EverBank Financial Corp
Form 10-K
February 17, 2017

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, 2016
EverBank Financial Corp
(Exact name of registrant as specified in its charter)

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

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

904-281-6000
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:

none

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No o

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

The aggregate market value of the registrant's outstanding voting common stock held by non-affiliates on June 30, 2016 (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 $14.86, was approximately $1,429,369,372. There was no non-voting common equity of the registrant outstanding on that date.

As of February 13, 2017, there were 127,657,862 shares of common stock outstanding.

Documents Incorporated by Reference

The information required in Part III of this Annual Report on Form 10-K will be included in an amendment to this Annual Report on Form 10-K/A, to be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2016.

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Part I

Forward-Looking Statements

This report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to be protected by the safe harbor provided therein. We generally identify forward-looking statements by terminology such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “ “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of those w other comparable words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date made, expectations may prove to have been materially different from the results expressed or implied by such forward-looking statements. Unless otherwise required by law, we also disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements contained in this report. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements, including, but not limited to, those factors described in 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;
- the possibility that the proposed merger (the Merger) with Teachers Insurance and Annuity Association of America (TIAA) does not close when expected or at all because required regulatory or other approvals and conditions to closing are not received or satisfied on a timely basis or at all;
- the effect of the announcement or pendency of the Merger on our business relationships, operating results, and business generally;
- risks that the proposed Merger disrupts our current plans and operations and potential difficulties in our employee retention as a result of the Merger;
- 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;
- 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

Announcement

On August 7, 2016, the Company entered into an Agreement and Plan of Merger (Merger Agreement) with TIAA, TCT Holdings, Inc., a Delaware corporation and wholly owned subsidiary of TIAA (TCT Holdings), and Dolphin Sub Corporation, a Delaware corporation and wholly owned subsidiary of TCT Holdings (Merger Sub). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Merger Sub will merge with and into the Company, with the Company as the surviving entity (the Merger). TCT Holdings will (subject to TIAA's right under the Merger Agreement to elect not to do so), in connection with the Merger, merge with and into such surviving entity (the Holdco Merger). Immediately following the Holdco Merger (or, if TIAA elects not to consummate the Holdco Merger, immediately following the Merger), TIAA-CREF Trust Company, FSB, a federal savings association and wholly owned bank subsidiary of TIAA, will merge with and into EverBank, a federal savings association and wholly owned subsidiary of the Company, with EverBank as the surviving bank (the Bank Merger). The Merger Agreement was unanimously approved by the Board of Directors of each of the Company, TIAA, TCT Holdings and Merger Sub.

Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the Effective Time), (1) holders of the Company's common stock, par value $0.01 per share (the Company Common Stock), will have the right to receive $19.50 in cash without interest for each share of Company Common Stock, and (2) holders of the Company's Series A 6.75% Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share (the Company Preferred Stock), will have the right to receive the liquidation preference of $25,000 plus accrued and unpaid dividends on a share of Company Preferred Stock since the last dividend payment date for the Company Preferred Stock to but excluding the date on which the Effective Time occurs less any dividends declared but unpaid, if any, through the Effective Time, in cash without interest.

On November 9, 2016, the Company held a special meeting of stockholders. The Company's stockholders approved the Merger Agreement and other Merger related proposals. The completion of the Merger is subject to various customary closing conditions as well as regulatory approvals. The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which is attached as Exhibit 2.1 to the Form 8-K filed by the Company on August 8, 2016. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the Company, TIAA, their respective affiliates or their respective businesses, the Merger Agreement and the Merger that were contained in the Company's proxy statement, as well as in other filings that the Company has made with the Securities and Exchange Commission (SEC).

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, 2016, we had total assets of $27.8 billion, total deposits of $19.6 billion and total shareholder's equity of $2.0 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 individuals and small and mid-sized size business clients nationwide. These clients maintain an average deposit balance per household (excluding escrow deposits) of $109,842 as of December 31, 2016, which we believe is more than two 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 $288.8 million as of December 31, 2016. 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 $544.4 million and $114.2 million respectively as of December 31, 2016. In addition, World Markets clients held over $197.0 million of precious metals in custody with us in non-Federal Deposit Insurance Corporation (FDIC) insured EverBank Metals Select® accounts as of December 31, 2016.

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, 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 2016 and 2015, we executed sales of $174.0 million and $8.2 billion in unpaid principal balance (UPB), respectively, representing our remaining non-core servicing operations.

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 2016 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, 2016 and December 31, 2015.

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 $3.4 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 84 months.

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 $2.0 million to $30.0 million and terms ranging from 24 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 more than $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 50,000 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, risk management, 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.”
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. The remaining funds were escheated to the applicable state treasurer's office, and no additional payments will be made.

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, has paid $1.6 million in remediation to about 35,000 borrowers, for a 77% cash rate as of December 31, 2016.

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 $1.0 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. At December 31, 2016, EverBank has accrued $0.1 million for potential remediation payments to be made.

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. In addition, the change in administration in the U.S. has added further uncertainty as to the implementation, scope and timing of additional rules implementing the Dodd-Frank Act, and it is possible that existing rules may be modified or repealed. 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, even if only in the short-term.

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.

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 imposes standards for mortgage loan originations on all lenders, including banks and savings associations that, among other things, 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 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 became subject to stress testing and reporting requirements in 2013. In each of its submissions, EverBank has met all regulatory thresholds. EverBank Financial Corp will also become subject to these requirements in 2017, and EverBank and EverBank Financial Corp are required to conduct and submit the results of the stress tests to our regulators by July 31, 2017 and publish a summary of those results between October 15, 2017 and October 31, 2017, unless that time period is extended by the regulators.

Basel III and the Basel III Capital Rules. 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 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 are being 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 began on January 1, 2016 at the 0.625% level and is 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).

Management believes, at December 31, 2016, 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 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. In the second quarter of 2016, the U.S. banking agencies issued a proposed rule that would implement the NSFR for certain U.S. banking organizations. The proposed rule would require certain U.S. banking organizations to ensure they have access to stable funding over a one-year time horizon and has an effective date of January 1, 2018. The proposed rule would not apply to U.S. banking organizations with less than $50 billion in total consolidated assets such as the Company and EverBank.

Volcker Rule. The Volcker Rule and the Dodd-Frank Act, which became effective in July 2015, 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 FRB and the SEC adopted final rules implementing the Volcker Rule in December 2013. The Company does not engage in any significant amount of proprietary trading as defined in the Volcker Rule and has implemented the required procedures for those areas in which trading does occur. The covered funds limits are imposed through a conformance period that is expected to end in July 2017. The Company is required to divest of certain assets that constitute covered funds; however these divestitures are not expected to have a material impact on the Company’s consolidated financial condition or results of operations. As of December 31, 2016, the fair value and book value of investments that are deemed "covered funds" was $4.1 million and $7.4 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 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.

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.

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, 2016, EverBank’s limit on loans and extensions of credit to one borrower was approximately $355.5 million and $237.0 million, for the 15% limitation and 10% limitation, respectively. At December 31, 2016, EverBank’s largest aggregate amount of loans and extensions of credit to a single borrower was $200.0 million. This loan relationship was performing in accordance with the terms of its loan agreement as of December 31, 2016.

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, 2016, EverBank maintained 82.7% 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, 2016 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 September 2014, the OCC issued 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, 2016, EverBank exceeded all regulatory capital requirements and was considered to be “well capitalized” with a Tier 1 leverage ratio of 8.0%, a total risk-based capital ratio of 13.4%, and a Tier 1 risk-based capital ratio of 12.8%. 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 re-proposed rules in 2016 (initially proposed 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 $249.0 million and $264.8 million as of December 31, 2016 and December 31, 2015, respectively. EverBank’s capital stock in FHLB includes $554.0 million purchased during 2016 and $545.7 million purchased during 2015. The FHLB repurchased $569.8 million in 2016 and $476.1 million in 2015.

For the year ended December 31, 2016, the FHLB paid dividends of $11.9 million on the capital stock held by EverBank. During the year ended December 31, 2015, the FHLB paid dividends of $9.4 million on the capital stock held by EverBank.

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

Deposit Insurance

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

The Dodd-Frank Act increased the minimum designated reserve ratio of the DIF from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. In March 2016, the FDIC finalized rules requiring 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 2016 was $0.0056 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's rule that implements the ability-to-repay and qualified mortgage provisions of the Dodd-Frank Act (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 any new implementing regulations or revisions to existing regulations that are promulgated by the CFPB 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, 2016, we had approximately 2,900 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.

We will be subject to business uncertainties and contractual restrictions while the proposed merger with TIAA is pending, which could adversely affect our business.

Uncertainty about the effect of the proposed merger with TIAA on employees and customers may have an adverse effect on us, and, consequently, TIAA. These uncertainties may impair our ability to attract, retain and motivate key personnel until the proposed merger is completed, and could cause customers and others that deal with us to seek to change their existing business relationships with us. Retention of certain of our employees may be challenging during the pendency of the Merger, as certain employees may experience uncertainty about their future roles. In addition, the Merger Agreement restricts us from making certain acquisitions and taking other specified actions without the consent of TIAA until the proposed merger occurs. These restrictions may prevent from pursuing attractive business opportunities that may arise prior to the completion of the proposed merger. See the Proxy Statement, which we filed on September 30, 2016 for a description of the restrictive covenants to which we are subject.

