. This potential payment to the client qualifies as an embedded derivative. Changes in the fair value of these derivatives are recognized in other noninterest income. The Company purchases options as an economic hedge for these embedded options with changes in the fair value of these options also recognized in other noninterest income. See Note 22 for additional information.
q) Other Borrowings-The Company records FHLB advances, notes payable and securities sold under repurchase agreements at their principal amount net of deferred issuance costs and any related discounts or premiums. Interest expense is recognized based on the coupon rate of the obligations plus or minus the amortization of any related discounts, premiums or deferred issuance costs.
r) Trust Preferred Securities-The Company issues trust preferred securities through unconsolidated trusts as a form of additional funding. These securities are recorded at the principal amount, with interest expense recognized at the coupon rate.
s) Advertising-Advertising costs are expensed as incurred. See Note 17 for amounts recognized for each of the years presented in the consolidated statements of income.
t) Income Taxes-The Company and its subsidiaries file federal and certain state income tax returns on a consolidated basis. Additionally, the Company’s subsidiaries file separate state income tax returns with various state jurisdictions. The provision for income taxes includes the income tax balances of the Company and all of its subsidiaries.
Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax rates in the period of change. The Company establishes a valuation allowance when management believes, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.
The Company recognizes and measures income tax benefits based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The

difference between the benefit recognized for a position in this model and the tax benefit claimed on a tax return is recorded as an unrecognized tax benefit. The Company recognizes income tax related interest and penalties in general and administrative expense.

u) Segment Information-ASC 280, Segment Reporting, requires the reporting of information about a company's operating segments using a management approach. This requires that reportable segments be identified based upon those components for which separate financial information is produced internally and which are subject to evaluation by the chief operating decision maker in deciding how to allocate resources to segments. The Company reports the results of its operations through three reportable segments: Consumer Banking, Commercial Banking, and Corporate Services. See Note 29 for additional information on the Company's segments.

v) Earnings Per Common Share (EPS)-Basic EPS is computed by dividing net income allocated to common shareholders by the weighted-average common shares outstanding. Diluted earnings per common share is computed by dividing income allocated to common shareholders by the weighted-average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, nonvested stock, and the dilution resulting from the conversion of convertible preferred stock, if applicable.

w) Derivative Instruments-The Company uses derivative financial instruments to manage exposure to interest rate risk, foreign currency risk and changes in the fair value of loans held for sale. Derivative transactions are measured in terms of the notional amount, but this amount is not reflected in the consolidated balance sheets nor, when viewed in isolation, is it a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged and is used only as a basis on which interest and other payments are determined. Derivative instruments used for risk management purposes are classified as cash flow hedging instruments under ASC 815, Derivatives and

Hedging, as well as freestanding derivatives. As permitted under U.S. GAAP, the Company nets derivative assets and liabilities, and the related cash collateral received and paid, when a legally enforceable master netting agreement exists between the Company and the derivative counterparty.

The Company also offers various deposit products to its clients, with returns that are based upon a variety of reference indices, including commodities, foreign currency, precious metals and U.S. Treasury yields and typically offsets its exposure from such products by entering into financial contracts. The client accommodations and any offsetting financial contracts are treated as freestanding derivatives. Other freestanding derivatives are used to manage the overall changes in price on loans held for sale or trading investments and include interest rate swaps and futures, forward and optional forward purchase and sales commitments and option contracts.

The Company’s derivative activities are monitored by its Asset Liability Committee (ALCO), which oversees all asset and liability management and secondary marketing activities. The Company’s hedging strategies are developed through analysis of data from financial models and other internal and industry sources. The Company incorporates the results of hedging strategies into its overall interest rate and asset/liability risk management.

Derivatives Designated as Hedges:

Cash Flow Hedges-As part of its asset and liability management activities, the Company enters into forward interest rate swaps as a cash flow hedge for forecasted transactions that create variable cash flows. The Company uses pay fixed, receive variable interest rate swaps to synthetically convert these instruments to fixed rate and manage this exposure.

The fair values of these derivatives are reported in other assets or accounts payable and accrued liabilities. The effective portion of the cumulative gains or losses on cash flow hedges are reported within accumulated other comprehensive income and are reclassified from accumulated other comprehensive income to current period earnings when the forecasted transaction affects earnings. Any hedge ineffectiveness is reported in interest expense. Payments and proceeds related to the settlement of these derivatives are included in the operating activities section of the consolidated statements of cash flows. All gains or losses on these derivatives are included in the assessment of hedge effectiveness.

Derivatives Not Designated as Hedges:

Interest Rate Lock Commitments (IRLCs)-In the ordinary course of business, the Company enters into commitments to originate residential mortgage loans at interest rates that are determined prior to funding. IRLCs for loans that the Company intends to sell are considered freestanding derivatives and are recorded at fair value at inception. Cash flows related to IRLCs are included in operating activities on the statement of cash flows.

Changes in value subsequent to inception are based on changes in the fair value of the underlying loan and changes in the probability that the loan will fund within the terms of the commitment, affected primarily by changes in interest rates and the passage of time. The aggregate fair value of IRLCs on the balance sheet is recorded in other assets or accounts payable and accrued liabilities with changes in the fair value recognized as gain on sale of loans in the consolidated statements of income. The interest exposure on the Company’s IRLCs is economically hedged with forward and optional forward purchase and sales commitments.

Forward Sales Commitments and Optional Forward Purchase and Sales Commitments-The Company uses forward purchase and sales commitments and optional forward purchase and sales commitments to manage its exposure to interest rate risk related to loans held for sale. The fair values of these forward and optional forward purchase and sales commitments are recorded in other assets and accounts payable and accrued liabilities. Changes in the fair value of these derivatives are reported as gain on sale of loans in the consolidated statements of income. Cash flows related to forward and optional forward purchase and sales commitments are included in operating activities on the statement of cash flows to match the cash flows of the economically hedged item.

Foreign Exchange Contracts-Foreign exchange contracts are commitments to buy or sell a foreign currency at a certain price on a future date and may be settled in cash or through delivery. The Company enters into these contracts to manage its exposure to foreign currency risk related to changes in the fair value of foreign currency denominated deposits. Cash flows related to foreign exchange contracts are included in financing activities on the statement of cash flows to match the cash flows of the economically hedged item.

Options and Options Embedded in Client Deposits-The Company purchases options tied to increases in various foreign currency, commodity, metals or U.S. treasury yield indices for a specified term, generally three to eight years, to manage its exposure to changes in the fair value of options embedded in deposit offerings to clients. These options and the related options embedded in client deposits are recorded as freestanding derivatives in other assets, deposits or accounts payable and accrued liabilities. The derivatives are carried at fair value, with changes in fair value recognized in other noninterest income. Cash flows related to options and embedded options are included in operating activities on the statement of cash flows.

Interest Rate Swaps, Forward Interest Rate Swaps, and Interest Rate Swap Futures-From time to time the Company enters into interest rate swaps, forward interest rate swaps, and swap futures to manage its exposure to interest rate risk associated with its loans held for sale, including its adjustable rate mortgages. Interest rate swaps, forward interest rate swaps, and interest rate swap futures are recorded as freestanding derivatives in other assets or accounts payable and accrued liabilities and are carried at fair value, with changes in fair value recognized in other noninterest income. Cash flows related to interest rate swaps, forward interest rate swaps, and futures are included in operating activities on the statement of cash flows to match the cash flows of the hedged item.

Indemnification Asset-As part of its loan acquisition activities, the Company periodically enters into credit derivative contracts whereby the counterparty guarantees a portion of the credit and advance losses. The Company presents these assets at their fair value with any changes in value being recorded in noninterest expense. Cash flows related to the indemnification assets are included in operating activities on the statement of cash flows to match the cash flows of the economically hedged item.

x) Fair Value Measurements-Assets and liabilities measured at fair value have been categorized based upon the fair value hierarchy described below:

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

Level 2-Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3-Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. In addition, these estimates do not reflect any premium or discount that could result from offering for sale the Company’s entire holdings of a particular financial instrument at one time. Finally, the tax ramifications related to the realization of any unrealized gains and losses could have a significant effect on fair value estimates and are not considered in any of the internal valuations.

Fair value estimates are determined for existing financial instruments, including derivative instruments, without attempting to estimate the value of anticipated future business and the value of certain assets and liabilities that were not considered financial instruments. Significant assets that are not considered financial instruments include MSR, premises and equipment, and goodwill and intangible assets.

For assets or liabilities in inactive markets, transaction or quoted prices may require adjustment to reflect uncertainty as to whether or not the underlying transactions are orderly. Management recognizes that significant events that impact fair value may occur after the measurement date. The Company’s policy is to monitor these events and determine whether adjustments to fair value are required.

The estimated fair values of all of the Company’s derivative financial instruments are reported in Note 23. Counterparty risk for derivative contracts and its impact on the determination of fair value are discussed in Note 22.

y) Variable Interest Entities-The Company is required to evaluate whether to consolidate a variable interest entity (VIE) when it first becomes involved and on an ongoing basis. In almost all cases, a qualitative analysis of its involvement in the entity provides sufficient evidence to determine whether the Company is the primary beneficiary. The Company consolidates VIEs in which it is the primary beneficiary and holds a controlling financial interest. This is evidenced by the power to direct the activities of a VIE that most significantly impact its economic performance and the obligation to absorb losses of, or the right to receive benefits from the VIE that could be potentially significant to the VIE. The Company takes into account all of its involvement in a VIE identifying implicit or explicit variable interests that, individually or in the aggregate, could be significant enough to warrant the designation as the primary beneficiary. Designation as the primary beneficiary requires the Company to consolidate the VIE and provide appropriate disclosures. Participants not determined to be the primary beneficiary do not consolidate and are required to make appropriate disclosures. See Note 25 for additional information.

z) Acquisition Activities-Acquisitions are accounted for under the acquisition method of accounting. Purchased assets and assumed liabilities are recorded at fair value at their respective acquisition dates, including identifiable intangible assets. If the fair value of net assets purchased exceeds the fair value of consideration paid, a bargain purchase gain is recognized. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as additional information relative to closing date fair values becomes available.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity). Deposit liabilities and the related depositor relationship intangible assets may be exchanged in observable exchange transactions. As a result, the depositor relationship intangible asset is considered identifiable, because the separability criterion has been met.

Indemnification assets are recognized when the seller contractually indemnifies, in whole or in part, the buyer for a particular uncertainty. The recognition and measurement of an indemnification asset is based on the related indemnified item. That is, the acquirer should recognize an indemnification asset at the same time that it recognizes the indemnified item, measured on the same basis as the indemnified item, subject to collectability or contractual limitations on the indemnified amount. If the indemnification asset meets the definition of a derivative, changes in the fair value are recognized in earnings.

3. Recent Accounting Pronouncements

Recognition and Measurement - In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities, which (1) requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with changes recognized through net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by allowing a qualitative assessment similar to those performed on long-lived assets, goodwill or intangibles to be utilized at each reporting period; (3) eliminates the use of the entry price method requiring all preparers to utilize the exit price notion consistent with Topic 820, Fair Value Measurement in disclosing the fair value of financial instruments measured at amortized cost; (4) requires separate disclosure within OCI of changes in the fair value of liabilities due to instrument-specific credit risk when the fair value option has been elected; and (5) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. Upon adoption, ASU 2016-01 provides for a cumulative-effect adjustment to retained earnings except for the impacts of amendments 2 and 3 above, which are prospective in nature. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those annual periods with early adoption allowable only for amendment 4 above. The Company is currently evaluating the pending adoption of ASU 2016-01 and its impact on the Company's consolidated financial statements.

