EverBank Financial Corp
Form 10-Q
April 30, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

ý	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2013.

or

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

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

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

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

904-281-6000
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer ý (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
As of April 25, 2013, there were 122,233,510 shares of common stock outstanding.

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Part I - Financial Information

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

	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	$44,938	$175,400
Interest-bearing deposits in banks	548,458	268,514
Total cash and cash equivalents	593,396	443,914
Investment securities:		
Available for sale, at fair value	1,497,278	1,619,878
Held to maturity (fair value of $126,308 and $146,709 as of March 31, 2013 and December 31, 2012, respectively)	124,242	143,234
Other investments	144,070	158,172
Total investment securities	1,765,590	1,921,284
Loans held for sale (includes $1,350,289 and $1,452,236 carried at fair value as of March 31, 2013 and December 31, 2012, respectively)	2,416,599	2,088,046
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	12,255,294	12,505,089
Allowance for loan and lease losses	(77,067)	(82,102)
Total loans and leases held for investment, net	12,178,227	12,422,987
Equipment under operating leases, net	44,863	50,040
Mortgage servicing rights (MSR), net	375,641	375,859
Deferred income taxes, net	164,053	170,877
Premises and equipment, net	65,746	66,806
Other assets	702,373	703,065
Total Assets	$18,306,488	$18,242,878
Liabilities		
Deposits:		
Noninterest-bearing	$1,287,292	$1,445,783
Interest-bearing	12,387,074	11,696,605
Total deposits	13,674,366	13,142,388
Other borrowings	2,707,331	3,173,021
Trust preferred securities	103,750	103,750
Accounts payable and accrued liabilities	316,599	372,543
Total Liabilities	16,802,046	16,791,702
Commitments and Contingencies (Note 13)		
Shareholders' Equity		
Series A 6.75% Non-Cumulative Perpetual Preferred Stock, $0.01 par value (liquidation preference of $25,000 per share;10,000,000 shares authorized; 6,000 issued and outstanding at March 31, 2013 and December 31, 2012)	150,000	150,000
Common Stock, $0.01 par value (500,000,000 shares authorized; 122,066,260 and 120,987,955 issued and outstanding at March 31, 2013 and December 31, 2012, respectively)	1,221	1,210

Additional paid-in capital	823,696	811,085
Retained earnings	609,849	575,665
Accumulated other comprehensive income (loss) (AOCI)	(80,324)	(86,784)
Total Shareholders’ Equity	1,504,442	1,451,176
Total Liabilities and Shareholders’ Equity	$18,306,488	$18,242,878

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2013	2012
Interest Income		
Interest and fees on loans and leases	$173,786	$124,778
Interest and dividends on investment securities	16,250	20,549
Other interest income	298	104
Total Interest Income	190,334	145,431
Interest Expense		
Deposits	26,823	20,974
Other borrowings	19,695	8,834
Total Interest Expense	46,518	29,808
Net Interest Income	143,816	115,623
Provision for Loan and Lease Losses	1,919	11,355
Net Interest Income after Provision for Loan and Lease Losses	141,897	104,268
Noninterest Income		
Loan servicing fee income	42,163	45,556
Amortization and impairment of mortgage servicing rights	(22,523)	(44,483)
Net loan servicing income	19,640	1,073
Gain on sale of loans	82,311	48,177
Loan production revenue	9,489	7,437
Deposit fee income	5,925	6,239
Other lease income	6,411	8,663
Other	9,533	1,604
Total Noninterest Income	133,309	73,193
Noninterest Expense		
Salaries, commissions and other employee benefits expense	110,479	66,590
Equipment expense	19,852	15,948
Occupancy expense	7,384	5,349
General and administrative expense	74,101	70,934
Total Noninterest Expense	211,816	158,821
Income before Provision for Income Taxes	63,390	18,640
Provision for Income Taxes	24,244	6,794
Net Income	$39,146	$11,846
Less: Net Income Allocated to Preferred Stock	(2,531)	(5,879)
Net Income Allocated to Common Shareholders	$36,615	$5,967
Basic Earnings Per Common Share	$0.30	$0.08
Diluted Earnings Per Common Share	$0.30	$0.08
Dividends Declared Per Common Share	$0.02	$—