The Merger Agreement may be terminated in accordance with its terms and the proposed merger may not be completed.

The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the proposed merger. Those conditions include: the receipt of all required regulatory approvals, absence of orders prohibiting completion of the merger, and the continued representations and warranties by both parties (subject to the materiality standards set forth in the Merger Agreement), and the performance by both parties of their covenants and agreements. These conditions to the closing of the proposed merger may not be fulfilled in a timely manner or at all, and, accordingly, the proposed merger may not be completed.

In addition, if the proposed merger is not completed by November 7, 2017, either we or TIAA may choose not to proceed with the merger. Moreover, the parties can mutually decide to terminate the Merger Agreement at any time, before or after stockholder approval. We and TIAA may also elect to terminate the Merger Agreement in certain other circumstances. If the Merger Agreement is terminated under certain circumstances, we may be required to pay a termination fee of $93.2 million to TIAA. See the Proxy Statement for a further description of these circumstances.

Termination of the Merger Agreement could negatively impact us.

If the proposed merger is not completed for any reason our ongoing business may be adversely affected and, without realizing any of the benefits of having completed the Merger, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on its stock price (including to the extent that the current market price reflects a market assumption that the Merger will be completed) and credit ratings downgrades;
- we may experience negative reactions from its customers, vendors and employees;
- we will have incurred substantial expenses and will be required to pay certain costs relating to the Merger, whether or not the Merger is completed, including the termination fee;
- the Merger Agreement places certain restrictions on the conduct of our businesses prior to completion of the Merger. Such restrictions, the waiver of which is subject to the consent of TIAA (not to be unreasonably withheld, conditioned or delayed), may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the Merger, including acquisitions (see the Proxy Statement for a description of the restrictive covenants applicable to us); and
- matters relating to the Merger (including integration planning) will require substantial commitments of time and resources by our management, which would otherwise have been devoted to other opportunities that may have been beneficial to us as an independent company.

In addition to the above risks, if the Merger Agreement is terminated and our board of directors seeks another merger or business combination, our stockholders cannot be certain that we will be able to find a party willing to offer equivalent or more attractive consideration than the consideration TIAA has agreed to provide in the Merger. If the Merger Agreement is terminated under certain circumstances, we may be required to pay a termination fee of $93.2 million to TIAA. See the Proxy Statement for additional information.

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, 2016, the fair value of our securities portfolio was approximately $0.6 billion, of which approximately 79% 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, 2016, our commercial real estate loans, net of discounts, were $3.5 billion, or approximately 15% 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 $2.6 billion, or 11% of our total loan portfolio, net of allowances, at December 31, 2016. 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 $4.1 billion extended to 39 borrowers at December 31, 2016. 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, 2016, approximately 26% and 8% of our residential loan portfolio was secured by real estate located in California and Florida, respectively, and 14% 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. Although we have settled a vast majority of the repurchase requests received from investors and seen significant declines in repurchase requests over the past several years, we may need to increase such reserves in the future, which would adversely affect net income. As of December 31, 2016, 2015 and 2014, our loan repurchase reserve for loans that we sold or securitized was $3.5 million, $4.3 million and $25.9 million, respectively, representing a 18% decrease during 2016 and a 83% decrease during 2015.

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, 2016, 2015 and 2014, our reserve for servicing repurchase losses was $0.1 million, $1.8 million and $2.9 million, respectively, representing a 92% decrease during 2016 and an 39% decrease during 2015.

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 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 increase or 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, 2016, 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 79% 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.

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, $175.0 million aggregate principal amount of 5.75% subordinated notes due 2025 and $90.0 million aggregate principal amount of 6.00% subordinated notes due 2026. 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, 2016, we had outstanding market-based deposits of $0.7 billion, representing approximately 3% 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 this plan, EverBank, through an independent paying agent, has paid $1.6 million in remediation as of December 31, 2016.
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 $1.0 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. At December 31, 2016, EverBank has accrued approximately $0.1 million for potential further remediation payments to be made.
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 non-performing 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, 2016, our net MSR totaled $273.9 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 775,000 square feet of office, operations and retail space in 94 locations in 27 states. We also sublease to third parties approximately 26,000 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, 2020. 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.

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:

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; (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; and (3) On November 3, 2016, the surrounding counties of Portland Oregon filed a MERS lawsuit against EverBank, MERS and other financial institutions in Multnomah County entitled County of Clackamas, et al. v. Mortgage Electronic Registration Systems Inc, et al. 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 March 2, 2016, EverBank paid $2.0 million for its portion of the attorney fee award into an interest-bearing account pursuant to the settlement agreement. On August 9, 2016, the court granted the Jabranis unopposed motion to dismiss appeal with prejudice. The claims administration process remains ongoing.

TIAA Acquisition Litigation

Beginning on September 26, 2016, EverBank received three complaints filed against EverBank Financial Corp and its directors. The first two cases, Bushansky v. EverBank Financial Corp et al. and Parshall v. EverBank Financial Corp, TIAA, et al. are filed in Federal Court in the Middle District of Florida. They allege violations of the Securities and Exchange Act. The primary difference between the two complaints is that the Parshall complaint also names TIAA and its merger subsidiaries as defendants. The third complaint, Nahas v. EverBank Financial Corp is filed in The Court of Chancery of the State of Delaware and alleges violations of fiduciary duty pursuant to Delaware state law against EverBank and its Directors and seeks an injunction to stop the proxy vote as well as the acquisition. EverBank successfully resolved all three matters.

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
	High	Low	per Share
Year Ended December 31, 2016			
First Quarter	$15.96	$12.58	$ 0.06
Second Quarter	15.78	13.61	0.06
Third Quarter	19.36	14.16	0.06
Fourth Quarter	19.45	19.25	0.06
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

According to the records of our transfer agent, as of February 13, 2017, there were approximately 122 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, 2016. 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	12/31/2016
EverBank Financial Corp	100.0	149.5	185.2	193.9	164.3	203.1
S&P 500 Index	100.0	103.3	136.8	155.6	157.7	176.6
S&P Banks Index	100.0	101.9	138.2	159.7	161.0	200.2

Issuer Purchases of Securities

The Company did not repurchase any outstanding common shares during the year ended December 31, 2016.

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, 2016, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016 and 2015 are derived from our audited Consolidated Financial Statements included in this report. The consolidated statements of operations for the years ended December 31, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012 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)	2016	2015	2014	2013	2012
Income Statement Data:					
Interest income	$997.7	$879.2	$733.8	$735.7	$655.6
Interest expense	267.3	210.9	169.0	176.8	141.8
Net interest income	730.4	668.3	564.8	558.9	513.8
Provision for loan and lease losses(1)	49.0	38.2	24.5	12.0	32.0
Net interest income after provision for loan and lease losses	681.4	630.2	540.3	546.9	481.8
Noninterest income(2)	167.1	215.4	337.2	519.4	369.8
Noninterest expense(3)	618.9	638.4	638.9	848.2	735.6
Income before income taxes	229.5	207.2	238.6	218.0	116.0
Provision for income taxes	84.6	76.6	90.5	81.3	42.0
Net income	$144.9	$130.5	$148.1	$136.7	$74.0
Per Share Data:					
Weighted-average common shares outstanding:					
(units in thousands)					
Basic	125,495	124,527	122,940	122,245	104,014
Diluted	127,528	126,670	125,358	123,949	105,951
Earnings from continuing operations per common share:					
Basic	$1.07	$0.97	$1.12	$1.04	$0.61
Diluted	1.06	0.95	1.10	1.02	0.60
Dividends declared per common share	0.24	0.20	0.14	0.10	0.04
Tangible common equity per common share(4)	14.31	13.36	12.51	11.57	10.30

	As of December 31,				
(in millions)	2016	2015	2014	2013	2012
Balance Sheet Data:					
Cash and cash equivalents	$791.4	$582.5	$366.7	$847.8	$443.9
Investment securities	828.3	924.2	1,088.0	1,351.0	1,921.3
Loans held for sale	1,443.3	1,509.3	973.5	791.4	2,088.0
Loans and leases held for investment, net	23,453.7	22,149.4	17,699.4	13,189.0	12,423.0
Total assets	27,838.1	26,601.0	21,617.8	17,641.0	18,242.9
Deposits	19,638.2	18,242.0	15,508.7	13,261.3	13,142.4
Total liabilities	25,821.8	24,732.7	19,870.2	16,020.0	16,791.7
Total stockholders’ equity	2,016.3	1,868.3	1,747.6	1,621.0	1,451.2

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(1) For the year ended December 31, 2016, provision for loan and lease losses includes a $0.3 million decrease in non-accretable discount related to Bank of Florida acquired credit-impaired loans (ACI). 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 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.