Consolidation - In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which (1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; (2) eliminates the presumption that a general partner should consolidate a limited partnership; (3) affects the consolidation analysis of reporting entities involved with VIEs that have fee arrangements and related party relationships and (4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. Upon adoption, ASU 2015-02 provides for transition through either a full retrospective approach or a modified retrospective approach, which requires restatement as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to retained earnings. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods with early adoption permitted. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's consolidated financial statements.
Hybrid Financial Instruments - In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity, which will eliminate diversity in practice associated with the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 clarifies that no single term or feature, stated or implied, would necessarily determine the economic characteristics and risks of the host contract in determining whether it is more akin to debt or equity. Although an individual term or feature may weigh more heavily in the evaluation, the final determination must be made based on all economic characteristics and risks of the entire hybrid financial instrument. Once the nature of the host contract is determined, any embedded features considered to be derivatives would be evaluated for bifurcation from the host contract. ASU 2014-16 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company notes that its Series A Preferred Shares were determined upon issuance to be more akin to equity with no embedded features having been determined to be derivatives. As such, the adoption of ASU 2014-16 is not expected to have a material impact on the Company’s consolidated financial statements.
Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Subtopic 606), which supersedes the guidance in former ASC 605, Revenue Recognition. ASU 2014-09 clarifies the principles for recognizing revenue in order to improve comparability of revenue recognition practices across entities and industries with certain scope exceptions including financial instruments, leases, and guarantees. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To satisfy this objective, ASU 2014-09 provides guidance intended to assist in the identification of contracts with customers and separate performance obligations within those contracts, the determination and allocation of the transaction price to those identified performance obligations and the recognition of revenue when a performance obligation has been satisfied. ASU 2014-09 also implements enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. The effective date of ASU 2014-09 has been deferred by one year from its original effective date through the August 2015 issuance of ASU 2015-14 and thus is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Upon adoption, ASU 2014-09 provides for transition through either a full retrospective approach requiring the restatement of all presented prior periods or a modified retrospective approach, which allows the new recognition standard to be applied to only those contracts that are not completed at the date of transition. If the modified retrospective approach is adopted, a cumulative-effect adjustment to retained earnings is performed with additional disclosures required including the amount by which each line item is affected by the transition as compared to the guidance in effect before adoption and an explanation of the reasons for significant changes in these amounts. The Company is currently evaluating the pending adoption of ASU 2014-09 and its impact on the Company's consolidated financial statements and has not yet identified which transition method will be applied upon adoption.
Presentation of Residential Mortgage Loans Upon Foreclosure - In January 2014, the FASB issued ASU 2014-04, Receivables- Troubled Debt Restructurings by Creditors (Subtopic 310-40), which will eliminate diversity in practice

regarding the timing of derecognition for residential mortgage loans when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. Under ASU 2014-04, physical possession of residential real estate property is achieved when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or the borrower conveys all interest in the residential real estate property through completion of a deed in lieu of foreclosure in order to satisfy that loan. Once physical possession has been achieved, the loan is derecognized and the property recorded within other assets at the lower of cost or fair value (less estimated costs to sell). In addition, the guidance requires both interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. ASU 2014-04 is effective for annual reporting periods beginning on or after December 15, 2014, and interim periods within those annual periods. The guidance set forth in ASU 2014-04 is consistent with the Company’s current practice for derecognizing residential mortgage loans. As such, the adoption of ASU 2014-04 did not have a material impact on the Company's consolidated financial statements but resulted in additional disclosure, which can be found in Note 6.

4. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value and carrying value of investment securities were as follows as of December 31, 2015 and 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
2015					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	$558,621	$1,728	$7,091	$553,258	$553,258
Asset-backed securities (ABS)	1,632	—	280	1,352	1,352
Other	248	161	—	409	409
Total available for sale securities	$560,501	$1,889	$7,371	$555,019	$555,019
Held to maturity:					
Residential CMO securities - agency	$13,065	$269	$—	$13,334	$13,065
Residential MBS - agency	90,681	1,973	540	92,114	90,681
Total held to maturity securities	$103,746	$2,242	$540	$105,448	$103,746
2014					
Available for sale:					
Residential CMO securities - nonagency	$774,804	$5,631	$6,200	$774,235	$774,235
ABS	1,800	—	405	1,395	1,395
Other	275	406	—	681	681
Total available for sale securities	$776,879	$6,037	$6,605	$776,311	$776,311
Held to maturity:					
Residential CMO securities - agency	$27,801	$788	$—	$28,589	$27,801
Residential MBS - agency	87,283	2,680	322	89,641	87,283
Total held to maturity securities	$115,084	$3,468	$322	$118,230	$115,084

At December 31, 2015 and 2014, investment securities with a carrying value of $145,904 and $166,836, respectively, were pledged to secure other borrowings for other purposes as required or permitted by law.

The amortized cost and fair value of debt securities at December 31, 2015, 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. Mortgage-backed securities, including collateralized mortgage obligation securities, are disclosed without a specific maturity in the table below as these investment securities are likely to prepay prior to their scheduled contractual maturity dates.

	Amortized Cost	Fair Value
2015		
Available for sale:		
After ten years	$1,632	$1,352
Not due at a single maturity date	558,793	553,438
	$560,425	$554,790
Held to maturity:		
Not due at a single maturity date	$103,746	$105,448

For the years ended December 31, 2015, 2014 and 2013 there were $568, $5,596 and $4,225 gross gains realized on available for sale investments, respectively, with no gross losses having been realized. The cost of investments sold is calculated using the specific identification method.

The gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and the length of time individual securities have been in a continuous unrealized loss position, at December 31, 2015 and 2014 are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2015						
Debt securities:						
Residential CMO securities - nonagency	$173,705	$1,003	$221,180	$6,088	$394,885	$7,091
Residential MBS - agency	28,514	313	9,171	227	37,685	540
ABS	—	—	1,352	280	1,352	280
Total debt securities	$202,219	$1,316	$231,703	$6,595	$433,922	$7,911
2014						
Debt securities:						
Residential CMO securities - nonagency	$317,042	$3,900	$31,010	$2,300	$348,052	$6,200
Residential MBS - agency	6,788	63	11,670	259	18,458	322
ABS	—	—	1,395	405	1,395	405
Total debt securities	$323,830	$3,963	$44,075	$2,964	$367,905	$6,927

The Company had unrealized losses at December 31, 2015 and 2014 on residential nonagency CMO securities, residential agency MBS, and ABS. These unrealized losses are primarily attributable to weak market conditions. Based on the nature of the impairment, these unrealized losses are considered temporary. The Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before their anticipated recovery.

At December 31, 2015, the Company had 72 debt securities in an unrealized loss position. A total of 30 were in an unrealized loss position for less than 12 months. These 30 securities consisted of 20 residential nonagency CMO securities and 10 residential agency MBS. The remaining 42 debt securities were in an unrealized loss position for 12 months or longer. These 42 securities consisted of 37 residential nonagency CMO securities, three ABS and two residential agency MBS. Of the $7,911 in unrealized losses, $5,298 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

At December 31, 2014, the Company had 58 debt securities in an unrealized loss position. A total of 39 were in an unrealized loss position for less than 12 months. These 39 securities consisted of 36 residential nonagency CMO securities and three residential agency MBS. The remaining 19 debt securities were in an unrealized loss position for 12 months or longer. These 19 securities consisted of three ABS, three residential MBS and 13 residential nonagency CMO securities. Of the $6,927 in unrealized losses, $5,061 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

When certain triggers indicate the likelihood of an OTTI or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analyses that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI.

During the year ended December 31, 2015, the Company recognized credit related OTTI losses of $110 on available for sale residential nonagency CMO securities. These credit related losses were caused by these investments exhibiting credit ratings that were deemed to be below investment grade, which led to decreased cash flows as of December 31, 2015. The Company recognized no OTTI related to held to maturity securities. The Company recognized no non-credit OTTI for available for sale or held to maturity securities for the year ended December 31, 2015.

For the years ended December 31, 2014 and 2013, the Company recognized non-credit OTTI in earnings of $685 and $923 on available for sale residential nonagency CMO securities. For the years ended December 31, 2014 and 2013, the Company recognized $0 and $2,375 non-credit OTTI on held to maturity securities. The OTTI losses recorded for the year ended December 31, 2014, represented additional declines in fair value on securities originally OTTI at December 31, 2013 as a result of regulatory changes created by the Volcker rule, which classifies these investments as covered funds that cannot be held by an insured depository institution. As a result, management could not assert at December 31, 2013 that the Company had the ability to hold these investments to recovery. The Company recognized no credit related OTTI for available for sale or held to maturity securities for the years ended December 31, 2014 and 2013.

During the years ended December 31, 2015, 2014, and 2013 interest and dividend income on investment securities was comprised of the following:

	2015	2014	2013
Interest income on available for sale securities	$17,818	$30,549	$49,178
Interest income on held to maturity securities	3,580	3,293	2,707
Other interest and dividend income	9,398	4,770	3,187
	$30,796	$38,612	$55,072

All investment interest income recognized by the Company during the years ended December 31, 2015, 2014 and 2013 was fully taxable.

Other Investments—Other investments as of December 31, 2015 and 2014 are as follows:

	2015	2014
FHLB stock	$264,773	$195,180
Other	658	1,429
Total	$265,431	$196,609

The Company relies on borrowing lines with the Federal Home Loan Bank of Atlanta as an additional funding source. See Note 13 for further discussion related to collateral to secure FHLB advances. As a condition of membership in the FHLB, the Company is required to purchase and hold a certain amount of FHLB stock. The Company's stock purchase requirement is based, in part, upon the outstanding principal balance of advances from the FHLB. FHLB stock is redeemable at par.

The FHLB stock held by the Company is carried at cost and is subject to recoverability testing similar to investment securities. The Company considers the FHLB's operating performance, liquidity and funding position, credit ratings and ability to meet statutory and regulatory requirements in assessing the recoverability of the investment. The Company will continue to monitor the financial condition of the FHLB as it relates to, among other things, the recoverability of the Company's investment. As of December 31, 2015, the Company did not recognize an impairment charge related to the Company's FHLB stock holdings. There can be no assurance, however, that future negative changes in the financial condition of the FHLB may not require the Company to recognize an impairment charge with respect to such holdings.

5. Loans Held for Sale

Loans held for sale as of December 31, 2015 and 2014, consist of the following:

	2015	2014
Mortgage warehouse (carried at fair value)	$624,726	$410,948
Other residential (carried at fair value)	683,015	317,430
Total loans held for sale carried at fair value	1,307,741	728,378
Government insured pool buyouts	293	12,583
Other residential	22,481	232,546
Commercial and commercial real estate	178,753	—
Total loans held for sale carried at lower of cost or fair value	201,527	245,129
Total loans held for sale	$1,509,268	$973,507

The Company has elected the fair value option for loans it originates with the intent to market and sell in the secondary market either through third party sales or securitizations. Mortgage warehouse loans are largely comprised of agency deliverable products that the Company typically sells within three months subsequent to origination. The Company economically hedges the 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 the balance sheet, the Company has elected fair value accounting on this portfolio of loans due to the burden of complying with the requirements of hedge accounting. The Company has also elected the fair value option for originated fixed-rate jumbo preferred loans, due to the short duration that these loans are present on the balance sheet. 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 these loans without the burden of complying with the requirements for hedge accounting. The Company has not elected the fair value option for other residential mortgage, government insured pool buyouts and other commercial and commercial real estate loans as a majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period subsequent to transfer. These loans are carried at the lower of cost or fair value.

A majority of the loans held for sale that are carried at the lower of cost or fair value represent loans that were transferred from the held for investment portfolio. Government insured pool buyouts held at the lower of cost or fair value represent government insured loans that have re-performed and are now eligible to be re-securitized or sold to third parties. Once the loan re-performs and becomes eligible for securitization or sale, the loan is transferred to the held for sale portfolio and sold. Other residential loans held at the lower of cost or fair value represent residential mortgage loans for which the Company has changed its intent and has made a decision to sell the loans and as such transferred the loans to held for sale. A majority of this portfolio consists of jumbo preferred adjustable rate mortgage

(ARM) loans. Commercial and commercial real estate loans represent multi-family loans for which the Company is actively marketing to sell. As the Company no longer has the intent to hold these loans for the foreseeable future, the loans were transferred to held for sale. Residential loans, commercial and commercial real estate loans and equipment financing receivables are transferred to the held for sale portfolio when the Company has entered into a commitment to sell a specific portion of its held for investment portfolio or when the Company has a formal marketing strategy to sell a certain loan product.

