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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

Depository Shares, each representing a 1/1,000th of a share of 6.75%

New York Stock Exchange

Non-Cumulative Perpetual Preferred Stock, Series A

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 No

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 No

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 No

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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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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EverBank Financial Corp

Form 10-K

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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 or 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 Selectsm 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-subsiary savings institution, a non-subsiary holding company, or a non-subsiary 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, thereby 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		Cash
	High	Low	Dividends 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.

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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.

(in millions, except share and per share data)	Year Ended December 31,				
	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	27,838.2	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

(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. 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 (3) 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.

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 (4) 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 ROE¹ was 9.8% for the quarter and 10.1% for the full year.

Tangible common equity per common share¹ of \$14.31 at December 31, 2016, an increase of 7% year over year.

Adjusted non-performing assets to total assets¹ 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

(dollars in millions, except per share amounts)	Table 1			
	As of and for the Year Ended			
	December 31,			
	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.

Adjusted net earnings per common share, diluted is calculated using a numerator based on adjusted net income.

(2) Adjusted net earnings per common share, diluted is a non-GAAP financial measure and its most directly comparable GAAP measure is net earnings per common share, diluted. Adjusted net income

includes adjustments to our net income for certain significant items that we believe are not reflective of our ongoing business or operating performance. For a reconciliation of adjusted net income to net income, which is the most directly comparable GAAP measure, see Table 2.

(3) Return on average risk-weighted assets equals net income divided by average risk-weighted assets. Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets. For detailed information regarding regulatory capital (EverBank Financial Corp consolidated), see Table 46.

Return on average equity is calculated as net income less dividends declared on the Series A 6.75% (4) 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).

Adjusted return on average equity is calculated as adjusted net income less dividends declared on the Series A (5) 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.

The efficiency ratio represents noninterest expense as a percentage of total revenue. Total revenue is defined as net (6) 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.

The adjusted efficiency ratio represents adjusted noninterest expense as a percentage of adjusted total revenue (7) 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.

We define non-performing assets (NPA), as non-accrual loans, accruing loans past due 90 days or more and (8) 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".

Calculated as tangible common shareholders' equity divided by shares of common stock outstanding. Tangible (9) 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		
(dollars in thousands, except per share amounts)	Year Ended December 31,		
Net income	2016	2015	2014
	\$144,931	\$130,526	\$148,082

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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

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

Adjusted Efficiency Ratio	Table 3			
	Year Ended December 31,			
(dollars in thousands)	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

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⁾Table
5

(dollars in thousands)	Year Ended December 31,								
	2016			2015			2014		
	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 %

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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	\$19,067,304	\$158,713	0.83 %	\$16,520,464	\$127,399	0.77 %	\$13,995,578	\$101,912	0.73 %

(1)

The average balances are principally daily averages, and for loans, include both performing and non-performing balances.

- (2) Interest income on loans includes the effects of discount accretion and net deferred loan origination cost amortization accounted for as yield adjustments.
- (3) All interest income was fully taxable for all periods presented.

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

Analysis of Change in Net Interest Income

Table 6

(dollars in thousands)	Year Ended December 31, 2016 Compared to 2015			2015 Compared to 2014		
	Increase (Decrease) Due to Volume	Rate	Total	Increase (Decrease) Due to 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

The effect of changes in volume is determined by multiplying the change in volume by the previous period's (1) 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 reperfomed. 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.

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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	Year Ended December 31, 2016			Total	Table 7
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans		
(dollars in thousands)					
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)					
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)					
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

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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 LHF1 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	Table		
Effective Tax Rates	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 (dollars in thousands)	Table 11		
	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 (dollars in thousands)	Table 12A			
	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 (dollars in thousands)	Table 12B			
	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

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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	

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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

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

(dollars in thousands)	Year Ended December 31,		
	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

(dollars in thousands)	Year Ended December 31,			
	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

(dollars in thousands)	Table 15		
	Year Ended December 31,		
	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 (dollars in thousands)	2016	2015	Table 17 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			
(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 (dollars in thousands)	Table 19	
	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 (dollars in thousands)	Table 20	
	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 (dollars in thousands)	Table 21	
	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	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
(dollars in thousands)										
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	2,560,105	10.9 %	2,400,909	10.8 %	2,031,570	11.4 %	1,237,941	9.3 %	836,935	6.7 %
receivables										
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		\$102,416		\$164,132	
Net deferred loan and lease origination costs	\$123,484		\$123,255		\$94,778		\$54,107		\$25,275	

The following table shows the contractual maturities, including scheduled principal repayments, of our commercial and commercial real estate portfolio and the distribution between fixed and adjustable interest rate loans at December 31, 2016:

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

(dollars in thousands)	Due in One Year or Less	Due After One to Five Years ⁽²⁾	Due After Five Years ⁽²⁾	Total
Commercial and commercial real estate ⁽³⁾	\$3,067,434	\$2,252,582	\$2,618,846	\$7,938,862

(1) Based on contractual maturities.

(2) As of December 31, 2016, loans maturing after one year consisted of \$2.4 billion in variable rate loans and \$2.4 billion in fixed rate loans.

(3) Calculated net recorded investment does not include \$47.9 million in ALLL.

Residential Mortgage Loans

At December 31, 2016, our residential mortgage loans totaled \$6.6 billion, or 28%, of our total loans and leases held for investment portfolio. We primarily offer our customers residential closed-end mortgage loans typically secured by first liens on one-to-four family residential properties.

Residential mortgage loans decreased by \$0.9 billion, or 12%, from \$7.5 billion at December 31, 2015. This decrease was primarily due to net transfers from loans held for investment (LHFI) to loans held for sale (LHFS) of \$1.3 billion net recorded investment (NRI) as well as paydowns and payoffs of existing loans, partially offset by retained originations of \$1.9 billion during the year ended December 31, 2016.

Government Insured Pool Buyouts

At December 31, 2016, our government insured pool buyout loan portfolio totaled \$5.2 billion, or 22%, of our total loans and leases held for investment portfolio. Government insured pool buyouts increased by \$1.0 billion, or 25%, from \$4.2 billion at December 31, 2015. The increase was primarily the result of mortgage pool buyout purchases with a UPB of \$4.7 billion partially offset by net transfers from LHFI to LHFS of \$1.9 billion NRI, \$1.4 billion of delinquent loans reaching foreclosure as well as paydowns and payoffs of existing loans.

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

We also acquire mortgage pool buyouts through third-party acquisitions. At December 31, 2016, most of the mortgage pool buyout purchases noted above related to acquisitions from third-parties with those parties retaining the related servicing rights. For these acquired loans, we initially record the assets at the acquisition price which includes attribution of the purchase price to accrued interest, UPB and discount or premium. Given that these assets have experienced credit deterioration since origination and we don't expect to receive all contractual principal and interest payments, we have determined that they are ACI loans. After the loans have been individually identified as ACI loans, we pool these loans based on common risk characteristics. As a result of this distinction, interest income is recorded based on the accretion rate which is the implied effective interest rate based on the expected cash flows of the pool and the net recorded investment in the pool. Included in the estimated cash flows are the timing of foreclosure and the timing and proceeds from sales of these loans. Any increase in expected and/or excess of cash flows received is taken as an adjustment to the purchase discount associated with the pool, assuming there has not been a previous impairment, and is recognized through an adjustment to the prospective yield. This type of structure impacts net interest income while having an immaterial impact to gain on sale revenue, and such deferral of prospective yield through the balance sheet may result in growth in the deferred purchase discount due to changes in expected cash flows. Noninterest expense does not include the fixed and variable costs of the day to day servicing of these defaulted assets. A minority of our servicing contracts include language which requires us to bear the risk of loss associated with advances that are not eligible for reimbursement by the FHA.

Before we contract with a third party to service a portion of our government insured pool buyout portfolio, we perform due diligence to ensure the servicer is (1) an approved servicer of mortgage loans for the various GSEs and other government agencies, (2) properly licensed and qualified to do business and is in good standing in each jurisdiction in which such licensing and qualification is necessary, (3) an approved servicer for any nationally recognized insurer providing mortgage insurance on the loans being serviced, and (4) qualified to act as servicer, and we confirm that no event has occurred which would make the third party unable to comply with all such eligibility requirements or would require notification to the GSEs or other government agencies. At December 31, 2016, substantially all of our government insured pool buyout portfolio was serviced by third parties.

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

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

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

Under these government programs, servicing operations must comply with the government agencies' servicing requirements in order to avoid interest curtailments (principal is not at risk). As a result, operational capacity poses a risk to the potential claim payment through missed servicing milestones.

Mortgage Warehouse Finance

At December 31, 2016, our mortgage warehouse finance portfolio totaled \$2.6 billion, or 11%, of our total held for investment loan and lease portfolio. Our mortgage warehouse finance business provides short-term revolving facilities, primarily collateralized by agency and government insured residential loans, to mid-sized, high-quality mortgage banking companies across the country.

Mortgage warehouse finance increased by \$0.2 billion, or 9%, from \$2.4 billion at December 31, 2015. This change was primarily due to increased utilization by existing customers of \$0.1 billion, as well as origination activity of \$0.1 billion. Due to both the short-term, revolving nature of these lines, which generally turn over at least every 90 days, and our customers' focus on residential financing, fluctuations in utilization rates noted between periods are generally driven by strengthening or weakening in residential mortgage demand as well as our sales and marketing efforts.

Lender Finance

At December 31, 2016, our lender finance portfolio totaled \$1.6 billion, or 7%, of our total held for investment loan and lease portfolio. Our lender finance business provides revolving lines of credit and term loans secured by equipment and receivables primarily to specialty finance companies on a national basis. These specialty finance companies are distributed among multiple sectors including healthcare, air, rail, container, middle market lender, equipment leasing and specialty lending sectors.

Lender finance increased by \$0.3 billion, or 24%, from \$1.3 billion at December 31, 2015. This increase was primarily due to acquisitions of \$0.3 billion and origination activity of \$0.3 billion on commercial credit facilities, partially offset by decreased utilization by existing customers of \$0.2 billion. Due to both the short-term, revolving nature of these lines and the diversified operations of our customers within multiple sectors, fluctuations in utilization rates noted between periods are generally driven by changes in the need for specialty financing as impacted by overall economic developments within the U.S. economy as well as our sales and marketing efforts.

Other Commercial and Commercial Real Estate

At December 31, 2016, our other commercial and commercial real estate portfolio totaled \$3.8 billion, or 16%, of our total held for investment loan and lease portfolio. Other commercial and commercial real estate business consists of asset-based lending, owner-occupied and non-owner occupied commercial real estate, and commercial and industrial loans.

Other commercial and commercial real estate decreased by \$0.2 billion, or 5.0%, from \$4.0 billion at December 31, 2015. This change was primarily due to net transfers from LHFI to LHFS of \$0.4 billion NRI and paydowns and payoffs, partially offset by originations of \$0.8 billion and acquisitions of \$0.1 billion.

Equipment Financing Receivables

Equipment financing receivables increased by \$0.2 billion, or 7%, to \$2.6 billion, or 11%, of our total loan and lease held for investment portfolio at December 31, 2016, from \$2.4 billion at December 31, 2015. The increase was the result of originations of \$1.3 billion and earned income of \$0.1 billion, partially offset by paydowns on existing loan and lease receivables of \$1.0 billion and transfers to held for sale of \$0.2 billion. Our equipment finance portfolio generally consists of short-term and medium-term leases and loans secured by essential use office product, healthcare, industrial, trucking, and information technology equipment to small and mid-size lessees and borrowers.

Home Equity Lines and Other Consumer Loans

At December 31, 2016, our home equity lines and other consumer loans totaled \$1.2 billion, or 5%, of our total held for investment loan and lease portfolio, an increase of \$0.7 billion, or 148.0%, from \$0.5 billion at December 31, 2015. This increase was primarily the result of originations of \$0.7 billion and acquisitions of \$0.3 billion, partially offset by paydowns on our existing lines of credit. Our other consumer loans include direct personal loans, credit card loans and lines of credit, automobile and other loans to our clients which are generally secured by personal property. Lines of credit are generally floating rate loans that are unsecured or secured by personal property.

Mortgage Servicing Rights

The following table presents the change in our MSR portfolio for the years ended December 31, 2016, 2015, and 2014:

Change in Mortgage Servicing Rights (dollars in thousands)	Table 24		
	2016	2015	2014
Balance, beginning of period	\$335,280	\$435,619	\$506,680
Originated servicing rights capitalized upon sale of loans	69,988	57,212	57,877
Sale of servicing rights	(1,020)	(54,227)	(55,547)
Amortization	(68,586)	(71,150)	(79,234)
Decrease (increase) in valuation allowance	(61,392)	(31,986)	8,012
Other	(329)	(188)	(2,169)
Balance, end of period	\$273,941	\$335,280	\$435,619
Valuation allowance:			
Balance, beginning of period	\$11,778	\$—	\$8,012
Increase in valuation allowance	82,584	48,147	—
Recoveries	(21,192)	(16,161)	(8,012)
Write-off of valuation allowance	—	(20,208)	—
Balance, end of period	\$73,170	\$11,778	\$—

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

Additions of originated servicing rights increased by \$12.8 million, or 22%, in the year ended December 31, 2016 compared to the same period in 2015 primarily due to an increase of \$770.1 million, or 14%, in residential mortgage loans sold with servicing retained coupled with a decrease in the weighted average prepayment rate and discount rate, which was partially offset by an increase in the weighted average life on newly originated MSR for the year ended December 31, 2016 compared to originated MSR for the year ended December 31, 2015.

Sale of servicing rights decreased by \$53.2 million or 98% during the year ended December 31, 2016 compared to the same period in 2015 due to the sales of \$174.4 million in UPB of residential servicing rights totaling \$1.0 million of

MSR during the year ended December 31, 2016 compared to the sales of \$8.2 billion in UPB of GNMA, FHLMC, and FNMA servicing rights totaling \$54.2 million of MSR in 2015.

Amortization expense decreased by \$2.6 million, or 4%, during the year ended December 31, 2016 compared to the same period in 2015 due in part to the reduction in UPB of our servicing portfolio through paydowns. Despite the sale of \$8.2 billion of UPB of servicing rights in 2015, amortization expense remained high throughout the year ended December 31, 2016, due in part to the decreases in BMR experienced during the majority of the year. These decreases in BMR led to a shortening in the weighted average life of the MSR, which increased amortization expense.

During the year ended December 31, 2016 we recorded net impairment of \$61.4 million, primarily due to declining interest rates resulting in higher expected prepayments. The BMR decreased by 56 basis from 3.90% at December 31, 2015 to 3.34% at September 30, 2016 leading to an increase in the valuation allowance of \$82.6 million during this period. The BMR increased 72 basis points to 4.06% at December 31, 2016. As a result of the sharp increase in interest rates, estimated prepayment speeds decreased and we recorded a recovery of our valuation allowance of \$21.2 million during the three months ended December 31, 2016. While the absolute value of BMR went up year over year, market estimated prepayment speeds remained elevated due to volatile interest rates on mortgages. The estimated weighted average prepayment speeds were 13.90% and 11.34% at December 31, 2016 and 2015, respectively. As of December 31, 2015, we had a valuation allowance of \$11.8 million. During the year ended December 31, 2015 we recorded net impairment of \$32.0 million. As a result of the MSR sales

in 2015, we determined that \$20.2 million of the basis of our MSR was permanently impaired and wrote off the \$20.2 million through our valuation allowance upon sale.

Other Assets

The following table sets forth other assets by category as of December 31, 2016 and 2015:

Other Assets (dollars in thousands)	2016	Table 25 2015
Foreclosure claims receivable, net of allowance of \$14,722 and \$11,187, respectively	\$527,848	\$530,624
Accrued interest receivable	156,937	153,156
Servicing advances, net of allowance of \$5,554 and \$10,280, respectively	53,428	53,709
Fair value of derivatives, net	52,605	10,061
Goodwill	46,859	46,859
Equipment under operating leases, net	38,265	43,250
Other real estate owned, net of allowance of \$2,727 and \$5,316, respectively	25,515	17,253
Margin receivable, net	20,361	40,811
Corporate advances, net of allowance of \$385 and \$556, respectively	17,963	28,300
Prepaid assets	13,839	12,802
Income taxes receivable, net	2,827	69,485
Intangible assets, net	996	1,772
Other	46,423	40,795
	\$1,003,866	\$1,048,877

Other assets decreased \$45.0 million, or 4%, to \$1.0 billion at December 31, 2016 from \$1.0 billion at December 31, 2015. The decrease was driven primarily by decreases in income tax receivable, margin receivable, corporate advances, equipment under operating leases and foreclosure claims receivable which were partially offset by increases in fair value of derivatives, other real estate owned and accrued interest receivable.

Foreclosure claims receivable decreased by \$2.8 million, or 1%, from December 31, 2015 to December 31, 2016. The decrease was primarily due to claim funds received partially offset by continued purchases of government insured residential mortgage loans where the loans are in various stages of foreclosure. We acquired government insured mortgages in various stages of delinquency with an approximate UPB of \$4.7 billion and \$3.1 billion in December 31, 2016 and December 31, 2015, respectively.

Accrued interest receivable increased by \$3.8 million, or 2%, from December 31, 2015 to December 31, 2016. The increase was primarily due to an increase in the period end balance of our government insured pool buyouts from \$4.2 billion at December 31, 2015 to \$5.2 billion at December 31, 2016 as our government insured pool buyout purchases are accounted for under ASC 310-30 and remain on accrual irrespective of delinquency due to the related government guarantee and our ability to estimate expected cash flows.

The fair value of our derivatives increased by \$42.5 million from December 31, 2015 to December 31, 2016. The increase was primarily due to derivatives associated with the purchase of loans and the associated indemnification assets and interest rate lock commitments. For further information on this increase see the schedule of derivative fair values at Note 22.

Equipment under operating leases decreased by \$5.0 million, or 12%, from December 31, 2015 to December 31, 2016. The decrease was primarily due to an overall decline in operating leases during 2016.

Other real estate owned increased by \$8.3 million, or 48%, from December 31, 2015 to December 31, 2016. The increase was due to \$28.9 million in additional OREO acquired which was offset by the sale of OREO of \$19.6 million and a \$1.0 million increase in the reserve.

Net margin receivable decreased by \$20.5 million, or 50%, from December 31, 2015 to December 31, 2016. Our margin receivable is utilized in offsetting derivative liability positions in the balance sheet. The decrease in margin receivable was primarily the result of the decision to pledge \$31.8 million in U.S. Treasury Securities to serve as collateral for certain of our derivative liability positions thereby reducing the cash collateral required. This reduction was partially offset by our posting additional margin receivable for several positions that experienced a decline in the fair values of the related derivative instruments resulting in a greater liability position on the balance sheet before

netting. See Note 22 in our consolidated financial statements for more information related to our netting and cash collateral adjustments.

Corporate advances decreased by \$10.3 million, or 37%, from December 31, 2015 to December 31, 2016. The decrease was primarily due to the receipt of funds of \$7.3 million for servicing that is in run-off mode as well as the receipt of advances in early 2016 from the sale of MSR and related advances to Nationstar during 2015.

Income taxes receivable decreased by \$66.5 million, or 96%, from December 31, 2015 to December 31, 2016. The decrease was primarily caused by our receipt of a \$40.0 million federal income tax refund, and the booking of current tax expense of \$109.3 million. This decrease was partially offset by \$82.6 million of federal and state tax payments.

Deferred Tax Liability

Net deferred tax liability decreased by \$25.1 million, from \$86.4 million at December 31, 2015, to \$61.3 million at December 31, 2016. The decrease was primarily driven by a decrease in equipment lease originations, tax mark-to-market adjustments and the tax effect of other comprehensive income adjustments.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive loss decreased by \$12.5 million to a loss of \$51.5 million at December 31, 2016, from a loss of \$64.0 million at December 31, 2015, primarily due to the reclassifications of unrealized losses during the period into income on interest rate swaps and debt securities as well as changes in fair value related to our debt securities which was partially offset by the change in fair value related to our interest rate swaps.

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

Loan and Lease Quality

We use a comprehensive methodology to monitor credit quality and prudently manage credit concentration within our portfolio of loans and leases. Our underwriting policies and practices govern the risk profile, credit and geographic concentration for our loan and lease portfolios. We also have a comprehensive methodology to monitor these credit quality standards, including a risk classification system that identifies potential problem loans based on risk characteristics by loan type as well as the early identification of deterioration at the individual loan level. In addition to our ALLL, we have additional protections against potential credit losses, including credit indemnification agreements, purchase discounts on acquired loans and leases and other credit-related reserves, such as those on unfunded commitments.

Discounts on Acquired Credit-Impaired Receivables

For acquired credit-impaired, or ACI, loans accounted for under ASC 310-30, we periodically reassess cash flow expectations at a pool or loan level. In the case of improving cash flow expectations for a particular loan or pool of loans, we reclassify an amount of non-accretable difference as accretable yield, thus increasing the prospective yield of the pool. In the case of deteriorating cash flow expectations, we record a provision for loan losses following the allowance for loan loss framework. For more information on ACI loans accounted for under ASC 310-30, see Note 6 in our consolidated financial statements.

The following table presents a bridge from UPB, or contractual net investment, to carrying value for ACI loans accounted for under ASC 310-30 at December 31, 2016 and 2015:

Carrying Value of ACI Loans

(dollars in thousands)	Table 26		
	Residential	Commercial and Commercial Real Estate	Total
Under ASC 310-30			
2016			
UPB or contractual net investment	\$4,590,807	\$56,746	\$4,647,553
Plus: contractual interest due or unearned income	3,216,264	17,375	3,233,639
Contractual cash flows due	7,807,071	74,121	7,881,192
Less: nonaccretable difference	2,967,701	872	2,968,573
Less: Allowance for loan losses	8,769	35	8,804
Expected cash flows	4,830,601	73,214	4,903,815
Less: accretable yield	340,148	21,193	361,341
Carrying value	\$4,490,453	\$52,021	\$4,542,474
Carrying value as a percentage of UPB or contractual net investment	98	% 92	% 98
2015			
UPB or contractual net investment	\$3,503,138	\$117,051	\$3,620,189
Plus: contractual interest due or unearned income	2,601,232	43,694	2,644,926
Contractual cash flows due	6,104,370	160,745	6,265,115
Less: nonaccretable difference	2,395,113	5,725	2,400,838
Less: Allowance for loan losses	7,031	346	7,377

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Expected cash flows	3,702,226	154,674	3,856,900
Less: accretable yield	252,841	43,690	296,531
Carrying value	\$3,449,385	\$ 110,984	\$3,560,369
Carrying value as a percentage of UPB or contractual net investment	98	% 95	% 98 %

In our residential ACI portfolio, additional impairment of \$1.7 million was recorded as a valuation allowance for the year ended December 31, 2016. Within this portfolio, we also reclassified \$2.2 million from accretable yield due to a reduction in undiscounted expected cash flows of our government insured pool buyout portfolio. This reduction was primarily a result of changes in our expectation of loan modifications and liquidation timing as a result of a changing interest rate environment. The revisions to the expected cash flows were a result of continued monitoring and analytics available to us given the increases in portfolio balances and historical activity related to these assets. This change in assumptions drove a reduction in the expected cash flows but, as a result of the decreased duration, the weighted average yield on the portfolio increased.

In our commercial and commercial real estate ACI portfolio, a reduction in the impairment reserve of \$0.3 million was recorded for the year ended December 31, 2016 on one of our loan pools due to improving expected cash flows. Within this portfolio, we also reclassified \$12.2

million from accretable yield due to a reduction in undiscounted expected cash flows. This reduction was primarily the result of unscheduled principal paydowns and payoffs, which drove a reduction in the expected cash flows.

Problem Loans and Leases

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

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

Real estate we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until sold, and is carried at the balance of the loan at the time of foreclosure or at estimated fair value less estimated costs to sell, whichever is less. For purposes of disclosure in the table below, we exclude OREO acquired as a result of foreclosing on loans originated under the Federal Housing Administration insured home equity conversion mortgage program as we expect to fully collect the value of the OREO.

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

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

Non-Performing Assets ⁽¹⁾	December 31,					Table 27
	(dollars in thousands)	2016	2015	2014	2013	2012
Non-accrual loans and leases:						
Consumer Banking:						
Residential mortgages	\$32,405	\$32,218	\$24,576	\$59,526	\$73,752	
Home equity lines and other	7,083	3,339	2,401	3,288	4,578	
Commercial Banking:						
Commercial and commercial real estate	102,255	71,913	41,140	18,569	76,289	
Equipment financing receivables	41,141	17,407	8,866	4,527	2,010	
Total non-accrual loans and leases	182,884	124,877	76,983	85,910	156,629	
Accruing loans 90 days or more past due	—	—	—	—	—	
Total non-performing loans (NPL)	182,884	124,877	76,983	85,910	156,629	
Other real estate owned	11,390	17,253	22,509	29,034	40,492	
Total NPA	194,274	142,130	99,492	114,944	197,121	
TDR less than 90 days past due	14,118	16,425	13,634	76,913	90,094	
Total NPA and TDR ⁽¹⁾	\$208,392	\$158,555	\$113,126	\$191,857	\$287,215	
Total NPA and TDR	\$208,392	\$158,555	\$113,126	\$191,857	\$287,215	
Government insured 90 days or more past due still accruing	3,725,159	3,199,978	2,646,415	1,039,541	1,729,877	
Loans and leases accounted for under ASC 310-30:						
90 days or more past due	3,437	5,148	8,448	10,083	79,984	
OREO	—	—	—	—	16,528	
Total regulatory NPA and TDR	\$3,936,988	\$3,363,681	\$2,767,989	\$1,241,481	\$2,113,604	
Adjusted credit quality ratios: ⁽¹⁾						
NPL to total loans	0.73	% 0.53	% 0.41	% 0.61	% 1.08	%
NPA to total assets	0.70	% 0.53	% 0.46	% 0.65	% 1.08	%
NPA and TDR to total assets	0.75	% 0.60	% 0.52	% 1.09	% 1.57	%
Credit quality ratios including government insured loans and loans and leases accounted for under ASC 310-30:						
NPL to total loans	15.71	% 14.08	% 14.63	% 8.12	% 13.55	%
NPA to total assets	14.09	% 12.58	% 12.74	% 6.60	% 11.09	%
NPA and TDR to total assets	14.14	% 12.64	% 12.80	% 7.04	% 11.59	%

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

Total NPA and TDR increased by \$49.8 million, or 31%, to \$208.4 million at December 31, 2016, from \$158.6 million at December 31, 2015. This increase was comprised of a \$58.0 million increase in nonaccrual loans and leases, offset by a decrease in real estate owned of \$5.9 million and a \$2.3 million decrease in TDRs less than 90 days past due. The increase in nonaccrual loans was primarily attributable to an increase of \$30.3 million, or 42%, in commercial and commercial real estate nonaccrual loans and an increase of \$23.7 million, or 136%, in equipment financing receivables nonaccrual loan and leases. The increase in nonaccrual commercial and commercial real estate loans was primarily the result of the downgrade to substandard and impairment of two commercial relationships with

a post-impairment balance at December 31, 2016 of \$33.9 million. These loans were downgraded to substandard due to concerns regarding the borrower's ability to continue to service the debt due to potential vacancies on our borrower's properties going forward. The increase in nonaccrual equipment financing receivables was the result of net additions to the nonaccrual population during the year ended December 31, 2016 of \$25.6 million. Of those additions during 2016, \$4.6 million are still greater than 90 days past due as of December 31, 2016.

Total regulatory NPA and TDRs increased by \$0.6 billion, or 17%, to \$3.9 billion at December 31, 2016 compared to \$3.4 billion at December 31, 2015. The increase in total regulatory NPA and TDR was primarily driven by an increase of \$0.5 billion, or 16%, in government insured loans 90 days or more past due and still accruing which is reflective of the increase in our overall government insured pool buyouts in the loans held for investment portfolio.

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

asset classified as loss is considered uncollectible and of such little value that continuance as an asset is not warranted. Commercial loans with adverse classifications are reviewed by the commercial credit committee of our executive credit committee monthly.

In addition to the problem loans described above, as of December 31, 2016, we had special mention loans and leases totaling \$61.5 million, or less than 1%, of the total loan portfolio, which are not included in either the non-accrual or 90 days past due loan and lease categories. Special mention loans exhibit potential credit weaknesses or downward trends that may result in future rating downgrades, but no loss of principal or interest is expected at this time. Special mention loans and leases increased by \$22.7 million, or 59%, to \$61.5 million at December 31, 2016, from \$38.8 million at December 31, 2015. This increase in special mention loans and leases was primarily comprised of a \$21.4 million increase in special mention equipment financing receivables.

During the year ended December 31, 2016, \$10.2 million of interest income would have been recognized in accordance with contractual terms had nonaccrual loans and TDRs, excluding ACI loans, been current throughout the entire period. For these loans, \$8.0 million was included in net interest income for December 31, 2016.

Analysis for the Allowance for Loan and Lease Losses

The following table provides an analysis of the ALLL, provision for loan and lease losses and net charge-offs for the years ended December 31, 2016, 2015, 2014, 2013, and 2012:

Allowance for Loan and Lease Losses Activity	Table 28				
	Year Ended December 31,				
(dollars in thousands)	2016	2015	2014	2013	2012
ALLL, beginning of period	\$78,137	\$60,846	\$63,690	\$82,102	\$77,765
Charge-offs:					
Consumer Banking:					
Residential mortgages	8,710	9,143	8,366	15,575	19,226
Home equity lines and other	1,735	1,578	1,124	1,885	3,458
Commercial Banking:					
Commercial and commercial real estate	4,033	2,424	6,913	12,917	8,597
Equipment financing receivables	13,510	11,528	5,797	3,651	3,671
Total charge-offs	27,988	24,673	22,200	34,028	34,952
Recoveries:					
Consumer Banking:					
Residential mortgages	717	708	1,096	1,696	650
Home equity lines and other	295	338	552	589	309
Commercial Banking:					
Commercial and commercial real estate	214	440	9	4,786	6,056
Equipment financing receivables	2,961	2,291	888	604	275
Total recoveries	4,187	3,777	2,545	7,675	7,290
Net charge-offs	23,801	20,896	19,655	26,353	27,662
Provision for loan and lease losses	48,968	38,187	24,533	12,038	31,999
Transfers to loans held for sale	—	—	(7,722)	(4,097)	—
ALLL, end of period	\$103,304	\$78,137	\$60,846	\$63,690	\$82,102
Net charge-offs to average loans and leases held for investment	0.10	% 0.11	% 0.13	% 0.21	% 0.31

Net charge-offs for the year ended December 31, 2016 totaled \$23.8 million, up \$2.9 million, or 14%, over the year ended December 31, 2015. The increase in net charge-offs was primarily a result of an increase in net charge-offs associated with our commercial and commercial real estate loans and equipment financing receivables. Despite the noted increase in net charge-offs, we continue to experience a declining ratio of net charge-offs to average loans and leases held for investment as this ratio declined 9% during the year ended December 31, 2016 resulting in an overall ratio of 0.10% at December 31, 2016. This decline was consistent with the trend that has been noted in each of the

years presented above as our nationwide model and centralized credit decisioning and underwriting process allows us to tightly control loan originations and acquisitions in order to allow for greater geographic or industry diversification compared to banks with a more regional focus.