(2) For the year ended December 31, 2016, noninterest income includes $61.4 million in impairment charge related to MSR, $1.5 million gain on trust preferred securities and a $0.1 million decrease related to restructuring cost. 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.

(3) For the year ended December 31, 2016, noninterest expense includes $9.5 million in transaction expense and non-recurring regulatory related expense and $2.6 million in restructuring cost. 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.

(4) Calculated as tangible common shareholders' equity divided by shares of common stock outstanding at the end of the period. Tangible common shareholders' equity equals shareholders' equity less goodwill, other intangible assets and perpetual preferred 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 4.7% at December 31, 2016, and consumer confidence, GDP and average home prices have all risen. While economic conditions have improved domestically, under-employment and wage growth remain a worry amidst the backdrop of low inflation in the United States and abroad. Recent upticks in labor force participation alongside wage growth are being closely monitored by the markets for signs of sustained or expected inflation. Moreover, inflation in most of the Euro-Zone is at or below zero and central banks around the world have maintained an accommodative stance with drops in short-term rates. Certain developed economies now have negative interest rates and the accommodative stance by these major economies has created resistance to domestic rate increases. Such factors, combined with geopolitical turmoil have continued to keep interest rates at near historical low levels. The FRB announced a quarter point increase to short-term rates in December 2015 followed by another quarter point increase in December 2016. The resulting strength of the dollar coupled with falling oil prices has led to the continued speculation as to how likely and quickly that the FRB may further raise short-term interest rates. In addition, the base mortgage rate (BMR) has continued to drop throughout most of this year to a low of 3.34% at September 30, 2016, which was influenced by the vote by Britain to leave the European Union in late June 2016. The BMR impacts the fair value of our mortgage servicing rights (MSR) as well as influences our mortgage production business. During the fourth quarter of 2016 the BMR began to improve ending the period at 4.06% at December 31, 2016, which was partially related to the rate increase in December 2016. In addition, the 10-year treasury rate fell as low as 1.37% and was 2.45% at December 31, 2016.

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 $27.8 billion from December 31, 2012 to December 31, 2016. This overall increase includes an increase in our loans held for investment from $12.5 billion at December 31, 2012 to $23.6 billion at December 31, 2016. While the overall balance sheet has grown 53% in the last four 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 coupled with the growth in our commercial finance businesses.

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 have 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 2016, we saw a reduction in HARP eligible refinance loans. 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 and 2016. In 2013, over 25% of our residential loan fundings were HARP while less than 3% were HARP in 2016. Purchase business has continued to grow in 2016 with 52% of loan fundings in fourth quarter of 2016. As we have grown our retail lending channel, we continue to evaluate the number and location of our retail lending offices. As factors have changed, we have adapted our retail and overall residential lending strategy to try to balance the growth of the channel with costs. 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 a majority of our remaining non-core MSR portfolios to Nationstar Mortgage LLC (NSM), which occurred in the latter part of 2015 and during the second 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 $150.0 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 and March 14, 2016, we completed the public offering and sale of $175.0 million in aggregate principal amount of 5.75% subordinated notes due in 2025 and $90.0 million in aggregate principal amount of 6.00% fixed-to-floating rate subordinated notes due in 2026, respectively. For regulatory capital adequacy purposes, both issuances of subordinated notes qualify as Tier 2 capital for the Company. We contributed a majority of the proceeds from the sales 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 2016 Key Highlights

- Total assets of $27.8 billion at December 31, 2016, a decrease of 3% compared to the prior quarter and an increase of 5% year over year.

- Portfolio loans held for investment (HFI) of $23.6 billion at December 31, 2016, a decrease of 2% compared to the prior quarter and an increase of 6% year over year.
- Total originations of $2.7 billion in the quarter, a decrease of 17% compared to the prior quarter and 16% year over year. Full year 2016 total originations of $11.6 billion, a decrease of 12% year over year.
- Total deposits of $19.6 billion at December 31, 2016, flat compared to the prior quarter and up 8% year over year.
- Net interest margin of 2.80% for the quarter, a decrease of 0.01% compared to the prior quarter.
- GAAP return on average equity (ROE) was 12.3% for the quarter and 7.7% for the full year. Adjusted ROE[1] was 9.8% for the quarter and 10.1% for the full year.
- Tangible common equity per common share[1] of $14.31 at December 31, 2016, an increase of 7% year over year.
- Adjusted non-performing assets to total assets[1] were 0.70% at December 31, 2016. Annualized net charge-offs to average total loans and leases held for investment were 0.15% for the quarter.
- Consolidated common equity Tier 1 capital ratio of 10.5% and bank Tier 1 leverage ratio of 8.0% as of December 31, 2016.
- On November 9, 2016, the Company’s stockholders voted to approve the Company's acquisition by Teachers Insurance and Annuity Association of America.

[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

	As of and for the Year Ended December 31,					
(dollars in millions, except per share amounts)	2016		2015		2014	
Performance Metrics:						
Total revenue[1]	$897.4		$883.7		$902.0	
Adjusted net earnings per common share, diluted[2]	$1.38		$1.22		$1.13	
Yield on interest-earning assets	3.84	%	3.94	%	4.08	%
Cost of interest-bearing liabilities	1.15	%	1.04	%	1.04	%
Net interest margin	2.81	%	2.99	%	3.14	%
Return on average assets	0.53	%	0.55	%	0.77	%
Return on average risk-weighted assets[3] [11]	0.82	%	0.84	%	1.19	%
Return on average equity[4]	7.7	%	7.3	%	9.0	%
Adjusted return on average equity[5]	10.1	%	9.3	%	9.2	%
Efficiency ratio[6]	69	%	72	%	71	%
Adjusted efficiency ratio[7]	64	%	67	%	70	%
Loans and leases held for investment as a percentage of deposits	120	%	122	%	115	%
Loans and leases held for investment excluding government insured pool buyouts as a percentage of deposits	93	%	99	%	91	%
Credit Quality Ratios:						
Adjusted non-performing assets as a percentage of total assets[8]	0.70	%	0.53	%	0.46	%
Net charge-offs to average loans and leases held for investment	0.10	%	0.11	%	0.13	%
ALLL as a percentage of loans and leases held for investment	0.44	%	0.35	%	0.34	%
Government insured pool buyouts as a percentage of loans and leases held for investment	22	%	19	%	20	%
Capital:						
Common equity Tier 1 ratio (EverBank Financial Corp consolidated; see Table 50)[11]	10.5	%	9.9	%	11.6	%
Tier 1 leverage ratio (bank level; see Table 48)[11]	8.0	%	8.1	%	8.2	%
Total risk-based capital ratio (bank level; see Table 48)[11]	13.4	%	12.4	%	13.4	%
Tangible common equity per common share[9]	$14.31		$13.36		$12.51	
Dividend payout ratio [10]	22.43	%	20.62	%	12.50	%
Consumer Banking Metrics:						
Unpaid principal balance of loans originated	$8,797.0		$9,456.6		$8,413.1	
Jumbo residential mortgage loans originated	3,243.4		5,052.3		4,287.2	
Unpaid principal balance of loans serviced for the Company and others	39,945.3		41,104.7		50,746.5	
	55	%	55	%	57	%

Consumer Banking loans as a percentage of loans and leases held for investment			
Consumer deposits	$15,032.1	$14,054.4	$12,554.7
Commercial Banking Metrics:			
Loan and lease originations:			
Commercial and commercial real estate	$1,518.6	$2,364.4	$1,288.8
Equipment financing receivables	1,279.4	1,282.5	1,316.7
Commercial Banking loan and lease sales	812.5	320.9	109.3
Commercial Banking loans as a percentage of loans and leases held for investment	45 %	45 %	43 %
Commercial deposits	$4,606.2	$4,187.6	$2,954.0

(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

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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 outstanding. 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.