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2013	2012
Net Income	$39,146	$11,846
Unrealized Gains on Debt Securities		
Unrealized gains due to changes in fair value	704	21,286
Tax effect	(264)	(8,029)
Change in unrealized gains on debt securities	440	13,257
Interest Rate Swaps		
Net unrealized gains due to changes in fair value	4,383	6,628
Reclassification of unrealized losses to interest expense	5,357	1,710
Tax effect	(3,720)	(3,042)
Change in interest rate swaps	6,020	5,296
Other Comprehensive Income	6,460	18,553
Comprehensive Income	$45,606	$30,399

See notes to unaudited condensed consolidated financial statements.

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

	Shareholders’ Equity					
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Equity
Balance, January 1, 2013	$150,000	$1,210	$811,085	$575,665	$(86,784)	$1,451,176
Net income	—	—	—	39,146	—	39,146
Other comprehensive income	—	—	—	—	6,460	6,460
Issuance of common stock	—	11	8,540	—	—	8,551
Share-based grants (including income tax benefits)	—	—	4,071	—	—	4,071
Cash dividends on common stock	—	—	—	(2,431)	—	(2,431)
Cash dividends on preferred stock	—	—	—	(2,531)	—	(2,531)
Balance, March 31, 2013	$150,000	$1,221	$823,696	$609,849	$(80,324)	$1,504,442
Balance, January 1, 2012	$3	$751	$561,247	$513,413	$(107,749)	$967,665
Net income	—	—	—	11,846	—	11,846
Other comprehensive loss	—	—	—	—	18,553	18,553
Conversion of preferred stock	(2)	28	(26)	—	—	—
Issuance of common stock	—	1	57	—	—	58
Repurchase of common stock	—	—	(360)	—	—	(360)
Share-based grants (including income tax benefits)	—	—	1,409	—	—	1,409
Cash dividends on preferred stock	—	—	—	(4,482)	—	(4,482)
Balance, March 31, 2012	$1	$780	$562,327	$520,777	$(89,196)	$994,689

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31, 2013	2012
Operating Activities:		
Net income	$39,146	$11,846
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of premiums and deferred origination costs	10,385	2,582
Depreciation and amortization of tangible and intangible assets	9,901	8,804
Amortization of loss on settlement of interest rate swaps	5,357	1,710
Amortization and impairment of mortgage servicing rights	22,523	44,483
Deferred income taxes (benefit)	2,839	(2,654)
Provision for loan and lease losses	1,919	11,355
Loss on other real estate owned (OREO)	1,923	2,731
Share-based compensation expense	1,779	1,282
Payments for settlement of forward interest rate swaps	(14,416)	(3,552)
Other operating activities	299	(2,632)
Changes in operating assets and liabilities:		
Loans held for sale, including proceeds from sales and repayments	(376,076)	79,718
Other assets	95,214	51,567
Accounts payable and accrued liabilities	(44,338)	(14,641)
Net cash provided by (used in) operating activities	(243,545)	192,599
Investing Activities:		
Investment securities available for sale:		
Purchases	—	(138,186)
Proceeds from prepayments and maturities	122,874	123,477
Investment securities held to maturity:		
Purchases	(8,900)	(7,965)
Proceeds from prepayments and maturities	27,365	6,705
Purchases of other investments	(40,175)	(1,547)
Proceeds from sales of other investments	54,277	—
Net change in loans and leases held for investment	98,476	(830,144)
Purchases of premises and equipment, including equipment under operating leases	(3,852)	(20,659)
Proceeds related to sale or settlement of other real estate owned	5,540	9,024
Proceeds from insured foreclosure claims	59,817	28,037
Other investing activities	(2,154)	(1,463)
Net cash provided by (used in) investing activities	313,268	(832,721)
Financing Activities:		
Net increase in nonmaturity deposits	524,999	190,742
Net increase in time deposits	11,827	95,036
Net change in repurchase agreements	(142,322)	—
Net change in short-term Federal Home Loan Bank (FHLB) advances	(400,000)	35,000
Proceeds from long-term FHLB advances	150,000	500,000
Repayments of long-term FHLB advances	(73,158)	(86,200)
Proceeds from issuance of common stock	8,551	58
Other financing activities	(138)	(4,772)
Net cash provided by financing activities	79,759	729,864