In conjunction with the sale of loans and leases, the Company may be exposed to limited liability related to recourse agreements and repurchase agreements made to its insurers and purchasers, which are included in commitments and contingencies in Note 24. Commitments and contingencies include amounts related to loans sold that the Company may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to a breach with respect to Government Sponsored Enterprises (GSE) purchasers or a material breach with respect to non-GSE purchasers, of contractual representations and warranties. Refer to Note 24 for the maximum exposure to loss for material breach of contractual representations and warranties.

The following is a summary of cash flows related to transfers accounted for as sales for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Proceeds received from agency securitizations	$3,878,472	$4,832,193	$9,031,693
Proceeds received from nonsecuritization sales - residential	$3,345,165	$1,937,032	$1,641,101
Proceeds received from nonsecuritization sales - commercial and commercial real estate	216,010	94,617	74,551
Proceeds received from nonsecuritization sales - equipment financing receivables	116,472	20,975	—
Proceeds received from nonsecuritization sales	$3,677,647	$2,052,624	$1,715,652
Repurchased loans from residential agency sales and securitizations	$6,013	$5,961	$4,738
Repurchased loans from nonagency sales	8,153	4,078	19,234
Repurchased loans from commercial sales and securitizations (1)	105,651	—	—

(1) Represents loans that were voluntarily repurchased out of the Business Lending Trusts through a clean-up call, which were subsequently sold in third-party sales.

In connection with these transfers, the Company recorded servicing assets in the amount of $57,212 and $57,877 for the years ended December 31, 2015 and 2014. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 8 for information relating to servicing activities and MSR and Note 23 for a description of the valuation process. The gains and losses on the transfers which qualified as sales are recorded in the consolidated statements of income in gain on sale of loans, which includes the gain or loss on sale, change in fair value related to fair value option loans, and the change in fair value related to offsetting hedging positions.

The Company periodically transfers conforming residential Ginnie Mae (GNMA) mortgages in exchange for mortgage-backed securities. As of December 31, 2015 and 2014, the Company retained zero and $9,001, respectively, of these securities backed by the transferred loans and maintained effective control over these pools of transferred assets. Accordingly, the Company did not record these transfers as sales. These transferred assets were recorded in the consolidated balance sheets as loans held for sale. The remaining securities were sold to unrelated third parties and were recorded as sales.

The following is a summary of transfers of loans from held for investment to held for sale and transfers of loans from held for sale to held for investment for the years ended December 31, 2015 and 2014.

Loans Transferred from Held for Investment (HFI) to Held for Sale (HFS)	2015	2014
Residential mortgages	$1,114,414	$1,504,891
Government insured pool buyouts	1,053,313	562,137
Commercial and commercial real estate	399,482	44,438
Equipment financing receivables	109,070	20,761
Total transfers from HFI to HFS	$2,676,279	$2,132,227
Loans Transferred from HFS to HFI		
Residential mortgages	$212,312	$206,530
Government insured pool buyouts	—	24,904
Commercial and commercial real estate	111,602	—
Total transfers from HFS to HFI	$323,914	$231,434

Loans and leases are transferred from loans and leases HFI to HFS when the Company no longer has the intent to hold the loans and leases for the foreseeable future. Loans and leases are transferred from HFS to HFI when the Company determines that it intends to hold these loans and leases for the foreseeable future and no longer has the intent to sell. Loan transfers from HFS to HFI and transfers from HFI to HFS represent noncash activities within the operating and investing sections of the statement of cash flows.

6. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Residential mortgages	$11,717,122	$9,920,070
Commercial and commercial real estate	7,607,676	5,646,690
Equipment financing receivables	2,400,909	2,031,570
Home equity lines	496,969	156,869
Consumer and credit card	4,816	5,054
Total loans and leases held for investment, net of unearned income	22,227,492	17,760,253
Allowance for loan and lease losses	(78,137)	(60,846)
Total loans and leases held for investment, net	$22,149,355	$17,699,407

As of December 31, 2015 and 2014, the carrying values presented above include net purchase loan and lease discounts and net deferred loan and lease origination costs as follows:

	2015	2014
Net purchased loan and lease discounts	$45,770	$47,108
Net deferred loan and lease origination costs	123,255	94,778

For the years ended December 31, 2015 and 2014, significant purchases that impacted the Company's held for investment portfolio included residential mortgages with an unpaid principal balance (UPB) of $3,128,540 and $3,140,980, commercial real estate with a UPB of $105,651 and zero and equipment financing receivables of zero and $235,337, respectively. The Company also purchased into commercial credit facilities with outstanding commitments of $988,175 and $222,500 and outstanding balances of $539,938 and $95,339 during the years ended December 31, 2015 and 2014, respectively. For additional information on the Company's transfers and sales of financing receivables see Note 5.

Of the $539,938 in commercial credit facility balances purchased during the year ended December 31, 2015, $91,721 of net recorded investment was purchased on May 11, 2015, representing the purchase of a portfolio of asset based lending loans. The purchase was funded entirely by cash with the transaction being accounted for using the acquisition method of accounting. Based on the acquisition method of accounting, consideration paid totaling $91,829 was allocated to the purchased loans and related accrued interest and fees with no additional assets recognized or liabilities assumed in the transaction. No goodwill was recognized in the transaction. The portfolio will continue to be operated out of New York as the Company hired several professionals who previously worked with the purchased portfolio.

Equipment Financing Receivables—Equipment financing receivables are collateralized by a secured interest in the equipment and, in certain circumstances, additional collateral and/or guarantees. As of December 31, 2015 and 2014, the components of net equipment financing receivables are as follows:

	2015	2014
Loans receivable	$482,896	$517,497
Minimum lease payments receivable	1,888,565	1,515,144
Residuals	214,383	144,953
Unearned income	(226,775)	(180,636)
Equipment financing receivables, net of unearned income	2,359,069	1,996,958
Net deferred loan and lease origination costs	41,777	35,038
Purchased loan and lease premiums (discounts)	63	(426)
	2,400,909	2,031,570
Allowance for loan and lease losses	(12,187)	(8,649)
Equipment financing receivables, net	$2,388,722	$2,022,921

The following is a schedule of future minimum lease payments to be received on leases held for investment at December 31, 2015:

2016	$625,481
2017	495,467
2018	363,617
2019	232,521
2020	114,844
Thereafter	56,635
Minimum lease payments receivable	$1,888,565

Concentration of Credit Risk—The Company originates residential mortgages, commercial and commercial real estate loans, home equity loans, credit card loans, leases, and other consumer loans nationwide.

The balance of residential loans held for investment that are not government insured totaled $7,501,767 and $6,324,965 as of December 31, 2015 and 2014. These loans primarily represent jumbo loans that cannot be delivered to governmental agencies via sale or securitization as their original principal balance exceeds acceptable limits.

Although the Company's loan and lease portfolio is diversified, a significant portion of the portfolio is collateralized by real estate and commercial equipment. The Company's lending policy related to the real estate portfolio requires real estate loan collateral based upon several factors, including certain loan-to-appraised-value ratios and borrower credit history, while the lending policy related to commercial loans and commercial lines of credit considers several factors, including potential secured interests in collateral, the availability of guarantors and borrower and guarantor credit histories. Our exposure to losses on loans and leases collateralized with real estate or equipment is generally limited to the difference between the net recorded investment in the loan and the fair value of the related collateral less costs to sell. Losses for loans without real estate or equipment as collateral will depend upon any available guarantees or other potential sources of recovery. Due to the highly variable nature of property values and economic performance from region to region, geographic concentrations are one source of information regarding potential losses inherent in the existing portfolio.

The 5 highest concentration percentages by state for each category of the Company's loan and lease portfolio and the corresponding states' percentages of the U.S. population at December 31, 2015 are as follows:

	Percentage of Loan Portfolio			
	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	% of U.S. Population [(1)]
California	29 %	12 %	11 %	12 %
Florida	8	9	10	6
New York	8	10	7	6
New Jersey	6		6	3
Texas	6	7	12	8
Illinois		7		4

(1) Source: U.S. Census Bureau, 2010 Census

The Company notes that an additional factor in evaluating concentration of credit risk arises from evaluating loans for which a higher risk of future default may exist due to a potential triggering event. Loans such as negative amortizing loans and interest only loans provide for an extended period of low payments followed by a period of higher payments as the principal balance begins to be due. Such loans experience a higher risk of default when the principal balance becomes due and borrowers may be unable to make the new loan payment. For December 31, 2015 and 2014, the Company did not originate negative amortizing loans. The net recorded investment in interest-only loans was $1,580,311 and $1,509,966 for residential real estate loans and home equity lines of credit and $1,653,128 and $796,277 for commercial, commercial real estate loans and commercial lines of credit at December 31, 2015 and 2014, respectively.

The Company notes that the large commercial revolving lines of credit originated within our mortgage warehouse finance operations are excluded from the concentration analysis above. These lines of credit represent large commitments to financial services companies, typically mortgage banking companies, with a total commitment amount of $3,467,250 and an outstanding balance of $2,372,731 extended to 38 borrowers at December 31, 2015. The average commitment to one borrower within this population as of December 31, 2015 was $91,243 with an average outstanding balance of $62,440. The maximum commitment to a single borrower within this population represents a commitment of $150,000. Many of these financial services companies utilize their lines of credit to fund transactions throughout the U.S. and thus geographical concentration is less indicative of the concentration risk associated with these lines. Advances taken on these lines of credit are primarily collateralized by agency and government residential loans originated by our clients. For more information on unfunded commitments on outstanding lines of credit see Note 24.

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

Acquisition date details of loans and leases acquired with evidence of credit deterioration during the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Contractual payments receivable for acquired loans and leases at acquisition	$5,034,486	$5,341,257
Expected cash flows for acquired loans and leases at acquisition	3,209,460	3,326,356
Basis in acquired loans and leases at acquisition	2,976,059	3,122,591

Information pertaining to the ACI portfolio as of December 31, 2015 and 2014 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
2015			
Carrying value, net of allowance	$3,449,385	$110,984	$3,560,369
Outstanding unpaid principal balance	3,503,138	117,051	3,620,189
Allowance for loan and lease losses, beginning of year	5,974	2,042	8,016
Allowance for loan and lease losses, end of year	7,031	346	7,377

	Residential	Commercial and Commercial Real Estate	Total
2014			
Carrying value, net of allowance	$2,616,728	$194,599	$2,811,327
Outstanding unpaid principal balance	2,655,497	198,061	2,853,558
Allowance for loan and lease losses, beginning of year	4,925	9,834	14,759
Allowance for loan and lease losses, end of year	5,974	2,042	8,016

The Company recorded a reduction of provision for loan loss of $639 and $130 for the ACI portfolio for the years ended December 31, 2015 and 2014, respectively. The adjustments to provision are the result of changes in expected cash flows on ACI loans.

The following is a summary of the accretable yield activity for the ACI loans during the years ended December 31, 2015 and 2014:

2015	Residential	Commercial and Commercial Real Estate	Total
Balance, beginning of year	$240,650	$61,256	$301,906
Additions	233,401	—	233,401
Accretion	(139,197)	(11,343)	(150,540)
Reclassifications to (from) accretable yield	(82,013)	(6,223)	(88,236)
Balance, end of year	$252,841	$43,690	$296,531

2014	Residential	Commercial and Commercial Real Estate	Total
Balance, beginning of year	$101,183	$59,663	$160,846
Additions	203,765	—	203,765
Accretion	(77,232)	(18,721)	(95,953)
Reclassifications to accretable yield	15,456	20,658	36,114
Transfer from loans held for investment to loans held for sale	(2,522)	(344)	(2,866)
Balance, end of year	$240,650	$61,256	$301,906

7. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the years ended December 31, 2015, 2014 and 2013 are as follows:

2015	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of year	$25,098	$ 23,095	$ 8,649	$3,814	$ 190	$60,846
Provision for loan and lease losses	10,288	13,764	12,775	1,466	(106)	38,187
Charge-offs	(9,143)	(2,424)	(11,528)	(1,510)	(68)	(24,673)
Recoveries	708	440	2,291	338	—	3,777
Balance, end of year	$26,951	$ 34,875	$ 12,187	$4,108	$ 16	$78,137

2014	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of year	$26,497	$ 29,987	$ 4,273	$2,812	$ 121	$63,690
Transfers to loans held for sale	(5,049)	(2,482)	—	(191)	—	(7,722)
Provision for loan and lease losses	10,920	2,494	9,285	1,674	160	24,533
Charge-offs	(8,366)	(6,913)	(5,797)	(1,033)	(91)	(22,200)
Recoveries	1,096	9	888	552	—	2,545
Balance, end of year	$25,098	$ 23,095	$ 8,649	$3,814	$ 190	$60,846

2013	Residential Mortgages	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of year	$33,631	$ 39,863	$ 3,181	$5,265	$ 162	$82,102
Transfers to loans held for sale	—	(4,097)	—	—	—	(4,097)
Provision for loan and lease losses	6,745	2,352	4,139	(1,150)	(48)	12,038
Charge-offs	(15,575)	(12,917)	(3,651)	(1,816)	(69)	(34,028)
Recoveries	1,696	4,786	604	513	76	7,675
Balance, end of year	$26,497	$ 29,987	$ 4,273	$2,812	$ 121	$63,690

During the year ended December 31, 2014, in conjunction with the sale of residential TDR and non-performing residential loans, the Company transferred loans with a net recorded investment of $79,075 and the related impairment reserve of $5,049, which was individually evaluated, from loans held for investment to loans held for sale with no additional provision having been recorded. During the year ended December 31, 2013, in conjunction with the sale of non-performing commercial loans, the Company transferred loans with a net recorded investment of $77,731 from loans held for investment to loans held for sale including $33,948 in ACI loans and $43,783 in loans individually evaluated for impairment resulting in the recognition of an additional provision for loan losses of $3,180.