Adjusted net income, adjusted return on average equity and adjusted efficiency ratio include adjustments to our net income for certain significant items we believe are not reflective of our ongoing business or operating performance. 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)	2016	2015	2014
Net income	$144,931	$130,526	$148,082

Gain on repurchase of trust preferred securities, net of tax	(916)	—	—
Transaction expense and non-recurring regulatory related expense, net of tax	5,909	2,610	6,462
Increase (decrease) in Bank of Florida non-accretable discount, net of tax	(193)	(859)	727
MSR impairment (recovery), net of tax	38,062	19,831	(4,967)
Restructuring cost, net of tax	(1,688)	12,664	466
OTTI losses on investment securities (Volcker Rule), net of tax	—	—	425
Adjusted net income	$186,105	$164,772	$151,195
Adjusted net income allocated to preferred stock	10,125	10,125	10,125
Adjusted net income allocated to common shareholders	$175,980	$154,647	$141,070
Adjusted net earnings per common share, basic	$1.40	$1.24	$1.15
Adjusted net earnings per common share, diluted	$1.38	$1.22	$1.13
Weighted average common shares outstanding:			
(units in thousands)			
Basic	125,495	124,527	122,940
Diluted	127,528	126,670	125,358

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)	2016	2015	2014
Net interest income	$730,350	$668,343	$564,807
Noninterest income	167,065	215,380	337,239
Total revenue	897,415	883,723	902,046
Adjustment items (pre-tax):			
Gain on repurchase of trust preferred securities	(1,478)	—	—
MSR impairment (recovery)	61,392	31,986	(8,012)
Restructuring cost	(133)	256	(2,429)
OTTI losses on securities (Volcker Rule)	—	—	685
Adjusted total revenue	$957,196	$915,965	$892,290
Noninterest expense	$618,947	$638,377	$638,942
Adjustment items (pre-tax):			
Transaction expense and non-recurring regulatory related expense	(9,531)	(4,213)	(10,423)
Restructuring cost	2,590	(20,167)	(3,181)
Adjusted noninterest expense	$612,006	$613,997	$625,338
GAAP efficiency ratio	69 %	72 %	71 %
Adjusted efficiency ratio	64 %	67 %	70 %

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

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

	December 31,		
(dollars in thousands except share and per share amounts)	2016	2015	2014
Shareholders' equity	$2,016,332	$1,868,321	$1,747,594
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	996	1,772	3,705
Tangible equity	1,968,477	1,819,690	1,697,030
Less:			
Perpetual preferred stock	150,000	150,000	150,000
Tangible common equity	$1,818,477	$1,669,690	$1,547,030
Common shares outstanding at period end	127,036,740	125,020,843	123,679,049
Book value per common share	$14.69	$13.74	$12.92
Tangible common equity per common share	14.31	13.36	12.51
Total assets	$27,838,086	$26,601,026	$21,617,788
Less:			
Goodwill	46,859	46,859	46,859
Intangible assets	996	1,772	3,705
Tangible assets	$27,790,231	$26,552,395	$21,567,224

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Analysis of Statements of Income

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of the Company from 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,								
	2016			2015			2014		
(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	$385,068	$2,013	0.52%	$303,267	$803	0.26%	$223,707	$567	0.25%
Investments	847,965	28,685	3.38%	1,003,365	30,796	3.07%	1,322,523	38,612	2.92%
Loans held for sale	1,993,371	66,050	3.31%	1,790,472	59,670	3.33%	1,292,692	46,460	3.59%
Loans and leases held for investment:									
Consumer Banking:									
Residential mortgages:									
Residential	6,810,349	208,346	3.06%	6,610,526	218,043	3.30%	5,521,700	190,573	3.45%
Government insured pool buyouts	4,868,720	236,780	4.86%	3,887,078	178,110	4.58%	2,983,943	130,435	4.37%
Residential mortgages	11,679,069	445,126	3.81%	10,497,604	396,153	3.77%	8,505,643	321,008	3.77%
Home equity lines and other	935,328	33,940	3.63%	241,497	10,543	4.36%	147,907	6,746	4.56%
Commercial Banking:									
Commercial and commercial real estate:									
Commercial real estate and other commercial	3,906,607	190,162	4.87%	3,701,660	199,401	5.39%	3,287,423	185,488	5.64%
Mortgage warehouse finance	2,386,594	68,157	2.86%	1,690,629	46,037	2.72%	1,012,933	29,582	2.92%
Lender finance	1,431,222	52,464	3.67%	964,089	34,222	3.55%	644,812	23,717	3.68%
Commercial and commercial real estate	7,724,423	310,783	4.02%	6,356,378	279,660	4.40%	4,945,168	238,787	4.83%
Equipment financing receivables	2,444,139	111,067	4.54%	2,149,718	101,618	4.73%	1,530,242	81,587	5.33%
Total loans and leases held for investment	22,782,959	900,916	3.95%	19,245,197	787,974	4.09%	15,128,960	648,128	4.28%
Total interest-earning assets	26,009,363	$997,664	3.84%	22,342,301	$879,243	3.94%	17,967,882	$733,767	4.08%

Noninterest-earning assets	1,349,744			1,306,284			1,324,122		
Total assets	$27,359,107			$23,648,585			$19,292,004		
Liabilities and Shareholders' Equity:									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand	$3,703,221	$25,022	0.68 %	$3,644,538	$24,692	0.68 %	$3,007,036	$18,737	0.62 %
Market-based money market accounts	350,444	2,138	0.61 %	361,494	2,205	0.61 %	405,627	2,474	0.61 %
Savings and money market accounts, excluding market-based	6,440,477	47,426	0.74 %	5,428,790	36,566	0.67 %	5,068,096	31,667	0.62 %
Market-based time	346,245	2,939	0.85 %	409,066	2,880	0.70 %	554,151	4,280	0.77 %
Time, excluding market-based	6,508,895	81,188	1.25 %	5,392,919	61,056	1.14 %	3,820,902	44,754	1.17 %
Total deposits	17,349,282	158,713	0.91 %	15,236,807	127,399	0.84 %	12,855,812	101,912	0.79 %
Borrowings:									
Trust preferred securities and subordinated notes payable	344,483	20,314	5.90 %	191,147	11,605	6.07 %	103,750	6,598	6.36 %
Long-term Federal Home Loan Bank (FHLB) advances	4,118,929	81,859	1.99 %	2,788,466	67,389	2.42 %	1,814,919	57,546	3.17 %
Short-term FHLB advances	1,528,142	6,428	0.42 %	2,126,405	4,507	0.21 %	1,444,682	2,904	0.20 %
Other	—	—	0.00 %	—	—	0.00 %	23,935	—	0.00 %
Total borrowings	5,991,554	108,601	1.81 %	5,106,018	83,501	1.64 %	3,387,286	67,048	1.98 %
Total interest-bearing liabilities	23,340,836	$267,314	1.15 %	20,342,825	$210,900	1.04 %	16,243,098	$168,960	1.04 %
Noninterest-bearing demand deposits	1,718,022			1,283,657			1,139,766		
Other noninterest-bearing liabilities	403,503			217,671			230,313		
Total liabilities	25,462,361			21,844,153			17,613,177		
Total shareholders' equity	1,896,746			1,804,432			1,678,827		
Total liabilities and shareholders' equity	$27,359,107			$23,648,585			$19,292,004		
Net interest income/spread		$730,350	2.69 %		$668,343	2.90 %		$564,807	3.04 %
Net interest margin			2.81 %			2.99 %			3.14 %
Memo: Total deposits including noninterest-bearing (1)	$19,067,304	$158,713	0.83 %	$16,520,464	$127,399	0.77 %	$13,995,578	$101,912	0.73 %

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, 2016 Compared to 2015 Increase (Decrease) Due to			2015 Compared to 2014 Increase (Decrease) Due to		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Cash and cash equivalents	$217	$993	$1,210	$202	$34	$236
Investments	(4,770)	2,659	(2,111)	(9,318)	1,502	(7,816)
Loans held for sale	6,762	(382)	6,380	17,890	(4,680)	13,210
Loans and leases held for investment:						
Consumer Banking:						
Residential mortgages:						
Residential	6,591	(16,288)	(9,697)	37,579	(10,109)	27,470
Government insured pool buyouts	44,980	13,690	58,670	39,478	8,197	47,675
Residential mortgages	51,571	(2,598)	48,973	77,057	(1,912)	75,145
Home equity lines and other	30,291	(6,894)	23,397	3,931	(134)	3,797
Commercial Banking:						
Commercial and commercial real estate:						
Commercial real estate and other commercial	11,040	(20,279)	(9,239)	23,373	(9,460)	13,913
Mortgage warehouse finance	18,952	3,168	22,120	19,791	(3,336)	16,455
Lender finance	16,581	1,661	18,242	11,743	(1,238)	10,505
Commercial and commercial real estate	46,573	(15,450)	31,123	54,907	(14,034)	40,873
Equipment financing receivables	13,917	(4,468)	9,449	33,028	(12,997)	20,031
Total loans and leases held for investment	142,352	(29,410)	112,942	168,923	(29,077)	139,846
Total change in interest income	144,561	(26,140)	118,421	177,697	(32,221)	145,476
Interest-bearing liabilities:						
Deposits:						
Interest-bearing demand	$398	$(68)	$330	$3,972	$1,983	$5,955
Market-based money market accounts	(67)	—	(67)	(269)	—	(269)
Savings and money market accounts, excluding market-based	6,815	4,045	10,860	2,254	2,645	4,899
Market-based time	(442)	501	59	(1,121)	(279)	(1,400)
Time, excluding market-based	12,673	7,459	20,132	18,426	(2,124)	16,302
Total deposits	19,377	11,937	31,314	23,262	2,225	25,487
Borrowings:						
Trust preferred securities and subordinated notes payable	9,309	(600)	8,709	5,558	(551)	5,007
Long-term FHLB advances	32,153	(17,683)	14,470	30,868	(21,025)	9,843
Short-term FHLB advances	(1,268)	3,189	1,921	1,370	233	1,603
Total borrowings	40,194	(15,094)	25,100	37,796	(21,343)	16,453
Total change in interest expense	59,571	(3,157)	56,414	61,058	(19,118)	41,940
Total change in net interest income	$84,990	$(22,983)	$62,007	$116,639	$(13,103)	$103,536

(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, 2016 Compared to the Year Ended December 31, 2015

Net interest income increased by $62.0 million, or 9%, in 2016 compared to 2015 due to an increase in interest income of $118.4 million partially offset by an increase in interest expense of $56.4 million. Our net interest margin decreased by 18 basis points in 2016 from 2015, which was led by a decrease in yields on our interest-earning assets due to the low interest rate environment coupled with an increase in rates on interest-bearing liabilities, which is primarily to fund the growth in our balance sheet. The average rate paid on our interest-bearing liabilities increased by 11 basis points to 1.15% in 2016 compared to 2015.