Net change in cash and cash equivalents	149,482	89,742
Cash and cash equivalents at beginning of period	443,914	294,981
Cash and cash equivalents at end of period	$593,396	$384,723

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

EverBank Financial Corp and Subsidiaries
Notes to Condensed 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 thrift 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 retail lending centers across the United States. EB (a) accepts deposits from the general public; (b) originates, purchases, services and sells residential real estate mortgage loans, commercial real estate loans and commercial loans and leases; (c) originates consumer and home equity loans; and (d) offers full-service securities brokerage and investment advisory services.

EB’s subsidiaries are:

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

On January 31, 2012, as part of a tax-free reorganization, the assets, liabilities and business activities of EWM were transferred to EB.

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) Reincorporation — In September 2010, EverBank Financial Corp, a Florida corporation (EverBank Florida), formed EverBank Financial Corp, a Delaware corporation (EverBank Delaware). Subsequent to its formation, EverBank Delaware held no assets, had no subsidiaries and did not engage in any business or other activities except in connection with its formation. In May 2012, EverBank Delaware completed an initial public offering with its common stock listed on the New York Stock Exchange (NYSE) under the symbol “EVER”. Immediately preceding the consummation of that offering, EverBank Florida merged with and into EverBank Delaware, with EverBank Delaware continuing as the surviving corporation and succeeding to all of the assets, liabilities and business of EverBank Florida. The merger resulted in the following:

- All of the outstanding shares of common stock of EverBank Florida were converted into approximately 77,994,699 shares of EverBank Delaware common stock;
- All of the outstanding shares of Series B Preferred Stock of EverBank Florida were converted into 15,964,644 shares of EverBank Delaware common stock;
- As a result of the reincorporation of EverBank Florida in Delaware, the Company is now governed by the laws of the State of Delaware.

Reincorporation of EverBank Florida in Delaware did not result in any change in the business, management, fiscal year, assets, liabilities or location of the principal offices of the Company.

c) Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information or footnotes necessary for a complete presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with generally accepted accounting principles. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for acquired companies are included from their respective dates of acquisition. In management’s opinion, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations, comprehensive income, and changes in cash flows have been made.

GAAP requires management to make estimates that affect the reported amounts and disclosures of contingencies in the condensed consolidated financial statements. Estimates by their nature are based on judgment and available information. Material estimates relate to the Company’s allowance for loan and lease losses, loans and leases acquired with evidence of credit deterioration, repurchase obligations, contingent liabilities, and the fair values of investment securities, loans held for sale, MSR and derivative instruments. Because of the inherent uncertainties associated with any estimation process and future changes in market and economic conditions, it is possible that actual results could differ significantly from those estimates.