The following tables provide a breakdown of the allowance for loan and lease losses and the recorded investment in loans and leases based on the method for determining the allowance as of December 31, 2015 and 2014:

	Allowance for Loan and Lease Losses			
	Individually Evaluated for	Collectively Evaluated	ACI Loans	Total

	Impairment			
2015				
Residential mortgages	$2,206	$17,714	$7,031	$26,951
Commercial and commercial real estate	7,743	26,786	346	34,875
Equipment financing receivables	91	12,096	—	12,187
Home equity lines	—	4,108	—	4,108
Consumer and credit card	—	16	—	16
Total allowance for loan and lease losses	$10,040	$60,720	$7,377	$78,137

	Loans and Leases Held for Investment at Recorded Investment			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2015				
Residential mortgages	$ 18,185	$ 8,242,521	$ 3,456,416	$ 11,717,122
Commercial and commercial real estate	81,304	7,415,042	111,330	7,607,676
Equipment financing receivables	4,393	2,396,516	—	2,400,909
Home equity lines	—	496,969	—	496,969
Consumer and credit card	—	4,816	—	4,816
Total loans and leases held for investment	$ 103,882	$ 18,555,864	$ 3,567,746	$ 22,227,492

	Allowance for Loan and Lease Losses			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2014				
Residential mortgages	$ 2,896	$ 16,228	$ 5,974	$ 25,098
Commercial and commercial real estate	720	20,333	2,042	23,095
Equipment financing receivables	—	8,649	—	8,649
Home equity lines	—	3,814	—	3,814
Consumer and credit card	—	190	—	190
Total allowance for loan and lease losses	$ 3,616	$ 49,214	$ 8,016	$ 60,846

	Loans and Leases Held for Investment at Recorded Investment			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2014				
Residential mortgages	$ 16,642	$ 7,280,726	$ 2,622,702	$ 9,920,070
Commercial and commercial real estate	42,267	5,407,782	196,641	5,646,690
Equipment financing receivables	—	2,031,570	—	2,031,570
Home equity lines	—	156,869	—	156,869
Consumer and credit card	—	5,054	—	5,054
Total loans and leases held for investment	$ 58,909	$ 14,882,001	$ 2,819,343	$ 17,760,253

The Company uses a risk grading matrix to monitor credit quality for commercial and commercial real estate loans. Risk grades are continuously monitored and updated by credit administration personnel based on current information and events. The Company monitors the credit quality of all other loan types based on performing status. For a detailed description of the risk grading, refer to Note 2.
The following tables present the recorded investment for loans and leases by credit quality indicator as of December 31, 2015 and 2014:

	Performing	Non-performing Accrual	Nonaccrual	Total
2015				
Residential mortgages:				
Residential [1]	$7,469,855	$—	$31,912	$7,501,767
Government insured pool buyouts [2] [3]	3,873,603	341,752	—	4,215,355
Equipment financing receivables	2,383,502	—	17,407	2,400,909
Home equity lines	493,683	—	3,286	496,969
Consumer and credit card	4,763	—	53	4,816
Total	$14,225,406	$341,752	$52,658	$14,619,816

	Pass	Special Mention	Substandard	Doubtful	Total
2015					
Commercial and commercial real estate:					
Mortgage warehouse finance	$2,372,731	$—	$—	$—	$2,372,731
Lender finance	1,280,423	—	—	—	1,280,423
Other commercial finance	208,763	—	1,747	—	210,510
Commercial real estate	3,609,808	23,070	111,134	—	3,744,012
Total commercial and commercial real estate	$7,471,725	$23,070	$112,881	$—	$7,607,676

	Performing	Non-performing Accrual	Nonaccrual	Total
2014				
Residential mortgages:				
Residential [1]	$6,302,172	$—	$22,793	$6,324,965
Government insured pool buyouts [2] [3]	3,096,877	498,228	—	3,595,105
Equipment financing receivables	2,020,613	—	10,957	2,031,570
Home equity lines	154,506	—	2,363	156,869
Consumer and credit card	5,016	—	38	5,054
Total	$11,579,184	$498,228	$36,151	$12,113,563

	Pass	Special Mention	Substandard	Doubtful	Total
2014					
Commercial and commercial real estate:					
Mortgage warehouse finance	$1,356,651	$—	$—	$—	$1,356,651
Lender finance	749,393	13,060	—	—	762,453
Other commercial finance	63,460	—	351	—	63,811

Commercial real estate	3,325,936	34,010	103,829	—	3,463,775
Total commercial and commercial real estate	$5,495,440	$47,070	$104,180	$—	$5,646,690

(1) For the periods ended December 31, 2015 and 2014, performing residential mortgages included $5,148 and $6,287, respectively of ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended December 31, 2015 and 2014, performing government insured pool buyouts included $2,855,632 and $2,143,384, respectively of ACI loans 90 days or greater past due and still accruing.

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

The following tables present an aging analysis of the recorded investment for loans and leases by class as of December 31, 2015 and 2014:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
2015						
Residential mortgages:						
Residential	$9,963	$6,150	$31,912	$48,025	$7,408,905	$7,456,930
Government insured pool buyouts [1]	30,645	21,117	341,752	393,514	410,262	803,776
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	2,372,731	2,372,731
Lender finance	—	—	—	—	1,280,423	1,280,423
Other commercial finance	—	—	—	—	207,150	207,150
Commercial real estate	—	—	3,741	3,741	3,632,301	3,636,042
Equipment financing receivables	17,579	5,131	4,737	27,447	2,373,462	2,400,909
Home equity lines	1,748	1,476	3,286	6,510	490,459	496,969
Consumer and credit card	12	20	54	86	4,730	4,816
Total loans and leases held for investment	$59,947	$33,894	$385,482	$479,323	$18,180,423	$18,659,746
2014						
Residential mortgages:						
Residential	$9,941	$4,817	$22,793	$37,551	$6,230,161	$6,267,712
Government insured pool buyouts [1]	50,955	32,869	498,228	582,052	447,604	1,029,656
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	1,356,651	1,356,651
Lender finance	—	—	—	—	762,453	762,453
Other commercial finance	1	—	—	1	59,654	59,655
Commercial real estate	1,139	—	2,498	3,637	3,267,653	3,271,290
Equipment financing receivables	18,521	4,114	3,263	25,898	2,005,672	2,031,570
Home equity lines	1,040	845	2,363	4,248	152,621	156,869
Consumer and credit card	16	7	38	61	4,993	5,054
Total loans and leases held for investment	$81,613	$42,652	$529,183	$653,448	$14,287,462	$14,940,910

(1) Government insured pool buyouts remain on accrual status after 89 days as the interest earned is collectible from the insuring governmental agency.

Residential Foreclosures and Repossessed Assets — Once all potential alternatives for loan reinstatement are exhausted, past due loans collateralized by residential real estate are referred for foreclosure proceedings in accordance with local requirements of the applicable jurisdiction. Once possession of the property collateralizing the loan is obtained, the repossessed property is recorded within other assets either as other real estate owned or, where management has both the intent and ability to recover its losses through a government guarantee, as a foreclosure claim receivable.

As the allowable time frame for initiating the loan foreclosure process varies by jurisdiction, the Company has determined, for purposes of disclosure, loans collateralized by residential real estate are considered to be in the process of foreclosure once they are 120 days or more past due. At December 31, 2015 and 2014, the Company had loans collateralized by residential real estate with carrying values of $2,994,749 and $2,544,314, respectively that were 120 days or more past due. Of the residential loans that were 120 days or more past due, $2,960,397 and

$2,519,022 represented loans that were government insured at December 31, 2015 and 2014, respectively.
At December 31, 2015 and 2014, the Company had foreclosure claims receivable of $530,624 and $451,125, net of valuation allowances of $11,187 and $17,336 respectively. At December 31, 2015 and 2014, the Company had residential other real estate owned of $8,069 and $8,013, net of valuation allowances of $275 and $441, respectively.

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

The following tables present the unpaid principal balance, the recorded investment and the related allowance for impaired loans as of December 31, 2015 and 2014:

	2015 Unpaid Principal Balance	Recorded Investment(1)	Related Allowance	2014 Unpaid Principal Balance	Recorded Investment(1)	Related Allowance
With an allowance recorded:						
Residential mortgages:						
Residential	$11,578	$10,510	$2,206	$10,618	$10,162	$2,896
Commercial and commercial real estate:						
Commercial real estate	52,811	52,029	7,743	14,566	11,290	720
Equipment financing receivables	380	380	91	—	—	—
Total impaired loans with an allowance recorded	$64,769	$62,919	$10,040	$25,184	$21,452	$3,616
Without a related allowance recorded:						
Residential mortgages:						
Residential	$8,432	$7,675		$7,466	$6,480	
Commercial and commercial real estate:						
Commercial real estate	31,718	29,275		41,955	30,977	
Equipment financing receivables	4,013	4,013		—	—	
Total impaired loans without an allowance recorded	$44,163	$40,963		$49,421	$37,457	

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

The following table presents the average investment and interest income recognized on impaired loans for the years ended December 31, 2015, 2014 and 2013:

	2015 Average Investment	Interest Income Recognized	2014 Average Investment	Interest Income Recognized	2013 Average Investment	Interest Income Recognized
With and without a related allowance recorded:						
Residential	$17,429	$507	$44,584	$1,237	$93,722	$2,805
Commercial and commercial real estate:						
Commercial	—	—	—	—	3,972	2
Commercial real estate	59,626	356	41,576	1,102	68,448	911
Equipment financing receivables	1,165	4	—	—	—	—
Total impaired loans	$78,220	$867	$86,160	$2,339	$166,142	$3,718

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The following table presents the recorded investment for loans and leases on nonaccrual status by class and loans 90 days or greater past due and still accruing as of December 31, 2015 and 2014:

	2015		2014	
	Nonaccrual Status	90 Days or Greater Past Due and Accruing	Nonaccrual Status	90 Days or Greater Past Due and Accruing
Residential mortgages:				
Residential (1)	$31,912	$—	$22,793	$—
Government insured pool buyouts (2) (5)	—	341,752	—	498,228
Commercial and commercial real estate:				
Other commercial finance (3)	—	—	—	—
Commercial real estate (4)	71,913	—	39,049	—
Equipment financing receivables	17,407	—	10,957	—
Home equity lines	3,286	—	2,363	—
Consumer and credit card	53	—	38	—
Total nonaccrual loans and leases	$124,571	$341,752	$75,200	$498,228

(1) For the periods ended December 31, 2015 and 2014, the Company has excluded from the preceding table $5,148 and $6,287, respectively, of performing residential ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended December 31, 2015 and 2014, the Company has excluded from the preceding table $2,855,632 and $2,143,384, respectively, of performing government insured pool buyout ACI loans 90 days or greater past due and still accruing.