Yields on our interest-earning assets decreased by 10 basis points in 2016 compared to 2015, primarily due to a decrease in yields on our loans held for sale and loans and leases held for investment.

The yields on our loans held for investment portfolio decreased 14 basis points in 2016 compared to 2015, which was consistent across most of our portfolios. The yield on our total commercial and commercial real estate held for investment portfolio decreased 38 basis points due to decreases in yields in commercial real estate and other commercial coupled with the relative increase in our mortgage warehouse finance and lender finance portfolio size compared to our other commercial loan portfolios. The yields on our commercial real estate and other commercial loan portfolio declined by 52 basis points due to continued production of commercial real estate and other commercial loans at current market rates and the purchase of an asset-based lending platform during the second quarter of 2015 with lower yields than our existing portfolio. In addition, the increase in the balance in our mortgage warehouse finance and lender finance businesses also negatively impacted the yield on our commercial loans as it has the lowest yields of the commercial and commercial real estate portfolio due to the short-term nature of these assets. Yields on our equipment financing receivables decreased 19 basis points in 2016 compared to 2015 primarily due to continued production of leases at current market interest rates. The yield on our residential mortgages held for investment increased 4 basis points in 2016 compared to 2015 primarily due to the performance of our government insured pool buyout portfolio which saw an increase in yield of 28 basis points, which is a result of consistent improvement in cash flows compared to expected cash flows due to the continued low rate environment and overall strength of the economy. This increase was partially offset by the continued production of market rate assets coupled with paydowns and sales of higher yielding assets originated or purchased in a higher interest rate environment.

The yields on our loans held for sale decreased 2 basis points in 2016 compared to 2015 primarily due to decreases in the current market mortgage rates of our loans held for sale.

The yields on our interest-bearing liabilities increased by 11 basis points in 2016 compared to 2015, primarily due to increases in the rates paid on deposits and other borrowings. The rates paid on our other borrowings increased 17 basis points in 2016 compared to 2015 as a result of a change in the overall make-up of our FHLB advances balance which saw an increase in the average balance of our long-term FHLB advances of $1.3 billion, which carry higher yields than our short-term FHLB advances, which increased 21 basis points. The rates paid on our deposits increased 7 basis points in 2016 compared to 2015 primarily due to the increase in our time deposits which carry a higher interest rate than our interest-bearing demand and money market accounts and an increase in our savings and money market accounts at higher yielding rates.

Average balances of our interest-earning assets increased by $3.7 billion, or 16%, in 2016 compared to 2015, primarily due to a $3.5 billion increase in loans and leases held for investment and a $202.9 million increase in our loans held for sale. These increases were partially offset by a $155.4 million decrease in our investments portfolio.

The year over year increase in the average balance of loans and leases held for investment was $3.5 billion in 2016 compared to 2015, as a result of increases of $1.2 billion, $1.4 billion, $0.3 billion and $0.7 billion in our residential mortgage, commercial and commercial real estate, equipment financing receivable portfolios and home equity lines and other 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 due to an increase in the mortgage warehouse finance balance as a result of the differences in the interest rate environments in the two periods coupled with stronger production compared to paydowns in our commercial real estate portfolio, the purchase of our asset-based lending business in the second quarter of 2015 and continued strong lender finance fundings and acquisitions. In addition, our equipment finance portfolio saw continued strong origination volumes during 2016. Our home equity lines and other portfolio increased due to the origination of new home equity lines of credit throughout 2016 as well as purchase of $256.9 million of home equity lines of credit during the first quarter of 2016. 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 2016. In 2016, we sold $2.5 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 2015 and 2016. Please see "Analysis of

Statements of Condition" for additional information on our investment securities.
Average balances in our interest-bearing liabilities increased by $3.0 billion, or 15%, in 2016 compared to 2015 due to increases in the average balance of our deposits of $2.1 billion and increases to our other borrowings of $0.9 billion. The increase in our deposit balances was primarily driven by an increase in time deposits, savings and money market accounts and interest-bearing demand deposits. The increase in our average other borrowings balance was due to an increase in long-term advances as well as issuances of subordinated notes in June 2015 and March 2016. These increases were partially offset by a decrease in short-term FHLB advances.
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 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.

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, 2016, 2015 and 2014:

Provision (release of provision) for Loan and Lease Losses Table 7

	Year Ended December 31, 2016			
(dollars in thousands)	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
Residential mortgages	$(47)	$8,115	$1,738	$9,806
Commercial and commercial real estate	16,514	682	(311)	16,885
Equipment financing receivables	2,695	15,562	—	18,257
Home equity lines and other	—	4,020	—	4,020
Total Provision for Loan and Lease Losses	$19,162	$28,379	$1,427	$48,968
		(4)%	$10,781	28 %

	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 and other	—	1,360	—	1,360
Total Provision for Loan and Lease Losses	$9,302	$29,524	$(639)	$38,187
	$6,201	811,100,000		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 and other	—	1,834	—	1,834
Total Provision for Loan and Lease Losses	$3,250	$21,413	$(130)	$24,533

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

We recorded a provision for loan and lease losses of $49.0 million in 2016, which is an increase of $10.8 million, or 28%, from $38.2 million in 2015. This increase was comprised of increases in our equipment finance receivables, commercial and commercial real estate, and home equity line and other provisions of $5.5 million, $3.1 million, and $2.7 million, respectively, which were partially offset by a decrease in the residential mortgage portfolio of $0.5 million. Increases in the provision for the equipment financing receivables and home equity and other collectively evaluated portfolios were the result of growth within these portfolios with the provision for each growing $2.9 million, or 23% and $2.7 million, or 196%, respectively. In addition, the provision for specifically evaluated equipment financing receivables increased in 2016 compared to 2015 by $2.6 million due to growth in the portfolio during 2016. The increase in the commercial and commercial real estate provision was primarily driven by increases in the provision for specifically evaluated loans of $7.1 million, or 75% as concerns over the collectability of several large commercial real estate relationships during the year accounted for the majority of the provision recognized for these specifically evaluated loans. This increase in commercial provision was enhanced further by a reduction in the release of provision for ACI commercial and commercial real estate loans of $1.4 million, or 82%, as expectations of future cash flows resulted in a smaller release of prior period valuation allowances in 2016 compared to 2015. These increases were partially offset by decreases in the provision for commercial and commercial real estate loans collectively evaluated of $5.3 million, or 89% which was due to the aforementioned impairment of several loans combined with a shrinking commercial real estate portfolio and growth being experienced primarily in the mortgage warehouse and lender finance asset classes representing assets that are highly collateralized, revolving and short-term in nature. The decrease in provision on the collectively evaluated residential mortgage portfolio of $1.4 million, or 14%, was due to improved credit quality as evidenced by a reduction in net charge-offs year over year, as well as, a reduction in the past due non-ACI residential mortgage portfolio. In addition, the provision for ACI residential mortgage loans increased by $0.7 million, or 64%, as expectations of future cash flows resulted in slight increases in our valuation allowances. Total net charge-offs were $23.8 million in 2016, compared to $20.9 million in 2015. The net charge-off ratio was 0.10% in 2016 compared to 0.11% in 2015.

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.

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)	2016	2015	2014
Loan servicing fee income	$92,525	$117,763	$158,463
Amortization of MSR	(68,586)	(71,150)	(79,234)
Recovery (impairment) of MSR	(61,392)	(31,986)	8,012
Net loan servicing income (loss)	(37,453)	14,627	87,241
Gain on sale of loans	132,009	125,927	163,644
Loan production revenue	25,715	22,574	20,952
Deposit fee income	8,763	14,015	14,783
Other lease income	15,886	14,716	16,997
Other	22,145	23,521	33,622
Total Noninterest Income	$167,065	$215,380	$337,239

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Noninterest income decreased by $48.3 million, or 22%, in 2016 compared to 2015. The decrease in noninterest income was primarily driven by a reduction in net loan servicing income, deposit fee income and other noninterest income partially offset by an increase in gain on sale of loans, loan production revenue and other lease income.