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

Allowance for Loan and Lease Losses	Table 29									
	December 31,		2015		2014		2013		2012	
	2016		Amount	%	Amount	%	Amount	%	Amount	%
(dollars in thousands)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Residential mortgages	\$28,764	27.8%	\$26,951	34.5%	\$25,098	41.2%	\$26,497	41.6%	\$33,631	41.0%
Commercial and commercial real estate	47,941	46.4%	34,875	44.6%	23,095	38.0%	29,987	47.1%	39,863	48.5%
Equipment financing receivables	19,895	19.3%	12,187	15.6%	8,649	14.2%	4,273	6.7%	3,181	3.9%
Home equity lines and other	6,704	6.5%	4,124	5.3%	4,004	6.6%	2,933	4.6%	5,427	6.6%
Total allowance	\$103,304	100%	\$78,137	100%	\$60,846	100%	\$63,690	100%	\$82,102	100%

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

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

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

Individual loans and leases considered to be uncollectible are charged off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan or lease type, length of delinquency, insufficient collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information, such as Broker Price Opinions. Updated financial information on commercial and commercial real estate loans is also obtained from the borrower at least annually, or more frequently if the loan becomes delinquent. Charge-offs are generally taken on loans once the impairment is determined to be other-than-temporary. Recoveries on loans previously charged off are added to the allowance. Net charge-offs to average loans held for investment for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 were 0.10%, 0.11%, 0.13%, 0.21% and 0.31%, respectively.

The ALLL totaled \$103.3 million at December 31, 2016, an increase of \$25.2 million, or 32%, from December 31, 2015 primarily due to additional ALLL recorded on the commercial and commercial real estate and equipment finance receivable portfolios. This additional ALLL was the result of growth in the impaired and nonaccrual balances, slightly weakening credit quality as well as overall growth in these portfolios. The ALLL totaled \$78.1 million at December 31, 2015, an increase of \$17.3 million, or 28%, from December 31, 2014 primarily due to additional ALLL recorded on the commercial and commercial real estate and equipment finance receivable portfolios. The ALLL totaled \$60.8 million at December 31, 2014, a decrease of \$2.8 million from December 31, 2013 primarily due to the improved credit quality associated with the commercial and commercial real estate portfolios as well as the residential mortgage portfolio. The ALLL totaled \$63.7 million at December 31, 2013, a decrease of \$18.4 million from December 31, 2012 primarily due to improved credit quality associated with the commercial and commercial real estate portfolios as well as the home equity lines and residential mortgage portfolio.

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

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

Analysis for Loan and
Lease Losses

Table 30

(dollars in thousands)	December 31, 2016			December 31, 2015			
	Excluding ACI Loans	ACI Loans	Total	Excluding ACI Loans	ACI Loans	Total	
Residential mortgages	\$19,995	\$8,769	\$28,764	\$19,920	\$7,031	\$26,951	
Commercial and commercial real estate	47,906	35	47,941	34,529	346	34,875	
Equipment financing receivables	19,895	—	19,895	12,187	—	12,187	
Home equity lines and other	6,704	—	6,704	4,124	—	4,124	
Total ALLL	\$94,500	\$8,804	\$103,304	\$70,760	\$7,377	\$78,137	
ALLL as a percentage of loans and leases held for investment	0.50	% 0.19	% 0.44	% 0.38	% 0.21	% 0.35	%
Residential mortgages	\$7,314,456	\$4,499,222	\$11,813,678	\$8,260,706	\$3,456,416	\$11,717,122	
Commercial and commercial real estate	7,886,806	52,056	7,938,862	7,496,346	111,330	7,607,676	
Equipment financing receivables	2,560,105	—	2,560,105	2,400,909	—	2,400,909	
Home equity lines and other	1,244,332	—	1,244,332	501,785	—	501,785	
Total loans and leases held for investment	\$19,005,699	\$4,551,278	\$23,556,977	\$18,659,746	\$3,567,746	\$22,227,492	

The recorded investment in loans and leases held for investment, excluding ACI loans, increased by \$0.3 billion, or 2%, to \$19.0 billion at December 31, 2016 from \$18.7 billion at December 31, 2015. The growth was primarily attributable to new originations and strategic acquisitions within our commercial and commercial real estate and home equity lines portfolios, which were partially offset by transfers of loans held for investment to loans held for sale.

Residential

The recorded investment in residential mortgages, excluding ACI loans, decreased by \$0.9 billion, or 11%, to \$7.3 billion at December 31, 2016, from \$8.3 billion at December 31, 2015. The ALLL for residential mortgages, excluding ACI loans, increased by \$0.1 million, or less than 1%, to \$20.0 million at December 31, 2016, from \$19.9 million at December 31, 2015. Charge-off activity for residential mortgages decreased 5% to \$8.7 million for the year ended December 31, 2016. Loan performance and historical loss rates are analyzed using the prior 12 months delinquency rates and actual charge-offs.

The ALLL for our residential ACI portfolio increased by \$1.7 million, or 25%, to \$8.8 million at December 31, 2016, from \$7.0 million at December 31, 2015. This increase was the result of changes in our expectation of loan modifications and liquidation timing resulting in a reduction in the expected cash flows for our residential ACI pools. ACI loans are recorded at fair value on the date of acquisition and accrue income over the life of the loan based on an estimate of expected cash flows to be received subsequent to acquisition. Under the accounting guidance, expected losses are a component of the expected cash flow analysis performed with no allowance necessary at the time of acquisition. An allowance is recorded when the present value of future expected cash flows discounted at the effective interest rate of the pool decreases after the acquisition date such that the book value of the pool is considered impaired. Non-ACI loans are also recorded at fair value on the date of acquisition and only credit losses subsequent to acquisition are included in the allowance for loan losses. As such, these loans carry an allowance that is smaller than what the inherent credit losses are at the acquisition date. Although we structure all of our loan sales as non-recourse,

the underlying sales agreements require us to make certain market standard representations and warranties at the time of sale, which may require under certain circumstances for us to repurchase a loan that does not meet these representations and warranties. Repurchased loans are acquired at fair value and when delinquent, are recorded at collateral value, less cost to sell, with no associated allowance. As such, these loans carry an allowance that is smaller than what the inherent credit losses are at the acquisition date.

The table below presents our residential mortgage portfolio, excluding government insured loans, by origination/vintage year and by product type. The table further segregates our portfolio between loans that were originated by EB and those that were acquired. The differentiation between acquired loans and originated loans is due to the difference in the accounting guidance applicable to each of these pools of loans when it comes to the recording of our allowance for loan and lease losses as noted above.

Residential Loans Held for Investment Analysis		Table 31	
December 31, 2016	Origination Year		Total
(dollars in thousands)	Prior - 2009	2010 - Present	
Originated residential loans:			
Jumbo 7/1	\$28,324	\$2,412,760	\$2,441,084
Jumbo 10/1	25,648	1,331,836	1,357,484
Jumbo 5/1	94,943	1,160,822	1,255,765
Jumbo fixed	1,663	33,225	34,888
Other originated	173,582	550,378	723,960
Total originated residential loans	324,160	5,489,021	5,813,181
Acquired or repurchased residential loans:			
Loan repurchases	34,439	47,253	81,692
Other acquired:			
ASC 310-20 (non-ACI loan acquisitions)	478,520	158,077	636,597
ASC 310-30 (ACI loan acquisitions)	32,512	144	32,656
Total acquired or repurchased residential loans	545,471	205,474	750,945
Total residential mortgage loans	\$869,631	\$5,694,495	\$6,564,126

Due to recent economic conditions, our capacity for balance sheet growth and the historical credit quality of our originated jumbo loans, we have retained a significant portion of the preferred jumbo ARM products that we have originated since 2010. Our sales team targets borrowers with high FICO scores and our underwriting standards require low LTV ratios. The result of these underwriting practices is a portfolio with high credit quality and LTV ratios that provide greater collateral coverage for potential losses. As of December 31, 2016, the \$5.5 billion in residential loans originated on or after January 1, 2010 and retained in loans held for investment had a weighted average original LTV of 67% and a weighted average original FICO score of 763. Of those originated residential loans, \$4.8 million were greater than 30 days past due and \$3.8 million were on non-accrual status at December 31, 2016.

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

Government Insured Pool Buyouts		Table 32		
Loans Held for Investment Analysis		Delinquency Status		
December 31, 2016	Current	30 - 89 Days Past Due	90 Days or Greater Past Due	Total
(dollars in thousands)				
FHA insured	\$796,391	\$546,342	\$3,442,602	\$4,785,335
VA/other government insured	127,358	54,302	282,557	464,217
Total government insured	\$923,749	\$600,644	\$3,725,159	\$5,249,552

Government insured pool buyouts consist of loans that are insured or guaranteed by one of several federal government agencies, including the Federal Housing Administration, Department of Veterans' Affairs or the Department of Agriculture's Rural Housing Service. Where we are the servicer of these loans, we have the opportunity to purchase above market rate, government insured loans at par. We also engage in acquisitions of government insured loans with the servicing retained by the seller that enables us to achieve similar economics. In most cases, acquired loans or loans purchased out of our servicing assets are greater than 89 days past due upon purchase and we do not expect to collect all of the contractual principal and interest on the loans. As such, these acquisitions are accounted for as ACI loan acquisitions. Loans that go through foreclosure generally have an expected duration of one to three years, depending on the state's servicing timelines, which may vary widely based on state foreclosure laws. Allowance related to these government insured loans is low as payment of a majority of the principal, interest and servicer advances related to these loans is insured by the various government agencies.

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

Government Insured
 Pool Buyouts
 Concentration of Credit
 Risk

Table 33

December 31, 2016 State Concentration

	FHAVA/Other		% of U.S. Population (1)
New Jersey	9%		3 %
New York	8		6
Texas	7	10 %	8
California	7	6	12
Florida	6	8	6
North Carolina	6		3
Georgia	6		3

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

Commercial and Commercial Real Estate

The recorded investment for commercial and commercial real estate, excluding ACI loans, increased by \$0.4 billion, or 5%, to \$7.9 billion at December 31, 2016, from \$7.5 billion at December 31, 2015. The increase was due to organic growth in our commercial and commercial real estate portfolio as well as acquisitions of commercial credit facilities during the year ended December 31, 2016.

The ALLL for commercial and commercial real estate, excluding ACI loans, increased by \$13.4 million or 39%, to \$47.9 million at December 31, 2016, from \$34.5 million at December 31, 2015. The ALLL as a percentage of loans and leases held for investment for commercial and commercial real estate, excluding ACI loans, remained relatively consistent at 0.6% as of December 31, 2016 compared with 0.5% at December 31, 2015. The consistency in our coverage ratio reflects our commitment to ensuring that newly originated loans continue to adhere to our high underwriting standards.

When calculating the allowance for loan losses related to our commercial and commercial real estate loans, we include an assessment of historical loss factors, which include credit quality and charge-off activity. The loss factors used in our allowance calculation have remained consistent over the periods presented. Charge-off activity is analyzed using a 15 quarter time period to determine loss rates consistent with loan segments used in recording the allowance estimate. During periods of more consistent and stable performance, this 15 quarter period is considered the most relevant starting point for analyzing the reserve. During periods of significant volatility and severe loss experience, a shortened time period may be used which is more reflective of expected future losses. At December 31, 2016, no segments included in commercial and commercial real estate loans used a shortened historical loss period compared to one segment having used 11 quarters at December 31, 2015. Charge-off activity for commercial and commercial real estate increased 66% to \$4.0 million for the year ended December 31, 2016, from \$2.4 million for the year ended December 31, 2015. Loan delinquency is one of the leading indicators of credit quality. As of December 31, 2016 and December 31, 2015, 0.5% and less than 0.1%, respectively, of the recorded investment in commercial and commercial real estate, excluding ACI loans, was past due.

The ALLL for our commercial and commercial real estate ACI portfolio decreased by \$0.3 million, or 90%, to \$35.0 thousand at December 31, 2016, from \$0.3 million at December 31, 2015. This decrease was the result of the reversal of previous impairment in our commercial loan pools due to improving cash flow expectations.

ACI loans are recorded at fair value on the date of acquisition and accrue income over the life of the loan based on an estimate of expected cash flows to be received subsequent to acquisition. Under the accounting guidance, expected losses are a component of the expected cash flow analysis performed with no allowance necessary at the time of acquisition. An allowance is recorded when the present value of future expected cash flows discounted at the effective interest rate of the pool decreases after the acquisition date such that the book value of the pool is considered impaired. Non-ACI loans are also recorded at fair value on the date of acquisition and only credit losses subsequent to acquisition are included in the allowance for loan losses. As such, these loans carry an allowance that is smaller than what the inherent credit losses are at the acquisition date. A majority of the \$1.4 billion in non-credit impaired, acquired loans were acquired in our acquisition of BPL or represent loans acquired within our lender finance portfolio at fair value with no allowance recorded at acquisition. As additional losses are incurred and modeled, we record the applicable provision and allowance for loan and lease losses.

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

Commercial and Commercial Real Estate Loans Held for
Investment Analysis

Table 34

December 31, 2016

Origination Year

(dollars in thousands)

Prior - 2010 -
2009 Present

Total

Commercial real estate - originated

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Non-owner occupied	\$34,173	\$1,635,688	\$1,669,861
Multifamily	7,300	962,531	969,831
Owner occupied	17,520	139,304	156,824
Other commercial real estate	607	3,638	4,245
Originated commercial real estate	59,600	2,741,161	2,800,761
Commercial - originated			
Mortgage warehouse finance ⁽¹⁾	—	2,592,799	2,592,799
Lender finance	22,660	980,492	1,003,152
Other commercial originated	2,971	67,003	69,974
Originated commercial	25,631	3,640,294	3,665,925
Total originated commercial and commercial real estate	85,231	6,381,455	6,466,686
Commercial and commercial real estate - acquired			
Acquired non-credit impaired (ASC 310-20)	673,933	746,187	1,420,120
Acquired credit impaired (ASC 310-30)	51,976	80	52,056
Total acquired commercial and commercial real estate	725,909	746,267	1,472,176
Total commercial and commercial real estate	\$811,140	\$7,127,722	\$7,938,862

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

As of December 31, 2016, the \$2.7 billion of commercial real estate loans originated by us on or after January 1, 2010 had a weighted average LTV of 61%. Of the \$6.4 billion of commercial and commercial real estate loans originated by the Company on or after January 1, 2010, \$26.4 million were greater than 30 days past due and were on non-accrual status at December 31, 2016.

As of December 31, 2016, \$70.2 million, or 1.10%, of commercial and commercial real estate loans originated by us on or after January 1, 2010 were rated as watch, representing loans that may have exhibited potential signs of credit weakness but remain pass rated due to an expectation that the borrower will be able to stabilize its performance and the potential for future losses is minimized, while \$1.6 million of loans were rated as special mention. Special mention loans represent loans that have a pending event that will occur within the next 180 days that could jeopardize loan repayment and possibly lead to a future loss event. The special mention rating is generally viewed as being temporary in nature such that the loan is expected to either be upgraded to a pass rating or downgraded to a substandard rating. A substandard rating represents loans for which the balance is considered at risk as it is not adequately protected by the paying capacity of the borrower or by the collateral pledged, if any, leading to the possibility of future losses. As of December 31, 2016, \$26.4 million, or less than 1%, of commercial and commercial real estate loans originated by us on or after January 1, 2010 were rated as substandard. All remaining loans originated by us on or after January 1, 2010 were rated as pass.

Equipment Financing Receivables

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

Equipment Financing Receivables Held for

Table 35

Investment Analysis

(dollars in thousands)	Delinquency Status			Total
	Current	30 - 89 Days Past Due	90 Days or Greater Past Due	
December 31, 2016				
Healthcare	\$726,896	\$9,897	\$ 1,143	\$737,936
Office products	476,432	15,424	1,679	493,535
Capital Equipment	338,265	1,054	231	339,550
Specialty vehicle	271,350	877	176	272,403
Construction	243,237	1,891	—	245,128
Information technology	218,602	2,087	278	220,967
Other	245,492	3,404	1,690	250,586
Total equipment financing receivables	\$2,520,274	\$34,634	\$ 5,197	\$2,560,105
December 31, 2015				
Healthcare	\$676,987	\$5,868	\$ 696	\$683,551
Office products	474,705	12,586	1,576	488,867
Information technology	235,085	1,044	381	236,510
Specialty vehicle	236,851	700	—	237,551
Construction	207,656	—	598	208,254
Capital equipment	213,122	—	—	213,122
Other	329,056	2,512	1,486	333,054
Total equipment financing receivables	\$2,373,462	\$22,710	\$ 4,737	\$2,400,909

Our equipment financing business finances essential-use health care, office products, technology, transportation, capital equipment, construction and other types of equipment primarily to small and medium-sized lessees and borrowers with the majority of financing terms ranging from 36 to 84 months. Allowance related to these loans and leases is low due to the shorter financing terms of these products and the quality of the underlying collateral securing the transaction. Of the \$2.5 billion in equipment financing receivables less than 30 days past due as of December 31, 2016, \$25.6 million are on nonaccrual status, while \$10.3 million of the equipment financing receivables 30-89 days past due are on nonaccrual status. It is our policy to keep a loan or lease on nonaccrual status until the borrower has demonstrated performance according to the terms of their agreement for a period generally of at least six months.

Loans Subject to Representations and Warranties

We originate residential mortgage loans, primarily first-lien home loans, through our retail, consumer direct and correspondent channels with the intent of selling a substantial majority of them in the secondary mortgage market. We sell and securitize conventional conforming and federally insured single-family residential mortgage loans predominantly to GSEs, such as FNMA and FHLMC. We also sell residential mortgage loans that do not meet the criteria for whole loan sales to GSEs (non-conforming mortgages or jumbo loans) to private non-GSE purchasers through whole loan sales and securitizations.

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

If it is determined that the loans sold are (1) with respect to the GSEs, in breach of these representations and warranties, or (2) with respect to non-GSE purchasers, in material breach of these representations and warranties, we generally have an obligation to either: (a) repurchase the loan for the UPB, accrued interest and related advances, (b) indemnify the purchaser or (c) make the purchaser whole for the economic benefits of the loan. Our obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan.

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

We also have limited repurchase exposure for early payment defaults (EPD) which are typically triggered if a borrower does not make the first several payments due after the mortgage loan has been sold to an investor. Certain of our private investors have agreed to waive EPD provisions for conventional conforming and federally insured single-family residential mortgage loans and certain jumbo loan products. However, we are subject to EPD provisions and prepayment protection provisions on non-conforming jumbo loan products and certain cash sales to GSEs. The total UPB of loans sold during the current year that are subject to EPD protection was \$2.9 billion at December 31, 2016.

We have summarized the activity for the years ended December 31, 2016, 2015, and 2014 below regarding repurchase requests received, requests successfully defended, and loans that we repurchased or for which we indemnified investors or made investors whole with the corresponding origination years:

Loan Repurchase Activity	Table 36		
	2016	2015	2014
(dollars in thousands)			
Agency	60	102	160
Agency Aggregators / Non-GSE ⁽¹⁾	11	33	296
Repurchase requests received	71	135	456
Agency	34	70	130
Agency Aggregators / Non-GSE ⁽¹⁾	37	81	232
Requests successfully defended	71	151	362
Agency	29	52	51
Agency Aggregators / Non-GSE ⁽¹⁾	16	237	32
Loans repurchased, indemnified or made whole	45	289	83
Agency	\$ 262	\$680	\$2,151
Agency Aggregators / Non-GSE ⁽¹⁾	244	14,932	3,233
Net realized losses on loan repurchases	\$ 506	\$15,612	\$5,384
Years of origination of loans repurchased	2006-2016	2003 - 2015	2003 - 2014

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

We have summarized repurchase statistics for vintages 2004 through December 31, 2016 below:

Summary Statistics by Vintage	Table 37			
	2004-2005	2006-2009	2010-Present	Total
Losses to date				
(dollars in thousands)				
Total sold UPB	\$ 11,334,198	\$ 18,997,792	\$47,104,469	\$77,436,459
Request rate ⁽¹⁾	0.50	% 2.09	% 0.34	% 0.84
Requests received	256	1,854	638	2,748
Pending requests	—	—	15	15
Resolved requests	256	1,854	623	2,733
Repurchase rate	39	% 47	% 28	% 42
Loans repurchased	100	876	177	1,153
Average loan size	\$222	\$215	\$250	\$236
Loss severity	16	% 38	% 6	% 28

Losses realized	\$3,641	\$70,935	\$2,484	\$77,061
Losses realized (basis points)	3.2	37.3	0.5	10.0

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

The most common reasons for loan repurchases and make-whole payments relate to missing documentation, program violations, and claimed misrepresentations related to undisclosed debts, appraisal value and/or stated income. Additionally, we also receive requests to repurchase or make whole loans because they did not meet the specified investor guidelines. Repurchase demands relating to EPDs generally surface within six (6) months of selling the loan to an investor. We currently sell certain preferred residential mortgage loans, certain government insured pool buyouts and community reinvestment act loans servicing released. From 2004 through 2009, we also sold loans servicing released,

therefore the lack of servicing statistics and status of the loans sold is not known. As such, there is additional uncertainty surrounding the reserves for repurchase obligations for loans sold or securitized related to those vintages. Along with the contingent obligation associated with representations and warranties noted above, we also have a noncontingent obligation to stand ready to perform over the term of the representations and warranties. This noncontingent obligation is recognized at the inception of the guarantee, upon the sale of loans, as a reduction on net gains on loan sales and securitizations. In estimating the fair value of the noncontingent obligation, we estimate the probable losses inherent in the population of all loans sold based on trends in repurchase requests and actual loss severities experienced.

The following is a rollforward of our reserves for repurchase losses for the years ended December 31, 2016, 2015 and 2014:

Reserves for Repurchase Obligations for Loans Sold or Securitized	Table 38		
(dollars in thousands)	2016	2015	2014
Balance, beginning of period	\$4,290	\$25,940	\$20,225
Provision for new sales/securitizations	2,162	2,379	2,199
Provision (release of provision) for changes in estimate of existing reserves	(2,409)	(8,417)	8,900
Net realized losses on repurchases	(506)	(15,612)	(5,384)
Balance, end of period	\$3,537	\$4,290	\$25,940

The liability for repurchase losses decreased by \$0.8 million, or 18%, from \$4.3 million as of December 31, 2015 to \$3.5 million as of December 31, 2016. The decrease in liability is primarily due to the decreased number of repurchase requests received from investors over the comparable time period, a continuation of realized losses relating to loan repurchases and a release of provision based on recent repurchase request trends.

Loan Servicing

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

We have acquired \$6.3 billion of UPB from counterparties who were unable or unwilling to satisfy their indemnification obligations under their current representations and warranties. Since 2013, we have not identified any new counterparties who were unwilling or unable to satisfy their indemnification obligations. Currently we have two loans in our pending pipeline related to the reserve for repurchase obligations for loans serviced. The following is a rollforward of our reserves for servicing repurchase losses related to these counterparties for the years ended December 31, 2016, 2015, and 2014:

Reserves for Repurchase Obligations for Loans Serviced	Table 39		
(dollars in thousands)	2016	2015	2014
Balance, beginning of period	\$1,806	\$2,947	\$23,668
Provision (release of provision) for changes in estimate of existing reserves	(996)	16	(7,723)
Net realized losses on repurchases	(669)	(1,157)	(12,998)
Balance, end of period	\$141	\$1,806	\$2,947

The liability for repurchase losses decreased by \$1.7 million, or 92%, from \$1.8 million as of December 31, 2015 to \$0.1 million as of December 31, 2016. The decrease in the liability since December 31, 2015 is primarily due to the run-off of losses for active repurchase requests that were estimated in the prior periods and a release of provision based on recent repurchase request trends. Net realized losses decreased by \$0.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Loans in Foreclosure

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

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

Funding Sources

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

Deposits

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

Deposits by

Table 40

Category

(dollars in thousands)	December 31, 2016			2015			2014		
	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate	Actual Balance	Average Balance	Rate
Noninterest-bearing demand	\$1,750,529	\$1,718,022	0.00%	\$1,141,357	\$1,283,657	0.00%	\$984,703	\$1,139,766	0.00%
Interest-bearing demand	3,924,294	3,703,221	0.68%	3,709,156	3,644,538	0.68%	3,540,027	3,007,036	0.62%
Market-based money market accounts	340,777	350,444	0.61%	342,600	361,494	0.61%	374,856	405,627	0.61%
Savings and money market accounts, excluding market-based	6,429,407	6,440,477	0.74%	6,338,685	5,428,790	0.67%	5,136,031	5,068,096	0.62%
Market-based time	316,321	346,245	0.85%	374,171	409,066	0.70%	466,514	554,151	0.77%
Time, excluding market-based	6,876,900	6,508,895	1.25%	6,336,073	5,392,919	1.14%	5,006,566	3,820,902	1.17%
Total deposits	\$19,638,228			\$18,242,042			\$15,508,697		

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

Deposit Maturity

Table 41

(dollars in thousands)

December

31, 2016

3 months or less

\$463,107

3 through 6 months

282,118

6 through 12 months

727,109

12 through 24 months

511,294

24 through 36 months

436,657

Over 36 months

358,702

Total certificates of deposit with denominations greater than or equal to \$100,000 \$2,778,987

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

Total deposits increased by \$1.4 billion, or 8%, to \$19.6 billion at December 31, 2016 from \$18.2 billion at December 31, 2015. During the year ended December 31, 2016, noninterest-bearing deposits increased by \$0.6

billion, or 53%, to \$1.8 billion primarily due to an increase in commercial and servicing demand deposits.

Interest-bearing deposits increased by \$0.8 billion, or 5%, to \$17.9 billion at December 31, 2016 from \$17.1 billion at December 31, 2015. This increase in interest-bearing deposits was primarily due to growth in non-market-based time deposits and checking accounts.

Total deposits increased by \$2.7 billion, or 18%, to \$18.2 billion at December 31, 2015 from \$15.5 billion at December 31, 2014. During the year ended December 31, 2015, noninterest-bearing deposits increased by \$0.2 billion, or 16%, to \$1.1 billion, primarily due to an increase in commercial noninterest-bearing demand deposits partially offset by a decrease in escrow deposits. Interest-bearing deposits increased by \$2.6 billion, or 18%, to \$17.1 billion at December 31, 2015 from \$14.5 billion at December 31, 2014. This increase in interest-bearing deposits is primarily due to growth in non-market-based time deposits.

FHLB Borrowings

In addition to deposits, we use borrowings from the FHLB as a source of funds to meet the daily liquidity needs of our clients and fund growth in earning assets. Our FHLB borrowings decreased by \$0.4 billion, or 6%, to \$5.5 billion at December 31, 2016 from \$5.9 billion at December 31, 2015. This decrease in FHLB borrowings is primarily attributable to growth in deposits, which is funding a larger portion of our balance sheet at December 31, 2016 compared to December 31, 2015. Our FHLB borrowings increased by \$1.9 billion, or 47%, to \$5.9 billion at December 31, 2015 from \$4.0 billion at December 31, 2014. This increase in FHLB borrowings was primarily attributable to an increase in loans held for investment. See "Liquidity Management" for information on remaining borrowing capacity.

The following table provides a summary of our FHLB advances at December 31, 2016, 2015 and 2014:

FHLB Borrowings Outstanding	Weighted-Average Remaining Maturity ⁽³⁾ (in years)	2016	2015	2014
(dollars in thousands)				
Fixed-rate advances with a weighted-average interest rate of 1.65%, 1.21% and 1.17%, respectively ⁽¹⁾	2.66	\$3,581,000	\$5,852,000	\$3,979,000
Floating-rate advance with an interest rate of 0.62%, 0.28% and 0.22%, respectively ⁽²⁾	9.43	1,925,000	25,000	25,000
Total FHLB borrowings outstanding		\$5,506,000	\$5,877,000	\$4,004,000

(1) Interest is payable either monthly or quarterly.

(2) The floating-rate advance interest rates reset on a quarterly basis, mature between February 2023 and October 2034 and can be repaid in whole or in part on any quarterly interest payment date without prepayment penalty.

(3) Weighted-average remaining maturity is calculated as of December 31, 2016.

The table below summarizes the average outstanding balance of our FHLB advances, the weighted average interest rate, and the maximum amount of borrowings in each category outstanding at any month-end during the years ended December 31, 2016, 2015 and 2014, respectively.

FHLB Borrowings (dollars in thousands)	2016	2015	2014
Long-term fixed-rate advances:			
Average daily balance	\$3,363,206	\$2,746,157	\$1,809,714
Weighted-average interest rate	1.89 %	1.79 %	2.15 %
Maximum month-end amount	\$3,752,000	\$3,752,000	\$1,953,000
Short-term fixed-rate advances:			
Average daily balance	\$1,524,697	\$2,136,155	\$1,445,093
Weighted-average interest rate	0.41 %	0.21 %	0.20 %
Maximum month-end amount	\$2,875,000	\$3,150,000	\$2,450,000
Floating-rate advances:			
Average daily balance	\$756,317	\$25,000	\$5,205
Weighted-average interest rate	0.48 %	0.26 %	0.22 %
Maximum month-end amount	\$1,925,000	\$25,000	\$25,000
Overnight advances:			
Average daily balance	\$—	\$—	\$137
Weighted-average interest rate	— %	— %	0.36 %
Maximum month-end amount	\$—	\$—	\$50,000

Trust Preferred Securities

Our outstanding trust preferred securities totaled \$98.8 million and \$103.8 million at December 31, 2016 and 2015, respectively. In June 2016 we early extinguished \$5.0 million of our trust preferred securities, which resulted in a gain of \$1.5 million.

Subordinated Notes Payable

The Company's subordinated notes payable were \$261.5 million and \$172.4 million at December 31, 2016 and December 31, 2015, respectively. On March 14, 2016, we completed the public offering and sale of \$90.0 million in aggregate principal amount of 6.00% Fixed-to-Floating Rate Subordinated Notes due 2026 (Subordinated Notes due 2026). The Subordinated Notes due 2026 were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The Subordinated Notes due 2026 will mature on March 15, 2026 and bear a fixed rate of interest of 6.00% per annum through March 14, 2021 and a floating rate of interest beginning March 15, 2021 equal to 3-month LIBOR plus 4.70%, resetting on a quarterly basis. During the floating rate period, interest is payable quarterly in arrears on March 15, June

15, September 15, and December 15. Beginning March 15, 2021 and thereafter, we may, at our option, redeem the Subordinated Notes due 2026 in whole or in part at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, subject to prior approval by the Board of Governors of the Federal Reserve System. On March 30, 2016, we made a capital contribution to EB in the amount of \$85.0 million from the net proceeds received from the issuance of the Subordinated Notes due 2026.