(3) For the periods ended December 31, 2015 and 2014, the Company has excluded from the preceding table $0 and $140, respectively, of performing commercial ACI loans 90 days or greater past due and still accruing.

(4) For the periods ended December 31, 2015 and 2014, the Company has excluded from the preceding table $0 and $2,021, respectively, of performing commercial real estate ACI loans 90 days or greater past due and still accruing.

(5) Government insured pool buyouts that are 90 days or greater past due but remain on accrual status represent loans for which the interest earned is insured and thus collectible from the insuring governmental agency.

Troubled Debt Restructurings (TDR) — Modifications made to residential loans during the period included extension of original contractual maturity date, extension of the period of below market rate interest-only payments, or contingent reduction of past due interest. Commercial loan modifications made during the period included extension of original contractual maturity date, payment forbearance, reduction of interest rates, or extension of interest-only periods.
The following is a summary of information relating to modifications considered to be TDRs for the years ended December 31, 2015, 2014 and 2013:

	2015		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:			
Residential	9	$2,586	$2,595
Commercial real estate	7	17,065	17,065
Equipment finance receivable	13	3,546	4,034
Total	29	$23,197	$23,694

	2014		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:			
Residential	6	$1,942	$1,950
Commercial real estate	2	4,743	4,743
Total	8	$6,685	$6,693

	2013		
	Number of Contracts	Pre-modification Recorded Investment	Post-modification Recorded Investment
Loan Type:			
Residential	37	$12,711	$12,806
Commercial real estate	2	1,695	1,695
Total	39	$14,406	$14,501

At December 31, 2015 and 2014, the Company included as TDRs 73 and 77 loans in Chapter 7 bankruptcy with net recorded investments of $4,378 and $4,124, respectively, in accordance with guidance published by the OCC during the third quarter 2012. As no contractual change to principal or interest was made by the Company on these loans, Chapter 7 bankruptcy loans have been excluded from the modification summaries above.
A loan is considered to re-default when it is 30 days past due. The number of contracts and recorded investment of loans that were modified during the last 12 months and subsequently defaulted during the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015		2014		2013	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Loan Type:						
Residential	2	$510	2	$881	1	$104

The recorded investment of TDRs as of December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Loan Type:		
Residential mortgages	$18,185	$16,642
Commercial and commercial real estate	12,177	9,613
Equipment financing receivables	4,013	—
Total recorded investment of TDRs	$34,375	$26,255
Accrual Status:		
Current	$13,843	$11,786
30-89 days past-due accruing	2,582	1,848
Nonaccrual	17,950	12,621
Total recorded investment of TDRs	$34,375	$26,255
TDRs classified as impaired loans	$34,375	$26,255
Valuation allowance on TDRs	2,381	3,259

8. Servicing Activities and Mortgage Servicing Rights

A summary of MSR activities for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Balance, beginning of year	$435,619	$506,680	$375,859
Originated servicing rights capitalized upon sale of loans	57,212	57,877	100,426
Acquired servicing rights	—	—	65,188
Sale of servicing rights	(54,227)	(55,547)	—
Amortization	(71,150)	(79,234)	(126,803)
Decrease (increase) in valuation allowance	(31,986)	8,012	94,951
Other	(188)	(2,169)	(2,941)
Balance, end of year	$335,280	$435,619	$506,680
Valuation allowance:			
Balance, beginning of year	$—	$8,012	$102,963
Increase in valuation allowance	48,147	—	693
Recoveries	(16,161)	(8,012)	(95,644)
Write-off of impairment	(20,208)	—	—
Balance, end of year	$11,778	$—	$8,012

Components of loan servicing fee income, which includes servicing fees related to sales and securitizations, for the years ended December 31, 2015, 2014 and 2013 are presented below:

	2015	2014	2013
Contractually specified service fees, net	$103,914	$130,901	$149,237
Other ancillary fees	11,799	23,403	37,034
Other	2,050	4,159	2,488
Total	$117,763	$158,463	$188,759

Residential

The Company services mortgage loans for itself and others. At December 31, 2015 and 2014, the Company's residential mortgage servicing portfolio totaled $39,841,000 and $49,263,000, respectively, including residential mortgage loans held for sale. At December 31, 2015 and 2014, the Company was subservicing approximately $1,264,000 and $1,484,000, respectively. For the years ended December 31, 2015, 2014 and 2013, the Company recognized subservicing revenue of $2,049, $4,184 and $2,488, respectively.

In connection with the servicing of the above loans, the Company maintains escrow funds for taxes and insurance in the name of investors, as well as collections in transit to investors. These escrow funds are segregated and held in separate bank accounts at EB or other financial institutions. Escrow funds held at the Company and included as noninterest-bearing deposits in the accompanying consolidated balance sheets are $562,515 and $766,105 at December 31, 2015 and 2014, respectively. Escrow funds deposited at other financial institutions and not included in

the consolidated balance sheets are $74,539 and $93,432 at December 31, 2015 and 2014, respectively.
At December 31, 2015 and 2014, the Company had insurance coverage for errors and omissions in the amount of $20,000 and fidelity bond insurance of $55,000, related to these servicing activities.
During the year ended December 31, 2015, the Company recorded a net residential MSR impairment charge of $31,986. As a result of the sale of MSR to Ditech Financial LLC (Ditech), formerly known as GreenTree Servicing LLC, effective May 1, 2015 and the sales of MSR to Nationstar Mortgage LLC (NSM) during the third and fourth quarters of 2015, the Company determined that $20,208 of the basis of the MSR

asset was permanently impaired and non-recoverable and thus wrote off the $20,208 through the valuation allowance upon sale. Therefore, the remaining balance of the valuation allowance is $11,778 at December 31, 2015.

For loans securitized and sold for the years ended December 31, 2015 and 2014 with servicing retained, management used the following assumptions to determine the fair value of residential MSR at the date of securitization:

	2015				2014			
Average discount rates	10.08	%	—	11.39%	8.76	%	—	14.50%
Expected prepayment speeds	7.09	%	—	14.12%	9.47	%	—	13.76%
Weighted-average life in years	6.29		—	11.61	6.03		—	7.37

At December 31, 2015 and 2014, the Company estimated the fair value of its capitalized residential MSR to be approximately $337,835 and $436,727, respectively. The carrying value of its residential MSR was $334,572 and $432,716 at December 31, 2015 and 2014, respectively. The unpaid principal balance below excludes $8,686,000 and $8,073,000 at December 31, 2015 and 2014, respectively, for loans with no related MSR basis. The MSR portfolio was valued using internally developed estimated cash flows, leading to a level 3 fair value asset. For more information on the fair value of the Company's MSR portfolio see Note 23.

The characteristics used in estimating the fair value of the residential MSR portfolio at December 31, 2015 and 2014 are as follows:

	2015		2014	
Unpaid principal balance	$31,155,000		$41,190,000	
Gross weighted-average coupon	4.31	%	4.37	%
Weighted-average servicing fee	0.27	%	0.29	%
Expected prepayment speed (1)	11.34	%	12.97	%

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

A sensitivity analysis of the Company's fair value of residential mortgage servicing rights to hypothetical adverse changes of 10% and 20% to the weighted-average of certain key assumptions as of December 31, 2015 and 2014 is presented below.

	2015	2014
Prepayment Rate		
10% adverse rate change	$12,718	$18,294
20% adverse rate change	24,659	35,347
Discount Rate		
10% adverse rate change	12,805	15,932
20% adverse rate change	24,717	30,770

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

Commercial

The carrying value and fair value of the Company's commercial MSR was $708 and $2,903 at December 31, 2015 and 2014, respectively. The Company recognized $14,337, $13,033 and $15,771 of prepayment penalty income in other noninterest income during the years ended December 31, 2015, 2014 and 2013, respectively.

9. Premises and Equipment

Premises and equipment at December 31, 2015 and 2014 consist of the following:

	2015	2014
Computer hardware and software	$105,505	$95,368
Furniture	18,141	18,146
Leasehold improvements	17,595	18,238
Equipment	10,714	11,255

Building	—	334
	151,955	143,341
Less accumulated depreciation and amortization	(100,356)	(86,884)
	$51,599	$56,457

Depreciation and amortization expense for premises and equipment was $18,383, $19,272 and $20,528 for the years ended December 31, 2015, 2014 and 2013, respectively.

10. Other Assets

Other assets at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Foreclosure claims receivable, net of allowance of $11,187 and $17,336, respectively	$530,624	$451,125
Accrued interest receivable	153,156	126,581
Income taxes receivable, net	69,485	85,897
Servicing advances, net of allowance of $10,280 and $12,226, respectively	53,709	93,960
Goodwill	46,859	46,859
Equipment under operating lease, net	43,250	13,173
Margin receivable, net	40,811	35,816
Corporate advances, net of allowance of $556 and $5,960, respectively	28,300	50,470
Other real estate owned, net of allowance of $5,316 and $441, respectively	17,253	22,509
Prepaid assets	12,802	11,968
Fair value of derivatives, net	10,061	18,809
Intangible assets, net	1,772	3,705
Other	40,795	37,258
Total other assets	$1,048,877	$998,130

A summary of other real estate owned activity for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Balance, beginning of year	$22,509	$29,034	$55,277
Additions	11,588	21,579	47,790
Provision on OREO	(3,489)	(3,548)	(6,372)
Sales	(13,355)	(24,556)	(67,326)
Other	—	—	(335)
Balance, end of year	$17,253	$22,509	$29,034

Equipment under operating leases at December 31, 2015 and 2014 consist of the following:

	2015	2014
Equipment under operating leases (1)	$54,416	$32,050
Less accumulated depreciation	(11,980)	(19,476)
Total	$42,436	$12,574

(1) Balances exclude rent and deferred rent receivables as well as deferred origination cost.

Depreciation expense for equipment under operating leases was $6,987, $10,401 and $16,897 for the years ended December 31, 2015, 2014 and 2013, respectively.

11. Goodwill and Intangible Assets
The carrying amount of goodwill for the years ended December 31, 2015 and 2014 was $46,859. Substantially all acquired goodwill has been allocated to our Commercial Banking segment.
Intangible Assets
Components of the finite-lived intangible assets had the following carrying amounts and accumulated amortization at December 31, 2015 and 2014:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2015			
Technology platform	$6,237	$(6,180)	$57
Core deposit premium	3,200	(2,552)	648
Customer relationships	2,613	(1,546)	1,067
Total intangible assets	$12,050	$(10,278)	$1,772
2014			
Technology platform	$6,237	$(4,965)	$1,272
Core deposit premium	3,200	(2,095)	1,105
Customer relationships	2,613	(1,285)	1,328
Total intangible assets	$12,050	$(8,345)	$3,705

Amortization expense related to intangible assets was $1,933, $2,108 and $2,108 for the years ended December 31, 2015, 2014 and 2013, respectively.
Future estimated amortization expense for intangible assets as of December 31, 2015 is as follows:

2016	$776
2017	452
2018	261
2019	261
2020	22
Total	$1,772

12. Deposits
Deposits as of December 31, 2015 and 2014 are comprised of the following:

	2015	2014
Noninterest-bearing demand	$1,141,357	$984,703
Interest-bearing demand	3,709,156	3,540,027
Market-based money market accounts	342,600	374,856
Savings and money market accounts, excluding market-based	6,338,685	5,136,031
Market-based time	374,171	466,514
Time, excluding market-based	6,336,073	5,006,566
Total deposits	$18,242,042	$15,508,697

Deposits are reported net of unamortized yield adjustments of $4,907 and $2,779 and unamortized options related to index-linked time deposits of $3,556 and $3,573 at December 31, 2015 and 2014, respectively.
Scheduled maturities of time deposits at December 31, 2015 are as follows:

2016	$4,258,798
2017	874,257
2018	458,554
2019	603,676
2020	521,139
2021	2,283
Total	$6,718,707

Scheduled maturities are reported at the contractual deposit amount, gross of unamortized yield adjustments and unamortized options related to index-linked time deposits.

Time deposits that are $100,000 and greater are $2,199,135 and $2,416,015 as of December 31, 2015 and 2014, respectively.