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

	Three Months Ended March 31,	
	2013	2012
Supplemental Schedules of Noncash Investing Activities:		
Loans transferred to foreclosure claims from loans held for sale	103,918	68,591
Loans transferred from held for investment to held for sale	101,984	1,604

2. Recent Accounting Pronouncements

Presentation of Comprehensive Income — In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2011-05, Comprehensive Income (Topic 220)—Presentation of Comprehensive Income, to require an entity to present

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the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. ASU 2011-05 is effective for the first quarter of 2012 and should be applied retrospectively. Adoption of this standard resulted in the presentation of a new statement of comprehensive income separate from the statement of shareholders' equity but did not have any impact on the Company's results of operations. In December 2011, the FASB issued ASU 2011-12,Comprehensive Income (Topic 220)- Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, to allow time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of AOCI on the components of net income and other comprehensive income for all periods presented. Adoption of this ASU did not have any impact on the Company's consolidated financial statements or results of operations. In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220)—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to require an entity to disaggregate the total change of each component of other comprehensive income and separately present reclassification adjustments and current period other comprehensive income. ASU 2013-02 also requires that entities either (1) present in a single note or parenthetically on the face of the financial statements the effect of significant amounts reclassified from each component of AOCI based on its source and the income line item affected by the reclassification if items are reclassified out of AOCI in their entirety or (2) cross reference to other required, related disclosures for additional information if items are not reclassified out of AOCI in their entirety. ASU 2013-02 is effective prospectively for annual reporting periods beginning after December 15, 2012, and interim periods within those annual periods. The adoption of this standard resulted in the additional disclosure of the lines of income or expense impacted by reclassifications out of AOCI within the statement of comprehensive income but did not have any impact on the Company's condensed consolidated financial statements or results of operations.

Balance Sheet Offsetting—In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities, which will enhance disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. The guidance will require that entities disclose the gross and net information about both instruments that are offset in the balance sheet or are subject to a master netting arrangement. In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210)—Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which limits the scope of the new balance sheet offsetting disclosures to only (1) derivatives, including bifurcated embedded derivatives; (2) repurchase agreements and reverse repurchase agreements; and (3) securities borrowing and securities lending transactions, to the extent they are offset in the financial statements or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position. The requirements set forth in both ASU 2011-11 and ASU 2013-01 are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods with retrospective disclosure necessary for all comparative periods presented. The adoption of these standards resulted in additional disclosures as presented in Note 11 but did not have any impact on the Company's condensed consolidated financial statements or results of operations.

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3. Investment Securities

The amortized cost and fair value of investment securities with gross unrealized gains and losses were as follows as of March 31, 2013 and December 31, 2012:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
March 31, 2013					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - agency	$60	$5	$—	$65	$65
Residential CMO securities - nonagency	1,455,529	37,992	3,844	1,489,677	1,489,677
Residential mortgage-backed securities (MBS) - agency	211	15	—	226	226
Asset-backed securities (ABS)	7,901	—	896	7,005	7,005
Equity securities	77	228	—	305	305
Total available for sale securities	$1,463,778	$38,240	$4,740	$1,497,278	$1,497,278
Held to maturity:					
Residential CMO securities - agency	$80,203	$2,297	$—	$82,500	$80,203
Residential MBS - agency	39,052	1,814	10	40,856	39,052
Corporate securities	4,987	—	2,035	2,952	4,987
Total held to maturity securities	$124,242	$4,111	$2,045	$126,308	$124,242
December 31, 2012					
Available for sale:					
Residential CMO securities - agency	$63	$6	$—	$69	$69
Residential CMO securities - nonagency	1,577,270	39,860	5,355	1,611,775	1,611,775
Residential MBS - agency	226	15	—	241	241
Asset-backed securities	9,461	—	1,935	7,526	7,526
Equity securities	77	190	—	267	267
Total available for sale securities	$1,587,097	$40,071	$7,290	$1,619,878	$1,619,878
Held to maturity:					
Residential CMO securities - agency	$106,346	$3,497	$—	$109,843	$106,346
Residential MBS - agency	31,901	1,986	—	33,887	31,901
Corporate securities	4,987	—	2,008	2,979	4,987
Total held to maturity securities	$143,234	$5,483	$2,008	$146,709	$143,234

At March 31, 2013 and December 31, 2012, investment securities with a carrying value of $209,762 and $421,209, respectively, were pledged to secure other borrowings, public deposits, securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

There were no gross gains or gross losses realized on available for sale investments during the three months ended March 31, 2013 or 2012.