On June 30, 2015, the Company completed the public offering and sale of \$175.0 million in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (Subordinated Notes due 2025). The Subordinated Notes due 2025 were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The Subordinated Notes due 2025 will mature on July 2, 2025 and bear a fixed rate of interest of 5.75% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2016. On June 30, 2015, the Company made a capital contribution to EB in the amount of \$150.0 million from the net proceeds received from the issuance of the Subordinated Notes due 2025. Both issuances of the subordinated notes are unsecured and will rank equally with all other unsecured subordinated indebtedness of the Company, including any subordinated indebtedness issued in the future under the indenture governing the subordinated notes. The subordinated notes are subordinated in right of payment to all senior indebtedness of the Company. The subordinated notes are obligations of EverBank Financial Corp only and are not guaranteed by any subsidiaries, including EB. Additionally, the subordinated notes are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, which means that creditors of our subsidiaries (including in the case of EB, its depositors) generally will be paid from those subsidiaries' assets before holders of the subordinated notes have any claim to those assets.

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

Liquidity Management

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

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

We continued to maintain a strong liquidity position during 2016. Cash and cash equivalents were \$791.4 million, available for sale investment securities were \$485.8 million, and total deposits were \$19.6 billion as of December 31, 2016.

As of December 31, 2016, we had an \$8.7 billion line of credit with the FHLB, of which \$5.7 billion was utilized. The amount utilized includes not only outstanding balances of FHLB advances, but also letters of credit issued by FHLB on our behalf and breakage fees related to forward-dated borrowing arrangements described in Note 24. As of December 31, 2016, we pledged collateral with the Federal Reserve Bank that provided \$66.5 million of borrowing capacity at the discount window but did not have any borrowings outstanding. The maximum potential borrowing at the Federal Reserve Bank is limited only by eligible collateral.

At December 31, 2016, our availability under Promontory Interfinancial Network, LLC's CDARS[®] One-Way BuySM deposits was \$2.9 billion with \$23.7 million in outstanding balances. Although our availability under the program was \$2.9 billion at December 31, 2016, funding from this source is also limited by the overall network volume of CDARS One-Way Buy deposits available in the marketplace. Our treasury function views \$500.0 million as the practical maximum capacity for this type of deposit funding. As of December 31, 2016, our availability under federal funds commitments was \$85.0 million with no outstanding borrowings.

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

Capital Management

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

2016 Capital Actions

On January 26, 2017, the Company's Board of Directors declared a quarterly cash dividend of \$0.06 per common share, payable on February 22, 2017, to stockholders of record as of February 13, 2017. Also on January 26, 2017, the Company's Board of Directors declared a quarterly cash dividend of \$421.875, payable on April 5, 2017, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of March 21, 2017.

On October 19, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$0.06 per common share, payable on November 22, 2016, to stockholders of record as of November 10, 2016. Also on October 19, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$421.875, payable on January 5, 2017, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of December 21, 2016.

On July 22, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$0.06 per common share, payable on August 22, 2016, to stockholders of record as of August 11, 2016. Also on July 22, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$421.875, payable on October 5, 2016, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of September 20, 2016.

On April 21, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$0.06 per common share, payable on May 20, 2016, to stockholders of record as of May 11, 2016. Also on April 21, 2016, the Company's Board of Directors declared a quarterly cash dividend of \$421.875, payable on July 5, 2016, for each share of 6.75% Series A Non-Cumulative Perpetual Preferred Stock held as of June 20, 2016.

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

Capital Ratios

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

The Basel III Capital Rules became effective for the Company and EB on January 1, 2015 and introduced a new capital measure called CET1 which requires that most deductions and/or adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and expands the scope of the deductions and adjustments from capital as compared to existing regulations. These deductions include, for example, the requirement that MSR and deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1.

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

The initial implementation of the requirements of Basel III at March 31, 2015 resulted in decreases to both Tier 1 Capital and adjusted total assets, but provided a one-time increase to our Tier 1 capital to adjusted tangible assets ratio. Under prior rules, the threshold deduction for mortgage servicing assets (MSA) represented the excess of the book value of the MSA (net of any related deferred tax liability) over 90% of the associated MSA's fair value. The implementation of Basel III required that this deduction be adjusted to the excess of the book value of the MSA over 10% of CET1 with a phase-in percentage applied as applicable. The result of this change at December 31, 2016 was an decrease to the MSA threshold deduction of \$16.2 million for the Company and a decrease of \$19.2 million for EB, which resulted in an increase of Tier 1 capital and adjusted tangible assets for the Company and an increase in Tier 1 capital and adjusted tangible assets for EB. Basel III also eliminated a prior practice of allowing thrift institutions to base their average assets calculations on ending balance sheet balances in favor of using an average assets approach consistent with the approach utilized by most other financial institutions. This change resulted in a further reduction of average tangible assets at December 31, 2016 of \$0.4 billion for both the Company and EB when compared to the prior methodology as averaging in prior periods with lower asset balances served to reduce the resulting average tangible assets balance. Due to the reduction in average tangible assets and in Tier 1 capital, the overall impact of these changes was an increase to our Tier 1 capital to adjusted tangible assets ratio. For our common equity Tier 1 ratio and our Tier 1 risk based capital ratio, the impact was restricted to just the change in Tier 1 capital mentioned above and maintained the use of period end risk weighted assets. As such, it had a positive impact on these two ratios at December 31, 2016.

At December 31, 2016, EB exceeded all regulatory capital requirements and was considered "well-capitalized" with a common equity Tier 1 ratio of 12.8%, a Tier 1 leverage ratio of 8.0%, a Tier 1 risk-based capital ratio of 12.8% and a total risk-based capital ratio of 13.4%. At December 31, 2016, the Company also exceeded all regulatory capital requirements and considered "well-capitalized" with a common equity Tier 1 ratio of 10.5%, a Tier 1 leverage ratio of 7.5%, a Tier 1 risk-based capital ratio of 12.0% and a total risk-based capital ratio of 14.0%. Management believes, at December 31, 2016, that both the Company and EB would meet all capital adequacy requirements under the Basel III capital rules on a fully phased-in basis if such requirements were currently effective.

On March 14, 2016, the Company completed the public offering and sale of \$90.0 million in aggregate principal amount of its 6.00% Fixed-to-Floating Rate Subordinated Notes due 2026 (Subordinated Notes due 2026). For regulatory capital adequacy purposes, the Subordinated Notes due 2026 qualify as Tier 2 capital for the Company.

Also, on March 30, 2016 the Company made a capital contribution to EB in the amount of \$85.0 million from the net proceeds received from the issuance of the Subordinated Notes due 2026.

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

The table below shows regulatory capital and risk-weighted assets for EB at December 31, 2016 and December 31, 2015:

Regulatory Capital (bank level) (dollars in thousands)	Table 44 December 31, December 31,	
	2016	2015
Shareholders' equity	\$2,261,883	\$2,050,456
Less: Goodwill and other intangibles	(47,152)	(47,143)
Disallowed servicing asset	—	(17,719)
Add: Accumulated losses on securities and cash flow hedges	51,018	62,887
Tier 1 capital	2,265,749	2,048,481
Add: Allowance for loan and lease losses	104,143	78,789
Total regulatory capital	\$2,369,892	\$2,127,270
Adjusted total assets	\$28,208,963	\$25,281,658
Risk-weighted assets	17,677,886	17,133,084

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

Regulatory Capital Ratios (bank level)		Table 45				To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Actual		For Capital Adequacy Purposes		Minimum		
(dollars in thousands)	Capital	Ratio	Minimum Amount	Ratio	Amount	Ratio	
December 31, 2016							
Common equity Tier 1 ratio	\$2,265,749	12.8 %	\$795,505	4.5 %	\$1,149,063	6.5 %	
Tier 1 leverage ratio	2,265,749	8.0	1,128,359	4.0	1,410,448	5.0	
Tier 1 risk-based capital ratio	2,265,749	12.8	1,060,673	6.0	1,414,231	8.0	
Total risk-based capital ratio	2,369,892	13.4	1,414,231	8.0	1,767,789	10.0	
December 31, 2015							
Common equity Tier 1 ratio	\$2,048,481	12.0 %	\$770,989	4.5 %	\$1,113,650	6.5 %	
Tier 1 leverage ratio	2,048,481	8.1	1,011,266	4.0	1,264,083	5.0	
Tier 1 risk-based capital ratio	2,048,481	12.0	1,027,985	6.0	1,370,647	8.0	
Total risk-based capital ratio	2,127,270	12.4	1,370,647	8.0	1,713,308	10.0	

The table below shows regulatory capital, adjusted total assets and risk-weighted assets for the Company at December 31, 2016.

Regulatory Capital (EverBank Financial Corp consolidated)		Table 46	
(dollars in thousands)		December 31, 2016	December 31, 2015
Shareholders' equity		\$2,016,332	\$1,868,321
Less: Preferred stock		(150,000)	(150,000)
Goodwill and other intangibles		(47,152)	(47,143)
Disallowed servicing asset		(6,593)	(30,959)
Add: Accumulated losses on securities and cash flow hedges		51,522	64,013
Common Tier 1 capital		1,864,109	1,704,232
Add: Preferred stock		150,000	150,000
Add: Additional Tier 1 capital (trust preferred securities)		98,750	103,750
Tier 1 capital		2,112,859	1,957,982
Add: Subordinated notes payable		261,528	172,420
Add: Allowance for loan and lease losses		104,143	78,789
Total regulatory capital		\$2,478,530	\$2,209,191
Adjusted total assets		\$28,215,972	\$25,286,802
Risk-weighted assets		17,686,099	17,131,756

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

Regulatory Capital Ratios (EverBank Financial Corp consolidated)		Table 47				To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Actual		For Capital Adequacy Purposes		Minimum		
(dollars in thousands)	Capital	Ratio	Minimum Amount	Ratio	Amount	Ratio	

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December 31, 2016

Common equity Tier 1 ratio	\$1,864,108	10.5 %	\$795,874	4.5 %	\$1,149,596	6.5 %
Tier 1 leverage ratio	2,112,858	7.5	1,128,639	4.0	1,410,799	5.0
Tier 1 risk-based capital ratio	2,112,858	12.0	1,061,166	6.0	1,414,888	8.0
Total risk-based capital ratio	2,478,529	14.0	1,414,888	8.0	1,768,610	10.0

December 31, 2015

Common equity Tier 1 ratio	\$1,704,232	9.9 %	\$770,929	4.5 %	\$1,113,564	6.5 %
Tier 1 leverage ratio	1,957,982	7.7	1,011,472	4.0	1,264,340	5.0
Tier 1 risk-based capital ratio	1,957,982	11.4	1,027,905	6.0	1,370,541	8.0
Total risk-based capital ratio	2,209,191	12.9	1,370,541	8.0	1,713,176	10.0

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Restrictions on Paying Dividends

Federal banking regulations impose limitations upon certain capital distributions by savings banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The OCC regulates all capital distributions by EB directly or indirectly to us, including dividend payments. EB may not pay dividends to us if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements, or in the event the OCC notifies EB that it is subject to heightened supervision. Under the FDIA, an insured depository institution such as EB is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become “undercapitalized.” Payment of dividends by EB also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an “unsafe and unsound” banking practice. In addition, pursuant to the Merger Agreement, we are restricted from raising our dividend over \$0.06 per share, without the prior consent of TIAA.

Asset and Liability Management and Market Risk

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

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

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

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

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

If EVE rises in a different interest rate scenario, that would indicate incremental prospective earnings in that hypothetical rate scenario. A perfectly matched balance sheet would result in no change in the EVE, no matter what the rate scenario. The table below shows the estimated impact on EVE of increases in interest rates of 1% and 2% and a decrease in interest rates of 0.25%, as of December 31, 2016.

Interest Rate Sensitivity Table 48

(dollars in thousands) December 31, 2016
 Net % Change
 Change in of EVE

EVE

Up 200 basis points	\$(110,124)	(4.1)%
Up 100 basis points	(39,458)	(1.5)%
Down 25 basis points	(19,884)	(0.7)%

The projected change in EVE to changes in interest rates at December 31, 2016 was in compliance with established policy guidelines. Exposure amounts depend on numerous assumptions. Due to historically low interest rates, the table above may not accurately reflect the effect of decreasing interest rates upon our net interest income that would occur under a more traditional, higher interest rate environment because short-term interest rates are near zero percent and facts underlying certain of our modeling assumptions, such as the fact that deposit and loan rates cannot fall below zero percent, distort the model's results.

Volcker Rule

The Dodd-Frank Act added a new Section 13 to the Bank Holding Company Act, which is commonly referred to as the Volcker Rule. Generally, the Volcker Rule prohibits a "banking entity" from engaging in "proprietary trading" or from acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with hedge funds, private equity funds and other "covered funds." Through a series of extensions, the Federal Reserve Board has generally extended the deadline for conforming activities and investments under the rule to July 21, 2017. The Volcker Rule provides a significantly broader definition of proprietary trading, and captures many activities that would not traditionally have been referred to as proprietary trading, including risk-mitigating hedging and market-making activities. This requires the Company to undertake a careful review to ensure that it has identified all potential Volcker Rule proprietary trading within the organization. Like the prohibition on proprietary trading, the restrictions on "covered funds" - the term for any fund covered by the Volcker Rule - apply to many entities and investment activities that would not traditionally have been referred to as hedge funds or private equity funds, including the acquisition of an "ownership interest" in certain trust preferred collateralized debt obligations, collateralized loan obligations and Re-REMICs that are considered

to be “covered funds” under the rule. Based on our evaluation of the impact of these changes, investments with a carrying value of \$4.1 million at December 31, 2016, have been identified that may be required to be divested prior to July 21, 2017. The Volcker Rule also requires the Company to develop and provide for the continued administration of a compliance program reasonably designed to ensure and monitor the Company’s compliance with the Volcker Rule. We continue to evaluate the Volcker Rule and the final rules adopted thereunder.

Use of Derivatives to Manage Risk

Interest Rate Risk

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

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

Commodity Market Risk

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

Foreign Exchange Risk

Foreign exchange risk represents exposures to changes in the values of deposits and future cash flows denominated in currencies other than the U.S. dollar. We offer WorldCurrency® deposit products which provide investment capabilities to clients seeking portfolio diversification with respect to foreign currencies. The products include WorldCurrency® single-currency certificates of deposit and money market accounts denominated in the world’s major currencies. In addition, we offer foreign currency linked MarketSafe® deposits which provide returns based upon foreign currency linked indices. Exposure to loss on these products will increase or decrease over their respective lives as currency exchange rates fluctuate. In addition, we offer foreign exchange contracts to small and medium size businesses with international payment needs. Foreign exchange contract products, which include spot and simple forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Exposure to loss on these contracts will increase or decrease over their respective lives as currency exchange and interest rates fluctuate. These types of products expose us to a degree of risk. To manage the risk that may occur from fluctuations in world currency markets, we enter into offsetting short-term forward foreign exchange contracts with terms that match the amount and the maturity date of our single-currency certificates of deposit, money market deposit instruments, or foreign exchange contracts. In addition, we enter into offsetting options with exactly the same terms as the foreign currency linked MarketSafe® deposits, which provide an economic hedge. For more information, including the notional amount and fair value, of these derivatives, see Note 22 in our consolidated financial statements.

Off-Balance Sheet Arrangements

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

In the normal course of business, we enter into various transactions, which, in accordance with GAAP, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our

clients. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in our consolidated balance sheets.

We enter into contractual loan commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of our commitments to extend credit are contingent upon clients maintaining specific credit standards until the time of loan funding. We decrease our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. We assess the credit risk associated with certain commitments to extend credit and establish a liability for probable credit losses. Standby letters of credit are written conditional commitments issued by us to guarantee the performance of a client to a third party. In the event the client does not perform in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek recovery from the client. Our policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements. See Note 24 to the consolidated financial statements included in this report regarding our contractual obligations.

We service mortgage loans for ourselves and others. See Note 8 to the consolidated financial statements included in this report regarding servicing activities.

We have a special purpose wholly-owned subsidiary of the Company, EverBank Funding, LLC (EverBank Funding) to facilitate private securitization transactions. These securitization transactions issue certificates that are offered and sold to qualified institutional buyers. Unless so registered, the offered certificates may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. No securitizations were performed during 2016 and 2015.

Contractual Obligations and Credit Commitments

The following tables contain supplemental information regarding our total contractual obligations and credit commitments as of December 31, 2016:

Contractual Obligations and Credit Commitments

Table 49

(dollars in thousands)	Payments Due by Period				Total
	< 1 Year	1 - 3 Years	3 - 5 Years	> 5 Years	
Contractual obligations					
Deposits without a stated maturity ⁽¹⁾	\$12,445,007	\$—	\$—	\$—	\$12,445,007
Time deposits	4,456,213	1,848,118	898,458	71	7,202,860
Other borrowings ⁽²⁾	1,205,000	1,340,000	420,000	2,591,000	5,556,000
Trust preferred securities and subordinated notes payable ⁽³⁾	—	—	—	363,750	363,750
Interest on interest-bearing debt ⁽⁴⁾	108,363	216,104	190,015	478,897	993,379
Operating lease obligations	17,052	23,800	15,169	7,266	63,287
Interest rate swap agreements ⁽⁵⁾	9,621	16,172	4,866	3,253	33,912
Forward contracts to sell residential mortgage loans ⁽⁶⁾	2,950,325	—	—	—	2,950,325
Commitments to originate residential mortgage loans ⁽⁷⁾	1,074,681	—	—	—	1,074,681
Strategic marketing and promotional arrangements	3,985	8,332	8,839	14,278	35,434
Total contractual obligations	\$22,270,247	\$3,452,526	\$1,537,347	\$3,458,515	\$30,718,635
Credit commitments ⁽⁸⁾					
Unfunded commitments to extend credit ⁽⁹⁾	\$2,881,063	\$704,938	\$277,845	\$506,937	\$4,370,783
Standby letters of credit	18,923	—	—	—	18,923
Total credit commitments	\$2,899,986	\$704,938	\$277,845	\$506,937	\$4,389,706
Total contractual obligations and credit commitments	\$25,170,233	\$4,157,464	\$1,815,192	\$3,965,452	\$35,108,341

Deposits without a stated maturity do not have fixed contractual obligations relating to future interest payments.

(1) Hence, these interest amounts have been included in the less than one year category in the contractual obligations table because we are unable to reasonably predict the ultimate amount or timing of future payments. Refer to Note 12 of the consolidated financial statements for additional information on deposits.

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

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

(4) The variable interest rate component on other borrowings and trust preferred securities has been forecasted based on a yield curve at December 31, 2016 for the purpose of estimating future payments relating to these obligations.

The fixed rate interest component is calculated based on the fixed rate in the debt agreement.

(5) Interest rate swap amounts are derived from the forecast of three-month LIBOR at December 31, 2016 on all open swap positions at that date. Open swap positions relate to asset and liability hedge swaps and trust preferred hedge swaps.

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

(7) Commitments to originate loans in the table above relate to IRLCs. IRLCs classified as held for sale are included in our derivatives disclosure in Note 22. Refer to Note 24 for additional information on IRLCs classified as held for investment.

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

(9) Includes \$985.8 million of commercial and leasing pipeline.

Our liability for unrecognized tax benefits (UTBs) as of December 31, 2016 was \$0.5 million. We are unable to reasonably estimate the period of cash settlement with the respective taxing authority. As a result, our liability for

UTBs is not included in the table above. For further detail on the impact of income taxes refer to Note 18 in the consolidated financial statements.

We enter into other derivatives to hedge certain business activities. See Note 22 to the consolidated financial statements included in this report for additional information.

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

Critical Accounting Policies and Estimates

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

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

Investment Securities

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

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

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

When the level and volume of trading activity for certain securities has significantly declined or when we believe that pricing is based in part on forced liquidation or distressed sales, we estimate fair value based on a combination of pricing information and an internal model using a discounted cash flow approach. We make certain significant assumptions in addition to those discussed above related to the liquidity risk premium, specific non-performance and default experience in the collateral underlying the security. The values resulting from each approach are weighted to derive the final fair value for each security trading in an inactive market.

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

Loans Held for Sale

We have elected the fair value option for certain residential mortgage loans in order to offset changes in the fair values of the loans and the derivative instruments used to economically hedge them, without the burden of complying with the requirements for hedge accounting. These loans are initially recorded and carried at fair value, with changes in fair value recognized in gain on sale of loans. Loan origination fees are recorded when earned, and related costs are recognized when incurred.

We have not elected the fair value option for other residential mortgage, governmental insured pool buyouts and other commercial and commercial real estate loans primarily as a majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period of time subsequent to the transfer. These loans are carried at the lower of cost or market value. Direct loan origination fees and costs are deferred at loan origination or acquisition. These amounts are recognized as income at the time the loan is sold and included in gain on sale of loans. Gains and losses on sale of these loans are recorded in earnings.

We generally estimate the fair value of loans held for sale based on quoted market prices for securities backed by similar types of loans less appropriate loan level price adjustments and guarantee fee adjustments. If quoted market prices are not available, the fair value is estimated based on valuation models. We periodically compare the value derived from our valuation models to executed trades to assure that the valuations are reflective of actual sales prices. For loans carried at lower of cost or market value, the market or fair value estimates are derived from models using loan specific characteristics. We pool loans based on similar risks characteristics such as loan type and interest rate. The key assumptions we use in the valuation models are prepayment speeds, loss estimates and the discount rate. Prepayment and credit loss assumptions are based on the historical performance of the loans and are adjusted for the

current economic environment as appropriate. The discount rate used in these valuations is derived from the whole loan purchase market, adjusted for our estimate of the required yield for these loans. We believe that such assumptions are consistent with assumptions that other major market participants use in determining such assets' fair values. The fair value of loans held for sale is a critical accounting estimate. Changes in fair value or the use of different estimates could have a material impact on our financial position, results of operations or liquidity.

Allowance for Loan and Lease Losses (ALLL)

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

Determining the amount of the ALLL is considered a critical accounting estimate, as it requires significant judgment, internally developed modeling and assumptions. Loans and leases are segmented into the following portfolio segments: (1) residential mortgages, (2) commercial and commercial real estate, (3) equipment financing receivables, and (4) home equity lines and other. We may also further disaggregate these portfolios into classes based on the associated risks within those segments. Residential mortgages, equipment financing receivables, and home equity lines and other each have distinguishing borrower needs and differing risks associated with each product type. Commercial and commercial real estate loans are further analyzed for the borrower's ability to repay and the description of underlying collateral. Significant judgment is used to determine the estimation method that fits the credit risk characteristics of each portfolio segment. We apply an average loss rate model on commercial and commercial real estate portfolios and certain equipment financing receivables, and a roll-rate methodology on our residential mortgages, certain equipment financing receivables, and home equity lines and other portfolios. We use internally developed models

in this process. Management must use judgment in establishing input metrics for the modeling processes. The models and assumptions used to determine the allowance are validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented. Loans and leases in every portfolio considered to be uncollectible are charged off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan and lease type, length of delinquency, insufficiency of collateral value, lien priority and the overall financial condition of the borrower. Recoveries on loans and leases previously charged-off are added to the allowance.

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

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

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

Acquired Loans and Leases Held for Investment

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

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

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

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

Mortgage Servicing Rights

We recognize as assets the rights to service mortgage loans for others, whether acquired through bulk purchases of MSR or through origination and sale of mortgage loans and agency MBS with servicing rights retained. We amortize MSR in proportion to and over the estimated life of the projected net servicing revenue and periodically evaluate them for impairment using fair value estimates. We have not elected fair value accounting for our MSR. Until recently,

there has not been an active market for trading MSR. Despite increased trading activity, readily observable market prices along with the exact terms and conditions of the sales prevalent in the market may not be readily available. Specific characteristics of the underlying loans greatly impact the estimated value of the related MSR. As a result, we stratify our mortgage servicing portfolio on the basis of certain risk characteristics, including loan type and contractual note rate, and value our MSR using discounted cash flow modeling techniques. These techniques require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted mortgage loan prepayment rates and discount rates.

Derivative Financial Instruments

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

The fair value of interest rate swaps are determined by a derivative valuation model. The inputs for the valuation model primarily include start and end swap dates, swap coupons and notional amounts. Fair values of interest rate lock commitments are derived by using valuation models incorporating current market information or by obtaining market or dealer quotes for instruments with similar characteristics, subject to anticipated loan funding probability or fallout factor. The fair value of forward and optional forward purchase and sale commitments is determined based upon the difference between the settlement values of the commitments and the quoted market values of the securities. Fair values of foreign exchange contracts are based on quoted prices for each foreign currency at the balance sheet date. For indexed options and embedded

options, the fair value is determined by obtaining market or dealer quotes for instruments with similar characteristics. The fair value of our recourse commitment assets is based on expected cash flows to be received from third party servicers, which are subject to indemnification agreements related to government insured loans.

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

Contingent Liabilities

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

Recently Issued Accounting Pronouncements

We have evaluated new accounting pronouncements that have recently been issued and have determined that there are no new accounting pronouncements that should be described in this section that will impact our operations, financial condition or liquidity in future periods. Refer to Note 3 of our consolidated financial statements included in this report for a discussion of recently issued accounting pronouncements that have been adopted by us during the year ended December 31, 2016 or that will only require enhanced disclosures in our financial statements in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Item 8. Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of EverBank Financial Corp and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Assessment as to the Effectiveness of Internal Control over Financial Reporting within Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EverBank Financial Corp and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants
Jacksonville, Florida
February 17, 2017

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EverBank Financial Corp and Subsidiaries
 Consolidated Balance Sheets
 As of December 31, 2016 and 2015
 (Dollars in thousands, except per share data)

	2016	2015
Assets		
Cash and due from banks	\$36,654	\$55,300
Interest-bearing deposits in banks	754,784	527,151
Total cash and cash equivalents	791,438	582,451
Investment securities:		
Available for sale, at fair value	485,836	555,019
Held to maturity (fair value of \$90,038 and \$105,448 as of December 31, 2016 and 2015, respectively)	89,457	103,746
Other investments	253,018	265,431
Total investment securities	828,311	924,196
Loans held for sale (fair value of \$1,271,893 and \$1,307,741 as of December 31, 2016 and 2015, respectively)	1,443,263	1,509,268
Loans and leases held for investment:		
Loans and leases held for investment, net of unearned income	23,556,977	22,227,492
Allowance for loan and lease losses	(103,304)	(78,137)
Total loans and leases held for investment, net	23,453,673	22,149,355
Mortgage servicing rights (MSR), net	273,941	335,280
Premises and equipment, net	43,594	51,599
Other assets	1,003,866	1,048,877
Total Assets	\$27,838,086	\$26,601,026
Liabilities		
Deposits:		
Noninterest-bearing	\$1,750,529	\$1,141,357
Interest-bearing	17,887,699	17,100,685
Total deposits	19,638,228	18,242,042
Other borrowings	5,506,000	5,877,000
Trust preferred securities and subordinated notes payable	360,278	276,170
Accounts payable and accrued liabilities	317,248	337,493
Total Liabilities	25,821,754	24,732,705
Commitments and Contingencies (Note 24)		
Shareholders' Equity		
Series A 6.75% Non-Cumulative Perpetual Preferred Stock, \$0.01 par value (liquidation preference of \$25,000 per share; 10,000,000 shares authorized and 6,000 issued and outstanding at December 31, 2016 and 2015) (Note 15)	150,000	150,000
Common Stock, \$0.01 par value (500,000,000 shares authorized at December 31, 2016 and 2015; 127,036,740 and 125,020,843 issued and outstanding at December 31, 2016 and 2015, respectively)	1,270	1,250
Additional paid-in capital	905,573	874,806
Retained earnings	1,011,011	906,278
Accumulated other comprehensive income (loss) (AOCI), net of benefit for income taxes of \$32,305 and \$39,893 at December 31, 2016 and 2015, respectively	(51,522)	(64,013)
Total Shareholders' Equity	2,016,332	1,868,321
Total Liabilities and Shareholders' Equity	\$27,838,086	\$26,601,026
See notes to consolidated financial statements.		

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EverBank Financial Corp and Subsidiaries
 Consolidated Statements of Income
 For the Years Ended December 31, 2016, 2015 and 2014
 (Dollars in thousands, except per share data)

	2016	2015	2014
Interest Income			
Interest and fees on loans and leases	\$966,966	\$847,644	\$694,588
Interest and dividends on investment securities	28,685	30,796	38,612
Other interest income	2,013	803	567
Total Interest Income	997,664	879,243	733,767
Interest Expense			
Deposits	158,713	127,399	101,912
Other borrowings	108,601	83,501	67,048
Total Interest Expense	267,314	210,900	168,960
Net Interest Income	730,350	668,343	564,807
Provision for Loan and Lease Losses	48,968	38,187	24,533
Net Interest Income after Provision for Loan and Lease Losses	681,382	630,156	540,274
Noninterest Income			
Loan servicing fee income	92,525	117,763	158,463
Amortization of mortgage servicing rights	(68,586)	(71,150)	(79,234)
Recovery (impairment) of mortgage servicing rights	(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
Noninterest Expense			
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	160,586	181,551	168,493
Total Noninterest Expense	618,947	638,377	638,942
Income before Provision for Income Taxes	229,500	207,159	238,571
Provision for Income Taxes	84,569	76,633	90,489
Net Income	\$144,931	\$130,526	\$148,082
Less: Net Income Allocated to Preferred Stock	(10,125)	(10,125)	(10,125)
Net Income Allocated to Common Shareholders	\$134,806	\$120,401	\$137,957
Basic Earnings Per Common Share	\$1.07	\$0.97	\$1.12
Diluted Earnings Per Common Share	\$1.06	\$0.95	\$1.10
Dividends Declared Per Common Share	\$0.24	\$0.20	\$0.14

See notes to consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
 Consolidated Statements of Comprehensive Income
 For the Years Ended December 31, 2016, 2015 and 2014
 (Dollars in thousands)

	2016	2015	2014
Net Income	\$144,931	\$130,526	\$148,082
Unrealized Gains (Losses) on Debt Securities			
Net unrealized gains (losses) due to changes in fair value	5,193	(4,387)	(6,914)
Reclassification of unrealized losses (gains) to noninterest income	559	(527)	(5,596)
Other-than-temporary impairment (OTTI) (noncredit portion), net of accretion	—	—	685
Tax effect	(2,209)	1,889	4,494
Change in unrealized gains (losses) on debt securities	3,543	(3,025)	(7,331)
Interest Rate Swaps			
Net unrealized gains (losses) due to changes in fair value	(4,088)	(9,920)	(27,177)
Reclassification of net unrealized losses to interest expense	18,414	16,736	18,032
Tax effect	(5,378)	(2,207)	3,494
Change in interest rate swaps	8,948	4,609	(5,651)
Other Comprehensive Income (Loss)	12,491	1,584	(12,982)
Comprehensive Income (Loss)	\$157,422	\$132,110	\$135,100

See notes to consolidated financial statements.