Index-linked Time Deposits

MarketSafe Certificates of Deposit (CDs)—EB's deposit products include MarketSafe CDs with returns that are based upon a variety of reference indices, including commodities, foreign currency, precious metals, equities and U.S. Treasury yields. These index-linked time deposits totaled $149,797 and $147,928 at December 31, 2015 and 2014, respectively. The general characteristics of all MarketSafe CDs include the following:

- On the maturity date of each CD, a depositor will receive an amount equal to 100% of the original principal deposit (except upon an early withdrawal as described below) plus a supplemental payment based upon the performance of the underlying indices at specific points in time (the amount of the supplemental payment will never be a negative amount).
- Each CD has a participation factor, which is a percentage of the upside index performance and which determines the return to the depositor on the maturity date.
- Early withdrawals are not subject to principal protection or a guaranteed minimum annual percentage yield (APY), if any. EverBank will allow an early withdrawal only upon the death or adjudication of incompetence of the depositor, and penalties may apply.
- Deposits are Federal Deposit Insurance Corporation (FDIC) insured.
- Terms have ranged from three to eight years.

Commodity Based CDs—During 2014 and 2015, EB had outstanding one commodity-based CD, the Diversified Commodities CD. The Diversified Commodities CD reference index is composed of ten equally weighted commodities (WTI crude oil, gold, silver, platinum, soybeans, corn, sugar, copper, nickel and lean hogs) and tied to spot pricing. Diversified Commodities CDs have a 100% participation factor, with a maximum market upside payment subject to a 10% cap and a -20% floor for the individual commodities. The Diversified Commodities CD product was first issued March 29, 2011 and all such CDs mature by June 21, 2016.

Foreign Currency Based CDs—During 2014 and 2015, EB had outstanding five foreign currency based CDs: Currency Returns, Emerging Markets, Evolving Economies, BRICS, and Future Economies CDs. The Currency Returns CD reference index is the Deutsche Bank Currency Returns (DBCR) Index. The DBCR Index seeks to replicate three strategies (carry, momentum, and valuation) that are employed in the foreign currency market and combines them all into a single equally weighted index. Currency Returns CDs have a 100% participation factor. The Currency Returns CD product was first issued on September 28, 2010 and all such CDs matured by November 14, 2014. The Emerging Markets CD reference index is comprised of four equally weighted currencies: Columbian peso, Israeli shekel, South Korean won, and Turkish lira. Emerging Markets CDs have a 100% participation factor. The Emerging Markets CD product was first issued on September 24, 2012 and all such CDs mature by September 25, 2017. The Evolving Economies CD reference index is comprised of four equally weighted currencies: Columbian peso, Indian rupee, Mexican peso, and Turkish lira. Evolving Economies CDs have a 100% participation factor with a minimum market upside payment of 15%. The Evolving Economies CD product was first issued on September 23, 2013 and all such CDs mature by October 19, 2018. The BRICS CD reference index is comprised of five equally weighted currencies: Brazilian real, Russian ruble, Indian rupee, Chinese renminbi and South African rand. BRICS CDs have a 100% participation factor. The BRICS CD product was first issued on October 27, 2014 and all such CDs mature by December 14, 2017. The Future Economies CD reference index is comprised of six equally weighted currencies: Brazilian real, Chinese renminbi, Indian rupee, Indonesian rupiah, Mexican peso, and Turkish lira. Future Economies CDs have a 100% participation factor with a minimum market upside payment of 10%. The Future Economies CD product was first issued on May 18, 2015 and all such CDs mature by June 23, 2020.

Metals Based CDs—During 2014 and 2015, EB had outstanding six metals-based CDs: Gold Bullion, Silver Bullion, Diversified Metals, Timeless Metals, Power Metals, and Metals Hedge CDs. The Gold Bullion and Silver Bullion CDs are tied to spot pricing and have a 100% participation factor. The Gold Bullion CD product was first issued on October 25, 2005 and all such CDs matured by June 17, 2015. The Silver Bullion CD product was first issued on August 28, 2007 and all such CDs mature by June 16, 2016. The Diversified Metals CD reference index is composed of three equally weighted precious metal commodities (gold, silver, and platinum) and tied to spot pricing. Diversified Metals CDs have a 100% participation factor, with a maximum market upside payment limited to 50% of the principal deposit. The Diversified Metals CD product was first issued on May 25, 2010 and all such CDs matured by August 17, 2015. The Timeless Metals CD reference index is comprised of five equally weighted metal commodities (gold, silver, platinum, copper and nickel) and tied to spot pricing. Timeless Metals CDs have a 100% participation factor, with a maximum market upside payment limited to 50% of the principal deposit. The Timeless Metals CD product was first issued on June 21, 2011 and all such CDs mature by August 30, 2016. The Power Metals CD reference index is comprised of three equally weighted metal commodities (gold, silver, and copper) and tied to spot pricing. Power Metals CDs have a 100% participation factor subject to a 45% cap for each metal at each interim annual pricing. The Power Metals CD product was first issued on July 20, 2015 and all such CDs mature by August 24, 2020. The Metals Hedge CD reference index components and weights are as follows: gold (long) 25%, silver (long) 25%, and SPDR ETF (short) 50%. SPDR ETF is an abbreviation for Standard & Poor's depositary receipt exchange traded funds. Metals Hedge CDs have a 100% participation factor subject to a 45% cap for each index component at each interim annual pricing. The Metals Hedge CD product was first issued on November 23, 2015 and all such CDs will mature by November 23, 2020.

U.S. Treasury Yield Based CDs—During 2014 and 2015, EB had outstanding one U.S. Treasury yield based CD, the Treasury CD. The Treasury CD reference index is the 10-year U.S. Treasury yield. Treasury CDs have a participation factor of 100% and have a leverage factor of 3.3. The Treasury CD product was first issued on June 23, 2014 and all such CDs mature by June 21, 2019.

Deposits Denominated in Foreign Currency

A summary of foreign currency denominated deposits at December 31, 2015 and 2014 is as follows:

	2015	2014
Noninterest-bearing demand	$664	$5,986
Money market accounts	290,753	321,823
Time	224,374	318,586
Total	$515,791	$646,395

A summary of foreign currency denominated deposits by currency at December 31, 2015 and 2014 is as follows:

	2015	2014
Australian Dollar	$81,703	$111,390
Swiss Franc	66,316	67,750
Chinese Renminbi	63,528	88,408
Canadian Dollar	57,509	68,644
Euro	49,639	47,654
Norwegian Krone	41,866	60,784
Singapore Dollar	34,574	46,397
New Zealand Dollar	32,766	41,319
Brazilian Real	23,473	38,367
Pound Sterling	14,550	18,418
Other	49,867	57,264
Total	$515,791	$646,395

13. Other Borrowings

Other borrowings at December 31, 2015 and 2014 are comprised of the following:

	2015	2014
FHLB advances	$5,877,000	$4,004,000

Advances from the FHLB at December 31, 2015 and 2014 are as follows:

	2015	2014
Fixed-rate advances with a weighted-average interest rate of 1.21% and 1.17%, respectively	$5,852,000	$3,979,000
Floating-rate advance with an interest rate of 0.28% and 0.22%, respectively (1)	25,000	25,000
Total	$5,877,000	$4,004,000

(1) 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.

Contractual maturity dates for FHLB advances at December 31, 2015 are as follows:

2016	$3,040,000
2017	680,000
2018	810,000
2019	180,000
2020	225,000
Thereafter	942,000
Total	$5,877,000

At December 31, 2015 and 2014, the Company had an agreement with the Federal Home Loan Bank of Atlanta to borrow up to 35% of the Bank’s assets, subject to the lendable value of the assets pledged under the facility. The agreement requires a blanket floating lien on any of four loan categories: 1-4 family first mortgage loans, multifamily (5+ units) mortgage loans, home equity lines of credit and second mortgage loans, and commercial real estate loans. As of December 31, 2015 and 2014, all four loan categories were pledged to secure FHLB advances in a blanket floating lien. In addition, the Company also pledges certain investment securities from time to time to secure FHLB advances.

At December 31, 2015, the carrying amounts of loans and investment securities pledged to secure FHLB advances were $17,456,943 and $36,697, respectively. At December 31, 2014, the carrying amount of loans and investment securities pledged to secure FHLB advances were $14,506,650 and $124,465, respectively. The lendable value of assets pledged was $8,446,823 and $6,878,401 as of December 31, 2015 and 2014, respectively. Based on the lendable value of assets pledged, the Company was eligible to borrow an additional $2,337,060 and $2,767,944 at December 31, 2015 and 2014, respectively.

During September 2013, the Company early extinguished FHLB advances with a principal balance of $770,000. The consideration paid for the early extinguishment was $733,969 representing the net settlement of the advance balances. The resulting gain of $36,031 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 $31,036 in unrealized losses previously recorded in accumulated other comprehensive income to other noninterest income.

In October 2013, the Company early extinguished an additional FHLB advance with a principal balance of $104,000. The consideration paid for this early extinguishment was $93,600 representing the net settlement of the advance balance. The resulting gain of $10,400 realized upon extinguishment was recorded in other noninterest income in the consolidated statements of income.

Interest expense on FHLB advances for the years ended December 31, 2015, 2014 and 2013 was $71,896, $60,450 and $68,214, respectively.

14. Trust Preferred Securities and Subordinated Notes Payable

Trust preferred securities and subordinated notes payable as of December 31, 2015 and 2014, consisted of the following:

	2015	2014
Trust preferred securities	$103,750	$103,750
Subordinated notes payable, net of unamortized debt issuance costs of $2,580 and $0, respectively	172,420	—
Total trust preferred securities and subordinated notes payable	$276,170	$103,750

Interest expense on trust preferred securities and subordinated notes payable for the years ended December 31, 2015, 2014 and 2013 was as follows:

	2015	2014	2013
Trust preferred securities	$6,412	$6,598	$6,584
Subordinated notes payable	5,193	—	—

Trust Preferred Securities - As of December 31, 2015, the Company sponsored and wholly-owned 100% of the common equity of eight unconsolidated trusts that were formed for the purpose of issuing Company-obligated mandatorily redeemable preferred securities ("Trust Preferred Securities") to third-party investors and invested the proceeds from the sale of the Trust Preferred Securities solely in junior subordinated debt securities of the Company (the "Debentures"). The Debentures held by the trusts, which totaled $103,750 in the aggregate at December 31, 2015 and 2014, are the sole assets of each trust.

The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The guarantee covers the distributions and payments on liquidation or redemption of the Trust Preferred Securities, but only to the extent of funds held by the trusts. The Company has the right to redeem the Debentures in whole or in part, on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest through the redemption date.

The terms of the outstanding Trust Preferred Securities at December 31, 2015 and 2014 are summarized as follows:

Maturity		Dividend Rate	2015	2014
July 2031		10.25% fixed	$15,000	$15,000
July 2031	(1)	Three-month LIBOR, plus 3.58% (3.91% and 3.81%, respectively)	15,000	15,000
January 2035		Three-month LIBOR, plus 1.99% (2.31% and 2.22%, respectively)	10,000	10,000
August 2035		Fixed at 6.40% to August 2015 (thereafter, three-month LIBOR, plus 1.80%; 2.18% at December 31, 2015)	10,000	10,000
November 2035		Fixed at 6.08% to November 2015 (thereafter, three-month LIBOR, plus 1.49%; 1.87% at December 31, 2015)	10,000	10,000
December 2036		Fixed at 6.74% to December 2016 (thereafter, three-month LIBOR, plus 1.74%)	15,750	15,750
June 2037		Three-month LIBOR, plus 1.70% (2.04% and 1.94%, respectively)	15,000	15,000
September 2037		Three-month LIBOR, plus 1.70% (2.04% and 1.94%, respectively)	13,000	13,000
Total			$103,750	$103,750

(1) London Interbank Offered Rate

For the first trust preferred security listed above (July 2031 maturity, 10.25% fixed, $15,000 principal amount outstanding), interest is payable semi-annually and may be deferred at any time at the election of the Company for up to 10 consecutive semiannual periods. For all other trust preferred securities listed above, interest is payable quarterly and may be deferred at any time at the election of the Company for up to 20 consecutive quarterly periods. During a deferral period, the Company is subject to certain restrictions, including being prohibited from declaring and paying dividends on its common stock or preferred stock. As of December 31, 2015, the Company had not elected to defer interest payments on any of its Trust Preferred Securities.