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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 March 31, 2013 and December 31, 2012 are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2013						
Debt securities:						
Residential CMO securities - nonagency	$62,892	$748	$110,943	$3,096	$173,835	$3,844
Residential MBS - agency	8,936	10	—	—	8,936	10
Asset-backed securities	—	—	7,005	896	7,005	896
Corporate securities	—	—	2,952	2,035	2,952	2,035
Total debt securities	$71,828	$758	$120,900	$6,027	$192,728	$6,785
December 31, 2012						
Debt securities:						
Residential CMO securities - nonagency	$57,715	$299	$183,285	$5,056	$241,000	$5,355
Asset-backed securities	—	—	7,526	1,935	7,526	1,935
Corporate securities	—	—	2,979	2,008	2,979	2,008
Total debt securities	$57,715	$299	$193,790	$8,999	$251,505	$9,298

The Company had unrealized losses at March 31, 2013 and December 31, 2012 on nonagency residential CMO securities, residential agency MBS, ABS and corporate securities. 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 March 31, 2013, the Company had 26 debt securities in an unrealized loss position. A total of five were in an unrealized loss position for less than 12 months. These five securities consisted of four nonagency residential CMO securities and one residential agency MBS. The remaining 21 debt securities were in an unrealized loss position for 12 months or longer. These 21 securities consisted of three ABS, one corporate security and 17 nonagency residential CMO securities. Of the $6,785 in unrealized losses, $3,854 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, 2012, the Company had 31 debt securities in an unrealized loss position. A total of three were in an unrealized loss position for less than 12 months, all of which were residential CMO securities. The remaining 28 debt securities were in an unrealized loss position for 12 months or longer. These 28 securities consisted of three ABS, one corporate security and 24 nonagency residential CMO securities. Of the $9,298 in unrealized losses, $5,355 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

When certain triggers indicate the likelihood of an other-than-temporary-impairment (OTTI) or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analyses that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI. There were no OTTI losses recognized on available for sale or held to maturity securities during the three months ended March 31, 2013 or 2012.

During the three months ended March 31, 2013 and 2012, interest and dividend income on investment securities was comprised of the following:

	Three Months Ended March 31,

	2013	2012
Interest income on available for sale securities	$14,865	$18,871
Interest income on held to maturity securities	624	1,400
Other interest and dividend income	761	278
	$16,250	$20,549

All investment interest income recognized by the Company during the three months ended March 31, 2013 and 2012 was fully taxable.

4. Loans Held for Sale

Loans held for sale as of March 31, 2013 and December 31, 2012, consist of the following:

	March 31, 2013	December 31, 2012
Mortgage warehouse (carried at fair value)	$1,350,289	$1,452,236
Government insured pool buyouts	91,691	96,635
Other	974,619	539,175
Total loans held for sale	$2,416,599	$2,088,046

The Company typically transfers residential mortgage loans originated or acquired to various financial institutions, government agencies, and GSEs. In addition, the Company enters into loan securitization transactions related to certain conforming residential mortgage loans. In connection with these transactions, loans are converted into mortgage-backed securities issued primarily by the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), the Federal National Mortgage Association (FNMA or Fannie Mae) and the Government National Mortgage Association (GNMA or Ginnie Mae), and are subsequently sold to third party investors. Typically, the Company accounts for these transfers as sales and either retains or releases the right to service the loans. The servicing arrangement represents the Company's continuing involvement with these transferred loans.