EverBank Financial Corp and Subsidiaries
 Consolidated Statements of Shareholders' Equity
 For the Years Ended December 31, 2016, 2015 and 2014
 (Dollars in thousands)

	Shareholders' Equity				Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Equity
	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings		
Balance, January 1, 2014	\$ 150,000	\$ 1,226	\$ 832,351	\$ 690,051	\$ (52,615)	\$ 1,621,013
Net income	—	—	—	148,082	—	148,082
Other comprehensive income (loss)	—	—	—	—	(12,982)	(12,982)
Issuance of common stock	—	11	7,455	—	—	7,466
Share-based grants (including income tax benefits)	—	—	11,352	—	—	11,352
Cash dividends on common stock	—	—	—	(17,212)	—	(17,212)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2014	\$ 150,000	\$ 1,237	\$ 851,158	\$ 810,796	\$ (65,597)	\$ 1,747,594
Net income	—	—	—	130,526	—	130,526
Other comprehensive income (loss)	—	—	—	—	1,584	1,584
Issuance of common stock	—	13	13,659	—	—	13,672
Share-based grants (including income tax benefits)	—	—	9,989	—	—	9,989
Cash dividends on common stock	—	—	—	(24,919)	—	(24,919)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2015	\$ 150,000	\$ 1,250	\$ 874,806	\$ 906,278	\$ (64,013)	\$ 1,868,321
Net income	—	—	—	144,931	—	144,931
Other comprehensive income (loss)	—	—	—	—	12,491	12,491
Issuance of common stock	—	20	23,090	—	—	23,110
Share-based grants	—	—	7,677	—	—	7,677
Cash dividends on common stock	—	—	—	(30,073)	—	(30,073)
Cash dividends on preferred stock	—	—	—	(10,125)	—	(10,125)
Balance, December 31, 2016	\$ 150,000	\$ 1,270	\$ 905,573	\$ 1,011,011	\$ (51,522)	\$ 2,016,332

See notes to consolidated financial statements.

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EverBank Financial Corp and Subsidiaries
 Consolidated Statements of Cash Flows
 For Years Ended December 31, 2016, 2015 and 2014
 (Dollars in thousands)

	2016	2015	2014
Operating Activities:			
Net income	\$ 144,931	\$ 130,526	\$ 148,082
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Amortization of premiums and deferred origination costs	80,493	57,268	38,536
Depreciation and amortization of tangible and intangible assets	25,609	27,302	31,781
Reclassification of net loss on settlement of interest rate swaps	15,712	16,736	18,032
Amortization and impairment of mortgage servicing rights, net of recoveries	129,978	103,136	71,222
Deferred income taxes (benefit)	(32,686)	68,845	76,605
Provision for loan and lease losses	48,968	38,187	24,533
Other operating activities	4,478	9,493	(29,179)
Changes in operating assets and liabilities:			
Loans held for sale, including proceeds from sales and repayments	45,237	(524,501)	43,961
Other assets	66,282	183,299	177,568
Accounts payable and accrued liabilities	18,983	(8,518)	(14,891)
Net cash provided by (used in) operating activities	547,985	101,773	586,250
Investing Activities:			
Investment securities available for sale:			
Purchases	(110,925)	(63,659)	(132,885)
Proceeds from sales	2,358	48,527	149,062
Proceeds from prepayments and maturities	181,101	231,205	311,688
Investment securities held to maturity:			
Purchases	(6,566)	(14,947)	(25,842)
Proceeds from prepayments and maturities	20,305	25,656	16,530
Purchases of other investments	(554,000)	(545,789)	(494,777)
Proceeds from sales of other investments	569,758	476,915	426,232
Net change in loans and leases held for investment	(2,949,123)	(5,739,471)	(5,533,188)
Purchases of premises and equipment, including equipment under operating leases	(23,518)	(49,610)	(28,315)
Proceeds related to sale or settlement of other real estate owned	19,646	13,355	24,556
Proceeds from insured foreclosure claims	1,398,772	922,525	298,507
Proceeds from sale of mortgage servicing assets	971	53,253	37,738
Other investing activities	17,986	7,009	21,732
Net cash provided by (used in) investing activities	(1,433,235)	(4,635,031)	(4,928,962)
Financing Activities:			
Net increase (decrease) in nonmaturity deposits	912,001	1,497,425	424,716
Net increase (decrease) in time deposits	481,316	1,224,602	1,825,468
Net change in short-term Federal Home Loan Bank (FHLB) advances	(1,350,000)	74,000	1,376,000
Proceeds from long-term FHLB advances	2,400,000	2,130,000	375,000
Repayments of long-term FHLB advances, including early extinguishment	(1,417,309)	(331,000)	(100,000)
Proceeds from issuance of subordinated notes payable, net of issuance costs	88,731	172,286	—
Proceeds from issuance of common stock	23,845	13,672	7,466
Dividends paid	(40,197)	(35,044)	(27,336)
Other financing activities	(4,150)	3,104	(19,716)
Net cash provided by (used in) financing activities	1,094,237	4,749,045	3,861,598
Net change in cash and cash equivalents	208,987	215,787	(481,114)

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Cash and cash equivalents at beginning of period	582,451	366,664	847,778
Cash and cash equivalents at end of period	\$791,438	\$582,451	\$366,664

Supplemental Disclosures of Cash Flow Information:

Cash paid (received) for:

Interest	\$218,653	\$199,597	\$167,921
Income taxes	42,566	(11,628)	23,884

See Note 1 for disclosures related to supplemental noncash information.

See notes to consolidated financial statements.

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

1. Organization and Basis of Presentation

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

EB's subsidiaries are:

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

EBF, a Delaware limited liability company, facilitates the pooling and securitization of mortgage loans for issuance into the secondary market.

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

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

c) Change in Accounting Principle — The Company changed its accounting principle for share-based compensation through the adoption of Accounting Standards Update (ASU) 2016-09, Compensation-Stock Compensation (Topic 718)-Improvements to Employee Share-Based Payment Accounting in advance of the required application date of January 1, 2017. ASU 2016-09 is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures with early adoption permitted. The provisions related to ASU 2016-09 require that all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase (or decrease) to income tax expense. Previously, income tax benefits at settlement of an award were reported as an increase (or decrease) to additional paid-in capital to the extent that those benefits were greater than (or less than) the income tax benefits recognized in earnings during the award's vesting period. The requirement to report those income tax effects in earnings has been applied prospectively in accordance with the ASU resulting in a reduction in reported income tax expense of \$2,878.

ASU 2016-09 also requires that all income tax-related cash flows resulting from excess tax benefits be reported as operating activities in the statement of cash flows, while payments made when directly withholding shares for tax purposes should be classified as financing. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The change in cash flow classification

associated with excess tax benefits was adopted prospectively resulting in the classification of the \$2,878 excess tax benefit as an operating activity. No change in classification was necessary for the presentation of payments made when withholding shares as financing.

Finally, the Company elected to retain its current accounting policy to estimate the number of awards expected to vest when calculating the forfeiture rate component of share-based compensation cost. The Company did not have any unrecognized excess tax benefits thus there was no cumulative-effect adjustment to retained earnings recognized as of January 1, 2016. The remaining provisions of ASU 2016-09 did not have a significant impact on the Company's consolidated financial statements.

d) Supplemental Cash Flow Information — Noncash investing activities are presented in the following table for the years ended December 31, 2016, 2015, and 2014:

	2016	2015	2014
Supplemental Schedules of Noncash Investing Activities:			
Loans transferred to foreclosure claims	\$1,422,952	\$1,119,590	\$654,818

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

The Company has elected the fair value option for certain residential mortgage loans. Electing to use the fair value option of accounting represents an irrevocable accounting election that allows a better offset of the changes in the fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. These loans are initially recorded and carried at fair value, with changes in fair value recognized in gain on sale of loans. Loan origination fees are recorded when earned, and related costs are recognized when incurred.

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

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

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

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

Acquired loans are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, when applicable. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration in credit quality since origination and if it is probable that the Company will be unable to collect all amounts due according to the loan's contractual terms. The Company considers expected prepayments and estimates the amount and timing of undiscounted expected principal, interest and other cash flows for each loan or pool of loans meeting the criteria above, and determines the excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should not be accreted (non-accretable difference). The remaining amount, representing the excess or deficit of the loan or pool cash flows expected to be collected over the amount paid, is accreted into interest income over the remaining expected life of the loan or pool (accretable yield). The loans are reflected in the consolidated balance sheets net of these amounts. Periodically, the Company evaluates the expected cash flows for each pool. Prior expected cash flows are compared to current expected cash flows and cash collections to determine if any additional impairment should be recognized. Impairment is recognized through an additional allowance for loan losses if the present value of future cash flows discounted at the effective interest rate of the pool has decreased. The present value of any subsequent increase in the

pool's actual cash flows or cash flows expected to be collected is used first to reverse any existing valuation allowance for that pool. Any remaining increase in cash flows expected to be collected is taken as an increase of the prospective accretable yield and recognized over the estimated remaining life of the pool.

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

Debt restructurings or loan modifications for a borrower do not necessarily constitute TDRs and TDRs do not necessarily result in nonaccrual loans. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified are not considered to be impaired loans in calendar years subsequent to the restructuring. The Company may modify certain loans to retain clients or to maximize collection of the loan balance. The Company has maintained several programs designed to assist borrowers by extending payment dates or reducing the borrower's contractual payments. All loan modifications are made on a case by case basis. The initial and ongoing decision regarding accrual status is a separate and distinct process from the TDR analysis and determination. If the borrower has demonstrated performance under the previous terms and shows the capacity to continue to perform under restructured terms, accrual status is maintained provided the restructuring is supported by a current, well documented credit assessment of the borrower's financial condition and prospects for repayment under the revised terms. This evaluation includes consideration of the borrower's sustained historical repayment performance for the six-month period prior to the date of the restructuring. If the borrower was materially delinquent on payments prior to the restructure, but shows the potential capacity to meet the restructured terms, the loan would continue to be kept on nonaccrual status until the borrower has demonstrated performance according to the terms of the restructuring agreement for a period generally of at least six months.

e) Equipment Financing Receivables Held for Investment—Equipment financing receivables are recorded as the sum of the future minimum loan and lease payments, initial deferred costs and estimated or contractual residual values less unearned income. Our determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until contract termination, the cyclical nature of equipment values and the

limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. The Company updates its valuation analysis on an annual basis or more frequently as warranted by events or circumstances. When the Company determines that the fair value of an equipment financing receivable is lower than the expected residual value of the leased asset at contract expiration, the difference is recognized as an asset impairment in the period in which the analysis is completed. Interest income is recognized as earned using the effective interest method. Direct fees and costs associated with the origination of loans and leases are deferred and included as a component of equipment financing receivables. Net deferred fees or costs are recognized as an adjustment to interest income over the contractual life of the loan or lease using the effective interest method. Acquired equipment financing receivables are recorded as the sum of expected loan and lease payments and residual values less unearned income, which includes purchased loan and lease discounts. Unearned income is recognized based on the expected cash flows using the effective interest method.

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

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

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

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

Substandard-These loans have one or more weaknesses and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful-These loans have the weaknesses of substandard loans with the additional characteristic that the weaknesses make collection or liquidation in full questionable and there is a high probability of loss based on existing facts, conditions and values.

Loss-These loans are considered uncollectible and of such little value that continued recognition as a loan is not warranted.

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

Performing-No significant change in the collection of payments from the borrower.

Non-performing-Loans that are 90 days past due or on nonaccrual and are not accounted for under ASC 310-30.

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

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

Loans and leases are placed on nonaccrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual, which is generally when the loan or lease becomes 90 days past due, with the exception of government insured loans. Accordingly, when a loan or lease is placed on nonaccrual status, previously accrued but unpaid interest is reversed from interest income, and both the accrual of interest income and the amortization of unamortized deferred fees, costs, discounts and premiums are suspended.

Payments received are applied to the principal balance of the loan or lease. When a client demonstrates a period of

performance under the terms of the loan or lease, interest accruals and amortization of deferred fees, costs, discounts and premiums are resumed and suspended interest is recognized. Acquired loans that are accounted for under ASC 310-30 are excluded from being classified as nonaccrual when the Company can reasonably estimate cash flows. Loans are derecognized and recognized in other assets when real estate is acquired by the Company as a result of foreclosure or by deed-in-lieu of foreclosure. Loans foreclosed upon that have an enforceable government guarantee are recorded as foreclosure claims receivable. Loans that do not have enforceable government guarantees are recorded as other real estate owned (OREO). See Note 10 for additional information.

g) Allowance for Loan and Lease Losses-The allowance for loan and lease losses represents management's estimate of probable and reasonably estimable credit losses inherent in loans and leases held for investment as of the balance sheet date. The estimate of the allowance is based on a variety of factors including an evaluation of the loan and lease portfolio, past loss experience, adverse situations that have occurred but are not yet known that may affect the borrower's ability to repay, the estimated value of underlying collateral, and current economic conditions.

For purposes of determining the allowance for loan and lease losses, the Company removes loans that are considered impaired or that are accounted for under ASC 310-30 from the population to be collectively evaluated as such loan segments are to be considered under their applicable guidance. Loans and leases collectively evaluated are segmented according to each population's risk characteristics such as loan type and guarantees as well as borrower type and geographic location. Loans are segmented into the following portfolio segments: (i) residential mortgages, (ii) commercial and commercial real estate, (iii) equipment financing receivables, and (iv) home equity lines and other consumer. The

Company also further disaggregates these portfolios into classes based on the associated risks within those segments. Residential mortgages are divided into two classes: residential and government insured pool buyout loans.

Commercial and commercial real estate loans are similarly divided into four classes: other commercial finance, commercial real estate, lender finance and mortgage warehouse finance. Equipment financing receivables and home equity lines and other consumer are not further segmented.

Residential mortgages, equipment financing receivables, and home equity lines and other consumer each have distinguishing borrower needs and differing risks associated with each product type. Commercial and commercial real estate loans are further analyzed for the borrower's ability to repay and the description of underlying collateral. Significant judgment is used to determine the estimation method that fits the credit risk characteristics of each portfolio segment. The Company uses internally developed models in this process. Management must use judgment in establishing input metrics for the modeling processes. The models and assumptions used to determine the allowance are validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented.

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

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

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

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

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

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

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

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

Loans and leases in every portfolio considered to be uncollectible are charged-off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan or lease type, length of delinquency, insufficiency of collateral value, lien priority and the overall financial condition of the borrower. Recoveries on loans and leases previously charged-off are credited back to the allowance. Loans and leases that have been charged-off against the allowance are periodically monitored to evaluate whether further adjustments to the allowance are necessary.

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

- The loan is risk rated "doubtful" or "loss".

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

- The Company has agreed, in writing, to accept a deficiency note.

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

The loan or a portion thereof is determined to be uncollectible after considering the borrower's overall financial condition and collateral deficiency. A loan is considered uncollectible when: (a) the borrower is delinquent in principal or interest 180 days

or more; (b) it is probable that collateral value is insufficient to cover outstanding indebtedness and no other viable assets exist; or (c) notification of the borrower's bankruptcy is received.

In cases where the Company is in a subordinate position to other debt, the senior lien holder has foreclosed and extinguished the junior lien.

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

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

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

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

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

i) Mortgage Servicing Rights-MSR are acquired through bulk purchases of MSR or are created by selling purchased or originated mortgage loans and agency mortgage-backed securities (MBS) with servicing rights retained. Originated mortgage servicing rights are recognized based on the fair values of the mortgage loans or securities and the related servicing rights at the date of sale using values derived from an internal model. MSR are amortized in proportion to, and over the estimated life of the projected net servicing revenue and are periodically evaluated for impairment. The Company identifies classes of servicing rights based upon the nature of the underlying assumptions used to estimate the fair value of the asset along with the risks associated with the underlying asset. Based upon these criteria, the Company has identified two classes of MSR: residential and commercial.

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

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

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

j) Premises and Equipment-Computer hardware and software, furniture, equipment, buildings and leasehold improvements are carried at amortized cost. Depreciation is computed using the straight-line method over the estimated useful lives of hardware, software, furniture, equipment and buildings ranging from 3 to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the period the Company expects to occupy the leased space. The Company reviews premises and equipment

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is considered not to be recoverable when its carrying amount exceeds the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal. If it is determined that the carrying amount of the asset is not recoverable, an impairment loss is recognized equal to the amount by which the carrying amount for an asset exceeds its fair market value.

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

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

The Company uses judgment in assessing goodwill and intangible assets for impairment. Estimates of fair value are based on projections of revenues, operating costs and cash flows of each reporting unit considering historical and anticipated future results, general economic and market conditions as well as the impact of planned business or operational strategies. The valuations employ a combination of

present value techniques to measure fair value and take into consideration relevant market factors. Additionally, judgment is used in determining the useful lives of finite-lived intangible assets. Changes in judgments and projections could result in a significantly different estimate of the fair value of the reporting units and could result in an impairment of goodwill.

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

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

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

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

n) Other Real Estate Owned-OREO consists of property that has been acquired by foreclosure or by deed in lieu of foreclosure. The properties are carried at the lower of cost or market value (less estimated costs to sell) and are included in other assets in the consolidated balance sheets. Costs relating to the development and improvement of property are capitalized, to the extent the balance does not exceed market or fair value (less cost to sell), whereas costs relating to maintaining the property are charged to expense. Subsequent declines in value are based on valuations and are separately reserved until the property is sold. Gains and losses upon disposition of other real estate owned are recognized in general and administrative expense.

o) Equipment Under Operating Leases, Net-Equipment under operating leases is carried at amortized cost and is included in other assets in the consolidated balance sheets. Equipment under operating leases is depreciated on a straight-line basis to its estimated residual value over the lease term. Our determination of residual value is derived from a variety of sources including equipment valuation services, appraisals, and publicly available market data on recent sales transactions on similar equipment. The length of time until lease termination, the cyclical nature of equipment values and the limited marketplace for re-sale of certain leased assets are important variables considered in making this determination. The Company updates its valuation analysis on an annual basis or more frequently as warranted by events or circumstances.

The Company reviews equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount of an asset is considered not to be recoverable when its carrying amount exceeds the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal. If it is determined that the carrying amount of the asset is not recoverable, an impairment

loss is recognized equal to the amount by which the carrying amount for an asset exceeds its fair market value.

p) Deposits-Deposits with clients include noninterest-bearing and interest-bearing demand deposits, savings and money market accounts, and time deposits. The Company offers deposits denominated in United States (U.S.) dollars as well as various foreign currencies. Foreign-currency denominated deposits are recorded at the spot rate, with any foreign currency gain or loss recognized as an adjustment to the carrying value. To manage the risk that may occur from fluctuations in world currency markets, the Company enters into short-term forward foreign exchange contracts. The Company also offers certain time deposits that provide clients the option to receive payments at maturity based on increases in various metal, commodity, foreign currency and U.S. Treasury yield indices. This potential payment to the client qualifies as an embedded derivative. Changes in the fair value of these derivatives are recognized in other noninterest income. The Company purchases options as an economic hedge for these embedded options with changes in the fair value of these options also recognized in other noninterest income. See Note 22 for additional information.

q) Other Borrowings-The Company records FHLB advances and notes payable at their principal amount net of deferred issuance costs and any related discounts or premiums. Interest expense is recognized based on the coupon rate of the obligations plus or minus the amortization of any related discounts, premiums or deferred issuance costs.

r) Trust Preferred Securities-The Company issues trust preferred securities through unconsolidated trusts as a form of additional funding. These securities are recorded at the principal amount, with interest expense recognized at the coupon rate.

s) Advertising-Advertising costs are expensed as incurred. See Note 17 for amounts recognized for each of the years presented in the consolidated statements of income.

t) **Income Taxes**-The Company and its subsidiaries file federal and certain state income tax returns on a consolidated basis. Additionally, the Company's subsidiaries file separate state income tax returns with various state jurisdictions. The provision for income taxes includes the income tax balances of the Company and all of its subsidiaries.

Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets and liabilities are adjusted for the effects of changes in tax rates in the period of change. The Company establishes a valuation allowance when management believes, based on the weight of available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

The Company recognizes and measures income tax benefits based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized for a position in this model and the tax benefit claimed on a tax return is recorded as an unrecognized tax benefit. The Company recognizes income tax related interest and penalties in general and administrative expense.

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

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

w) **Derivative Instruments**-The Company uses derivative financial instruments to manage exposure to interest rate risk, foreign currency risk and changes in the fair value of loans held for sale. Derivative transactions are measured in terms of the notional amount, but this amount is not reflected in the consolidated balance sheets nor, when viewed in isolation, is it a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged and is used only as a basis on which interest and other payments are determined. Derivative instruments used for risk management purposes are classified as cash flow hedging instruments under ASC 815, Derivatives and Hedging, as well as freestanding derivatives. As permitted under U.S. GAAP, the Company nets derivative assets and liabilities, and the related cash collateral received and paid, when a legally enforceable master netting agreement exists between the Company and the derivative counterparty.

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

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

Derivatives Designated as Hedges:

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

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

Derivatives Not Designated as Hedges:

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

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

Forward and Optional Forward Purchase and Sales Commitments-The Company uses forward purchase and sales commitments and optional forward purchase and sales commitments to manage its exposure to interest rate risk related to loans held for sale. The fair values

of these forward and optional forward purchase and sales commitments are recorded in other assets and accounts payable and accrued liabilities. Changes in the fair value of these derivatives are reported as gain on sale of loans in the consolidated statements of income. Cash flows related to forward and optional forward purchase and sales commitments are included in operating activities on the statement of cash flows to match the cash flows of the economically hedged item.

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

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

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

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

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

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

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

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

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

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

For assets or liabilities in inactive markets, transaction or quoted prices may require adjustment to reflect uncertainty as to whether or not the underlying transactions are orderly. Management recognizes that significant events that

impact fair value may occur after the measurement date. The Company's policy is to monitor these events and determine whether adjustments to fair value are required.

The estimated fair values of all of the Company's derivative financial instruments are reported in Note 23.

Counterparty risk for derivative contracts and its impact on the determination of fair value are discussed in Note 22.

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

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

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

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

3. Recent Accounting Pronouncements

Credit Losses - In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326)-Measurement of Credit Losses on Financial Instruments, which eliminates the probable initial recognition threshold for credit losses requiring, instead, that all financial assets (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected inclusive of the entity's current estimate of all lifetime expected credit losses. The ASU also applies to certain off-balance-sheet credit exposures such as unfunded commitments and non-derivative financial guarantees. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) in order to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The income statement under this ASU will reflect the initial recognition of current expected credit losses for newly recognized assets, as well as any increases or decreases of expected credit losses that have occurred during the period. ASU 2016-13 retains many currently-existing disclosures related to the credit quality of an entity's assets and the related allowance for credit losses amended to reflect the change to an expected credit loss methodology, as well as enhanced disclosures to provide information to users at a more disaggregated level. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition is provided in order to maintain the same amortized cost prior to and subsequent to the effective date of the ASU. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those annual periods. The Company is currently evaluating the pending adoption of ASU 2016-13 and its impact on the Company's consolidated financial statements.

Share-Based Payment - In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718)-Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 eliminates equity treatment for tax benefits or deficiencies that result from differences between the compensation cost recognized for U.S. GAAP purposes and the related tax deduction at settlement or expiration with such changes recognized in income tax expense and excludes excess tax benefits and tax deficiencies from the calculation of assumed proceeds for earnings per share purposes since such amounts are recognized in the income statement, which will result in greater volatility in earnings per share. In addition, ASU 2016-09 simplifies the statements of cash flows by eliminating the bifurcation of excess tax benefits from operating activities to financing activities. Upon adoption, ASU 2016-09 provides for a tiered transition approach whereby amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the

statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company adopted this ASU for the year ended December 31, 2016. See Note 1 for further information regarding the resulting impact of this change in accounting principle.

Leases - In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing standards for lease accounting effectively bringing most leases onto the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability, while leaving lessor accounting largely unchanged with only targeted changes incorporated into the update. ASU 2016-02 includes extensive qualitative and quantitative disclosure requirements intended to provide greater insight into the nature of an entity's leasing activities. Upon adoption, ASU 2016-02 must be adopted using a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted with certain practical expedients provided. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the pending adoption of ASU 2016-02 and its impact on the Company's consolidated financial statements.

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

within those annual periods with early adoption allowable only for amendment 4 above. The Company is currently evaluating the pending adoption of ASU 2016-01 and its impact on the Company's consolidated financial statements.

Consolidation - In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which (1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities; (2) eliminates the presumption that a general partner should consolidate a limited partnership; (3) affects the consolidation analysis of reporting entities involved with VIEs that have fee arrangements and related party relationships and (4) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. Upon adoption, ASU 2015-02 provides for transition through either a full retrospective approach or a modified retrospective approach, which requires restatement as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to retained earnings. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods with early adoption permitted. The adoption of ASU 2015-02 did not have a material impact on the Company's consolidated financial statements.

Hybrid Financial Instruments - In November 2014, the FASB issued ASU 2014-16, Derivatives and Hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity, which will eliminate diversity in practice associated with the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 clarifies that no single term or feature, stated or implied, would necessarily determine the economic characteristics and risks of the host contract in determining whether it is more akin to debt or equity. Although an individual term or feature may weigh more heavily in the evaluation, the final determination must be made based on all economic characteristics and risks of the entire hybrid financial instrument. Once the nature of the host contract is determined, any embedded features considered to be derivatives would be evaluated for bifurcation from the host contract. ASU 2014-16 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company notes that its Series A Preferred Shares were determined upon issuance to be more akin to equity with no embedded features having been determined to be derivatives. As such, the adoption of ASU 2014-16 did not have a material impact on the Company's consolidated financial statements.

Revenue from Contracts with Customers - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Subtopic 606), which supersedes the guidance in former ASC 605, Revenue Recognition. ASU 2014-09 clarifies the principles for recognizing revenue in order to improve comparability of revenue recognition practices across entities and industries with certain scope exceptions including financial instruments, leases, and guarantees. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To satisfy this objective, ASU 2014-09 provides guidance intended to assist in the identification of contracts with customers and separate performance obligations within those contracts, the determination and allocation of the transaction price to those identified performance obligations and the recognition of revenue when a performance obligation has been satisfied. ASU 2014-09 also implements enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. The effective date of ASU 2014-09 has been deferred by one year from its original effective date through the August 2015 issuance of ASU 2015-14 and thus is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Upon adoption, ASU 2014-09 provides for transition through either a full retrospective approach requiring the restatement of all presented prior periods or a modified retrospective approach, which allows the new recognition standard to be applied to only those contracts that are not completed at the date of transition. If the modified retrospective approach is adopted, a cumulative-effect adjustment to retained earnings is performed with additional disclosures required including the amount by which each line item is affected by the transition as compared to the guidance in effect before adoption and an explanation of the reasons for significant changes in these amounts. The Company is currently evaluating the pending adoption of ASU 2014-09 and its impact on the Company's consolidated financial statements and has not yet identified which transition method will be applied upon adoption.

4. Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses, fair value and carrying value of investment securities were as follows as of December 31, 2016 and 2015:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount
2016					
Available for sale:					
Residential collateralized mortgage obligations (CMO) securities - nonagency	\$ 452,035	\$ 4,219	\$ 3,836	\$ 452,418	\$ 452,418
U.S. Treasury securities	31,879	—	12	31,867	31,867
Asset-backed securities (ABS)	1,426	—	261	1,165	1,165
Other	225	161	—	386	386
Total available for sale securities	\$ 485,565	\$ 4,380	\$ 4,109	\$ 485,836	\$ 485,836
Held to maturity:					
Residential CMO securities - agency	\$ 2,809	\$ 87	\$ —	\$ 2,896	\$ 2,809
Residential MBS - agency	86,648	1,181	687	87,142	86,648
Total held to maturity securities	\$ 89,457	\$ 1,268	\$ 687	\$ 90,038	\$ 89,457
2015					
Available for sale:					
Residential CMO securities - nonagency	\$ 558,621	\$ 1,728	\$ 7,091	\$ 553,258	\$ 553,258
ABS	1,632	—	280	1,352	1,352
Other	248	161	—	409	409
Total available for sale securities	\$ 560,501	\$ 1,889	\$ 7,371	\$ 555,019	\$ 555,019
Held to maturity:					
Residential CMO securities - agency	\$ 13,065	\$ 269	\$ —	\$ 13,334	\$ 13,065
Residential MBS - agency	90,681	1,973	540	92,114	90,681
Total held to maturity securities	\$ 103,746	\$ 2,242	\$ 540	\$ 105,448	\$ 103,746

At December 31, 2016 and 2015, investment securities with a carrying value of \$114,483 and \$145,904, respectively, were pledged to secure other borrowings for other purposes as required or permitted by law. At December 31, 2016 and 2015, investment securities with a carrying value of \$31,867 and \$0, respectively were pledged as collateral for certain derivative positions.

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. Mortgage-backed securities, including collateralized mortgage obligation securities, are disclosed without a specific maturity in the table below as these investment securities are likely to prepay prior to their scheduled contractual maturity dates.

	Amortized Cost	Fair Value
2016		
Available for sale:		
Within one year	\$ 31,879	\$ 31,867
After ten years	1,426	1,165
Not due at a single maturity date	452,183	452,573
	\$ 485,488	\$ 485,605
Held to maturity:		
Not due at a single maturity date	\$ 89,457	\$ 90,038

For the year ended December 31, 2016 there were no gross gains realized on available for sale securities with \$568 and \$5,596 gross gains realized on available for sale investments for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2016 there were \$52 gross losses realized with no gross losses realized

for the years ended December 31, 2015 and 2014 having been realized. The cost of investments sold is calculated using the specific identification method.

The gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and the length of time individual securities have been in a continuous unrealized loss position, at December 31, 2016 and 2015 are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2016						
Debt securities:						
Residential CMO securities - nonagency	\$ 65,236	\$ 900	\$ 122,805	\$ 2,936	\$ 188,041	\$ 3,836
Residential MBS - agency	33,239	680	919	7	34,158	687
U.S. Treasury securities	31,879	12	—	—	31,879	12
ABS	—	—	1,165	261	1,165	261
Total debt securities	\$ 130,354	\$ 1,592	\$ 124,889	\$ 3,204	\$ 255,243	\$ 4,796
2015						
Debt securities:						
Residential CMO securities - nonagency	\$ 173,705	\$ 1,003	\$ 221,180	\$ 6,088	\$ 394,885	\$ 7,091
Residential MBS - agency	28,514	313	9,171	227	37,685	540
ABS	—	—	1,352	280	1,352	280
Total debt securities	\$ 202,219	\$ 1,316	\$ 231,703	\$ 6,595	\$ 433,922	\$ 7,911

The Company had unrealized losses at December 31, 2016 and 2015 on residential nonagency CMO securities, residential agency MBS, ABS, and U.S. Treasury securities. These unrealized losses are primarily attributable to weak market conditions. Based on the nature of the impairment, these unrealized losses are considered temporary. The Company does not intend to sell nor is it more likely than not that it will be required to sell these investments before their anticipated recoveries.

At December 31, 2016, the Company had 49 debt securities in an unrealized loss position. A total of 17 were in an unrealized loss position for less than 12 months. These 17 securities consisted of five residential nonagency CMO securities, 11 residential agency MBS and one U.S. Treasury security. The remaining 32 debt securities were in an unrealized loss position for 12 months or longer. These 32 securities consisted of 28 residential nonagency CMO securities, three ABS and one residential agency MBS. Of the \$4,796 in unrealized losses, \$2,503 relate to debt securities that are rated investment grade with the remainder representing securities for which the Company believes it has both the intent and ability to hold to recovery.

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

When certain triggers indicate the likelihood of an OTTI or the qualitative evaluation performed cannot support the expectation of recovering the entire amortized cost basis of an investment, the Company performs cash flow analysis that project prepayments, default rates and loss severities on the collateral supporting each security. If the net present value of the investment is less than the amortized cost, the difference is recognized in earnings as a credit-related impairment, while the remaining difference between the fair value and the amortized cost is recognized in AOCI. During the year ended December 31, 2016 and 2015, the Company recognized credit related OTTI losses of \$507 and \$110 on available for sale residential nonagency CMO securities. These credit related losses were caused by these investments exhibiting credit ratings that were deemed to be below investment grade, which led to decreased projected cash flows as of December 31, 2016 and 2015. The Company recognized no credit related OTTI related to held to maturity securities during these periods. The Company recognized no non-credit OTTI for available for sale or held to maturity securities for the years ended December 31, 2016 and 2015.

For the year ended December 31, 2014, the Company recognized non-credit OTTI in earnings of \$685 on available for sale residential nonagency CMO securities. The OTTI losses recorded for the year ended December 31, 2014, represented additional declines in fair value on securities originally OTTI at December 31, 2013 as a result of regulatory changes created by the Volcker rule, which classified these investments as covered funds that cannot be held by an insured depository institution. As a result, management could not assert at December 31, 2014 that the Company had the ability to hold these investments to recovery. The Company recognized zero credit related OTTI for available for sale or held to maturity securities for the year ended December 31, 2014.

During the years ended December 31, 2016, 2015, and 2014 interest and dividend income on investment securities was comprised of the following:

	2016	2015	2014
Interest income on available for sale securities	\$13,344	\$17,818	\$30,549
Interest income on held to maturity securities	3,423	3,580	3,293
Other interest and dividend income	11,918	9,398	4,770
	\$28,685	\$30,796	\$38,612

All investment interest income recognized by the Company during the years ended December 31, 2016, 2015 and 2014 was fully taxable.

Other Investments—Other investments as of December 31, 2016 and 2015 are as follows:

	2016	2015
FHLB stock	\$249,005	\$264,773
Other	4,013	658
Total	\$253,018	\$265,431

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

The FHLB stock held by the Company is carried at cost and is subject to recoverability testing similar to investment securities. The Company considers the FHLB's operating performance, liquidity and funding position, credit ratings and ability to meet statutory and regulatory requirements in assessing the recoverability of the investment. The Company will continue to monitor the financial condition of the FHLB as it relates to, among other things, the recoverability of the Company's investment. As of December 31, 2016, the Company did not recognize an impairment charge related to the Company's FHLB stock holdings. There can be no assurance, however, that future negative changes in the financial condition of the FHLB may not require the Company to recognize an impairment charge with respect to such holdings.

5. Loans Held for Sale

Loans held for sale as of December 31, 2016 and 2015, consist of the following:

	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

The Company has elected the fair value option for loans it originates with the intent to market and sell in the secondary market either through third party sales or securitizations. Mortgage warehouse loans are largely comprised of agency deliverable products that the Company typically sells within three months subsequent to origination. The Company economically hedges the mortgage warehouse portfolio with forward purchase and sales commitments designed to protect against potential changes in fair value. Due to the short duration that these loans are present on the balance sheet and in part due to the burden of complying with the requirement of hedge accounting, the Company has elected fair value accounting on this portfolio of loans. The Company has also elected the fair value option for originated fixed-rate jumbo loans. Fair value accounting was elected due to the short duration that these loans are present on the balance sheet. Electing to use fair value accounting allows a better offset of the changes in the fair value of the loans and the derivative instruments used to economically hedge these loans without the burden of complying with the requirements of hedge accounting. The Company has not elected the fair value option for other residential mortgage and commercial and commercial real estate loans as the majority of these loans were transferred from the held for investment portfolio and are expected to be sold within a short period subsequent to transfer. These loans are carried at the lower of cost or market value.

Other residential loans held at the lower of cost or market value represent government insured pool buyouts that have re-performed and are now eligible to be re-securitized or sold to third parties and other residential mortgage loans for which the Company has changed its intent and has made a decision to sell the loans and as such transferred the loans to held for sale. A majority of these other residential mortgage loans consist of jumbo preferred adjustable rate mortgage (ARM) loans. Commercial and commercial real estate loans represent multi-family loans which the Company is actively marketing to sell. As the Company no longer has the intent to hold these loans for the foreseeable future, the loans were transferred to held for sale. Residential loans, commercial and commercial real estate loans and equipment financing receivables are transferred to the held for sale portfolio when the Company has entered into a

commitment to sell a specific portion of its held for investment portfolio or when the Company has a formal marketing strategy and intends to sell a certain loan product.

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

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The following is a summary of cash flows related to transfers accounted for as sales for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Proceeds received from agency securitizations	\$4,514,229	\$3,878,472	\$4,832,193
Proceeds received from nonsecuritization sales - residential	\$4,747,467	\$3,345,165	\$1,937,032
Proceeds received from nonsecuritization sales - commercial and commercial real estate	609,744	216,010	94,617
Proceeds received from nonsecuritization sales - equipment financing receivables	226,418	116,472	20,975
Proceeds received from nonsecuritization sales	\$5,583,629	\$3,677,647	\$2,052,624
Repurchased loans from residential agency sales and securitizations	\$4,972	\$6,013	\$5,961
Repurchased loans from nonagency sales	5,626	8,153	4,078
Repurchased loans from commercial sales and securitizations ⁽¹⁾	74,987	105,651	—

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

In connection with these transfers, the Company recorded servicing assets in the amount of \$69,988 and \$57,212 for the years ended December 31, 2016 and 2015. All servicing assets are initially recorded at fair value using a Level 3 measurement technique. Refer to Note 8 for information relating to servicing activities and MSR and Note 23 for a description of the valuation process. The gains and losses on the transfers, which qualify as sales, are recorded in the consolidated statements of income in gain on sale of loans, which includes the gain or loss on sale, change in fair value related to fair value option loans, and the change in fair value related to offsetting hedging positions.

The following is a summary of transfers of loans from held for investment to held for sale and transfers of loans from held for sale to held for investment for the years ended December 31, 2016 and 2015.

Loans Transferred from Held for Investment (LHFI) to Held for Sale (LHFS)	2016	2015
Residential	\$1,435,772	\$1,114,414
Government insured pool buyouts	1,869,421	1,053,313
Commercial and commercial real estate	471,797	399,482
Equipment financing receivables	217,146	109,070
Total transfers from LHFI to LHFS	\$3,994,136	\$2,676,279

Loans Transferred from LHFS to LHFI	2016	2015
Residential	\$182,437	\$212,312
Government insured pool buyouts	205	—
Commercial and commercial real estate	73,316	111,602
Total transfers from LHFS to LHFI	\$255,958	\$323,914

When the Company has identified and has made a decision to sell a loan or set of loans which were not originated or acquired with the intent to sell, the Company will transfer the loan from held for investment to held for sale at the lower of cost or market value. The Company will transfer loans from held for sale to held for investment when it no longer has the intent to sell the loans within the foreseeable future. Loans transferred from held for sale to held for investment are transferred at the lower of cost or market. Loan transfers from LHFS to LHFI and transfers from LHFI to LHFS represent noncash activities within the operating and investing sections of the statement of cash flows.

6. Loans and Leases Held for Investment, Net

Loans and leases held for investment as of December 31, 2016 and 2015 are comprised of the following:

	2016	2015
Residential mortgages	\$11,813,678	\$11,717,122
Commercial and commercial real estate	7,938,862	7,607,676
Equipment financing receivables	2,560,105	2,400,909
Home equity lines and other	1,244,332	501,785
Total loans and leases held for investment, net of unearned income	23,556,977	22,227,492

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Allowance for loan and lease losses	(103,304)	(78,137)
Total loans and leases held for investment, net	\$23,453,673		\$22,149,355	

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As of December 31, 2016 and 2015, the carrying values presented above include net purchase loan and lease discounts and net deferred loan and lease origination costs as follows:

	2016	2015
Net purchased loan and lease discounts	\$ 104,558	\$ 45,770
Net deferred loan and lease origination costs	123,484	123,255

During the year ended December 31, 2016 and 2015, unpaid principal balance (UPB) for significant third-party purchases of loans that impacted the Company's LHFI portfolio are as follows:

	2016	2015
Residential mortgages ⁽¹⁾	\$4,799,894	\$3,128,540
Commercial credit facilities	356,578	645,589
Home equity lines of credit	256,926	—

⁽¹⁾ Included in this amount are government insured pool buyouts.

Of the \$645,589 in commercial credit facility balances purchased during the year ended December 31, 2015, \$91,721 of net recorded investment was purchased on May 11, 2015, representing the purchase of a portfolio of asset based lending loans. The purchase was funded entirely by cash with the transaction being accounted for using the acquisition method of accounting. Based on the acquisition method of accounting, consideration paid totaling \$91,829 was allocated to the purchased loans and related accrued interest and fees with no additional assets recognized or liabilities assumed in the transaction. No goodwill was recognized in the transaction. The portfolio will continue to be operated out of New York as the Company hired several professionals who previously worked with the purchased portfolio. Equipment Financing Receivables—Equipment financing receivables are collateralized by a secured interest in the equipment and, in certain circumstances, additional collateral and/or guarantees. As of December 31, 2016 and 2015, the components of net equipment financing receivables are as follows:

	2016	2015
Loans receivable	\$473,297	\$482,896
Minimum lease payments receivable	1,993,896	1,888,565
Residuals	293,418	214,383
Unearned income	(247,951)	(226,775)
Equipment financing receivables, net of unearned income	2,512,660	2,359,069
Net premiums (discounts)	47,445	41,840
Equipment financing receivables, net of unearned income	2,560,105	2,400,909
Allowance for loan and lease losses	(19,895)	(12,187)
Equipment financing receivables, net	\$2,540,210	\$2,388,722

The following is a schedule of future minimum lease payments to be received on leases held for investment at December 31, 2016:

2017	\$661,907
2018	517,283
2019	371,252
2020	235,244
2021	126,413
Thereafter	81,797
Minimum lease payments receivable	\$1,993,896

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

The balance of residential loans held for investment that are not government insured totaled \$6,564,126 and \$7,501,767 as of December 31, 2016 and 2015. These loans primarily represent jumbo loans that cannot be delivered to governmental agencies via sale or securitization as their original principal balance exceeds acceptable limits.

Although the Company's loan and lease portfolio is diversified, a significant portion of the portfolio is collateralized by real estate and commercial equipment. The Company's lending policy related to the real estate portfolio requires real estate loan collateral based upon several factors, including certain loan-to-appraised-value ratios and borrower

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

The 5 highest concentration percentages by state for each category of the Company's loan and lease portfolio and the corresponding states' percentages of the U.S. population at December 31, 2016 are as follows:

	Percentage of Loan Portfolio					% of U.S. Population (2)	
	Residential Mortgages (1)	Commercial and Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines of Credit			
California	26%	14%	10%	51%	12%		
Florida	8	9	11	9	6		
New York	7	7	6	7	6		
New Jersey	6		6	4	3		
Texas	6	9	12		8		
North Carolina	6				3		
Colorado				8	2		

(1) Excludes Mortgage Warehouse Finance and Lender Finance

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

An additional factor in evaluating concentration of credit risk arises from evaluating loans for which a higher risk of future default may exist due to a potential triggering event. Loans such as negative amortizing loans and interest only loans provide for an extended period of low payments followed by a period of higher payments as the principal balance begins to be due. Such loans experience a higher risk of default when the principal balance becomes due and borrowers may be unable to make the new loan payment. For December 31, 2016 and 2015, the Company did not originate negative amortizing loans. The net recorded investment in interest-only loans was \$1,840,034 and \$1,580,311 for residential real estate loans and home equity lines of credit and \$1,690,201 and \$1,653,128 for commercial, commercial real estate loans and commercial lines of credit at December 31, 2016 and 2015, all respectively.

Mortgage warehouse finance lines of credit represent large commitments to financial services companies, typically mortgage banking companies, with a total commitment amount of \$4,137,500 and an outstanding balance of \$2,592,799 extended to 39 borrowers at December 31, 2016. The average commitment to one borrower within this population as of December 31, 2016 was \$106,090 with an average outstanding balance of \$66,482. The maximum commitment to a single borrower within this population represents a commitment of \$200,000. Many of these financial services companies utilize their lines of credit to fund transactions throughout the U.S. and thus geographical concentration is less indicative of the concentration risk associated with these lines. Advances taken on these lines of credit are primarily collateralized by agency and government residential loans originated by our clients.

Lender finance business provides revolving lines of credit and term loans secured by equipment and receivables primarily to specialty finance companies on a national basis, with a total commitment amount of \$2,423,790 and an outstanding balance of \$1,589,554 extended to 73 customers at December 31, 2016. These specialty finance companies are distributed among diverse sectors including healthcare, air, rail, container, middle market lender, equipment leasing, and specialty lending sectors. At December 31, 2016 53% and 22% of the outstanding balance related to the middle market lender and air lending sectors, respectively. The average commitment to one borrower within this portfolio was \$33,203 as of December 31, 2016, with an average outstanding balance of \$21,775. The maximum commitment to a single borrower within this portfolio represents a commitment of \$150,000.

For more information on unfunded commitments on outstanding lines of credit see Note 24.

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

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Acquisition date details of loans and leases acquired with evidence of credit deterioration during the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Contractual payments receivable for acquired loans and leases at acquisition	\$7,673,494	\$5,034,486
Expected cash flows for acquired loans and leases at acquisition	4,832,670	3,209,460
Basis in acquired loans and leases at acquisition	4,535,322	2,976,059

Information pertaining to the ACI portfolio as of December 31, 2016 and 2015 is as follows:

	Residential	Commercial and Commercial Real Estate	Total
2016			
Carrying value, net of allowance	\$4,490,453	\$ 52,021	\$4,542,474
Outstanding unpaid principal balance	4,590,807	56,746	4,647,553
Allowance for loan and lease losses, beginning of year	7,031	346	7,377
Allowance for loan and lease losses, end of year	8,769	35	8,804
2015			
Carrying value, net of allowance	\$3,449,385	\$ 110,984	\$3,560,369
Outstanding unpaid principal balance	3,503,138	117,051	3,620,189
Allowance for loan and lease losses, beginning of year	5,974	2,042	8,016
Allowance for loan and lease losses, end of year	7,031	346	7,377

The Company recorded a provision for loan loss of \$1,427 and a reduction of provision for loan loss of \$639 for the ACI portfolio for the years ended December 31, 2016 and 2015, respectively. The adjustments to provision are the result of changes in expected cash flows on ACI loans.

The following is a summary of the accretable yield activity for the ACI loans during the years ended December 31, 2016 and 2015:

	Residential	Commercial and Commercial Real Estate	Total
2016			
Balance, beginning of year	\$252,841	\$ 43,690	\$296,531
Additions	297,348	—	297,348
Accretion	(207,884)	(6,974)	(214,858)
Reclassifications to (from) accretable yield	(2,157)	(12,219)	(14,376)
Transfer from loans held for investment to loans held for sale	—	(3,304)	(3,304)
Balance, end of year	\$340,148	\$ 21,193	\$361,341
2015			
Balance, beginning of year	\$240,650	\$ 61,256	\$301,906
Additions	233,401	—	233,401
Accretion	(139,197)	(11,343)	(150,540)

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Reclassifications to (from) accretable yield	(82,013)	(6,223)	(88,236)
Balance, end of year	\$252,841	\$ 43,690	\$296,531

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7. Allowance for Loan and Lease Losses

Changes in the allowance for loan and lease losses for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016				Total
	Commercial Residential Mortgages	Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines and Other	
Balance, beginning of year	\$26,951	\$ 34,875	\$ 12,187	\$4,124	\$78,137
Provision for loan and lease losses	9,806	16,885	18,257	4,020	48,968
Charge-offs	(8,710)	(4,033)	(13,510)	(1,735)	(27,988)
Recoveries	717	214	2,961	295	4,187
Balance, end of year	\$28,764	\$ 47,941	\$ 19,895	\$6,704	\$103,304

	2015				Total
	Commercial Residential Mortgages	Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines and Other	
Balance, beginning of year	\$25,098	\$ 23,095	\$ 8,649	\$4,004	\$60,846
Provision for loan and lease losses	10,288	13,764	12,775	1,360	38,187
Charge-offs	(9,143)	(2,424)	(11,528)	(1,578)	(24,673)
Recoveries	708	440	2,291	338	3,777
Balance, end of year	\$26,951	\$ 34,875	\$ 12,187	\$4,124	\$78,137

	2014				Total
	Commercial Residential Mortgages	Commercial Real Estate	Equipment Financing Receivables	Home Equity Lines and Other	
Balance, beginning of year	\$26,497	\$ 29,987	\$ 4,273	\$2,933	\$63,690
Transfers to loans held for sale	(5,049)	(2,482)	—	(191)	(7,722)
Provision for loan and lease losses	10,920	2,494	9,285	1,834	24,533
Charge-offs	(8,366)	(6,913)	(5,797)	(1,124)	(22,200)
Recoveries	1,096	9	888	552	2,545
Balance, end of year	\$25,098	\$ 23,095	\$ 8,649	\$4,004	\$60,846

During the year ended December 31, 2014, in conjunction with the sale of residential TDR and non-performing residential loans, the Company transferred loans with a net recorded investment of \$79,075 and the related impairment reserve of \$5,049, which was individually evaluated, from loans held for investment to loans held for sale with no additional provision having been recorded.

The following tables provide a breakdown of the allowance for loan and lease losses and the recorded investment in loans and leases based on the method for determining the allowance as of December 31, 2016 and 2015:

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

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2016

Residential mortgages	\$1,921	\$ 18,074	\$8,769	\$28,764
Commercial and commercial real estate	21,696	26,210	35	47,941
Equipment financing receivables	1,032	18,863	—	19,895
Home equity lines and other	—	6,704	—	6,704
Total allowance for loan and lease losses	\$24,649	\$ 69,851	\$8,804	\$103,304

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	Loans and Leases Held for Investment at Recorded Investment			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2016				
Residential mortgages	\$ 17,112	\$ 7,297,344	\$ 4,499,222	\$ 11,813,678
Commercial and commercial real estate	105,803	7,781,003	52,056	7,938,862
Equipment financing receivables	19,111	2,540,994	—	2,560,105
Home equity lines and other	—	1,244,332	—	1,244,332
Total loans and leases held for investment	\$ 142,026	\$ 18,863,673	\$ 4,551,278	\$ 23,556,977

	Allowance for Loan and Lease Losses			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2015				
Residential mortgages	\$ 2,206	\$ 17,714	\$ 7,031	\$ 26,951
Commercial and commercial real estate	7,743	26,786	346	34,875
Equipment financing receivables	91	12,096	—	12,187
Home equity lines and other	—	4,124	—	4,124
Total allowance for loan and lease losses	\$ 10,040	\$ 60,720	\$ 7,377	\$ 78,137

	Loans and Leases Held for Investment at Recorded Investment			
	Individually Evaluated for Impairment	Collectively Evaluated	ACI Loans	Total
2015				
Residential mortgages	\$ 18,185	\$ 8,242,521	\$ 3,456,416	\$ 11,717,122
Commercial and commercial real estate	81,304	7,415,042	111,330	7,607,676
Equipment financing receivables	4,393	2,396,516	—	2,400,909
Home equity lines and other	—	501,785	—	501,785
Total loans and leases held for investment	\$ 103,882	\$ 18,555,864	\$ 3,567,746	\$ 22,227,492

The Company uses a risk grading matrix to monitor credit quality for commercial and commercial real estate loans. Risk grades are continuously monitored and updated by credit administration personnel based on current information and events. The Company monitors the credit quality of all other loan types based on performing status. For a detailed description of the risk grading, refer to Note 2.

The following tables present the recorded investment for loans and leases by credit quality indicator as of December 31, 2016 and 2015:

	Performing	Non-performing		Total
		Accrual	Nonaccrual	
2016				
Residential mortgages:				
Residential ⁽¹⁾	\$6,531,912	\$—	\$ 32,214	\$6,564,126
Government insured pool buyouts ^{(2) (3)}	5,022,454	227,098	—	5,249,552
Equipment financing receivables	2,518,964	—	41,141	2,560,105
Home equity lines and other	1,237,249	—	7,083	1,244,332
Total	\$15,310,579	\$227,098	\$ 80,438	\$15,618,115

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial and commercial real estate:					
Mortgage warehouse finance	\$2,592,799	\$—	\$ —	\$—	\$2,592,799
Lender finance	1,589,554	—	—	—	1,589,554
Other commercial finance	208,467	6,114	—	—	214,581
Commercial real estate	3,410,406	18,247	113,275	—	3,541,928
Total commercial and commercial real estate	\$7,801,226	\$24,361	\$ 113,275	\$—	\$7,938,862

	Performing	Non-performing		Total
		Accrual	Nonaccrual	
2015				
Residential mortgages:				
Residential ⁽¹⁾	\$7,469,855	\$—	\$ 31,912	\$7,501,767
Government insured pool buyouts ^{(2) (3)}	3,873,603	341,752	—	4,215,355
Equipment financing receivables	2,383,502	—	17,407	2,400,909
Home equity lines and other	498,446	—	3,339	501,785
Total	\$14,225,406	\$341,752	\$ 52,658	\$14,619,816

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

(1) For the periods ended December 31, 2016 and 2015, performing residential mortgages included \$3,437 and \$5,148, respectively of ACI loans 90 days or greater past due and still accruing.

(2) For the periods ended December 31, 2016 and 2015, performing government insured pool buyouts included \$3,498,061 and \$2,855,632, respectively of ACI loans 90 days or greater past due and still accruing.

(3)

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

The following tables present an aging analysis of the recorded investment for loans and leases by class as of December 31, 2016 and 2015:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans Held for Investment Excluding ACI
2016						
Residential mortgages:						
Residential	\$ 8,208	\$ 6,379	\$ 32,214	\$ 46,801	\$ 6,484,372	\$ 6,531,173
Government insured pool buyouts ⁽¹⁾	37,064	19,346	227,098	283,508	499,775	783,283
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	2,592,799	2,592,799
Lender finance	—	—	—	—	1,589,554	1,589,554
Other commercial finance	—	—	—	—	214,581	214,581
Commercial real estate	26,376	—	13,204	39,580	3,450,292	3,489,872
Equipment financing receivables	23,838	10,796	5,197	39,831	2,520,274	2,560,105
Home equity lines and other	1,754	1,984	7,083	10,821	1,233,511	1,244,332
Total loans and leases held for investment	\$ 97,240	\$ 38,505	\$ 284,796	\$ 420,541	\$ 18,585,158	\$ 19,005,699

2015						
Residential mortgages:						
Residential	\$ 9,963	\$ 6,150	\$ 31,912	\$ 48,025	\$ 7,408,905	\$ 7,456,930
Government insured pool buyouts ⁽¹⁾	30,645	21,117	341,752	393,514	410,262	803,776
Commercial and commercial real estate:						
Mortgage warehouse finance	—	—	—	—	2,372,731	2,372,731
Lender finance	—	—	—	—	1,280,423	1,280,423
Other commercial finance	—	—	—	—	207,150	207,150
Commercial real estate	—	—	3,741	3,741	3,632,301	3,636,042
Equipment financing receivables	17,579	5,131	4,737	27,447	2,373,462	2,400,909
Home equity lines and other	1,760	1,496	3,340	6,596	495,189	501,785
Total loans and leases held for investment	\$ 59,947	\$ 33,894	\$ 385,482	\$ 479,323	\$ 18,180,423	\$ 18,659,746

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

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

As the allowable time frame for initiating the loan foreclosure process varies by jurisdiction, the Company has determined, for purposes of disclosure, loans collateralized by residential real estate are considered to be in the process of foreclosure once they are 120 days or more past due. At December 31, 2016 and 2015, the Company had loans collateralized by residential real estate with carrying values of \$3,606,926 and \$2,994,749, respectively that were 120 days or more past due. Of the residential loans that were 120 days or more past due, \$3,571,405 and \$2,960,397 represented loans that were government insured at December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the Company had foreclosure claims receivable of \$527,848 and \$530,624, net of valuation allowances of \$14,722 and \$11,187 respectively. At December 31, 2016 and 2015, the Company had residential other real estate owned of \$18,988 and \$8,069, net of valuation allowances of \$566 and \$275, respectively. Of the residential other real estate owned, \$14,125 and \$1,989, respectively, were government insured at December 31, 2016 and 2015.

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

The following tables present the unpaid principal balance, the recorded investment and the related allowance for impaired loans as of December 31, 2016 and 2015:

	2016			2015		
	Unpaid Principal Balance	Recorded Investment ⁽¹⁾	Related Allowance	Unpaid Principal Balance	Recorded Investment ⁽¹⁾	Related Allowance
With an allowance recorded:						
Residential	\$10,845	\$ 9,831	\$ 1,921	\$11,578	\$ 10,510	\$ 2,206
Commercial real estate	73,866	66,749	21,696	52,811	52,029	7,743
Equipment financing receivables	3,144	3,144	1,032	380	380	91
Total impaired loans with an allowance recorded	\$87,855	\$ 79,724	\$ 24,649	\$64,769	\$ 62,919	\$ 10,040

Without a related allowance recorded:

Residential	\$8,331	\$ 7,281	\$8,432	\$ 7,675
Commercial real estate	41,852	39,054	31,718	29,275
Equipment financing receivables	15,967	15,967	4,013	4,013
Total impaired loans without an allowance recorded	\$66,150	\$ 62,302	\$44,163	\$ 40,963

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

The following table presents the average investment and interest income recognized on impaired loans for the years ended December 31, 2016, 2015 and 2014:

	2016		2015		2014	
	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized	Average Investment	Interest Income Recognized

With and without a related allowance recorded:

Residential	\$17,637	\$ 515	\$17,429	\$ 507	\$44,584	\$ 1,237
Commercial real estate	90,026	614	59,626	356	41,576	1,102
Equipment financing receivables	14,381	50	1,165	4	—	—
Total impaired loans	\$122,044	\$ 1,179	\$78,220	\$ 867	\$86,160	\$ 2,339

The following table presents the recorded investment for loans and leases on nonaccrual status by class and loans 90 days or greater past due and still accruing as of December 31, 2016 and 2015:

	2016		2015	
	Nonaccrual Status	90 Days or Greater Past Due and Accruing	Nonaccrual Status	90 Days or Greater Past Due and Accruing
Residential mortgages:				
Residential ⁽¹⁾	\$32,214	\$ —	\$31,912	\$ —
Government insured pool buyouts ^{(2) (3)}	—	227,098	—	341,752
Commercial real estate	102,255	—	71,913	—
Equipment financing receivables	41,141	—	17,407	—
Home equity lines and other	7,083	—	3,339	—

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Total nonaccrual loans and leases \$182,693 \$ 227,098 \$124,571 \$ 341,752

(1) For the periods ended December 31, 2016 and 2015, the Company has excluded from the preceding table \$3,437 and \$5,148, respectively, of performing residential ACI loans 90 days or greater past due and still accruing.

For the periods ended December 31, 2016 and 2015, the Company has excluded from the preceding table
(2) \$3,498,061 and \$2,855,632, respectively, of performing government insured pool buyout ACI loans 90 days or greater past due and still accruing.

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

Troubled Debt Restructurings (TDR) — Modifications made to residential loans during the period included extension of original contractual maturity date, extension of the period of below market rate interest-only payments, or contingent reduction of past due interest. Commercial loan modifications made during the period included extension of original contractual maturity date, payment forbearance, reduction of interest rates, or extension of interest-only periods. The following is a summary of information relating to modifications considered to be TDRs for the years ended December 31, 2016, 2015 and 2014:

	2016	
Loan Type:	Pre-modification Number of Contracts Investment	Post-modification Recorded Investment
Residential	9 \$ 1,603	\$ 1,603
Commercial real estate	5 7,688	7,751
Equipment finance receivable	5 8,946	8,883
Total	19 \$ 18,237	\$ 18,237

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

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

At December 31, 2016 and 2015, the Company included as TDRs 72 and 73 loans in Chapter 7 bankruptcy with net recorded investments of \$5,081 and \$4,378, respectively, in accordance with guidance published by the OCC during the third quarter 2012. As no contractual change to principal or interest was made by the Company on these loans, Chapter 7 bankruptcy loans have been excluded from the modification summaries above.