Net loan servicing income decreased by $52.1 million, or 356%, in 2016 compared to 2015. The decrease was primarily due to changes in our valuation allowance associated with the fair market value of our MSR. MSR impairment of $61.4 million and $32.0 million was recorded in 2016 and 2015, respectively. The impairment of MSR results from differences in expected prepayment rates due to differences in the interest rate environment at December 31, 2016 compared to December 31, 2015. See "Analysis of Statements of Condition" for additional discussion of the changes in valuation allowance associated with our MSR. In addition, loan servicing fee income decreased by $25.2 million, or 21%, in 2016 compared to the same period in 2015 primarily due to the sale of $5.5 billion in UPB of servicing rights to Ditech Financial LLC effective May 1, 2015 as well as the sale of $3.3 billion in UPB of MSR to Nationstar Mortgage LLC (NSM) effective November 2, 2015. These decreases to net loan servicing income were partially offset by a $2.6 million decrease in amortization of MSR primarily due to the MSR sales mentioned above.

Gain on sale of loans increased by $6.1 million, or 5%, in 2016 compared to 2015, primarily driven by an increase in agency origination and sales volumes as a result of a low BMR throughout the year, an increase in jumbo sales volumes and commercial and commercial real estate sales volumes, which were partially offset by a decrease in gain on sale related to sales of our re-performing GNMA loans. Please see "Segment Results" for a discussion by segment

of the changes in gain on sale of loans.
Loan production revenue increased by $3.1 million, or 14%, in 2016 compared to 2015 primarily driven by an increase in commercial loan and lease originations and higher agency mortgage originations in 2016 compared to 2015.
Deposit fee income decreased by $5.3 million, or 37%, in 2016 compared to 2015 primarily due to a decline in our world markets deposits as a result of the strong dollar.
Other lease income increased by $1.2 million, or 8%, in 2016 compared to 2015 primarily due to a $24.7 million increase in the average balance of our equipment under operating leases.
Other noninterest income decreased by $1.4 million, or 6%, in 2016 compared to 2015 primarily due to a $8.9 million decrease in income related to prepayment fees on certain serviced commercial loans acquired in the Business Property Lending, Inc. (BPL) acquisition. These decreases were partially offset by a $3.7 million gain related to the early extinguishment of our FHLB advances and a $1.5 million gain recognized as a result of the extinguishment of our trust preferred securities.
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 (IRLC) 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.

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)	2016	2015	2014
Salaries, commissions and other employee benefits expense	$369,350	$367,580	$370,470
Equipment expense	63,316	62,242	69,332
Occupancy expense	25,695	27,004	30,647
General and administrative expense:			
Legal and professional fees, excluding consent order expense	28,760	26,818	31,555
Foreclosure and other real estate owned (OREO)	22,680	37,362	25,534
Other credit-related expenses	(1,981)	(8,203)	2,189
FDIC premium assessment and other agency fees	32,773	27,146	19,465

Advertising and marketing expense	22,971	25,221	21,437
Subservicing expense	—	5,033	9,871
Consent order expense	(277)	2,501	4,597
Other	55,660	65,673	53,845
Total general and administrative expense	160,586	181,551	168,493
Total Noninterest Expense	$618,947	$638,377	$638,942

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Noninterest expense decreased by $19.4 million, or 3%, in 2016 compared to 2015. The decrease in noninterest expense was driven by decreases in general and administrative expense partially offset by increases in salaries, commissions and other employee benefits expense.

Salaries, commissions and employee benefits increased by $1.8 million, or less than 1%, in 2016 compared to 2015 primarily due to an increase in headcount in our Commercial Banking business as a result of growth in our commercial portfolio and the impact of annual merit increases. In addition, we originated more loans into LHFS compared to LHFI during 2016, which resulted in lower deferred origination costs of $5.9 million in 2016 compared to 2015. These increases were partially offset by lower headcount in our Consumer Banking business as a result of our sale of our default servicing platform in May 2015 to Ditech.

General and administrative expense decreased by $21.0 million, or 12%, in 2016 compared to 2015 primarily due to decreases in foreclosure and OREO expenses, advertising and marketing expenses, subservicing expense, consent order expense and other general and administrative expenses partially offset by increases in legal and professional fees, other credit-related expenses, and FDIC premium assessment and other agency fees.

Legal and professional fees increased by $1.9 million, or 7%, in 2016 compared to 2015 primarily due to $8.1 million in legal and consultant costs related to the pending merger with TIAA during 2016 partially offset by lower legal expenses related to our servicing business in 2016 compared to 2015.

Foreclosure and OREO expenses decreased by $14.7 million, or 39%, in 2016 compared to 2015 primarily due to a $7.4 million decrease in our reserve for unrecoverable losses related to our government-insured loans, a $4.7 million decrease in property and preservation costs and a $2.5 million decrease in our provision for OREO losses during 2016 compared to 2015.

Other credit-related expenses increased by $6.2 million, or 76%, in 2016 compared to 2015 primarily due to a decrease in the release of provision for our production repurchase reserve of $6.0 million primarily due to the settlement of pending repurchase requests during 2015 as well as a reduced number of repurchase requests received from agency aggregators and non-GSE's. See "Loan and Lease Quality" for further discussion of our repurchase reserves.

FDIC premium assessment and other agency fees increased by $5.6 million, or 21%, in 2016 compared to 2015 primarily due to continued growth in our balance sheet.

Advertising and marketing expense decreased by $2.3 million, or 9%, in 2016 compared to 2015 primarily due to targeted marketing aimed at deposit gathering initiatives as a result of the asset growth and third party acquisition opportunities that we realized in 2015.

Subservicing expenses decreased by $5.0 million, to $0, in 2016 compared to 2015 due to the execution of the subservicing agreement with Ditech in May 2014, which was in place through May 1, 2015. As a result, expenses were incurred for the first four months of 2015 compared to none in 2016.

Consent order expenses decreased by $2.8 million in 2016 compared to 2015 due to lower third party costs and remediation accruals as we settled our consent order with the OCC in early January 2016.

Other general and administrative expense decreased by $10.0 million, or 15%, in 2016 compared to 2015 primarily due to a $5.8 million accrual recorded in 2015 for potential settlements and remediation associated with our servicing business. In addition, we incurred $3.5 million in 2015 in transfer expenses including MERS filing fees, storage, legal and other transaction expenses associated with the sale of MSR that was completed in the second quarter of 2015. Other overall decreases are a result of cost savings initiatives in 2016.

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.

Exit and Restructuring Costs

During the year ended December 31, 2015, all related severance and lease termination costs accrued as of December 31, 2014 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)	2016	2015	2014
Provision for income taxes	$84,569	$76,633	$90,489
Effective tax rates	36.9 %	37.0 %	37.9 %

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

For the years ended December 31, 2016 and 2015, 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 $7.9 million, or 10.4%, to $84.6 million in 2016 from $76.6 million in 2015, primarily due to an increase in pre-tax income. Income tax expense was also impacted by the early adoption of new accounting guidance, which requires excess tax benefits related to stock compensation be recognized in net income as opposed to an adjustment to additional paid-in capital. An excess tax benefit was recorded for the year ended December 31, 2016 which reduced income tax expense by approximately $2.9 million.

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.

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 (Losses) and Segment Assets — Table 11

(dollars in thousands)	Year Ended December 31, 2016	2015	2014
Segment Earnings (Losses):			
Consumer Banking	$153,857	$110,637	$168,553
Commercial Banking	216,210	221,502	177,321
Corporate Services	(140,567)	(124,980)	(107,303)
Segment earnings	$229,500	$207,159	$238,571
Segment Assets:			
Consumer Banking	$17,360,662	$16,273,989	$13,825,052
Commercial Banking	10,672,692	10,354,535	7,892,974
Corporate Services	284,351	320,501	215,095
Eliminations	(479,619)	(347,999)	(315,333)
Total assets	$27,838,086	$26,601,026	$21,617,788

The following tables summarize segment income (loss) 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, 2016				
Net interest income (loss)	$415,679	$334,404	$(19,733)	$730,350
Provision for loan and lease losses	13,825	35,143	—	48,968
Net interest income (loss) after provision for loan and lease losses	401,854	299,261	(19,733)	681,382
Total noninterest income	117,920	46,581	2,564	167,065
Total noninterest expense	365,917	129,632	123,398	618,947
Income (loss) before provision for income taxes	$153,857	$216,210	$(140,567)	$229,500
Adjustment Items (pre-tax):				
Gain on repurchase of trust preferred securities	—	—	(1,478)	(1,478)
Transaction expense and non-recurring regulatory related expense	69	—	9,462	9,531
Increase (decrease) in Bank of Florida non-accretable discount	—	(311)	—	(311)
MSR impairment (recovery)	61,392	—	—	61,392
Restructuring cost	(3,819)	772	324	(2,723)
Adjusted income (loss) before income tax [(1)]	$211,499	$216,671	$(132,259)	$295,911

Business Segments Selected Financial Information — Table 12B

(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 of 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 (1)	$ 167,508	$ 219,806	$ (124,919)	$ 262,395

Business Segments Selected Financial Information | Table 12C

(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 for 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 [(1)]	$170,667	$ 178,494	$(105,569)	$ 243,592

(1) Adjusted income (loss) before income tax is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is income (loss) before income tax. A reconciliation of this non-GAAP financial measure can be found in the Performance Highlights section above and the tables set forth in such section.