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

The following is a summary of cash flows related to transfers accounted for as sales for three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Proceeds received from agency securitizations	$2,404,610	$1,920,970
Proceeds received from nonagency sales	341,882	12,794
Servicing fees collected	26,213	23,956
Repurchased loans from agency securitizations	1,092	1,471
Repurchased loans from nonagency sales	5,277	5,168

The Company periodically transfers conforming residential mortgages to GNMA in exchange for mortgage-backed securities. As of March 31, 2013 and December 31, 2012, the Company retained $92,946 and $99,121, respectively, of these securities backed by the transferred loans and maintained effective control over these pools of transferred assets. Accordingly, the Company did not record these transfers as sales. These transferred assets were recorded in the condensed consolidated balance sheets as loans held for sale. The remaining securities were sold to unrelated third parties and were recorded as sales.

The gains and losses on transfers which qualify as sales are recorded in the condensed 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, rate lock commitments, and the offsetting hedging positions.

In connection with these transfers, the Company recorded servicing assets in the amount of $23,501, and $18,529 for the three months ended March 31, 2013 and 2012, respectively. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 7 for information relating to servicing activities and MSR.

During the three months ended March 31, 2013, the Company transferred $24,440 in residential mortgage loans from loans held for sale to loans held for investment at lower of cost or market. A majority of these loans were originated preferred jumbo residential mortgages which were intended to be sold to an unrelated third party. The loans did not meet eligibility requirements for sale in accordance with the executed contract. After evaluation of the specific loans, the Company determined it has positive intent to hold these loans for the foreseeable future and thus transferred these loans to the held for investment portfolio. During the three months ended March 31, 2012, the Company transferred

$14,946 in commercial real estate loans held for sale to loans held for investment at lower of cost or market as the Company has the intent to hold these loans for the foreseeable future.

During the three months ended March 31, 2013, the Company transferred $101,984 of loans held for investment to held for sale at lower of cost or market. The majority of these loans were government insured pool buyouts initially originated for the held for investment portfolio. These loans were transferred to held for sale based upon a change in intent to no longer hold these loans for the foreseeable future.

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5. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of March 31, 2013 and December 31, 2012 are comprised of the following:

	March 31, 2013	December 31, 2012
Residential mortgages	$6,279,655	$6,708,748
Commercial and commercial real estate	4,883,330	4,771,768
Lease financing receivables	911,371	836,935
Home equity lines	173,704	179,600
Consumer and credit card	7,234	8,038
Total loans and leases held for investment, net of discounts	12,255,294	12,505,089
Allowance for loan and lease losses	(77,067)	(82,102)
Total loans and leases held for investment, net	$12,178,227	$12,422,987

As of March 31, 2013 and December 31, 2012, the carrying values presented above include net purchased loan and lease discounts and net deferred loan and lease origination costs as follows:

	March 31, 2013	December 31, 2012
Net purchased loan and lease discounts	$146,666	$164,132
Net deferred loan and lease origination costs	25,889	25,275

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

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

	March 31, 2013
Contractual payments receivable for acquired loans and leases at acquisition	$78,496
Expected cash flows for acquired loans and leases at acquisition	45,914
Basis in acquired loans and leases at acquisition	41,944

Information pertaining to the ACI portfolio as of March 31, 2013 and December 31, 2012 is as follows:

	Bank of Florida	Other Acquired Loans	Total
March 31, 2013			
Carrying value, net of allowance	$428,863	$861,548	$1,290,411
Outstanding unpaid principal balance (UPB)	477,799	893,435	1,371,234
Allowance for loan and lease losses, beginning of period	16,789	5,175	21,964
Allowance for loan and lease losses, end of period	18,322	5,212	23,534

	Bank of Florida	Other Acquired Loans	Total
December 31, 2012			
Carrying value, net of allowance	$472,374	$876,351	$1,348,725
Outstanding unpaid principal balance	520,873	913,020	1,433,893
Allowance for loan and lease losses, beginning of year	11,638	4,351	15,989
Allowance for loan and lease losses, end of year	16,789	5,175	21,964

The Company recorded $1,570 and $3,640 in provision for loan and lease losses for the ACI portfolio for the three months ended March 31, 2013 and 2012, respectively. The increase in provision is the result of a decrease in expected cash flows on ACI loans.