A loan is considered to re-default when it is 30 days past due. The number of contracts and recorded investment of loans that were modified during the last 12 months and subsequently defaulted during the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Loan Type:	Number of Contracts Investment	Number of Contracts Investment	Number of Contracts Investment
Residential	1 \$ 251	2 \$ 510	2 \$ 881
Commercial real estate	1 2,258	— —	— —

Total 2 \$ 2,509 2 \$ 510 2 \$ 881

110

The recorded investment of TDRs as of December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Loan Type:		
Residential mortgages	\$17,112	\$18,185
Commercial and commercial real estate	4,800	12,177
Equipment financing receivables	8,344	4,013
Total recorded investment of TDRs	\$30,256	\$34,375
Accrual Status:		
Current	\$11,575	\$13,843
30-89 days past-due accruing	2,543	2,582
90+ days past-due accruing	—	—
Nonaccrual	16,138	17,950
Total recorded investment of TDRs	\$30,256	\$34,375

TDRs classified as impaired loans	\$30,256	\$34,375
Valuation allowance on TDRs	2,416	2,381

8. Servicing Activities and Mortgage Servicing Rights

A summary of MSR activities for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance, beginning of year	\$335,280	\$435,619	\$506,680
Originated servicing rights capitalized upon sale of loans	69,988	57,212	57,877
Sale of servicing rights	(1,020)	(54,227)	(55,547)
Amortization	(68,586)	(71,150)	(79,234)
Decrease (increase) in valuation allowance	(61,392)	(31,986)	8,012
Other	(329)	(188)	(2,169)
Balance, end of year	\$273,941	\$335,280	\$435,619

Valuation allowance:

Balance, beginning of year	\$11,778	\$—	\$8,012
Increase in valuation allowance	82,584	48,147	—
Recoveries	(21,192)	(16,161)	(8,012)
Write-off of impairment	—	(20,208)	—
Balance, end of year	\$73,170	\$11,778	\$—

Components of loan servicing fee income, which includes servicing fees related to sales and securitizations, for the years ended December 31, 2016, 2015 and 2014 are presented below:

	2016	2015	2014
Contractually specified service fees, net	\$81,909	\$103,914	\$130,901
Other ancillary fees	7,251	11,799	23,403
Other	3,365	2,050	4,159
Total	\$92,525	\$117,763	\$158,463

Residential

The Company services mortgage loans for itself and others. At December 31, 2016 and 2015, the Company's residential mortgage servicing portfolio totaled \$39,138,000 and \$39,841,000, respectively, including residential mortgage loans held for sale. At December 31, 2016 and 2015, the Company was subservicing approximately \$807,000 and \$1,264,000, respectively. For the years ended December 31, 2016, 2015 and 2014, the Company recognized subservicing revenue of \$1,235, \$2,049 and \$4,184, respectively.

In connection with the servicing of the above loans, the Company maintains escrow funds for taxes and insurance in the name of investors, as well as collections in transit to investors. These escrow funds are segregated and held in separate bank accounts at EB or other financial institutions. Escrow funds held at the Company and included as noninterest-bearing deposits in the accompanying consolidated balance sheets are \$580,850 and \$562,515 at

December 31, 2016 and 2015, respectively. Escrow funds deposited at other financial institutions and not included in the consolidated balance sheets are \$102,140 and \$74,539 at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Company had insurance coverage for errors and omissions in the amount of \$20,000 and fidelity bond insurance of \$45,000 and \$55,000, respectively, related to these servicing activities.

For loans securitized and sold for the years ended December 31, 2016 and 2015 with servicing retained, management used the following assumptions to determine the fair value of residential MSR at the date of securitization:

	2016		2015	
Average discount rates	9.59%	-9.92%	10.08%	-1.39%
Expected prepayment speeds	7.98%	-10.55%	7.09%	-14.12%
Weighted-average life in years	6.88	-7.97	6.29	-1.61

At December 31, 2016 and 2015, the Company estimated the fair value of its capitalized residential MSR to be approximately \$275,602 and \$337,835, respectively. The carrying value of its residential MSR was \$273,941 and \$334,572 at December 31, 2016 and 2015, respectively. The unpaid principal balance below excludes \$8,779,000 and \$8,686,000 at December 31, 2016 and 2015, respectively, for loans with no related MSR basis. The MSR portfolio was valued using internally developed estimated cash flows, leading to a level 3 fair value asset. For more information on the fair value of the Company's MSR portfolio see Note 23.

The characteristics used in estimating the fair value of the residential MSR portfolio at December 31, 2016 and 2015 are as follows:

	2016		2015	
Unpaid principal balance	\$30,359,000		\$31,155,000	
Weighted-average discount rate ⁽¹⁾	9.69	%	9.73	%
Gross weighted-average coupon	4.17	%	4.31	%
Weighted-average servicing fee	0.27	%	0.27	%
Expected prepayment speed ⁽²⁾	13.90	%	11.34	%

When calculating its discount rate, the Company uses industry surveys and recent market activity as a guide with (1) product level calibrations included where necessary. The discount rate is assessed quarterly and updates are made if the current discount rate is materially different from the current market rate.

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

The Company performed a sensitivity analysis on the residential MSR portfolio as of December 31, 2016 and 2015 with the objective to assess how the fair value of the residential MSR portfolio would change under certain adverse scenarios. The sensitivity analysis included hypothetical adverse changes of 10% and 20% to the weighted-average of certain key assumptions. The negative impact of each change is presented below.

	2016	2015
Prepayment Rate		
10% adverse rate change	\$13,472	\$12,718
20% adverse rate change	25,973	24,659
Discount Rate		
10% adverse rate change	9,215	12,805
20% adverse rate change	17,840	24,717

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

Commercial

The carrying value and fair value of the Company's commercial MSR was \$0 and \$708 at December 31, 2016 and 2015, respectively. The Company recognized \$5,391, \$14,337 and \$13,033 of prepayment penalty income in other noninterest income during the years ended December 31, 2016, 2015 and 2014, respectively. The outstanding commercial servicing portfolio totaled \$678,026 and \$1,029,233 at December 31, 2016 and 2015, respectively.

9. Premises and Equipment

Premises and equipment at December 31, 2016 and 2015 consist of the following:

	2016	2015
Computer hardware and software	\$93,139	\$105,505
Furniture	17,808	18,141
Leasehold improvements	17,284	17,595
Equipment	9,844	10,714
Total premises and equipment, gross	138,075	151,955
Less accumulated depreciation and amortization	(94,481)	(100,356)
Total premises and equipment, net of accumulated depreciation and amortization	\$43,594	\$51,599

Depreciation and amortization expense for premises and equipment was \$17,371, \$18,383 and \$19,272 for the years ended December 31, 2016, 2015 and 2014, respectively.

10. Other Assets

Other assets at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
Foreclosure claims receivable, net of allowance of \$14,722 and \$11,187, respectively	\$527,848	\$530,624
Accrued interest receivable	156,937	153,156
Servicing advances, net of allowance of \$5,554 and \$10,280, respectively	53,428	53,709
Fair value of derivatives, net	52,605	10,061
Goodwill	46,859	46,859
Equipment under operating lease, net	38,265	43,250
Other real estate owned, net of allowance of \$2,727 and \$5,316, respectively	25,515	17,253
Margin receivable, net	20,361	40,811
Corporate advances, net of allowance of \$385 and \$556, respectively	17,963	28,300
Prepaid assets	13,839	12,802
Income taxes receivable, net	2,827	69,485
Intangible assets, net	996	1,772
Other	46,423	40,795
Total other assets	\$1,003,866	\$1,048,877

A summary of other real estate owned activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance, beginning of year	\$17,253	\$22,509	\$29,034
Additions	28,923	11,588	21,579
Provision on OREO	(1,015)	(3,489)	(3,548)
Sales	(19,646)	(13,355)	(24,556)
Balance, end of year	\$25,515	\$17,253	\$22,509

Equipment under operating leases at December 31, 2016 and 2015 consist of the following:

	2016	2015
Equipment under operating leases ⁽¹⁾	\$48,032	\$54,416
Less accumulated depreciation	(10,340)	(11,980)
Total	\$37,692	\$42,436

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

Depreciation expense for equipment under operating leases was \$7,461, \$6,987 and \$10,401 for the years ended December 31, 2016, 2015 and 2014, respectively.

11. Goodwill and Intangible Assets

The carrying amount of goodwill for the years ended December 31, 2016 and 2015 was \$46,859. Substantially all acquired goodwill has been allocated to our Commercial Banking segment.

Intangible Assets

Components of the finite-lived intangible assets had the following carrying amounts and accumulated amortization at December 31, 2016 and 2015:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2016			
Technology platform	\$ 6,237	\$ (6,237)	\$ —
Core deposit premium	3,200	(3,010)	190
Customer relationships	2,613	(1,807)	806
Total intangible assets	\$ 12,050	\$ (11,054)	\$ 996
2015			
Technology platform	\$ 6,237	\$ (6,180)	\$ 57
Core deposit premium	3,200	(2,552)	648
Customer relationships	2,613	(1,546)	1,067
Total intangible assets	\$ 12,050	\$ (10,278)	\$ 1,772

Amortization expense related to intangible assets was \$776, \$1,933 and \$2,108 for the years ended December 31, 2016, 2015 and 2014, respectively.

Future estimated amortization expense for intangible assets as of December 31, 2016 is as follows:

2017 \$452

2018 261

2019 261

2020 22

Total \$996

12. Deposits

Deposits as of December 31, 2016 and 2015 are comprised of the following:

	2016	2015
Noninterest-bearing demand	\$1,750,529	\$1,141,357
Interest-bearing demand	3,924,294	3,709,156
Market-based money market accounts	340,777	342,600
Savings and money market accounts, excluding market-based	6,429,407	6,338,685
Market-based time	316,321	374,171
Time, excluding market-based	6,876,900	6,336,073
Total deposits	\$19,638,228	\$18,242,042

Deposits are reported net of unamortized yield adjustments of \$5,094 and \$4,907 and unamortized options related to index-linked time deposits of \$4,545 and \$3,556 at December 31, 2016 and 2015, respectively.

Scheduled maturities of time deposits at December 31, 2016 are as follows:

2017 \$4,456,213

2018 1,002,887

2019 845,231

2020 568,647

2021 329,811

2022 71

Total \$7,202,860

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

Time deposits that are \$100,000 and greater are \$2,780,523 and \$2,199,135 as of December 31, 2016 and 2015, respectively.

Index-linked Time Deposits

MarketSafe Certificates of Deposit (CDs)—EB’s deposit products include MarketSafe CDs with returns that are based upon a variety of reference indices, including commodities, foreign currency, precious metals, equities and U.S. Treasury yields. These index-linked time deposits totaled \$114,166 and \$149,797 at December 31, 2016 and 2015, respectively. The general characteristics of all MarketSafe CDs include the following:

- On the maturity date of each CD, a depositor will receive an amount equal to 100% of the original principal deposit (except upon an early withdrawal as described below) plus a supplemental payment based upon the performance of the underlying indices at specific points in time (the amount of the supplemental payment will never be a negative amount).

Each CD has a participation factor, which is a percentage of the upside index performance and which determines the return to the depositor on the maturity date.

Early withdrawals are not subject to principal protection or a guaranteed minimum annual percentage yield (APY), if any. EverBank will allow an early withdrawal only upon the death or adjudication of incompetence of the depositor, and penalties may apply.

Deposits are Federal Deposit Insurance Corporation (FDIC) insured.

Terms have ranged from three to eight years.

Commodity Based CDs—During 2015 and 2016, EB had outstanding three commodity-based CDs, the Diversified Commodities CD, the Commodities Solutions CD and Focused Commodities. The Diversified Commodities CD reference index is composed of ten equally weighted commodities (West Texas Intermediate (WTI), crude oil, gold, silver, platinum, soybeans, corn, sugar, nickel and lean hogs) and is tied to spot pricing. Diversified Commodities CDs have a 100% participation factor, with a maximum market upside payment subject to a 10% cap and a -20% floor for the individual commodities. The Diversified Commodities CD product was first issued March 29, 2011 and all such CDs matured by June 21, 2016. The Commodities Solution CD reference index is composed of eight equally weighted commodities (WTI crude oil, gold, silver, soybeans, corn, sugar, copper and nickel) and is tied to spot pricing. The Commodities Solutions CDs have a 100% participation factor, with a maximum market upside payment of 70%. The Commodities Solution CD product was first issued on April 25, 2016 with all such CDs maturing by May 28, 2021. The Focused Commodities CD reference index is composed of six equally weighted commodities (Gold, Silver, Copper, Nickel, Soybeans, and Sugar) and is tied to spot pricing. The Focused Commodities CDs have a 100% participation factor, with a maximum market upside payment of 50%. The Focused Commodities CD product was first issued on October 24, 2016 and all such CDs mature by October 22, 2021.

Foreign Currency Based CDs—During 2015 and 2016, EB had outstanding five foreign currency based CDs: Emerging Markets, Evolving Economies, BRICS, Future Economies, and Currency Comeback CDs. The Emerging Markets CD reference index is comprised of four equally weighted currencies: Columbian peso, Israeli shekel, South Korean won, and Turkish lira. Emerging Markets CDs have a 100% participation factor. The Emerging Markets CD product was first issued on September 24, 2012 and all such CDs mature by September 25, 2017. The Evolving Economies CD reference index is comprised of four equally weighted currencies: Columbian peso, Indian rupee, Mexican peso, and Turkish lira. Evolving Economies CDs have a 100% participation factor with a minimum market upside payment of 15%. The Evolving Economies CD product was first issued on September 23, 2013 and all such CDs mature by October 19, 2018. The BRICS CD reference index is comprised of five equally weighted currencies: Brazilian real, Russian ruble, Indian rupee, Chinese renminbi and South African rand. BRICS CDs have a 100% participation factor. The BRICS CD product was first issued on October 27, 2014 and all such CDs mature by December 14, 2017. The Future Economies CD reference index is comprised of six equally weighted currencies: Brazilian real, Chinese renminbi, Indian rupee, Indonesian rupiah, Mexican peso, and Turkish lira. Future Economies CDs have a 100% participation factor with a minimum market upside payment of 10%. The Future Economies CD product was first issued on May 18, 2015 and all such CDs mature by June 23, 2020. Currency Comeback CDs reference index comprises of five equally weighted currencies: Australian Dollar, Canadian Dollar, Chilean Peso, Mexican Peso, and South African rand. The Currency Comeback CDs have a 100% participation factor. The product was issued on July 25, 2016 and all such CDs mature by July 23, 2021.

Metals Based CDs—During 2015 and 2016, EB had outstanding six metals-based CDs: Gold Bullion, Silver Bullion, Diversified Metals, Timeless Metals, Power Metals, and Metals Hedge. The Gold Bullion and Silver Bullion CDs are

tioned to spot pricing and have a 100% participation factor. The Gold Bullion CD product was first issued on October 25, 2005 and all such CDs matured by June 17, 2015. The Silver Bullion CD product was first issued on August 28, 2007 and all such CDs mature by June 16, 2016. The Diversified Metals CD reference index is composed of three equally weighted precious metal commodities (gold, silver, and platinum) and is tied to spot pricing. Diversified Metals CDs have a 100% participation factor, with a maximum market upside payment limited to 50% of the principal deposit. The Diversified Metals CD product was first issued on May 25, 2010 and all such CDs matured by August 17, 2015. Timeless Metals reference index is comprised of five equally weighted metal commodities (copper, nickel, silver, platinum, and gold) and is tied to spot pricing. Timeless Metals CDs have 100% participation factor, with a maximum market upside payment limited to 50% of the principal deposit. Timeless Metals CDs were first issued on June 21, 2011 and all such CDs matured by August 30, 2016. The Power Metals reference index is comprised of three equally weighted precious metal commodities (gold, silver and copper) and is tied to spot pricing. Power Metals CDs have a 100% participation with a maximum market upside payment limited to 45% of the principal deposit. Power Metals CDs were first issued on July 20, 2015 and all such CDs will mature by August 24, 2020. The Metals Hedge is an indexed, U.S. dollar-denominated CD. Metals Hedge reference index components and weights are: Gold (long) 25%, Silver (long) 25%, and the SPY ETF "S&P" (short) 50%. Metal Hedge CDs have a 100% participation factor with a maximum market upside payment limited to 45% of the principal deposit. Metals Hedge was first issued on November 23, 2015 and all such CDs will mature by November 23, 2020.

U.S. Treasury Yield Based CDs—During 2015 and 2016, EB had outstanding one U.S. Treasury yield based CD, the Treasury CD. The Treasury CD reference index is the 10-year U.S. Treasury yield. Treasury CDs have a participation factor of 100% and have a leverage factor of 3.3. The Treasury CD product was first issued on June 23, 2014 and all such CDs mature by June 21, 2019.

Deposits Denominated in Foreign Currency

A summary of foreign currency denominated deposits at December 31, 2016 and 2015 is as follows:

	2016	2015
Noninterest-bearing demand	\$1,416	\$664
Money market accounts	287,947	290,753
Time	202,155	224,374
Total	\$491,518	\$515,791

A summary of foreign currency denominated deposits by currency at December 31, 2016 and 2015 is as follows:

	2016	2015
Australian Dollar	\$73,279	\$81,703
Swiss Franc	67,869	66,316
Canadian Dollar	64,542	57,509
Euro	51,909	49,639
Norwegian Krone	39,488	41,866
Chinese Renminbi	38,453	63,528
Brazilian Real	29,124	23,473
New Zealand Dollar	28,613	32,766
Singapore Dollar	27,573	34,574
Pound Sterling	21,535	14,550
Other	49,133	49,867
Total	\$491,518	\$515,791

13. Other Borrowings

Other borrowings at December 31, 2016 and 2015 are comprised of the following:

	2016	2015
FHLB advances	\$5,506,000	\$5,877,000

Advances from the FHLB at December 31, 2016 and 2015 are as follows:

	2016	2015
Fixed-rate advances with a weighted-average interest rate of 1.65% and 1.21%, respectively	\$3,581,000	\$5,852,000
Floating-rate advances with an interest rate of 0.62% and 0.28%, respectively ⁽¹⁾	1,925,000	25,000
Total	\$5,506,000	\$5,877,000

(1) The floating-rate advance interest rates reset on a quarterly basis, mature between February 2023 through October 2034 and can be repaid in whole or in part on any quarterly interest payment date without prepayment penalty.

Contractual maturity dates for FHLB advances at December 31, 2016 are as follows:

2017	\$1,205,000
2018	860,000
2019	480,000
2020	225,000
2021	195,000
Thereafter	2,541,000
Total	\$5,506,000

At December 31, 2016 and 2015, the Company had an agreement with the Federal Home Loan Bank of Atlanta to borrow up to 35% of the Bank's assets, subject to the lendable value of the assets pledged under the facility. The agreement requires a blanket floating lien on any of four loan categories: 1-4 family first mortgage loans, multifamily (5+ units) mortgage loans, home equity lines of credit and second mortgage loans, and commercial real estate loans. As of December 31, 2016 and 2015, all four loan categories were pledged to secure FHLB advances in a blanket floating lien. In addition, the Company also pledges certain investment securities from time to time to secure FHLB advances.

At December 31, 2016, the carrying amounts of loans and investment securities pledged to secure FHLB advances were \$18,039,106 and \$45,371, respectively. At December 31, 2015, the carrying amount of loans and investment securities pledged to secure FHLB advances were \$17,456,943 and \$36,697, respectively. The lendable value of assets pledged was \$8,685,465 and \$8,446,823 as of December 31, 2016 and 2015, respectively. Based on the lendable value of assets pledged, the Company was eligible to borrow an additional \$3,018,965 and \$2,337,060 at December 31, 2016 and 2015, respectively.

In December 2016, the Company early extinguished FHLB advances with a principal balance of \$481,000. The consideration paid for this early extinguishment was \$477,309 representing the net settlement of the advance balances. The resulting gain of \$3,691 realized upon extinguishment was recorded in other noninterest income in the consolidated statements of income.

Interest expense on FHLB advances for the years ended December 31, 2016, 2015 and 2014 was \$88,287, \$71,896 and \$60,450, respectively.

14. Trust Preferred Securities and Subordinated Notes Payable

Trust preferred securities and subordinated notes payable as of December 31, 2016 and 2015, consisted of the following:

	2016	2015
Trust preferred securities	\$98,750	\$103,750
Subordinated notes payable, net of unamortized debt issuance costs of \$3,472 and \$2,580, respectively	261,528	172,420
Total trust preferred securities and subordinated notes payable	\$360,278	\$276,170

Interest expense on trust preferred securities and subordinated notes payable for the years ended December 31, 2016, 2015 and 2014 was as follows:

	2016	2015	2014
Trust preferred securities	\$5,569	\$6,412	\$6,598

Subordinated notes payable 14,745 5,193 —

Trust Preferred Securities - As of December 31, 2016, the Company sponsored and wholly-owned 100% of the common equity of eight unconsolidated trusts that were formed for the purpose of issuing Company-obligated mandatorily redeemable preferred securities (“Trust Preferred Securities”) to third-party investors and invested the proceeds from the sale of the Trust Preferred Securities solely in junior subordinated debt securities of the Company (the “Debentures”). The Debentures held by the trusts, which totaled \$98,750 and \$103,750 in the aggregate at December 31, 2016 and 2015, are the sole assets of each trust.

The Company’s obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the trusts. The guarantee covers the distributions and payments on liquidation or redemption of the Trust

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Preferred Securities, but only to the extent of funds held by the trusts. The Company has the right to redeem the Debentures in whole or in part, on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest through the redemption date.

The terms of the outstanding Trust Preferred Securities at December 31, 2016 and 2015 are summarized as follows:

Maturity	Dividend Rate	2016	2015
July 2031	10.25% fixed	\$ 15,000	\$ 15,000
July 2031	(1) Three-month LIBOR, plus 3.58% (4.47% and 3.91%, respectively)	15,000	15,000
January 2035	Three-month LIBOR, plus 1.99% (2.87% and 2.31%, respectively)	5,000	10,000
August 2035	Fixed at 6.40% to August 2015 (thereafter, three-month LIBOR, plus 1.80%; 2.72% at December 31, 2016)	10,000	10,000
November 2035	Fixed at 6.08% to November 2015 (thereafter, three-month LIBOR, plus 1.49%; 2.41% at December 31, 2016)	10,000	10,000
December 2036	Fixed at 6.74% to December 2016 (thereafter, three-month LIBOR, plus 1.74%; 2.73% at December 31, 2016)	15,750	15,750
June 2037	Three-month LIBOR, plus 1.70% (2.66% and 2.04%, respectively)	15,000	15,000
September 2037	Three-month LIBOR, plus 1.70% (2.66% and 2.04%, respectively)	13,000	13,000
Total		\$98,750	\$ 103,750

(1) London Interbank Offered Rate

For the first trust preferred security listed above (July 2031 maturity, 10.25% fixed, \$15,000 principal amount outstanding), interest is payable semi-annually and may be deferred at any time at the election of the Company for up to 10 consecutive semiannual periods. For all other trust preferred securities listed above, interest is payable quarterly and may be deferred at any time at the election of the Company for up to 20 consecutive quarterly periods. During a deferral period, the Company is subject to certain restrictions, including being prohibited from declaring and paying dividends on its common stock or preferred stock. As of December 31, 2016, the Company had not elected to defer interest payments on any of its Trust Preferred Securities.

Subordinated Notes Payable - On March 14, 2016, the Company completed the public offering and sale of \$90,000 in aggregate principal amount of 6.00% Fixed-to-Floating Rate Subordinated Notes due 2026 (Subordinated Notes due 2026). The Subordinated Notes due 2026 were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The Subordinated Notes due 2026 will mature on March 15, 2026 and bear a fixed rate of interest of 6.00% per annum through March 14, 2021 and a floating rate of interest beginning March 15, 2021 equal to 3-month LIBOR plus 4.70%, resetting on a quarterly basis. During the fixed rate period, interest is payable semi-annually in arrears on March 15 and September 15. During the floating rate period, interest is payable quarterly in arrears on March 15, June 15, September 15, and December 15. Beginning March 15, 2021 and thereafter, the Company may, at its option, redeem the Subordinated Notes due 2026 in whole or in part at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, subject to prior approval by the Board of Governors of the Federal Reserve System. On March 30, 2016, the Company made a capital contribution to EB in the amount of \$85,000 from the net proceeds received from the issuance of the Subordinated Notes due 2026.

On June 30, 2015, the Company completed the public offering and sale of \$175,000 in aggregate principal amount of its 5.75% Subordinated Notes due 2025 (Subordinated Notes due 2025). The subordinated notes were sold pursuant to an underwriting agreement at a price to the public of 100% of the face amount and were issued pursuant to an indenture and a supplemental indenture. The subordinated notes will mature on July 2, 2025 and bear a fixed rate of interest of 5.75% per annum, payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2016. On June 30, 2015, the Company made a capital contribution to EB in the amount of \$150,000 from the net proceeds received from the issuance of the Subordinated Notes due 2025.

Both issuances of the subordinated notes are unsecured and will rank equally with all other unsecured subordinated indebtedness of the Company, including any subordinated indebtedness issued in the future under the indenture governing the subordinated notes. The subordinated notes are subordinated in right of payment to all senior indebtedness of the Company. The subordinated notes are obligations of EverBank Financial Corp only and are not

guaranteed by any subsidiaries, including EB. Additionally, the subordinated notes are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, which means that creditors of our subsidiaries (including in the case of EB, its depositors) generally will be paid from those subsidiaries' assets before holders of the subordinated notes have any claim to those assets.

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

15. Shareholders' Equity

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

Dividends, if declared, will accrue and be payable quarterly on the liquidation preference amount, on a non-cumulative basis, and are payable in arrears at a rate of 6.75% per annum. As of December 31, 2016, no dividends were in arrears.

In the event that the proposed merger (Merger) with Teachers Insurance and Annuity Association of America (TIAA) closes, the Series A 6.75% Non-Cumulative Perpetual Preferred Stock shall be extinguished in return for a payment of \$25.00 per depositary share plus any accrued but unpaid dividends upon the closing of the transaction. Refer to Note 24 for further discussion of the Merger Agreement entered into with TIAA.

16. Accumulated Other Comprehensive Income (Loss)

AOCI for years ended December 31, 2016, 2015 and 2014 consists of the following:

	2016	2015	2014
Unrealized holding gains (losses) on debt securities:			
Balance, beginning of year	\$(3,378)	\$(353)	\$6,978
Reclassification of unrealized losses (gains) to earnings	559	(527)	(5,596)
Net unrealized gains (losses) due to changes in fair value	5,193	(4,387)	(6,914)
OTTI loss (noncredit portion), net of accretion	—	—	685
Tax effect	(2,209)	1,889	4,494
Balance, end of year	165	(3,378)	(353)
Fair market value of interest rate swaps:			
Balance, beginning of year	(20,040)	(14,012)	(17,295)
Reclassification of net unrealized losses to earnings	2,702	—	—
Net unrealized gains (losses) due to changes in fair value	(4,088)	(9,920)	5,268
Tax effect	583	3,892	(1,985)
Balance, end of year	(20,843)	(20,040)	(14,012)
Net loss on settlement of forward swaps:			
Balance, beginning of year	(40,595)	(51,232)	(42,298)
Losses associated with current period transactions	—	—	(32,445)
Reclassification of net unrealized losses to earnings	15,712	16,736	18,032
Tax effect	(5,961)	(6,099)	5,479
Balance, end of year	(30,844)	(40,595)	(51,232)
Total accumulated other comprehensive income (loss)	\$(51,522)	\$(64,013)	\$(65,597)

17. General and Administrative Expense

Components of general and administrative expenses for the years ended December 31, 2016, 2015 and 2014 are presented below:

	2016	2015	2014
Legal and professional fees, excluding consent order expense	\$28,760	\$26,818	\$31,555
Credit-related expenses	20,699	29,159	27,723
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
Other	55,383	68,174	58,442
Total	\$160,586	\$181,551	\$168,493

See Note 24 for a discussion of the consent order.

18. Income Taxes

The provision for income taxes for the years ended December 31, 2016, 2015 and 2014 consists of the following:

	2016	2015	2014
Current:			
Federal	\$99,895	\$6,134	\$8,098
State	17,360	1,654	5,786
Total current	117,255	7,788	13,884
Deferred:			
Federal	(25,041)	65,016	72,063
State	(7,645)	3,829	4,542
Total deferred	(32,686)	68,845	76,605
Total income tax	\$84,569	\$76,633	\$90,489

The Company's actual provision for income taxes differs from the expected federal income tax provision for the years ended December 31, 2016, 2015 and 2014, as follows:

	2016		2015		2014	
	Amount	Rate	Amount	Rate	Amount	Rate
Tax computed at the federal statutory rate	\$80,325	35.00 %	\$72,503	35.00%	\$83,500	35.00 %
State income taxes, net of federal income tax effect	6,083	2.65 %	2,429	1.17 %	6,742	2.83 %
Stock compensation excess tax benefit	(2,604)	(1.13)%	—	— %	—	— %
Other	765	0.33 %	1,701	0.82 %	247	0.10 %
Provision for Income Taxes	\$84,569	36.85 %	\$76,633	36.99%	\$90,489	37.93 %

The components of the Company's deferred tax assets and liabilities in the consolidated balance sheets as of December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets		
Federal net operating loss carryforwards	\$52,908	\$56,687
State net operating loss carryforwards	7,859	7,464
Interest rate swaps	32,409	37,788
Credit and other reserves	73,105	54,232
Allowance for loan losses	40,486	30,996
Purchase accounting	22,363	24,592
Other	24,167	24,982
Total deferred tax assets	253,297	236,741
Valuation allowance	(4,245)	(3,412)
Total deferred tax assets, net of valuation allowance	249,052	233,329
Deferred tax liabilities		
Equipment leases	195,865	195,497
Mortgage servicing rights	75,879	84,364
Initial direct costs	17,946	15,866
Other	20,672	24,009
Total deferred tax liabilities	310,362	319,736
Net deferred tax assets (liabilities)	\$(61,310)	\$(86,407)

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

At December 31, 2016, the Company had a deferred tax asset of \$52,908 attributable to federal operating loss carryforwards. The federal operating loss carryforward, which should expire in 2030, is attributable to the Tygris acquisition and is subject to an annual limitation. A valuation allowance is not warranted for the federal operating loss carryforwards due to the Company's positive earnings history. Additionally, any potential ownership changes should

not have an impact on the utilization of the federal operating loss carryforwards.

At December 31, 2016, the Company had a gross deferred tax asset of \$7,859 attributable to state operating loss carryforwards. Management does not believe that it can realize all of its state net operating loss carryforwards. Accordingly, a valuation allowance of \$4,245 was established for certain state net operating loss carryforwards.

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Deferred tax expense does not include the change in the Company's net deferred tax assets associated with the tax effects of other comprehensive income adjustments. The Company's net deferred tax assets decreased \$7,588 for other comprehensive income adjustments.