Subordinated Notes Payable - On June 30, 2015, the Company completed the public offering and sale of $175,000 in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (subordinated notes). The subordinated notes were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued

pursuant to an indenture and a supplemental indenture. The subordinated notes will mature on July 2, 2025 and bear a fixed rate of interest of 5.75% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2016.
The subordinated notes are unsecured and will rank equally with all other unsecured subordinated indebtedness of the Company, including any subordinated indebtedness issued in the future under the indenture governing the subordinated notes. The subordinated notes are subordinated in right of payment to all senior indebtedness of the Company. The subordinated notes are obligations of EverBank Financial Corp only and are not guaranteed by any subsidiaries, including EB. Additionally, the subordinated notes are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, which means that creditors of our subsidiaries (including in the case of EB, its depositors) generally will be paid from those subsidiaries' assets before holders of the subordinated notes have any claim to those assets.
For regulatory capital adequacy purposes, the subordinated notes qualify as Tier 2 capital for the Company. If in the future the subordinated notes no longer qualify as Tier 2 capital, the subordinated notes may be redeemed by the Company, in whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, subject to prior approval by the Board of Governors of the Federal Reserve System.
On June 30, 2015, the Company made a capital contribution to EB in the amount of $150,000 from the net proceeds received from the issuance of the subordinated notes.

15. Shareholders' Equity

Series A 6.75% Non-Cumulative Perpetual Preferred Stock — The Series A 6.75% Non-Cumulative Perpetual Preferred Stock (Series A 6.75% Preferred Stock) has a par value $0.01 per share, has no stated maturity and a liquidation preference of $25.00 per depositary share, where one depositary share represents a 1/1,000th interest in a share of the Series A 6.75% Preferred Stock. Redemption is solely at the option of the Company in whole following a regulatory capital treatment event, as defined. In addition, the Series A 6.75% Preferred Stock may be redeemed in whole or in part on January 5, 2018 or any dividend payment date thereafter. Under current rules, any redemption of the Series A 6.75% Preferred Stock is subject to prior approval of the Federal Reserve Board, and it is not subject to any sinking fund or other obligations of the Company.

Dividends, if declared, will accrue and be payable quarterly on the liquidation preference amount, on a non-cumulative basis, and are payable in arrears at a rate of 6.75% per annum. As of December 31, 2015, no dividends were in arrears.

16. Accumulated Other Comprehensive Income (Loss)

AOCI for years ended December 31, 2015, 2014 and 2013 consists of the following:

	2015	2014	2013
Unrealized holding gains (losses) on debt securities:			
Balance, beginning of year	$(353)	$6,978	$20,369
Reclassification of unrealized gains to earnings	(527)	(5,596)	(4,225)
Unrealized gains (losses) due to changes in fair value	(4,387)	(6,914)	(18,304)
OTTI loss (noncredit portion), net of accretion	—	685	923
Tax effect	1,889	4,494	8,215
Balance, end of year	(3,378)	(353)	6,978
Fair market value of interest rate swaps:			
Balance, beginning of year	(14,012)	(17,295)	(65,191)
Net unrealized gains (losses) due to changes in fair value	(9,920)	5,268	77,269
Tax effect	3,892	(1,985)	(29,373)
Balance, end of year	(20,040)	(14,012)	(17,295)
Net loss on settlement of forward swaps:			
Balance, beginning of year	(51,232)	(42,298)	(41,962)
Losses associated with current period transactions	—	(32,445)	(53,226)
Reclassification of net unrealized losses to earnings	16,736	18,032	52,701
Tax effect	(6,099)	5,479	189
Balance, end of year	(40,595)	(51,232)	(42,298)
Total accumulated other comprehensive income (loss)	$(64,013)	$(65,597)	$(52,615)

17. General and Administrative Expense

Components of general and administrative expenses for the years ended December 31, 2015, 2014 and 2013 are presented below:

	2015	2014	2013
Legal and professional fees, excluding consent order expense	$26,818	$31,555	$30,782
Credit-related expenses:			
Foreclosure and OREO expense	37,362	25,534	34,051
Other credit-related expense	(8,203)	2,189	15,792
FDIC premium assessment and other agency fees	27,146	19,465	34,857
Advertising and marketing expense	25,221	21,437	29,201
Subservicing expense	5,033	9,871	—
Consent order expense	2,501	4,597	72,339
Other	65,673	53,845	68,473
Total	$181,551	$168,493	$285,495

See Note 24 for a discussion of the consent order.

18. Income Taxes

The provision for income taxes for the years ended December 31, 2015, 2014 and 2013 consists of the following:

	2015	2014	2013
Current:			
Federal	$6,134	$8,098	$(17,927)
State	1,654	5,786	694
Total current	7,788	13,884	(17,233)
Deferred:			
Federal	65,016	72,063	92,041
State	3,829	4,542	6,492
Total deferred	68,845	76,605	98,533
Total income tax	$76,633	$90,489	$81,300

The Company’s actual provision for income taxes differs from the expected federal income tax provision for the years ended December 31, 2015, 2014 and 2013, as follows:

	2015		2014		2013	
	Amount	Rate	Amount	Rate	Amount	Rate
Tax computed at the federal statutory rate	$72,503	35.00 %	$83,500	35.00 %	$76,314	35.00 %
State income taxes, net of federal income tax effect	2,429	1.17 %	6,742	2.83 %	4,539	2.08 %
Other	1,701	0.82 %	247	0.10 %	447	0.21 %
Provision for Income Taxes	$76,633	36.99 %	$90,489	37.93 %	$81,300	37.29 %

The components of the Company’s deferred tax assets and liabilities in the consolidated balance sheets as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets		
Federal net operating loss carryforwards	$56,687	$60,466
State net operating loss carryforwards	7,464	6,115
Interest rate swaps	37,788	39,995
Credit and other reserves	54,232	60,291
Allowance for loan losses	30,996	22,949
Purchase accounting	24,592	26,979
Other	24,982	35,850
Total deferred tax assets	236,741	252,645
Valuation allowance	(3,412)	(3,616)
Total deferred tax assets, net of valuation allowance	233,329	249,029
Deferred tax liabilities		
Equipment leases	195,497	140,305
Mortgage servicing rights	84,364	84,977
Other	39,875	40,991
Total deferred tax liabilities	319,736	266,273
Net deferred tax assets (liabilities)	$(86,407)	$(17,244)

Recognition of deferred tax assets is based on management’s belief that it is more likely than not the tax benefit associated with temporary differences, operating loss carryforwards and tax credit carryforwards will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that realization will not occur.

At December 31, 2015, the Company had a deferred tax asset of $56,687 attributable to federal operating loss carryforwards. The federal operating loss carryforward, which should expire in 2030, is attributable to the Tygris acquisition and is subject to an annual limitation. A valuation allowance is not warranted for the federal operating loss carryforwards due to the Company’s positive earnings history. Additionally, any potential ownership changes should not have an impact on the utilization of the federal operating loss carryforwards.

At December 31, 2015, the Company had a gross deferred tax asset of $7,464 attributable to state operating loss carryforwards. Management does not believe that it can realize all of its state net operating loss carryforwards. Accordingly, a valuation allowance of $3,412 was established for state net operating loss carryforwards.

Deferred tax expense does not include the change in the Company’s net deferred tax assets associated with the tax effects of other comprehensive income adjustments. The Company’s net deferred tax assets decreased $318 for other comprehensive income adjustments.

A reconciliation of the beginning and ending unrecognized tax benefits as of December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Balance, beginning of year	$1,618	$1,268	$2,727
Additions for tax positions of prior years	—	350	—
Reductions for tax positions of prior years	—	—	(305)
Reductions for lapse of statute of limitations	(205)	—	(1,154)
Balance, end of year	$1,413	$1,618	$1,268

As of December 31, 2015, 2014 and 2013, the Company had unrecognized tax benefits of $1,413, $1,618, and $1,268, respectively. The balance of the unrecognized tax benefits, if recognized, that would reduce the effective tax rate was $918, $1,052 and $824, as of December 31, 2015, 2014, and 2013, respectively. Included in the unrecognized tax benefits balance are some items that would not impact the effective tax rate if recognized, such as the tax effect of temporary differences and the portion of the gross state unrecognized tax benefits that would be offset by the federal tax effect. It is reasonably possible that the unrecognized tax benefits balance will decline as much as $889 within the next twelve months.

The Company classifies interest and penalties on uncertain tax positions as a component of general and administrative expenses. The Company's accrued interest and penalties on unrecognized tax benefits was $442 as of December 31, 2015 and 2014. Deferred tax liabilities, accrued interest and penalties are included in accounts payable and accrued liabilities in the Company's consolidated balance sheets.

The Company is subject to periodic review by federal and state taxing authorities in the ordinary course of business. With few exceptions, the Company is no longer subject to examination by these taxing authorities for years prior to 2012.

19. Employee Benefit Plan

The Company sponsors a defined contribution plan, adopted under Internal Revenue Code 401(k) (the Plan), covering substantially all full-time employees meeting certain eligibility requirements. Employees may contribute between 1% and 100% of their eligible pretax compensation to the Plan, subject to Internal Revenue Code 401(k) contribution limits. The Company matches, based on the employee's contribution, up to 4% of an employee's eligible compensation contributed as an elective deferral. The Company recognized expense related to these contributions of $8,932, $8,638 and $8,987 during the years ended December 31, 2015, 2014 and 2013, respectively.

In addition, the Company may make profit-sharing contributions to the Plan at the discretion of the Board of Directors. During the years ended December 31, 2015, 2014 and 2013, the Company recognized expense related to the profit sharing contributions to the Plan of $3,300, $4,000 and $3,800, respectively.

Expenses related to 401(k) matching and profit-sharing contributions are included in salaries, commissions, and other employee benefits expense in the consolidated statements of income.

20. Share-Based Compensation

The Company issues share-based compensation awards under the EverBank Financial Corp Equity Incentive Plan. These awards include stock options and nonvested stock. All awards granted are approved by the Compensation Committee of the Board of Directors. New common shares are issued from authorized and available shares. At December 31, 2015 a total of 12,650,210 shares were available for future grants. The Company's compensation expense and its related income tax benefit are as follows:

	2015	2014	2013
Share-based compensation expense recorded in salaries, commissions and other employee benefits expense	$6,480	$6,605	$4,455
Share-based compensation expense recorded in general and administrative expense	405	435	324
Income tax benefit	2,547	2,675	1,816

Option Plans — The Company issues stock options under the EverBank Financial Corp Equity Incentive Plan. These options allow certain employees of the Company and other subsidiaries to purchase shares of common stock as an incentive for continued performance.

The fair value of options, as determined by the Black-Scholes option-pricing model, is recognized as compensation expense on a straight-line basis over the vesting period. In determining compensation expense, the Company evaluates annual forfeiture rates for stock options based on historical experience. Compensation cost not yet recognized for nonvested options was $6,101 at December 31, 2015 and is expected to be recognized over a weighted average period of 1.6 years.
Significant assumptions used in the Black-Scholes option-pricing model to determine the fair value of stock options are as follows:

	2015	2014	2013
Risk-free interest rate	1.89 %- 1.91%	2.04 %- 2.16%	1.52 %- 1.76%
Expected volatility	33.62%	35.00%	38.93%
Expected term (years)	6.5	6.5	9.1
Dividend yield	1.20 %- 1.27%	0.86%	0.55%

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

Options vest over various periods, generally one to five years with 10 year terms. Based on historical experience and the characteristics of the grantee, the Company uses estimated forfeiture rates that range from 0% to 20% over the term of the options. Amounts included in compensation expense reflect the fair value of the underlying options as of the grant date multiplied by the number of options expected to vest, accrued on a straight-line basis over the applicable vesting period.