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The following is a summary of the accretable yield activity for the ACI loans during the three months ended March 31, 2013 and 2012:

	Bank of Florida	Other Acquired Loans	Total
March 31, 2013			
Balance, beginning of period	$99,201	$121,207	$220,408
Additions	—	3,970	3,970
Accretion	(7,157)	(12,829)	(19,986)
Reclassifications to accretable yield	2,500	10,085	12,585
Balance, end of period	$94,544	$122,433	$216,977
March 31, 2012			
Balance, beginning of period	$141,750	$65,973	$207,723
Accretion	(9,679)	(6,308)	(15,987)
Reclassifications (from) to accretable yield	(11,923)	8,463	(3,460)
Balance, end of period	$120,148	$68,128	$188,276

Covered Loans and Leases — Covered loans and leases are acquired and recorded at fair value at acquisition, exclusive of the loss share agreements with the Federal Deposit Insurance Corporation (FDIC) and the indemnification agreement with former shareholders of Tygris. All loans acquired through the loss share agreement with the FDIC and all loans and leases acquired in the purchase of Tygris are considered covered during the applicable indemnification period. As of March 31, 2013 and December 31, 2012, the Company does not expect to receive cash payments under these indemnification agreements due to the performance of the underlying loans.

The following is a summary of the recorded investment of major categories of covered loans and leases outstanding as of March 31, 2013 and December 31, 2012:

	Bank of Florida	Tygris	Total
March 31, 2013			
Residential mortgages	$53,426	$—	$53,426
Commercial and commercial real estate	400,958	—	400,958
Lease financing receivables	—	59,732	59,732
Home equity lines	17,266	—	17,266
Consumer and credit card	1,196	—	1,196
Total recorded investment of covered loans and leases	$472,846	$59,732	$532,578
December 31, 2012			
Residential mortgages	$56,390	$—	$56,390
Commercial and commercial real estate	441,998	—	441,998
Lease financing receivables	—	75,201	75,201
Home equity lines	17,992	—	17,992
Consumer and credit card	1,378	—	1,378
Total recorded investment of covered loans and leases	$517,758	$75,201	$592,959

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6. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the three months ended March 31, 2013 and 2012 are as follows:

Three Months Ended March 31, 2013	Residential Mortgages	Commercial and Commercial Real Estate	Lease Financing Receivables	Home Equity Lines	Consumer and Credit Card	Total
Balance, beginning of period	$33,631	$39,863	$ 3,181	$5,265	$162	$82,102
Provision for loan and lease losses	1,512	(324)	1,038	(323)	16	1,919
Charge-offs	(5,069)	(1,447)	(708)	(489)	(20)	(7,733)
Recoveries	111	443	79	129	17	779
Balance, end of period	$30,185	$38,535	$ 3,590	$4,582	$175	$77,067
Three Months Ended March 31, 2012						
Balance, beginning of period	$43,454	$28,209	$ 3,766	$2,186	$150	$77,765
Provision for loan and lease losses	3,836	5,308	723	1,493	(5)	11,355
Charge-offs	(6,694)	(2,294)	(1,181)	(1,108)	(11)	(11,288)
Recoveries	143	168	36	61	14	422
Balance, end of period	$40,739	$31,391	$ 3,344	$2,632	$148	$78,254

The following tables provide a breakdown of the allowance for loan and lease losses and the recorded investment in loans and leases based on the method for determining the allowance as of March 31, 2013 and December 31, 2012:

March 31, 2013	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 13,236	$11,737	$5,212	$30,185
Commercial and commercial real estate	3,315	16,898	18,322	38,535
Lease financing receivables	—	3,590	—	3,590
Home equity lines	—	4,582	—	4,582
Consumer and credit card	—	175	—	175
Total allowance for loan and lease losses	$ 16,551	$36,982	$23,534	$77,067
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 95,793	$5,329,231	$854,631	$6,279,655
Commercial and commercial real estate	80,320	4,343,696	459,314	4,883,330
Lease financing receivables	—	911,371	—	911,371
Home equity lines	—	173,704	—	173,704
Consumer and credit card	—	7,234	—	7,234
Total loans and leases held for investment	$ 176,113	$10,765,236	$1,313,945	$12,255,294

December 31, 2012	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	ACI Loans	Total
Allowance for Loan and Lease Losses				
Residential mortgages	$ 12,568	$15,888	$5,175	$33,631
Commercial and commercial real estate	5,569	17,505	16,789	39,863
Lease financing receivables	—	3,181	—	3,181
Home equity lines	—	5,265	—	5,265
Consumer and credit card	—	162	—	162

Total allowance for loan and lease losses	$ 18,137	$42,001	$21,964	$82,102
Loans and Leases Held for Investment at Recorded Investment				
Residential mortgages	$ 95,274	$5,747,862	$865,612	$6,708,748
Commercial and commercial real estate	92,262	4,174,429	505,077	4,771,768
Lease financing receivables	—	836,935	—	836,935
Home equity lines	—	179,600	—	179,600
Consumer and credit card	—	8,038	—	8,038
Total loans and leases held for investment	$ 187,536	$10,946,864	$1,370,689	$12,505,089

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The Company uses a risk grading matrix to monitor credit quality for commercial and commercial real estate loans. Risk grades are continuously monitored and updated quarterly by credit administration personnel based on current information and events. The Company monitors the quarterly credit quality of all other loan types based on performing status.

The following tables present the recorded investment for loans and leases by credit quality indicator as of March 31, 2013 and December 31, 2012:

	Performing	Non-performing Accrual	Nonaccrual	Total
March 31, 2013				
Residential mortgages:				
Residential	$3,613,142	$—	$64,099	$3,677,241
Government insured pool buyouts (1)	1,598,116	1,004,298	—	2,602,414
Lease financing receivables	908,580	—	2,791	911,371
Home equity lines	169,191	—	4,513	173,704
Consumer and credit card	6,869	—	365	7,234
Total	$6,295,898	$1,004,298	$71,768	$7,371,964

	Pass	Special Mention	Substandard	Doubtful	Total
March 31, 2013					
Commercial and commercial real estate:					
Commercial	$1,557,200	$553	$7,412	$4,081	$1,569,246
Commercial real estate	2,990,295	73,154	250,635	—	3,314,084
Total commercial and commercial real estate	$4,547,495	$73,707	$258,047	$4,081	$4,883,330

	Performing	Non-performing Accrual	Nonaccrual	Total
December 31, 2012				
Residential mortgages:				
Residential	$3,880,360	$—	$68,924	$3,949,284
Government insured pool buyouts (1)	1,590,732	1,168,732	—	2,759,464
Lease financing receivables	834,925	—	2,010	836,935
Home equity lines	175,354	—	4,246	179,600
Consumer and credit card	7,699	—	339	8,038
Total	$6,489,070	$1,168,732	$75,519	$7,733,321

	Pass	Special Mention	Substandard	Doubtful	Total
December 31, 2012					
Commercial and commercial real estate:					
Commercial	$1,368,054	$565	$8,416	$4,405	$1,381,440
Commercial real estate	3,027,554	79,779	282,995	—	3,390,328
	$4,395,608	$80,344	$291,411	$4,405	$4,771,768

Total commercial and commercial real estate

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

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The following tables present an aging analysis of the recorded investment for loans and leases by class as of March 31, 2013 and December 31, 2012:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
March 31, 2013						
Residential mortgages:						
Residential	$11,685	$5,642	$64,099	$81,426	$3,497,853	