A reconciliation of the beginning and ending unrecognized tax benefits as of December 31, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance, beginning of year	\$1,413	\$1,618	\$1,268
Additions for tax positions of prior years	—	—	350
Reductions for lapse of statute of limitations	(889)	(205)	—
Balance, end of year	\$524	\$1,413	\$1,618

As of December 31, 2016, 2015 and 2014, the Company had unrecognized tax benefits of \$524, \$1,413, and \$1,618, respectively. The balance of the unrecognized tax benefits, if recognized, that would reduce the effective tax rate was \$341, \$918 and \$1,052, as of December 31, 2016, 2015, and 2014, respectively. Included in the unrecognized tax benefits balance are some items that would not impact the effective tax rate if recognized, such as the tax effect of temporary differences and the portion of the gross state unrecognized tax benefits that would be offset by the federal tax effect. The unrecognized tax benefits balance is not expected to decline within the next twelve months.

The Company classifies interest and penalties on uncertain tax positions as a component of general and administrative expenses. The Company's accrued interest and penalties on unrecognized tax benefits was \$548 as of December 31, 2016 and \$442 as December 31, 2015. Accrued interest and penalties are included in accounts payable and accrued liabilities in the Company's consolidated balance sheets.

The Company is subject to periodic review by federal and state taxing authorities in the ordinary course of business. With few exceptions, the Company is no longer subject to examination by these taxing authorities for years prior to 2013.

19. Employee Benefit Plan

The Company sponsors a defined contribution plan, adopted under Internal Revenue Code 401(k) (the Plan), covering substantially all full-time employees meeting certain eligibility requirements. Employees may contribute between 1% and 100% of their eligible pretax compensation to the Plan, subject to Internal Revenue Code 401(k) contribution limits. The Company matches, based on the employee's contribution, up to 4% of an employee's eligible compensation contributed as an elective deferral. The Company recognized expense related to these contributions of \$9,061, \$8,932 and \$8,638 during the years ended December 31, 2016, 2015 and 2014, respectively.

In addition, the Company may make profit-sharing contributions to the Plan at the discretion of the Board of Directors. During the years ended December 31, 2016, 2015 and 2014, the Company recognized expense related to the profit sharing contributions to the Plan of \$2,615, \$3,300 and \$4,000, respectively.

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

20. Share-Based Compensation

The Company issues share-based compensation awards under the EverBank Financial Corp Equity Incentive Plan. These awards include stock options and nonvested stock. All awards granted are approved by the Compensation Committee of the Board of Directors. New common shares are issued from authorized and available shares. At December 31, 2016, a total of 4,554,672 shares were available for future grants. The Company's compensation expense and its related income tax benefit are as follows:

	2016	2015	2014
Share-based compensation expense recorded in salaries, commissions and other employee benefits expense	\$7,212	\$6,480	\$6,605
Share-based compensation expense recorded in general and administrative expense	358	405	435
Income tax benefit	2,914	2,547	2,675

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

The fair value of options, as determined by the Black-Scholes option-pricing model, is recognized as compensation expense on a straight-line basis over the vesting period. In determining compensation expense, the Company evaluates annual forfeiture rates for stock options based on historical experience. Compensation cost not yet recognized for nonvested options was \$2,468 at December 31, 2016 and is expected to be recognized over a weighted average period of 1.02 years.

Significant assumptions used in the Black-Scholes option-pricing model to determine the fair value of stock options are as follows:

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

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

composition of the peer group are warranted. Volatility for the Company's stock is estimated utilizing the average volatility calculated for the peer group, which is based upon weekly price observations over the estimated term of the options granted.

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

A summary of the Company's stock option activity for the year ended December 31, 2016, is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding, beginning of year	8,478,754	\$ 13.81		
Granted	—	—		
Exercised	(1,831,905)	13.00		\$ 10,844
Forfeited	(74,269)	18.32		
Expired	(249,589)	15.84		
Outstanding, end of year	6,322,991	\$ 13.92	3.8	\$ 35,008
Options exercisable at year end	4,993,370	\$ 12.74	2.7	\$ 33,522
Options vested and expected to vest	6,221,611	\$ 13.85	3.7	\$ 34,894

The following table provides additional information related to options awarded and options exercised for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Options awarded	—	851,868	679,700
Weighted-average grant date fair value of options awarded	\$ —	\$ 5.78	\$ 6.51
Options exercised	1,831,905	1,294,976	958,026
Total intrinsic value of options exercised	\$ 10,844	\$ 10,913	\$ 10,499
Cash received upon exercise of options	\$ 23,818	\$ 13,558	\$ 7,537
Tax benefits realized upon exercise of options	\$ 4,179	\$ 4,175	\$ 3,710

Nonvested Stock — The Company issues nonvested shares of stock, consisting of restricted stock units (RSU's), to certain employees as an incentive for continued employment and achievement of defined performance metrics by the Company and to certain directors in lieu of cash payouts for compensation. Service-based RSU's generally vest based on future service with the Company and performance-based RSU's generally vest based on the Company achieving defined performance metrics and future service with the company. Beginning in 2016, the Company issued performance-based restricted stock awards in addition to service-based awards. Compensation expense is based on the estimated fair value of the shares at the date of issuance and is recognized on a straight-line basis over the applicable vesting schedule. The grant date fair value of the service-based awards is equal to the price of the Company's common stock at grant date adjusted for expected dividends as the Company's restricted stock units do not accrue dividends. The fair value of performance-based awards is based on a Monte-Carlo simulation valuation of the Company's common stock as of the grant date. Compensation expense not yet recognized for nonvested stock was \$7,475 at December 31, 2016 and is expected to be recognized over a weighted-average period of 1.8 years.

Significant assumptions used in the Monte Carlo model to determine the fair value of \$4.33 for performance-based restricted stock awards are as follows:

	2016
Risk-free interest rate	0.94%
Expected volatility	23.56%
Dividend yield	2.06%

The risk-free interest rate is based on the U.S. Treasury constant maturity yield curve with maturities approximating the expected term of the RSUs on the date of grant. The Monte Carlo simulation analyzes the Company's historical stock prices over a lookback period from the grant date based on the term of the award to determine expected volatility. The dividend yield is calculated as the average annual dividend payment based on the Company's dividend forecast over the expected performance period of the award.

A summary of the Company's nonvested stock activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	2016		2015		2014	
	Nonvested Stock	Weighted- Average Grant Date Fair Value	Nonvested Stock	Weighted- Average Grant Date Fair Value	Nonvested Stock	Weighted- Average Grant Date Fair Value
Outstanding, beginning of year	716,517	\$ 17.42	517,029	\$ 17.18	372,607	\$ 15.00
Issued	738,230	10.50	298,916	17.58	268,678	18.14
Vested	(236,065)	16.75	(46,818)	16.09	(94,708)	11.89
Forfeited	(33,804)	16.26	(52,610)	17.18	(29,548)	15.36
Outstanding, end of year	1,184,878	\$ 13.27	716,517	\$ 17.42	517,029	\$ 17.18

In the event that the Merger with TIAA closes, the Company anticipates share-based compensation expense to be accelerated on all outstanding restricted stock awards upon the closing of the transaction. Refer to Note 24 for further discussion of the Merger Agreement entered into with TIAA.

21. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Net income	\$144,931	\$130,526	\$148,082
Less dividends on preferred stock	(10,125)	(10,125)	(10,125)
Net income allocated to common shareholders	\$134,806	\$120,401	\$137,957
(Units in Thousands)			
Average common shares outstanding	125,495	124,527	122,940
Common share equivalents:			
Stock options	1,455	1,800	2,240
Nonvested stock	578	343	178
Average common shares outstanding, assuming dilution	127,528	126,670	125,358
Basic earnings per share	\$1.07	\$0.97	\$1.12
Diluted earnings per share	\$1.06	\$0.95	\$1.10

Certain securities were antidilutive and were therefore excluded from the calculation of diluted earnings per share. Common shares attributed to these antidilutive securities had these securities been exercised or converted as of December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Stock Options	1,764,331	1,314,245	1,169,575

22. Derivative Financial Instruments

The fair values of derivatives are reported in other assets, accounts payable, or accrued liabilities. The fair values are derived using the valuation techniques described in Note 23. The total notional or contractual amounts and fair values as of December 31, 2016 and 2015 are as follows:

	Notional Amount	Fair Value	
		Asset Derivatives	Liability Derivatives
2016			
Qualifying hedge contracts accounted for under Accounting Standards Codification (ASC) 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	\$1,210,000	\$3,430	\$ 37,337
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	920,588	11,756	3,776
Forward and optional forward sale commitments	2,950,325	6,886	6,799
Forward and optional forward purchase commitments	1,525,000	12,206	4,640
Interest rate swaps and futures	1,173,379	517	2,282
Foreign exchange contracts	494,570	3,661	6,250
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	119,925	4,339	—
Options embedded in client deposits	118,711	—	4,286
Indemnification assets	371,577	27,169	—
Total freestanding derivatives		66,534	28,033
Netting and cash collateral adjustments ⁽¹⁾		(17,359)	(52,331)
Total derivatives		\$52,605	\$ 13,039
	Notional Amount	Asset Derivatives	Liability Derivatives
2015			
Qualifying hedge contracts accounted for under ASC 815, Derivatives and Hedging			
Cash flow hedges:			
Forward interest rate swaps	\$1,178,000	\$—	\$ 32,521
Derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging			
Freestanding derivatives:			
IRLCs	582,052	8,109	715
Forward and optional forward sale commitments	1,669,404	2,236	1,613
Forward and optional forward purchase commitments	30,000	141	—
Interest rate swaps and futures	309,488	—	288
Foreign exchange contracts	521,018	2,925	7,175
Foreign currency, commodity, metals and U.S. Treasury yield indexed options	154,905	1,178	—
Options embedded in client deposits	153,353	—	1,180
Indemnification assets	82,849	982	—
Total freestanding derivatives		15,571	10,971
Netting and cash collateral adjustments ⁽¹⁾		(5,510)	(39,219)
Total derivatives		\$10,061	\$ 4,273

(1) Amounts represent the effect of legally enforceable master netting agreements that allow the Company to settle positive and negative positions as well as cash collateral and related accrued interest held or placed with the same counterparties. Amounts as of December 31, 2016 and 2015 include derivative positions netted totaling \$15,934

and \$3,855, respectively.

Cash Flow Hedges

As of December 31, 2016, AOCI included \$17,722 of deferred pre-tax net losses expected to be reclassified into earnings during the next 12 months for derivative instruments designated as cash flow hedges of forecasted transactions. The Company is hedging its exposure to the variability of future cash flows for forecasted transactions of fixed-rate debt for a maximum of 18 years.

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Freestanding Derivatives

The following table shows the net losses recognized for the years ended December 31, 2016, 2015 and 2014 in the consolidated statements of income related to derivatives not designated as hedging instruments under ASC 815, Derivatives and Hedging. These gains and losses are recognized in noninterest income.

	2016	2015	2014
Gains (losses) on interest rate contracts ⁽¹⁾	\$(24,058)	\$(38,662)	\$(60,915)
Gains (losses) on foreign exchange forward contracts ⁽²⁾	5,047	(54,815)	(45,440)
Other	4	(162)	(32)

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

Foreign exchange forward contracts act as economic hedges for the foreign currency risk embedded within deposits denominated in foreign currencies. The change in the fair value of the foreign exchange forward contract (2) is marked to fair value, while the deposit is translated to the current spot rate in accordance with ASC 830.

Historically, the hedge has been effective in managing the foreign currency risk of foreign-denominated deposits by locking in the U.S. Dollar cash flows.

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

Credit Risk Contingent Features

Certain of the Company's derivative instruments contain provisions that require the Company to post collateral when derivatives are in a net liability position. The provisions generally are dependent upon the Company's credit rating as reported by certain major credit rating agencies or dollar amounts in a liability position at any given time which exceed specified thresholds, as indicated in the relevant contracts. In these circumstances, the counterparties could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features in a net liability position prior to netting on December 31, 2016 and 2015 was \$54,549 and \$41,597, respectively. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of December 31, 2016 and 2015, \$36,397 and \$35,364, respectively, in collateral was netted against liability derivative positions subject to master netting agreements. As of December 31, 2016 and 2015, \$56,758 and \$76,175 respectively, of cash collateral was posted for derivatives with credit risk contingent features. In addition to cash collateral, investment securities with a fair value of \$31,867 and \$0 were posted as collateral for derivatives with credit contingent features but were ineligible for collateral netting at December 31, 2016 and 2015.

Counterparty Credit Risk

The Company is exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If the counterparty fails to perform, counterparty credit risk equals the amount reported as derivative assets in the balance sheet. The amounts reported as derivative assets are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. The Company minimizes this risk through obtaining credit approvals, monitoring credit limits, monitoring procedures, and executing master netting arrangements and obtaining collateral, where appropriate. The Company offsets derivative instruments against the rights to reclaim cash collateral or the obligations to return cash collateral in the balance sheet. As of December 31, 2016 and 2015, \$1,425 and \$1,655, respectively, in collateral was netted against asset derivative positions subject to master netting agreements. As of December 31, 2016 and 2015, the Company held \$1,766 and \$2,900, respectively, in collateral from its counterparties. Counterparty credit risk related to derivatives is considered in determining fair value.

23. Fair Value Measurements

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

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

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

significant assumptions are observable in the market.

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

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Recurring Fair Value Measurements

As of December 31, 2016 and 2015, assets and liabilities measured at fair value on a recurring basis including certain loans held for sale and certain other assets or other liabilities for which the Company has elected the fair value option, are as follows:

	Fair Value Measurements Using				Total
	Level 1	Level 2	Level 3	Netting	
2016					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	\$—	\$452,418	\$ —	—	\$452,418
U.S. Treasury securities	31,867	—	—	—	31,867
Asset-backed securities	—	1,165	—	—	1,165
Other	231	155	—	—	386
Total available for sale securities	32,098	453,738	—	—	485,836
Loans held for sale	—	622,182	649,711	—	1,271,893
Other assets ⁽¹⁾	—	—	212	—	212
Derivative financial instruments:					
Derivative assets (Note 22)	— ⁽²⁾	31,526	38,438	(17,359)	52,605
Derivative liabilities (Note 22)	—	61,594	3,776	(52,331)	13,039
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Netting	Total
2015					
Financial assets:					
Available for sale securities:					
Residential CMO securities - nonagency	\$—	\$553,258	\$ —	—	\$553,258
Asset-backed securities	—	1,352	—	—	1,352
Other	229	180	—	—	409
Total available for sale securities	229	554,790	—	—	555,019
Loans held for sale	—	624,726	683,015	—	1,307,741
Financial liabilities:					
Other liabilities ⁽¹⁾	—	—	336	—	336
Derivative financial instruments:					
Derivative assets (Note 22)	— ⁽²⁾	7,462	8,109	(5,510)	10,061
Derivative liabilities (Note 22)	—	42,777	715	(39,219)	4,273

Other assets and liabilities represent the net position of the Company's extended written loan commitments for which the Company has elected the fair value option of accounting. As of December 31, 2016 and 2015, the ⁽¹⁾Company had outstanding commitments of \$58,157 and \$89,650, respectively, related to these extended loan commitments.

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

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Changes in assets and liabilities measured at level 3 of the fair value hierarchy on a recurring basis for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Loans Held for Sale ⁽¹⁾	Other Assets / (Liabilities) ⁽¹⁾	Freestanding Derivatives, net ⁽¹⁾
2016			
Balance, beginning of period	\$ 683,015	\$ (336)	\$ 7,394
Purchases	—	—	26,682
Issuances	1,439,199	1,937	118,590
Sales	(1,379,391)	—	—
Settlements	(98,873)	(962)	(110,051)
Gains (losses) included in earnings for the period	5,761	(427)	(7,953)
Balance, end of period	\$ 649,711	\$ 212	\$ 34,662
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2016	\$ (5,045)	\$ 207	\$ 7,975
2015			
Balance, beginning of period	\$ 317,430	\$ —	\$ 16,862
Issuances	1,561,421	356	114,701
Sales	(1,142,060)	—	—
Settlements	(56,363)	325	(118,650)
Gains (losses) included in earnings for the period	2,587	(1,017)	(5,519)
Balance, end of period	\$ 683,015	\$ (336)	\$ 7,394
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2015	\$ (1,396)	\$ (336)	\$ 7,394
2014			
Balance, beginning of period	\$ 58,912	\$ —	\$ 5,861
Issuances	890,521	—	70,468
Sales	(603,294)	—	—
Settlements	(36,109)	—	(92,363)
Gains (losses) included in earnings for the period	7,400	—	32,896
Balance, end of period	\$ 317,430	\$ —	\$ 16,862
Change in unrealized net gains (losses) included in net income related to assets and liabilities still held as of December 31, 2014	\$ 1,270	\$ —	\$ 11,000

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

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

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The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a recurring basis at December 31, 2016 and 2015:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value		
				Min.	Max.	Weighted Avg.
2016						
Loans held for sale	\$649,711	Discounted cash flow	Cost of funds	2.34 % - 3.16%	3.00%	
			Prepayment rate	4.61 % - 25.06%	7.41%	
			Default rate	0.00 % - 2.57%	0.32%	
			Weighted average life (in years)	3.26 - 10.65	8.72	
			Cumulative loss	0.00 % - 0.43%	0.04%	
			Loss severity	1.60 % - 22.83%	9.43%	
Other assets	212	Discounted cash flow	Loan closing ratio	1.00 % - 99.00%	71.11%	(1)
Indemnification assets	26,682	Discounted cash flow	Discount Rate	5.43 % - 7.02%	6.41%	
			Loss severity	4.40 % - 19.66%	8.80%	(2)
IRLCs, net	7,980	Discounted cash flow	Loan closing ratio	1.00 % - 99.00%	80.03%	(1)
2015						
Loans held for sale	\$683,015	Discounted cash flow	Cost of funds	2.07 % - 3.11%	2.82%	
			Prepayment rate	5.18 % - 27.15%	9.48%	
			Default rate	0.00 % - 2.87%	0.34%	
			Weighted average life (in years)	3.00 - 10.58	7.37	
			Cumulative loss	0.00 % - 0.56%	0.05%	
			Loss severity	2.25 % - 24.04%	10.90%	
Other liabilities	(336)	Discounted cash flow	Loan closing ratio	1.00 % - 99.00%	72.85%	(1)
IRLCs, net	7,394	Discounted cash flow	Loan closing ratio	1.00 % - 99.00%	80.56%	(1)

The range represents the highest and lowest loan closing rates used in the valuation process. The range includes the (1) closing ratio for rate locks unclosed at the end of the period, as well as the closing ratio for loans which have settled during the period.

(2) The range represents the highest and lowest values for all asset pools that are used in the valuation process.

Loans Held for Sale Accounted for under the Fair Value Option

The following table presents information on loans held for sale reported under the fair value option at December 31, 2016 and 2015:

	2016	2015
Fair value carrying amount	\$1,271,893	\$1,307,741
Aggregate unpaid principal balance	1,261,650	1,277,340
Fair value carrying amount less aggregate unpaid principal	\$10,243	\$30,401

At December 31, 2016 there were \$140 of loans recorded under the fair value option that were 90 days or more past due and on nonaccrual status. At December 31, 2015 there were no loans recorded under the fair value option that were 90 days or more past due or on nonaccrual status.

Differences between the fair value carrying amount and the aggregate unpaid principal balance include changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding.

The net gain from initial measurement of loans accounted for under the fair value option and subsequent changes in fair value for loans outstanding were \$8,688, \$29,684 and \$22,609 for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in gain on sale of loans. These amounts exclude the impact from offsetting hedging arrangements which are also included in gain on sale of loans in the consolidated statements of income. An immaterial portion of the change in fair value was attributable to changes in instrument-specific credit risk.

In 2015, the Company elected the fair value option for extended written loan commitments to originate residential mortgage loans in the Company's held for investment portfolio. The Company economically hedges these extended loan commitments with MBS options designed to protect against potential changes in fair value. Due to the longer duration that these loan commitments are present on the balance sheet and due to the burden of complying with the requirements of hedge accounting, the Company has elected the fair value option of accounting for these instruments. The Company has not elected the fair value option for loan commitments to originate residential mortgage loans held for investment with lock terms less than 61 days. The Company recognized net gains of \$207 and net losses of \$336 for the years ended December 31, 2016 and 2015, respectively, from the initial measurement and subsequent changes in the fair value of the Company's extended written loan commitments which were accounted for under the fair value option. An immaterial portion of the change in fair value was attributable to changes in instrument-specific credit risk.

Non-recurring Fair Value Measurements

Certain assets are measured at fair value on a non-recurring basis and therefore are not included in the tables above. These measurements primarily result from assets carried at the lower of cost or market value or from impairment of individual assets. Gains and

losses disclosed below represent changes in fair value recognized during the reporting period. The change in the MSR value represents a change due to impairment or recoveries on previous write downs. The carrying value of assets measured at fair value on a non-recurring basis and held at December 31, 2016 and 2015 and related change in fair value are as follows:

	Level 1	Level 2	Level 3	Total	Loss (Gain) Due to Change in Fair Value
2016					
Collateral dependent loans ⁽¹⁾	\$ —	\$ —	\$ 101,006	\$ 101,006	\$ 22,153
Other real estate owned ^{(1) (2)}	—	—	7,847	7,847	969
Mortgage servicing rights ⁽³⁾	—	—	260,054	260,054	61,392
Loans held for sale	—	—	40,696	40,696	619
2015					
Collateral dependent loans ⁽¹⁾	\$ —	\$ —	\$ 45,414	\$ 45,414	\$ 7,324
Other real estate owned ^{(1) (2)}	—	—	3,814	3,814	2,999
Mortgage servicing rights ⁽³⁾	—	—	311,447	311,447	11,779
Loans held for sale	—	—	402	402	40

(1) The Company performs its lower of cost or market value analysis when an asset becomes impaired or when a loan is transferred to OREO. Subsequent valuations are performed periodically and usually occur throughout the reporting period. The table above discloses the fair value of the asset at the end of the period using the most recent asset valuation.

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

The fair value for MSR represents the value of the strata with impairment or recoveries on previous valuation allowances. Total gains and losses due to change in fair value for the year ended December 31, 2015 excludes write-offs of the valuation allowance of \$20,208 related to the sale of \$54,227 in MSR during that same year.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2016 and 2015:

Level 3 Fair Value Measurement	Fair Value	Valuation Technique	Unobservable Inputs	Significant Unobservable Input Value		
				Min.	Max.	Weighted Avg.
2016						
Collateral dependent loans	\$ 101,006	Appraisal value	Appraisal value	NM	-NM	N/A ⁽¹⁾
Other real estate owned	7,847	Appraisal value	Appraisal value	NM	-NM	N/A ⁽¹⁾
Mortgage servicing rights	260,054	Discounted cash flow	Prepayment speed	10.18 % - 16.14%		13.08% ⁽²⁾
			Discount rate	9.46 % - 9.73%		9.62% ⁽³⁾
Loans held for sale	40,696	Discounted cash flow	Cost of funds	3.95 % - 4.21%		4.17%
			Prepayment rate	5.73 % - 6.01%		5.89%
			Default rate	3.48 % - 4.80%		3.75%
				3.44	- 5.35	5.06

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			Weighted average life (in years)				
			Cumulative loss	0.03	%-0.05%	0.05%	
			Loss severity	0.25	%-0.25%	0.25%	
2015							
Collateral dependent loans	\$45,414	Appraisal value	Appraisal value	NM	-NM	N/A	(1)
Other real estate owned	3,814	Appraisal value	Appraisal value	NM	-NM	N/A	(1)
Mortgage servicing rights	311,447	Discounted cash flow	Prepayment speed	8.61	%-14.72%	9.09%	(2)
			Discount rate	9.55	%-9.71%	9.57%	(3)
Loans held for sale	402	Discounted cash flow	Cost of funds	2.59	%-2.96%	2.72%	
			Prepayment rate	5.40	%-11.50%	8.36%	
			Default rate	2.39	%-100.00%	62.67%	
			Weighted average life (in years)	5.74	-9.47	6.94	
			Cumulative loss	0.30	%-13.73%	3.61%	
			Loss severity	1.73	%-25.97%	11.12%	

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

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

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

Disclosures about Fair Value of Financial Instruments

The following table presents the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company's financial instruments as of December 31, 2016 and 2015. This table excludes financial instruments with short-term or no stated maturity, prevailing market rates and limited credit risk, and where carrying amounts approximate fair value. For financial assets such as cash and due from banks, interest-bearing deposits in banks, FHLB restricted stock, and other investments, the carrying amount is a reasonable estimate of fair value. For financial liabilities such as noninterest-bearing demand, interest-bearing demand, and savings and money market deposits, the carrying amount is a reasonable estimate of fair value as these liabilities have no stated maturity. See Note 4 for more information regarding the fair value of held to maturity investments.

	2016				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Investment securities:					
Held to maturity	\$89,457	\$90,038	\$ —	—\$90,038	\$ —
Loans held for sale ⁽¹⁾	171,370	171,428	—	—	171,428
Loans held for investment ⁽²⁾	21,389,229	21,358,990	—	—	21,358,990
Financial liabilities:					
Time deposits	\$7,193,221	\$7,206,514	\$ —	—\$7,206,514	\$ —
Other borrowings	5,506,000	5,518,081	—	5,518,081	—
Trust preferred securities and subordinated notes payable	360,278	350,064	—	267,643	82,421
	2015				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Investment securities:					
Held to maturity	\$103,746	\$105,448	\$ —	—\$105,448	\$ —
Loans held for sale ⁽¹⁾	201,527	203,739	—	293	203,446
Loans held for investment ⁽²⁾	20,221,754	20,242,756	—	—	20,242,756
Financial liabilities:					
Time deposits	\$6,710,244	\$6,739,106	\$ —	—\$6,739,106	\$ —
Other borrowings	5,877,000	5,898,259	—	5,898,259	—
Trust preferred securities and subordinated notes payable	276,170	262,855	—	175,156	87,699

(1) The carrying value of loans held for sale excludes \$1,271,893 and \$1,307,741 in loans measured at fair value on a recurring basis as of December 31, 2016 and 2015, respectively.

(2) The carrying value of loans held for investment is net of the allowance for loan loss of \$83,409 and \$65,950 as of December 31, 2016 and 2015, respectively. In addition, the carrying values exclude \$2,064,444 and \$1,927,601 of lease financing receivables within our equipment financing receivables portfolio as of December 31, 2016 and 2015, respectively.

Fair Value Measurement and Disclosure Valuation Methodology

Following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value on a recurring or non-recurring basis and for estimating fair value for financial instruments not carried at fair value:

Investment Securities — Within its available for sale securities portfolio, the Company holds both treasury securities and equity securities which are valued using quoted market prices for identical securities and are therefore classified within Level 1 of the valuation hierarchy. Equity securities are included within other available for sale securities. The remaining investment portfolio (nonagency CMO and ABS available for sale securities, and agency CMO and MBS securities) calculates its fair values using quoted market prices for similar instruments and values from third party pricing services for which management understands the methods used to determine fair value and are therefore

classified within Level 2 of the fair value hierarchy. The Company also performs an assessment of the pricing of investment securities received from third party pricing services to ensure that the prices represent a reasonable estimate of fair value. These procedures include, but are not limited to, initial and ongoing review of pricing methodologies and trends. The Company has the ability to challenge values provided by the third party service providers and will discuss its analysis with the third party pricing service providers in order to ensure that investments are recorded or disclosed at the appropriate fair value.

When the level and volume of trading activity for certain securities has significantly declined and/or when the Company believes that third party pricing may be based in part on forced liquidations or distressed sales, the Company will perform additional analysis. The Company analyzes each security for the appropriate valuation methodology based on a combination of the market approach reflecting third party pricing information and a discounted cash flow or income approach. In calculating the fair value derived from the income approach, the Company makes certain significant assumptions in addition to those discussed above related to the liquidity risk premium, specific non-performance and default experience in the collateral underlying the security. The values resulting from the market and income approaches are weighted to derive the final

fair value for each security trading in an inactive or distressed market. As of December 31, 2016 and 2015, management did not make any adjustments to the prices provided by the third party pricing service as a result of illiquid or inactive markets.

Loans Held for Sale — Fair values for loans held for sale valued under the fair value option are derived from quoted market prices for similar loans resulting in a classification within Level 2 of the valuation hierarchy or from models using loan characteristics including product type, pricing features and loan maturity dates and economic assumptions including prepayment estimates and discount rates based on prices currently offered in secondary markets for similar loans resulting in a classification within Level 3 of the valuation hierarchy. Fair values for conforming and non-conforming residential mortgage loans and commercial and commercial real estate loans carried at lower of cost or market value are derived from models using characteristics of the loans including product type, pricing features, underlying collateral and loan maturity dates and economic assumptions including prepayment estimates, discount rates and estimated credit losses for loans for which a majority of the significant assumptions are observable in the market. The Company estimates the fair value of these loans held for sale utilizing a discounted cash flow or income approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts, and servicing costs. In determining the appropriate discount rate, prepayment and credit assumptions, the Company monitors other capital markets activity for similar collateral being traded and/or interest rates currently being offered for similar products. Discussions related to the fair value of these loans held for sale are held between our internal valuation specialists and executive and business unit management to discuss the key assumptions used in arriving at the final estimates. As such these loans are classified within Level 3 of the valuation hierarchy. Significant increases (decreases) in any of those assumptions in isolation could result in a significantly lower (higher) fair value measurement.

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

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

Other Real Estate Owned — Foreclosed assets are carried at the lower of cost or market value (less estimated costs to sell). Market or fair value is generally based upon appraisals or independent market prices that are periodically updated subsequent to classification as OREO. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income

data available. Such adjustments on properties are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Appraisals for OREO are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Company's valuation services group reviews the assumptions and approaches utilized in the appraisal. To assess the reasonableness of the fair value, the Company's valuation services group compares the assumptions to independent data sources such as recent market data or industry-wide statistics. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and the client's business, resulting in a Level 3 fair value classification.

Mortgage Servicing Rights — MSR are evaluated for impairment on a quarterly basis. If the carrying amount of an individual stratum exceeds fair value, impairment is recorded on that stratum so that the servicing asset is carried at fair value. The servicing portfolio is valued using all relevant positive and negative cash flows including servicing fees, miscellaneous income and float, costs of servicing, the cost of carry of advances, foreclosure losses, and applying certain prevailing assumptions used in the marketplace. Mortgage servicing rights do not trade in an active market with readily observable prices and are valued using model-based techniques and significant assumptions not observable in the market. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the valuation hierarchy. The fair value of mortgage servicing rights is determined by using a discounted cash flow model to calculate the present value of estimated future net servicing income. The assumptions are a combination of market and company specific data. On a quarterly basis, the portfolio management group compares the Company's estimated fair value of the mortgage servicing rights to a third-party valuation as part of the valuation process. Discussions are held between executive management and the independent third-party to review the key assumptions used by the respective parties in arriving at those estimates, and adjusted as necessary.