Consumer Banking

Consumer Banking			Table 13
	Year Ended December 31,		
(dollars in thousands)	2016	2015	2014
Net interest income	$415,679	$363,897	$319,807
Provision for loan and lease losses	13,825	11,649	12,755
Net interest income after provision for loan and lease losses	401,854	352,248	307,052
Noninterest income:			
Net loan servicing income (loss)	(38,877)	13,391	86,105
Gain on sale of loans	119,579	115,960	161,928
Loan production revenue	19,513	17,619	17,734
Deposit fee income	8,313	13,473	14,697
Other	9,392	4,190	14,985
Total noninterest income	117,920	164,633	295,449
Noninterest expense:			
Salaries, commissions, and other employee benefits	195,479	203,477	212,618
Equipment and occupancy expense	45,844	48,093	52,524
General and administrative expense	124,594	154,674	168,806
Total noninterest expense	365,917	406,244	433,948
Segment earnings	$153,857	$110,637	$168,553

Residential Mortgage Lending and Servicing			Table 14
	Year Ended December 31,		
(dollars in thousands)	2016	2015	2014
Key Metrics:			
Mortgage lending volume:			
Agency	$4,774,823	$4,006,216	$4,097,733
Jumbo	3,243,371	5,052,273	4,287,189
Other	778,784	398,088	28,164
Mortgage lending volume	$8,796,978	$9,456,577	$8,413,086
Mortgage loans sold:(1)			
Agency, excluding GNMA II	$4,704,229	$3,762,932	$4,271,154
Jumbo	2,466,918	2,173,539	1,486,036
GNMA II	10,670	139,970	407,092
Other	45,078	17,160	207,989
Mortgage loans sold	$7,226,895	$6,093,601	$6,372,271
Applications	$1,162,949	$1,296,496	$1,335,506
Rate locks	1,136,190	1,144,034	1,251,366
Mortgage Lending Volume by Channel:			
Retail	$6,193,020	$5,890,116	$4,484,442
Consumer Direct	1,542,122	1,366,520	1,715,878
Correspondent	1,061,836	2,199,941	2,212,765
Purchase Activity (%):			
Retail	61 %	65 %	71 %
Consumer Direct	15 %	10 %	9 %
Correspondent	73 %	58 %	56 %
Total	54 %	56 %	54 %

(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, 2016 Compared to the Year Ended December 31, 2015

Consumer Banking segment earnings increased by $43.2 million, or 39%, in 2016 compared to 2015, primarily due to an increase in net interest income and a decrease in noninterest expense, partially offset by a decrease in noninterest income.

Net interest income increased by $51.8 million, or 14%, in 2016 compared to 2015 due to an increase in interest income of $110.3 million, or 18% partially offset by an increase in interest expense of $58.5 million, or 24%, in 2016. Please see "Analysis of Statements of Income" for an explanation of changes in average balances and yields/rates.
Noninterest income decreased by $46.7 million, or 28%, in 2016 compared to 2015. The decrease was driven by a decrease in net loan servicing income of $52.3 million and deposit fee income of $5.2 million in 2016 compared to 2015 partially offset by increases in gain on sale of loans of $3.6 million, loan production revenue of $1.9 million and other income of $5.2 million in 2016 compared to 2015. Please see "Analysis of Statements of Income" and "Analysis Statement of Condition" for an explanation of the changes in the activity related to these items. Gain on sale of loans increased by $3.6 million in 2016 compared to 2015 primarily due to an increase in agency origination volume of $768.6 million, an increase in agency sales volume of $941.3 million as well as an increase of $293.4 million in the amount of jumbo loans sold in 2016 compared to 2015. These increases were partially offset by a $1.8 billion decrease in jumbo loan originations in 2016 compared to 2015.
Noninterest expense decreased by $40.3 million, or 10%, in 2016 compared to 2015. The decrease was 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, 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.
Commercial Banking

Commercial Banking			Table 15
	Year Ended December 31,		
(dollars in thousands)	2016	2015	2014
Net interest income	$334,404	$315,711	$251,357
Provision for loan and lease losses	35,143	26,538	11,778
Net interest income after provision for loan and lease losses	299,261	289,173	239,579
Noninterest income:			
Loan production revenue	6,198	4,944	3,218
Other lease income	15,886	14,712	16,997
Gain on sale of loans	12,408	9,960	1,711
Other	12,089	20,462	19,423
Total noninterest income	46,581	50,078	41,349
Noninterest expense:			
Salaries, commissions and other employee benefits expense	60,337	54,063	62,848
Equipment and occupancy expense	14,014	14,163	20,183
General and administrative expense	55,281	49,523	20,576
Total noninterest expense	129,632	117,749	103,607

Segment earnings	$216,210	$221,502	$177,321

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Commercial Banking segment earnings decreased by $5.3 million, or 2%, in 2016 compared to 2015 primarily due to a decrease in noninterest income and an increase in noninterest expense partially offset by an increase in net interest income.

Net interest income increased by $18.7 million, or 6%, in 2016 compared to 2015 due mainly 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. In addition, net interest income after provision for loan and lease losses increased 3% as a result of changes in the provision for loan and lease losses and allowance for loan and lease losses. Please see "Loan and Lease Quality" for an explanation and rollforward of changes in the ALLL.

Noninterest income decreased by $3.5 million, or 7%, in 2016 compared to 2015 primarily due to a decrease in other income partially offset by an increase in loan production revenue, other lease income and gain on sale of loans. The decrease in other income is primarily due to a decrease of $8.9 million in prepayment fee income related to our servicing of certain commercial loans. Gain on sale of loans increased by $2.4 million due to an increase in commercial loan and leases sales of $0.5 billion in 2016 compared to 2015. Please see "Analysis of Statements of Income" for an additional explanation of the changes in the activity related to these items.

Noninterest expense increased by $11.9 million, or 10%, in 2016 compared to 2015 primarily due to an increase in salaries, commissions and other employee benefits expense and general and administrative expense. These increases were largely due to increases in salaries and commissions resulting from an increase in headcount. In addition, our general and administrative expense increased by $5.8 million primarily due to an increase in inter-segment allocations due to the increase in headcount and overall asset growth within the segment. In addition, FDIC fees allocated to our Commercial Banking segment increased by $2.3 million due to the increase in our commercial assets. Please see "Analysis of Statements of Income" for an explanation of the changes in the activity related to these items.

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.

Corporate Services

Corporate Services Table 16

	Year Ended December 31,		
(dollars in thousands)	2016	2015	2014
Net interest income (loss) after provision for loan and lease losses	$(19,733)	$(11,265)	$(6,357)
Total noninterest income	2,564	669	441
Noninterest expense:			
Salaries, commissions and employee benefits	113,534	110,040	95,004
Equipment and occupancy expense	29,153	26,990	27,272
Other general and administrative expense	56,116	51,017	44,069
Inter-segment allocations	(75,405)	(73,663)	(64,958)
Total noninterest expense	123,398	114,384	101,387
Segment earnings (loss)	$(140,567)	$(124,980)	$(107,303)

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Corporate Services segment loss increased by $15.6 million, or 12%, in 2016 compared to 2015 primarily due to an increase in net interest loss and an increase in noninterest expense partially offset by an increase in noninterest income.

Net interest loss increased by $8.5 million, or 75%, in 2016 compared to 2015 primarily due to an increase in interest expense as a result of the subordinated notes issued in the second quarter of 2015 and the first quarter of 2016.

Noninterest income increased by $1.9 million, or 283% in 2016 compared to 2015 primarily due to a $1.5 million gain on extinguishment of $5.0 million of our trust preferred securities during the second quarter of 2016.

Noninterest expense increased by $9.0 million, or 8%, in 2016 compared to 2015 primarily due to an increase in salaries, commissions and employee benefits, equipment and occupancy expense and other general and administrative expense.

Salaries, commissions and employee benefits increased by $3.5 million, or 3%, in 2016 compared to 2015 primarily due to the impact of 2016 merit increases, the timing of incentive accruals compared to prior year and an increase in

temporary help related to the potential TIAA merger. Equipment and occupancy expense increased by $2.2 million, or 8%, in 2016 compared to 2015 primarily due to higher software and licensing expense. General and administrative expense increased by $5.1 million, or 10%, in 2016 compared to 2015 primarily due to an increase in legal and professional expenses related to the potential TIAA merger. Net inter-segment allocations increased by $1.7 million, or 2%, in 2016 compared to 2015 primarily due to an increase in risk and legal allocations partially offset by decreases in both marketing and information technology allocations.
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.