A summary of the Company’s stock option activity for the year ended December 31, 2015, is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	9,663,370	$13.12		
Granted	851,868	18.16		
Exercised	(1,294,976)	10.47		$10,913
Forfeited	(639,508)	16.28		
Expired	(102,000)	11.44		
Outstanding, end of year	8,478,754	$13.81	4.4	$21,992
Options exercisable at year end	6,234,851	$12.46	3.2	$21,948
Options vested and expected to vest	8,303,831	$13.74	4.3	$21,986

The following table provides additional information related to options awarded and options exercised for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Options awarded	851,868	679,700	540,292
Weighted-average grant date fair value of options awarded	$5.78	$6.51	$7.53
Options exercised	1,294,976	958,026	1,557,750
Total intrinsic value of options exercised	$10,913	$10,499	$11,232
Cash received upon exercise of options	$13,558	$7,537	$12,694
Tax benefits realized upon exercise of options	$4,175	$3,710	$3,349

Nonvested Stock — The Company issues nonvested shares of stock to certain employees as an incentive for continued employment and certain directors in lieu of cash payouts for compensation. The shares generally vest based on future service with the Company. Compensation expense is based on the estimated fair value of the shares at the date of issuance and is recognized on a straight-line basis over the applicable vesting schedule. Compensation expense not yet recognized for nonvested stock was $5,904 at December 31, 2015 and is expected to be recognized over a weighted-average period of 1.7 years.

A summary of the Company’s nonvested stock activity for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015		2014		2013	
	Nonvested Stock	Weighted-Average Grant Date Fair Value	Nonvested Stock	Weighted-Average Grant Date Fair Value	Nonvested Stock	Weighted-Average Grant Date Fair Value
Outstanding, beginning of year	517,029	$17.18	372,607	$15.00	163,735	$9.71
Issued	298,916	17.58	268,678	18.14	296,242	16.48
Vested	(46,818)	16.09	(94,708)	11.89	(80,610)	9.55
Forfeited	(52,610)	17.18	(29,548)	15.36	(6,760)	16.71
Outstanding, end of year	716,517	$17.42	517,029	$17.18	372,607	$15.00

21. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Net income	$130,526	$148,082	$136,740
Less dividends on preferred stock	(10,125)	(10,125)	(10,125)
Net income allocated to common shareholders	$120,401	$137,957	$126,615
(Units in Thousands)			
Average common shares outstanding	124,527	122,940	122,245
Common share equivalents:			
Stock options	1,800	2,240	1,616
Nonvested stock	343	178	88
Average common shares outstanding, assuming dilution	126,670	125,358	123,949
Basic earnings per share	$0.97	$1.12	$1.04
Diluted earnings per share	$0.95	$1.10	$1.02

Certain securities were antidilutive and were therefore excluded from the calculation of diluted earnings per share. Common shares attributed to these antidilutive securities had these securities been exercised or converted as of December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Stock Options	1,314,245	1,169,575	3,800,027

22. Derivative Financial Instruments

The fair values of derivatives are reported in other assets, accounts payable, or accrued liabilities. The fair values are derived using the valuation techniques described in Note 23. The total notional or contractual amounts and fair values as of December 31, 2015 and 2014 are as follows:

		Fair Value	
	Notional Amount	Asset Derivatives	Liability Derivatives
2015			
Qualifying hedge contracts accounted for under Accounting Standards Codification (ASC) 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$1,178,000	$—	$32,521
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	582,052	8,109	715
Forward and optional forward sale commitments	1,669,404	2,236	1,613
Forward and optional forward purchase commitments	30,000	141	—
Interest rate swaps and futures	309,488	—	288
Foreign exchange contracts	521,018	2,925	7,175
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	154,905	1,178	—
Options embedded in client deposits	153,353	—	1,180
Indemnification asset	82,849	982	—
Total freestanding derivatives		15,571	10,971
Netting and cash collateral adjustments [1]		(5,510)	(39,219)
Total derivatives		$10,061	$4,273

		Fair Value	
	Notional Amount	Asset Derivatives	Liability Derivatives
2014			
Qualifying hedge contracts accounted for under ASC 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	$578,000	$—	$22,601
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	592,378	10,544	340
Forward and optional forward sale commitments	961,905	37	7,030
Forward and optional forward purchase commitments	274,000	388	7
Interest rate swaps and futures	503,335	—	483
Foreign exchange contracts	656,476	792	17,604
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	152,880	6,127	—
Options embedded in client deposits	151,500	—	6,034
Indemnification assets	101,623	6,658	—
Total freestanding derivatives		24,546	31,498
Netting and cash collateral adjustments [1]		(5,737)	(46,917)
Total derivatives		$18,809	$7,182

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the Company to settle positive and negative positions as well as cash collateral and related accrued interest held or placed with the same counterparties. Amounts as of December 31, 2015 and 2014 include derivative positions netted totaling $3,855 and $3,437, respectively.

Cash Flow Hedges

As of December 31, 2015, AOCI included $16,749 of deferred pre-tax net losses expected to be reclassified into earnings during the next 12 months for derivative instruments designated as cash flow hedges of forecasted transactions. The Company is hedging its exposure to the variability of future cash flows for forecasted transactions of fixed-rate debt for a maximum of 19 years.

Freestanding Derivatives

The following table shows the net losses recognized for the years ended December 31, 2015, 2014 and 2013 in the consolidated statements of income related to derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging. These gains and losses are recognized in noninterest income, except for the indemnification assets which are recognized in general and administrative expense.

	2015	2014	2013
Gains (losses) on interest rate contracts [1]	$(38,662)	$(60,915)	$86,772
Gains (losses) on indemnification asset [2]	(577)	(874)	(1,561)
Gains (losses) on foreign exchange forward contracts [3]	(54,815)	(45,440)	(45,281)
Other	(162)	(32)	(172)

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

(2) Refer to Note 23 for additional information relating to the indemnification asset.

(3) Foreign exchange forward contracts act as economic hedges for the foreign currency risk embedded within deposits denominated in foreign currencies. The change in the fair value of the foreign exchange forward contract is marked to fair value, while the deposit is translated to the current spot rate in accordance with ASC 830. Historically, the hedge has been effective in managing the foreign currency risk of foreign-denominated deposits by locking in the U.S. Dollar cash flows.

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

Credit Risk Contingent Features

Certain of the Company’s derivative instruments contain provisions that require the Company to post collateral when derivatives are in a net liability position. The provisions generally are dependent upon the Company’s credit rating as reported by certain major credit rating agencies or dollar amounts in a liability position at any given time which exceed specified thresholds, as indicated in the relevant contracts. In these circumstances, the counterparties could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features in a net liability position prior to netting on December 31, 2015 and 2014 was $41,597 and $47,725, respectively. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of December 31, 2015 and 2014, $35,364 and $43,480, respectively, in collateral was netted against liability derivative positions subject to master netting agreements. As of December 31, 2015 and 2014, $76,175 and $79,296 respectively, of collateral was posted for derivatives with credit risk contingent features.

Counterparty Credit Risk

The Company is exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If the counterparty fails to perform, counterparty credit risk equals the amount reported as derivative assets in the balance sheet. The amounts reported as derivative assets are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. The Company minimizes this risk through obtaining credit approvals, monitoring credit limits, monitoring procedures, and executing master netting arrangements and obtaining collateral, where appropriate. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of December 31, 2015 and 2014, $1,655 and $2,300, respectively, in collateral was netted against asset derivative positions subject to master netting agreements. As of December 31, 2015 and 2014, the Company held $2,900 and $2,300, respectively, in collateral from its counterparties. Counterparty credit risk related to derivatives is considered in determining fair value.

23. Fair Value Measurements

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

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

Level 2 – Valuation is based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the assets or liabilities. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Recurring Fair Value Measurements

As of December 31, 2015 and 2014, assets and liabilities measured at fair value on a recurring basis including certain loans held for sale and certain extended written loan commitments for which the Company has elected the fair value option, are as follows:

	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Netting	Total
2015					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$553,258	$—		$553,258
Asset-backed securities	—	1,352	—		1,352
Other	229	180	—		409
Total available for sale securities	229	554,790	—		555,019
Loans held for sale	—	624,726	683,015		1,307,741
Financial liabilities:					
Other liabilities [1]	—	—	336		336
Derivative financial instruments:					
Derivative assets (Note 22)	— [2]	7,462	8,109	(5,510)	10,061
Derivative liabilities (Note 22)	—	42,777	715	(39,219)	4,273

	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Netting	Total
2014					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	$—	$774,235	$—		$774,235
Asset-backed securities	—	1,395	—		1,395
Other	470	211	—		681
Total available for sale securities	470	775,841	—		776,311
Loans held for sale	—	410,948	317,430		728,378
Derivative financial instruments:					
Derivative assets (Note 22)	— [2]	7,344	17,202	(5,737)	18,809
Derivative liabilities (Note 22)	—	53,759	340	(46,917)	7,182

(1) Other liabilities represent the net position of the Company's extended written loan commitments for which the Company has elected the fair value option of accounting. As of December 31, 2015 the Company had outstanding commitments of $89,650 related to these extended loan commitments.

(2) Level 1 derivative assets include interest rate swap futures. These futures are settled on a daily basis between the counterparty and the Company, resulting in the Company holding an outstanding notional balance and a zero derivative balance. See Note 22 for additional information regarding the interest rate future.

Changes in assets and liabilities measured at level 3 fair value on a recurring basis for the years ended December 31, 2015, 2014 and 2013 are as follows:

	Loans Held for Sale (1)	Other Liabilities (2)	FDIC Clawback Liability (3)	Freestanding Derivatives, net (4)
2015				
Balance, beginning of period	$ 317,430	$—	$—	$16,862
Issuances	1,561,421	356	—	114,701
Sales	(1,142,060)	—	—	—
Settlements	(56,363)	325	—	(118,650)
Gains (losses) included in earnings for the period	2,587	(1,017)	—	(5,519)
Balance, end of period	$ 683,015	$(336)	$—	$7,394
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2015	$ (1,396)	$(336)	$—	$7,394
2014				
Balance, beginning of period	$ 58,912	$—	$—	$5,861
Issuances	890,521	—	—	70,468
Sales	(603,294)	—	—	—
Settlements	(36,109)	—	—	(92,363)
Gains (losses) included in earnings for the period	7,400	—	—	32,896
Balance, end of period	$ 317,430	$—	$—	$16,862
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2014	$ 1,270	$—	$—	$11,000
2013				
Balance, beginning of period	$ —	$—	$(50,720)	$9,092
Issuances	518,569	—	—	171,042
Transfers into level 3	—	—	—	6,628
Sales	(444,415)	—	—	—
Settlements	(7,410)	—	48,000	(112,993)
Gains (losses) included in earnings for the period	(7,832)	—	2,720	(67,908)
Balance, end of period	$ 58,912	$—	$—	$5,861
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2013	$ (529)	$—	$—	$(9,859)

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

(2) Net realized and unrealized gains (losses) on extended written loan commitments are included in gain on sale of loans.

(3) Changes in the fair value of the FDIC clawback liability are recorded in general and administrative expense.

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

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

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at December 31, 2015 and 2014:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value			
2015				Min.	Max.	Weighted Avg.	
IRLCs, net	$7,394	Discounted cash flow	Loan closing ratio	1.00 %	- 99.00%	80.56%	(2)
Loans held for sale	$683,015	Discounted cash flow	Cost of funds	2.07 %	- 3.11%	2.82%	
			Prepayment rate	5.18 %	- 27.15%	9.48%	
			Default rate	0.00 %	- 2.87%	0.34%	
			Weighted average life (in years)	3.00	- 10.58	7.37	
			Cumulative loss	0.00 %	- 0.56%	0.05%	
			Loss severity	2.25 %	- 24.04%	10.90%	
Other liabilities	$(336)	Discounted cash flow	Loan closing ratio	1.00 %	- 99.00%	72.85%	(2)
2014							
Indemnification asset	$6,658	Discounted cash flow	Discount rate	4.35 %	- 4.35%	4.35%	
			Reinstatement rate	5.35 %	- 70.23%	31.14%	(1)
			Loss duration (in months)	18	- 90	44	(1)
			Loss severity	(1.77)%	- 16.15%	7.84%	(1)
IRLCs, net	$10,204	Discounted cash flow	Loan closing ratio	0.00 %	- 99.00%	74.73%	(2)
Loans held for sale	$317,430	Discounted cash flow	Cost of funds	2.07 %	- 2.91%	2.58%	
			Prepayment rate	5.87 %	- 23.77%	14.17%	
			Default rate	0.00 %	- 2.36%		