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 along with U.S. Treasury securities which receive favorable treatment when held as collateral for certain derivative positions. 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, 2016, 2015, and 2014:

Investment Securities Carrying Value			Table 17
(dollars in thousands)	2016	2015	2014
Available for sale (at fair value):			
Residential collateralized mortgage obligations (CMO) securities — nonagency	$452,418	$553,258	$774,235
U.S. Treasury securities	31,867	—	—
Asset-backed securities	1,165	1,352	1,395
Other (1)	386	409	681
Total investment securities available for sale	485,836	555,019	776,311
Held to maturity (at amortized cost):			
Residential CMO securities — agency	2,809	13,065	27,801
Residential Mortgage Backed Securities (MBS) — agency	86,648	90,681	87,283
Total investment securities held to maturity	89,457	103,746	115,084
Total investment securities	$575,293	$658,765	$891,395

(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, 2016 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:			
Less than one year			
U.S. Treasury securities	$31,879	$31,867	0.57 %
After ten years			
Asset-backed securities	1,426	1,165	2.34 %
Not due at a single maturity:			
Residential CMO securities — agency	15	16	6.00 %
Residential CMO securities — nonagency	452,035	452,418	2.83 %
Residential MBS securities — agency	133	139	3.07 %
	485,488	485,605	
Held to maturity:			
Not due at a single maturity:			
Residential CMO securities — agency	2,809	2,896	3.26 %
Residential MBS securities — agency	86,648	87,142	2.61 %
	89,457	90,038	
	$574,945	$575,643	

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, 2016, our residential nonagency portfolio consisted entirely of investments in residential nonagency CMO securities. Investments in residential nonagency CMO securities totaled $452.4 million, or 79% of our investment securities portfolio. Our residential nonagency CMO securities decreased to $452.4 million at December 31, 2016 from $553.3 million at December 31, 2015, or 18%, primarily due to reductions in amortized cost resulting from principal payments received of $182.5 million, partially offset by purchases of $78.7 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 $135.2 million, or 30%, of our residential nonagency CMO investment securities at December 31, 2016.

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, 2016, the portfolio carried a weighted average Fair Isaac Corporation (FICO), score of 735, a weighted average amortized loan-to-value ratio (LTV), of 53%, and was seasoned an average of 142 months. This portfolio includes protection against credit losses through subordination in the securities structures and borrower equity.

Residential — Agency

At December 31, 2016, our residential agency portfolio consisted of both residential agency CMO securities and residential agency MBS securities. Investments in residential agency CMO securities totaled $2.8 million. Our residential agency MBS portfolio totaled $86.8 million, or 15%, 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 $10.3 million, or 78%, to $2.8 million at December 31, 2016 from $13.1 million at December 31, 2015 primarily due to reductions to amortized cost resulting from principal payments received of $10.2 million and the amortization of premiums and discounts. Our residential agency MBS securities decreased by $4.0 million, or 4%, to $86.8 million at December 31, 2016, from $90.8 million at December 31, 2015 primarily due to principal payments received of $10.2 million partially offset by purchases of $6.4 million.

U.S. Treasury Securities

At December 31, 2016, the Company held $31.9 million in U.S. Treasury securities to serve as collateral for certain of our derivative positions. These securities were purchased during the third quarter of 2016, have a remaining maturity of less than one year and receive favorable collateral treatment compared to cash and thereby reduce the cash collateral required.

Loans Held for Sale
We typically transfer originated or acquired residential mortgage loans, commercial and commercial real estate loans and equipment financing receivables 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, we account for these transfers as sales and retain the right to service the loans. For conforming transactions and certain non-conforming transactions, we sell whole loans outright to qualified institutional buyers and typically retain the related servicing rights.
The following table presents the balance of each major category in our loans held for sale portfolio at December 31, 2016 and 2015:

Loans Held for Sale		Table 19
(dollars in thousands)	2016	2015
Mortgage warehouse (carried at fair value)	$622,182	$624,726
Other residential (carried at fair value)	649,711	683,015
Total loans held for sale carried at fair value	1,271,893	1,307,741
Other residential	130,674	22,774
Commercial and commercial real estate	40,696	178,753
Total loans held for sale carried at lower of cost or market value	171,370	201,527
Total loans held for sale	$1,443,263	$1,509,268

Mortgage Warehouse
At December 31, 2016, our mortgage warehouse loans totaled $622.2 million, or 43%, 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 in part due to 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 decreased by $2.6 million, from $624.7 million at December 31, 2015.
The following table represents the length of time the mortgage warehouse loans have been classified as held for sale at December 31, 2016 and 2015:

Mortgage Warehouse		Table 20
(dollars in thousands)	2016	2015
30 days or less	$390,080	$299,910
31- 90 days	154,886	299,996
Greater than 90 days	77,216	24,820
Total mortgage warehouse	$622,182	$624,726

Subsequent to December 31, 2016, we sold $54.9 million of the mortgage warehouse loans classified as held for sale that were held for more than 90 days. The remaining $22.3 million of warehouse loans were made up of conforming or government products.
Other Residential Loans Carried at Fair value
At December 31, 2016, our other residential loans carried at fair value totaled $649.7 million or 45% of our total loans held for sale portfolio. Other residential loans are comprised of our originated fixed-rate jumbo preferred loans that we sell to institutional investors. Due to the short duration that these loans are present on our balance sheet, we have elected fair value accounting on this portfolio of loans. Electing to use fair value 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 of hedge accounting. Other residential loans carried at fair value decreased by $33.3 million, or 5%, from $683.0 million at December 31, 2015, due to sales of loans with a recorded investment of $1.4 billion, paydowns and payoffs of $72.7 million, and transfers to held for investment of $26.2 million during the year ended December 31, 2016. This activity was offset by originations of $1.4 billion during the year ended December 31,

2016. 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, 2016 and 2015:

Other Residential Loans Carried at Fair Value		Table 21
(dollars in thousands)	2016	2015
90 days or less	$342,608	$174,262
91- 180 days	127,304	232,784
Greater than 180 days	179,799	275,969
Total other residential loans carried at fair value	$649,711	$683,015

Other Residential Loans Carried at Lower of Cost or Market Value
Our other residential loans carried at the lower of cost or market value increased by $107.9 million from $22.8 million at December 31, 2015 to $130.7 million at December 31, 2016. During the year ended December 31, 2016, we transferred $1.9 billion of government insured pool buyout loans and transferred $1.4 billion of other residential mortgages, from loans held for investment to loans held for sale. Of those government insured pool buyout loans we transferred and sold $10.7 million to GNMA in exchange for mortgage-backed securities and sold $1.9 billion to third parties through whole loan sales. Of our other residential mortgages transferred to held for sale, we sold loans of $1.2 billion to third parties through whole loan sales. We also transferred $182.6 million of residential and government insured pool buyouts from held for sale to held for investment.
Commercial and Commercial Real Estate
Our commercial and commercial real estate loans totaled $40.7 million, or 3%, of our total loans held for sale at December 31, 2016, which was a decrease of $138.1 million, or 77% from December 31, 2015. During the year ended December 31, 2016, we sold loans of $598.2 million to third parties through whole loan sales, transferred $73.3 million from loans held for sale to loans held for investment and had paydowns of $11.9 million. This activity was offset by transfers from loans held for investment to loans held for sale of $471.8 million and a $75.0 million acquisition of commercial and commercial real estate loans directly into the held for sale portfolio through a clean-up call.
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, 2016, 2015, 2014, 2013, and 2012:

Loans and Leases Held for Investment

Table 22

	2016			2015			2014			2013			2012		
(dollars in thousands)	Balance	%		Balance	%		Balance	%		Balance	%		Balance	%	
Residential mortgages:															
Residential	$6,564,126	27.9	%	$7,501,767	33.7	%	$6,324,965	35.7	%	$5,153,106	39.0	%	$3,949,284	31.5	%
Government insured pool buyouts	5,249,552	22.3	%	4,215,355	19.0	%	3,595,105	20.2	%	1,891,637	14.3	%	2,759,464	22.1	%
Commercial and commercial real estate:															
Commercial real estate and other commercial	3,756,509	15.9	%	3,954,522	17.8	%	3,527,586	19.9	%	3,276,130	24.7	%	3,442,115	27.5	%
Mortgage warehouse finance	2,592,799	11.0	%	2,372,731	10.7	%	1,356,651	7.6	%	944,219	7.1	%	969,881	7.8	%
Lender finance	1,589,554	6.7	%	1,280,423	5.8	%	762,453	4.3	%	592,621	4.5	%	359,772	2.9	%
Equipment financing receivables	2,560,105	10.9	%	2,400,909	10.8	%	2,031,570	11.4	%	1,237,941	9.3	%	836,935	6.7	%
Home equity lines	1,244,332	5.3	%	501,785	2.2	%	161,923	0.9	%	157,070	1.1	%	187,638	1.5	%

and other										
Total loans and leases, net of unearned income	23,556,977	100.0%	22,227,492	100.0%	17,760,253	100.0%	13,252,724	100.0%	12,505,089	100.0%
Allowance for loan and lease losses	(103,304)		(78,137)		(60,846)		(63,690)		(82,102)	
Total loans and leases, net	$23,453,673		$22,149,355		$17,699,407		$13,189,034		$12,422,987	
The balances presented above include:										
Net purchased loan and lease discounts	$104,558		$45,770		$47,108					