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

Other Borrowings — For advances that bear interest at a variable rate, the carrying amount is a reasonable estimate of fair value. For fixed-rate advances, fair value is estimated using quantitative discounted cash flow models that require the use of interest rate inputs that are currently offered for fixed-rate advances of similar remaining maturities. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services. For hybrid advances, fair value is obtained from

an FHLB proprietary model that provides the mathematical approximation of the market value of the underlying hedge. The terms of the hedge are similar to the advances and therefore classified as Level 2 within the valuation hierarchy.

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

Subordinated Notes Payable — The Company issued and sold through a public offering \$175,000 and \$90,000 of subordinated notes on June 30, 2015 and March 14, 2016, respectively. These notes are valued using quoted market prices for the publicly traded debt, but are not actively traded on the secondary market and are therefore classified within Level 2 of the valuation hierarchy.

Interest Rate Swaps, Forward Interest Rate Swaps and Interest Rate Swap Futures — The fair value of interest rate swaps and forward interest rate swaps is determined by a third party using a derivative valuation model. The inputs used in the valuation model are based on contract terms which primarily include start and end swap dates, swap coupon, interest rate curve and notional amounts, and other standard methodologies which are obtained from similar instruments in active markets and, therefore, are classified within Level 2 of the valuation hierarchy. See Note 22 for additional information on cash flow hedges.

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

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

Forward and Optional Forward Purchase and Sale Commitments — The fair value of forward and optional forward purchase and sale commitments is determined based upon the difference between the settlement values of the commitments and the quoted market values of the securities. The market values can be quoted using similar instruments in an active market and are therefore classified within Level 2 of the valuation hierarchy.

Foreign Exchange Contracts — Fair values of foreign exchange contracts are based on quoted prices for each foreign currency at the balance sheet date. The quoted prices are for similar instruments in an active market and are therefore classified within Level 2 of the valuation hierarchy.

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

Indemnification Asset — To determine the fair value of the indemnification asset the Company uses a cash flow model to project cash flows for GNMA pool buyouts with and without recourse that are subjected to the indemnification

agreement. The significant unobservable inputs used in the fair value measurement of the indemnification asset are the discount rate and loss severity. Significant increases (decreases) to the discount rate in isolation could result in a significantly lower (higher) fair value measurement, whereas significant increases (decreases) to the loss severity could result in a significantly higher (lower) fair value measurement. The discount is calculated as the risk free rate plus a credit spread which is based on corporate debt issued by the indemnifying parties. Loss severity is determined by analyzing the value of the underlying mortgaged asset, the probability of borrower default, the value of the underlying government (VA) guarantee among other factors discounted over the estimated life of the asset. As the Company calculates the fair value of the indemnification asset using unobservable inputs the Company classifies the indemnification asset within Level 3 of the valuation hierarchy. The Company's portfolio management group is responsible for analyzing and updating the assumptions and cash flow model of the underlying loans on a quarterly basis, which includes corroboration with historical experience. Counterparty credit risk is taken into account when determining fair value.

See Note 22 for additional information on freestanding derivatives.

24. Commitments and Contingencies

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

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

Unfunded credit extension commitments at December 31, 2016 and 2015 are as follows:

	2016	2015
Commercial and commercial real estate ⁽¹⁾	\$2,652,441	\$2,002,796
Home equity lines of credit	506,375	144,190
Credit card lines of credit	25,810	21,979
Standby letters of credit	18,923	15,639
Total unfunded credit extension commitments	\$3,203,549	\$2,184,604

⁽¹⁾ Of the outstanding unfunded commercial and commercial real estate commitments, \$1,307,517 and \$909,065 were cancellable by the Company at December 31, 2016 and 2015, respectively.

The Company enters into floating rate residential loan commitments to lend. There were \$164,181 and \$169,922 of these commitments outstanding as of December 31, 2016 and 2015, respectively.

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

The contractual amounts of the Company's commitments to lend in the held for investment origination pipeline at December 31, 2016 and 2015 are as follows:

	2016	2015
Residential	\$154,093	\$495,039
Commercial and commercial real estate	698,559	662,509
Equipment financing receivables	287,210	329,278
Home equity lines of credit	36,207	106,533
Total commitments to lend in the pipeline	\$1,176,069	\$1,593,359

Standby letters of credit issued by third party entities are used to guarantee the Company's performance of various contracts. At December 31, 2016 and 2015, the Company had \$158,732 and \$231,248, respectively, in letters of credit outstanding.

EverBank periodically enters into forward-dated borrowing agreements with the FHLB to borrow funds at a fixed rate of interest. Prior to the funding date, EverBank has the right to terminate any of the advances subject to voluntary termination fees. The outstanding forward-dated agreements as of December 31, 2016 are as follows:

Agreement Date	Funding Date	Amount	Interest Rate	Maturity Date
June 2015	March 2017	\$25,000	2.86 %	June 2022
June 2015	September 2017	25,000	3.01 %	September 2022

In the ordinary course of business, the Company enters into commitments to originate residential mortgage loans held for sale at interest rates determined prior to funding. Interest rate lock commitments for loans that the Company intends to sell are considered freestanding derivatives and are recorded at fair value. See Note 22 and Note 23 for information on interest rate lock commitments as they are not included in the table above. The Company has also elected the fair value option on certain extended written loan commitments to originate residential mortgage loans held for investment. See Note 23 for more information on these extended written loan commitments as they are included in the origination pipeline table above under the residential designation.

The Company also has an agreement with the Jacksonville Jaguars of the National Football League whereby the Company obtained the naming rights to the football stadium in Jacksonville, Florida. On July 3, 2014, the Company entered into an extension to the agreement for the naming rights. As of December 31, 2016, the Company is obligated to pay \$37,367, in the aggregate, through February 28, 2025. Under this agreement, the amount due in 2017 is \$3,927, and the amount increases 3% each year through 2025.

Guarantees — The Company sells and securitizes conventional conforming and federally insured single-family residential mortgage loans predominantly to GSEs, such as Fannie Mae and Freddie Mac. The Company also sells residential mortgage loans, primarily those that do not meet criteria for whole loan sales to GSEs (nonconforming mortgage loans), through whole loan sales and securitizations to private non-GSE purchasers. In doing so, representations and warranties regarding certain attributes of the loans are made to the GSE or the third-party purchaser. Subsequent to the sale, if it is determined that the loans sold are (1) with respect to the GSEs, in breach of these representations or warranties or (2) with respect to non-GSE purchasers, in material breach of these

representations and warranties, the Company generally has an obligation to either: (a) repurchase the loan for the UPB, accrued interest and related advances, (b) indemnify the purchaser or (c) make the purchaser whole for the economic benefits of the loan. From 2010 through December 31, 2016, the Company originated, sold and securitized approximately \$77,436,459 of mortgage loans to GSEs and private non-GSE purchasers.

In some cases, the Company also has an obligation to repurchase loans in the event of early payment default (EPD) which is typically triggered if a borrower does not make the first several payments due after the loan has been sold to an investor. Certain of the Company's private investors have agreed to waive EPD provisions for conventional conforming and federally insured single-family residential mortgage loans and certain jumbo loan products. However, the Company is subject to EPD provisions for certain non-conforming jumbo loan products and certain cash sales to GSEs.

The Company's obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan. The Company establishes reserves for estimated losses inherent in the Company's origination and sale of mortgage loans. In estimating the accrued liability for loan repurchases, indemnifications and make-whole obligations, the Company estimates probable losses inherent in the population of loan sales, which are subjected to these representations and warranties, based on trends in claims requests and actual loss severities experienced. The liability includes accruals for probable contingent losses, an accrual for a noncontingent obligation to stand ready to perform

over the term of the representations and warranties and an accrual for probable losses identified in the pipeline of repurchase, make-whole and indemnification requests. There is additional inherent uncertainty in the estimate because the Company historically sold a majority of loans servicing released prior to 2009 and currently does not have servicing performance metrics on a majority of those loans it originated and sold during that time period. The estimation process is designed to include amounts based on actual losses experienced from actual repurchase activity. The baseline for the repurchase reserve uses historical loss factors which are applied to those loans originated and sold by the Company. Loss factors, which are tracked by year of loss, are calculated using actual losses incurred on repurchase, indemnification or make-whole arrangements. Under this Level 3 technique, the historical loss factors experienced are accumulated for each sale vintage (year loan was sold) and are applied to more recent sale vintages to estimate inherent losses not yet realized. The Company's estimated recourse related to these loans was \$3,537 and \$4,290 at December 31, 2016 and 2015, respectively, and is recorded in accounts payable and accrued liabilities. The Company incurred liabilities for new loan sales and securitizations of \$2,162, \$2,379 and \$2,199 for the years ended December 31, 2016, 2015 and 2014, respectively. The liability is amortized, through a credit to earnings, as the Company is released from risk.

In the ordinary course of its loan servicing activities, the Company routinely initiates actions to foreclose real estate securing serviced loans. For certain serviced loans in which the Company does not own the underlying mortgage, there are provisions in which the Company is either obligated to fund foreclosure-related costs or to repurchase loans in default. Additionally, as servicer, the Company could be obligated to repurchase loans from or indemnify GSEs for loans originated by defunct originators. The outstanding principal balance on residential loans serviced for others at December 31, 2016 and 2015, was \$30,359,000 and \$31,155,000, respectively. The amount of estimated recourse recorded in accounts payable and accrued liabilities related to servicing activities at December 31, 2016 and 2015, was \$141 and \$1,806, respectively.

Operating Leases — The Company has entered into various operating leases for the office space in which it operates, many of which include the ability to extend the original terms of the lease at the Company's option. General and administrative expense associated with these leases was \$15,996, \$16,874 and \$18,821 for the years ended December 31, 2016, 2015 and 2014, respectively.

The future minimum lease payments for the leases at December 31, 2016, are as follows:

2017	\$17,052
2018	12,902
2019	10,898
2020	8,874
2021	6,295
Thereafter	7,266
	\$63,287

Certain of these operating leases include the potential for the landlord to require the Company to remove leasehold improvements prior to vacating the property. Generally this obligation is at the discretion of the landlord, and the likelihood of the option being exercised is uncertain. Any related potential obligation to retire leasehold improvements cannot be reasonably estimated due to the uncertainty of the timing and the probability of the option's exercise. If the Company did incur such an obligation, the impact to the consolidated financial statements is not expected to be material.

Federal Reserve Requirement — The Federal Reserve Board (FRB) requires certain institutions, including EB, to maintain cash reserves in the form of vault cash and average account balances with the Federal Reserve Bank. The reserve requirement is based on average deposits outstanding and was \$79,917 and \$138,812 at December 31, 2016 and 2015, respectively.

Legal Actions — On January 5, 2016, the OCC terminated EverBank's consent order, including the remaining portions of the 2011 consent order as amended in 2013 and 2015, having determined that EverBank had satisfied the requirements of such order. In conjunction with the termination, EverBank was required by the OCC to pay \$1,000 in civil money penalties pertaining to certain improper fees charged to borrowers during the timeframe the consent order had been in place. 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 \$129 for potential further remediation

payments to be made.

Proposed TIAA Merger — On August 7, 2016, the Company entered into an Agreement and Plan of Merger (Merger Agreement) with TIAA. Pursuant to the Merger Agreement, the Company will no longer operate as a publicly traded entity and will become a wholly-owned subsidiary of TIAA. Completion of this Merger is subject to regulatory approval, which is currently pending. Given the uncertain nature of change in control events, the accounting literature restricts accruals of items contingent upon execution of change in control events. As such, the broker fees contingent upon the successful completion of the Merger have not been accrued, which total \$19,500. In addition, certain key employees have previously entered into employment agreements with the Company which require pay out in the event of a change of control and as a result the Company may be obligated to pay out if the Merger is completed. The Merger Agreement restricts the Company from making certain acquisitions and taking other specified actions without the consent of TIAA until the proposed merger occurs.

25. Variable Interest Entities

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

Non-Consolidated VIEs

The table below summarizes select information related to variable interests held by the Company at December 31, 2016 and 2015:

Non-consolidated VIEs	2016		2015	
	Total Assets	Maximum Exposure	Total Assets	Maximum Exposure
Loans provided to VIEs	\$12,909	\$ 12,909	\$31,825	\$ 31,825
Debt securities	543,195	543,195	658,536	658,536

Loans Provided to VIEs

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

Debt Securities

All MBS, CMO and ABS securities owned by the Company are issued through VIEs. The related VIEs were not consolidated, as the Company was not determined to be the primary beneficiary because, as only a holder of investments issued by the VIE, the Company does not have the power to direct the activities of the VIE that most significantly impact the entity's economic performance. See Note 4 for information related to debt securities.

Mortgage Securitizations

The Company provides a variety of mortgage loan products to a diverse customer base. Once originated, the Company often securitizes these loans through the use of VIEs. These VIEs are funded through the issuance of trust certificates backed solely by the transferred assets. These mortgage loan securitizations are non-recourse except in accordance with the Company's standard obligations under representations and warranties. Thereby, the transactions effectively transfer the risk of future credit losses to the purchasers of the securities issued by the trust. The Company generally retains the servicing rights of the transferred assets but does not retain any other interest in the entities. Because the Company does not have the power to direct the activities of the VIE that most significantly impact the entity's economic performance, the Company is not the primary beneficiary of its U.S. agency-sponsored mortgage securitizations. Therefore, the Company does not consolidate these U.S. agency-sponsored mortgage securitizations. Additionally, the Company does not consolidate VIEs of private label securitizations. Although the Company is the servicer of the VIE, the servicing relationship is deemed to be a fiduciary relationship and, therefore, the Company is not deemed to be the primary beneficiary of the entity. Refer to Note 5 for information related to sales of residential mortgage receivables and Note 8 for information related to mortgage servicing rights.

26. Regulatory Matters

The Company and EB are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and EB must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

On January 1, 2015, the Company and EverBank became subject to revised capital standards as implemented by new final rules approved by the U.S. Banking regulatory agencies, including the FRB, to address relevant provisions of the

Dodd-Frank Act. Certain provisions of the new rules will be phased in from that date to January 1, 2019.

The final rules:

- Require that non-qualifying capital instruments, including trust preferred securities and cumulative perpetual preferred stock, must be fully phased out of Tier 1 capital by January 1, 2016,
 - Establish new qualifying criteria for regulatory capital, including new limitations on inclusion of deferred tax assets and mortgage servicing rights,
 - Require a minimum ratio of common equity Tier 1 capital (CET1) to risk-weighted assets (common equity Tier 1 ratio) of 4.5%,
 - Increase the minimum Tier 1 capital to risk-weighted assets (Tier 1 capital ratio) ratio requirements from 4% to 6%,
- Implement a new capital conservation buffer requirement for a banking organization to maintain a CET1 capital ratio more than 2.5% above the minimum CET1 Capital, Tier 1 capital and total risk-based capital ratios in order to avoid limitations on capital distributions, including dividend payments, and certain discretionary bonus payments to executive officers, with the buffer to be phased in beginning on January 1, 2016 at 0.625% and increasing annually until fully phased in at 2.5% by January 1, 2019. A banking organization with a buffer less than the required amount would be subject to increasingly stringent limitations on certain distributions and payments as the buffer approaches zero, and

Increase capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term commitments and securitization exposures.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum capital amounts and ratios as set forth in the table below. EB's primary regulatory agency, the OCC, requires EB to maintain ratios of tangible capital (as defined in the regulations) of 1.5%, core capital (as defined) of 4%, and total capital (as defined) of 8%. EB, consistent with the industry, is also subject to prompt corrective action requirements set forth by the FDIC. The FDIC requires EB to maintain minimum total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and core capital (as defined). Management believes that, as of December 31, 2016, the Company and EverBank met all capital adequacy requirements to which they are subject. The regulatory capital ratios for EB, along with the capital amounts and ratios for the minimum capital adequacy purposes and well capitalized requirements under the prompt corrective action framework are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016						
Common equity Tier 1 ratio	\$2,265,749	12.8 %	\$795,505	4.5 %	\$1,149,063	6.5 %
Tier 1 leverage ratio	2,265,749	8.0	1,128,359	4.0	1,410,448	5.0
Tier 1 risk-based capital ratio	2,265,749	12.8	1,060,673	6.0	1,414,231	8.0
Total risk-based capital ratio	2,369,892	13.4	1,414,231	8.0	1,767,789	10.0
2015						
Common equity tier 1 ratio	\$2,048,481	12.0 %	\$770,989	4.5 %	\$1,113,650	6.5 %
Tier 1 leverage ratio	2,048,481	8.1	1,011,266	4.0	1,264,083	5.0
Tier 1 risk-based capital ratio	2,048,481	12.0	1,027,985	6.0	1,370,647	8.0
Total risk-based capital ratio	2,127,270	12.4	1,370,647	8.0	1,713,308	10.0

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2016						
Common equity Tier 1 ratio	\$1,864,108	10.5 %	\$795,874	4.5 %	\$1,149,596	6.5 %
Tier 1 leverage ratio	2,112,858	7.5	1,128,639	4.0	1,410,799	5.0
Tier 1 risk-based capital ratio	2,112,858	12.0	1,061,166	6.0	1,414,888	8.0
Total risk-based capital ratio	2,478,529	14.0	1,414,888	8.0	1,768,610	10.0
2015						
Common equity tier 1 ratio	\$1,704,232	9.9 %	\$770,929	4.5 %	\$1,113,564	6.5 %
Tier 1 leverage ratio	1,957,982	7.7	1,011,472	4.0	1,264,340	5.0
Tier 1 risk-based capital ratio	1,957,982	11.4	1,027,905	6.0	1,370,541	8.0
Total risk-based capital ratio	2,209,191	12.9	1,370,541	8.0	1,713,176	10.0

As of December 31, 2016 and 2015, EB qualified as a well capitalized institution according to the regulatory framework for prompt corrective action (the prompt corrective action requirements are not applicable to the Company). Management does not believe that any condition or event that would result in a change in this category has occurred since December 31, 2016.

OCC regulations impose limitations upon certain capital distributions by federal 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. The OCC regulates all capital distributions by EB

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

27. Related Parties

The Company lends to and accepts deposits from shareholders, directors, officers and their related business interests on substantially the same terms as loans and deposits to other individuals and businesses of comparable credit worthiness. Loans to related parties were

approximately \$1,334 and \$5,812 at December 31, 2016 and 2015, respectively, and are included in loans held for investment. Deposits held for related parties were approximately \$8,692 and \$7,400 at December 31, 2016 and 2015, respectively.

The Company leased certain office property from a limited partnership owned in part by a director and shareholder of the Company and the director's direct interests. The lease agreements relate to properties located in Jacksonville, Florida, and reflect substantially the same terms as leases entered into with other businesses of comparable standing. Several of the leases matured in 2014, with one remaining lease that matured in February of 2015 therefore, we had no payment obligations in 2016. Payments related to the properties totaled \$0, \$66 and \$1,998 for the years ended December 31, 2016, 2015 and 2014, respectively.

28. Condensed Parent Company Financial Information

Condensed balance sheets of EverBank Financial Corp as of December 31, 2016 and 2015 are as follows:

	2016	2015
Assets		
Cash and cash equivalents	\$ 120,841	\$ 97,345
Investment in subsidiaries:		
Bank subsidiary	2,261,883	2,050,456
Nonbank subsidiaries	—	3,344
Total investment in subsidiaries	2,261,883	2,053,800
Other assets	8,880	6,320
Total Assets	\$2,391,604	\$2,157,465
Liabilities		
Accounts payable and accrued liabilities	\$ 14,832	\$ 9,627
Due to subsidiaries, net	162	3,347
Trust preferred securities and subordinated notes payable (Note 14)	360,278	276,170
Total Liabilities	375,272	289,144
Total Shareholders' Equity (Note 15)	2,016,332	1,868,321
Total Liabilities and Shareholders' Equity	\$2,391,604	\$2,157,465

Condensed statements of income of EverBank Financial Corp for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Income			
Other income	\$ 2,080	\$ 347	\$ 261
Total income	2,080	347	261
Expense			
Interest expense	20,314	11,605	6,598
Noninterest expense	4,807	4,402	4,169
Total expense	25,121	16,007	10,767
Income (loss) before income tax benefit	(23,041)	(15,660)	(10,506)
Income tax benefit	(8,735)	(5,827)	(3,802)
Income (loss) before equity in earnings of subsidiaries	(14,306)	(9,833)	(6,704)
Equity in earnings of subsidiaries	159,237	140,359	154,786
Net Income	\$ 144,931	\$ 130,526	\$ 148,082
Comprehensive Income (Loss) ⁽¹⁾	\$ 157,422	\$ 132,110	\$ 135,100

(1) Refer to the consolidated statements of comprehensive income for other comprehensive income details.

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Condensed statements of cash flows of EverBank Financial Corp for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Operating Activities:			
Net income	\$ 144,931	\$ 130,526	\$ 148,082
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in earnings of subsidiaries	(159,237)	(140,359)	(154,786)
Amortization of debt issue costs	377	—	—
Dividends received from bank subsidiary	52,000	40,000	40,000
Deferred income taxes	(264)	(571)	(68)
Gain on extinguishment of debt	(1,478)	—	—
Other operating activities	358	539	462
Changes in operating assets and liabilities:			
Other assets	1,905	1,804	(4,336)
Accounts payable and accrued liabilities	4,966	4,546	489
Due to subsidiaries	(3,184)	(305)	273
Net cash provided by operating activities	40,374	36,180	30,116
Investing Activities:			
Capital contributions	(85,000)	(150,000)	(15,000)
Net cash used in investing activities	(85,000)	(150,000)	(15,000)
Financing Activities:			
Repurchase of trust preferred securities	(3,522)	—	—
Proceeds from issuance of subordinated notes payable, net of issuance costs	88,731	172,286	—
Proceeds from issuance of common stock	23,845	13,672	7,466
Dividends paid	(40,197)	(35,044)	(27,336)
Other financing activities	(735)	—	—
Net cash provided by (used in) financing activities	68,122	150,914	(19,870)
Net change in cash and cash equivalents	23,496	37,094	(4,754)
Cash and cash equivalents at beginning of period	97,345	60,251	65,005
Cash and cash equivalents at end of period	\$ 120,841	\$ 97,345	\$ 60,251
Supplemental Disclosures of Cash Flow Information:			
Cash paid (received) for:			
Interest	\$ 18,797	\$ 6,630	\$ 6,594
Income taxes	(10,093)	(6,392)	43

29. Segment Information

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

The Consumer Banking segment includes consumer deposit services and activities, residential lending and servicing, wealth management, and capital markets. Commercial Banking includes commercial and commercial real estate lending, lender finance, equipment finance and leasing, mortgage warehouse finance and commercial deposits. The Corporate Services segment provides services to the Consumer Banking and Commercial Banking segments including executive management, risk management, technology, legal, human resources, marketing, corporate development, treasury, accounting, finance and other services and transaction-related items. Direct expenses are allocated to the reporting segments. Unallocated expenses are included in Corporate Services. Certain other expenses, including interest expense on trust preferred debt and subordinated notes payable and transaction-related items, are included in the Corporate Services segment.

The accounting policies of these reportable business segments are the same as those described in Note 2. The chief operating decision maker's review of each segment's performance is based on segment income, which is defined as income from operations before income taxes and certain corporate allocations. Additionally, total net revenue is defined as net interest income before provision for loan and lease losses and total noninterest income.

Intersegment revenue among the Company's business units reflects the results of a funds transfer pricing (FTP) process, which takes into account assets and liabilities with similar interest rate sensitivity and maturity characteristics and reflects the allocation of net interest income related to the Company's overall asset and liability management activities. This provides for the creation of an economic benchmark, which allows the Company to determine the profitability of the Company's products and cost centers by calculating profitability spreads between product yields and internal references. However, business segments have some latitude to retain certain interest rate exposures related to client pricing decisions within guidelines.

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

The results of each segment are reported on a continuing basis. The following table presents financial information of reportable business segments as of and for the years ended December 31, 2016, 2015 and 2014. The eliminations column includes intersegment eliminations required for consolidation purposes.

	2016					
	Consumer Banking	Commercial Banking	Corporate Services	Eliminations		Consolidated
Net interest income (expense)	\$415,679	\$334,404	\$(19,733)	\$ —		\$730,350
Total net revenue	533,599 ⁽¹⁾	380,985	(17,169)	—		897,415
Intersegment revenue	66,165	(66,165)	—	—		—
Depreciation and amortization	7,834	9,620	8,155	—		25,609
Income (loss) before income taxes	153,857 ⁽¹⁾	216,210	(140,567)	—		229,500
Total assets	17,360,662	10,672,692	284,351	(479,619)		27,838,086

	2015					
	Consumer Banking	Commercial Banking	Corporate Services	Eliminations		Consolidated
Net interest income (expense)	\$363,897	\$315,711	\$(11,265)	\$ —		\$668,343
Total net revenue	528,530 ⁽²⁾	365,789	(10,596)	—		883,723
Intersegment revenue	44,476	(44,476)	—	—		—
Depreciation and amortization	9,259	11,173	6,870	—		27,302
Income (loss) before income taxes	110,637 ⁽²⁾	221,502	(124,980)	—		207,159
Total assets	16,273,989	10,354,535	320,501	(347,999)		26,601,026

	2014					
	Consumer Banking	Commercial Banking	Corporate Services	Eliminations		Consolidated
Net interest income (expense)	\$319,807	\$251,357	\$(6,357)	\$ —		\$564,807
Total net revenue	615,256 ⁽³⁾	292,706	(5,916)	—		902,046
Intersegment revenue	66,840	(66,840)	—	—		—
Depreciation and amortization	9,153	14,980	7,648	—		31,781
Income (loss) before income taxes	168,553 ⁽³⁾	177,321	(107,303)	—		238,571
Total assets	13,825,052	7,892,974	215,095	(315,333)		21,617,788

(1) Segment earnings in the Consumer Banking segment included \$61,392 charges for MSR impairment, net of recoveries, for the year ended December 31, 2016.

(2) Segment earnings in the Consumer Banking segment included \$31,986 charges for MSR impairment, net of recoveries, for the year ended December 31, 2015.

(3) Segment earnings in the Consumer Banking segment included \$8,012 in recoveries on the MSR valuation allowance, net of impairment charges, for the year ended December 31, 2014.

Quarterly Financial Data (unaudited)

The summary quarterly financial information set forth below for each of the last eight quarters has been derived from our unaudited interim consolidated financial statements and other financial information. The summary of historical quarterly financial information includes all normal recurring adjustments that we consider necessary for a fair presentation of the financial position and the results of operations for these periods.

The information below is only a summary and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes thereto included in this Form 10-K filing.

(in millions, except share and per share data)	2016 Quarters				2015 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Income Statement Data:								
Interest income	\$258.4	\$256.9	\$243.5	\$238.9	\$234.6	\$223.6	\$218.0	\$203.0
Interest expense	68.9	67.3	66.1	65.1	59.6	54.8	48.9	47.6
Net interest income	189.5	189.6	177.4	173.8	175.0	168.8	169.0	155.4
Provision for loan and lease losses ⁽¹⁾	22.0	12.1	6.0	8.9	10.1	11.1	7.9	9.0
Net interest income after provision for loan and lease losses	167.5	177.6	171.4	164.9	164.9	157.7	161.1	146.4
Noninterest income ⁽²⁾	74.8	43.3	19.2	29.8	57.9	41.2	83.8	32.5
Noninterest expense ⁽³⁾	151.9	161.8	155.8	149.4	152.9	151.5	178.0	156.0
Income before income taxes	90.4	59.1	34.8	45.2	69.9	47.4	66.9	22.9
Provision for income taxes	32.1	22.0	13.2	17.3	24.8	17.8	25.4	8.7
Net income	\$58.3	\$37.1	\$21.6	\$27.9	\$45.1	\$29.6	\$41.6	\$14.2
Net income allocated to common shareholders	\$55.8	\$34.6	\$19.0	\$25.4	\$42.6	\$27.1	\$39.0	\$11.7
Per Share Data:								
Weighted-average common shares outstanding:								
(units in thousands)								
Basic	126,175	125,382	125,294	125,125	124,983	124,823	124,348	123,939
Diluted	128,912	127,453	126,612	126,045	126,980	127,099	126,523	126,037
Earnings per common share:								
Basic	\$0.44	\$0.28	\$0.15	\$0.20	\$0.34	\$0.22	\$0.31	\$0.09
Diluted	0.43	0.27	0.15	0.20	0.34	0.21	0.31	0.09
Dividends declared per common share	0.06	0.06	0.06	0.06	0.06	0.06	0.04	0.04

(in millions)	2016 Quarters				2015 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Balance Sheet Data (period end):								
Cash and cash equivalents	\$791.4	\$588.7	\$621.9	\$600.6	\$582.5	\$599.2	\$558.2	\$552.0
Investment securities	828.3	882.5	837.0	840.5	924.2	927.2	1,005.1	1,071.8
Loans held for sale	1,443.3	2,112.9	1,485.7	1,137.7	1,509.3	1,483.8	1,330.8	1,861.3
Loans and leases held for investment, net	23,453.7	23,842.6	23,134.4	22,672.6	22,149.4	20,805.5	19,847.8	18,470.8
Total assets	27,838.1	28,703.0	27,354.3	26,641.4	26,601.0	25,214.7	24,120.5	23,347.2
Deposits	19,638.2	19,643.3	18,811.8	18,996.5	18,242.0	17,566.1	16,483.5	16,076.7
Total liabilities	25,821.8	26,807.5	25,497.0	24,785.5	24,732.7	23,391.9	22,300.7	21,589.4
Total shareholders’ equity	2,016.3	1,895.6	1,857.4	1,855.9	1,868.3	1,822.9	1,819.8	1,757.8
Performance Metrics:								
Return on average assets	0.83	% 0.53	% 0.32	% 0.43	% 0.71	% 0.48	% 0.72	% 0.26
Return on average equity ⁽⁴⁾	12.3	% 8.0	% 4.4	% 6.0	% 10.0	% 6.5	% 9.5	% 2.9
Efficiency ratio ⁽⁵⁾	57	% 69	% 79	% 73	% 66	% 72	% 70	% 83

(1)

For the three months ended June 30, 2016, provision for loan and lease losses includes a \$0.3 million decrease in non-accretable discount related to Bank of Florida ACI. For the three months ended September 30, 2015, provision for loan and lease losses includes a \$0.1 million decrease in non-accretable discount related to Bank of Florida acquired credit-impaired loans (ACI). For the three months ended June 30, 2015, provision for loan and lease losses includes a \$0.3 million increase in non-accretable discount related to Bank of Florida ACI. For the three months ended March 31, 2015, provision for loan and lease losses includes a \$1.6 million decrease in non-accretable discount related to Bank of Florida ACI.

For the three months ended December 31, 2016, noninterest income includes \$21.2 million in recovery of MSR valuation allowance. For the three months ended September 30, 2016, noninterest income includes a \$23.2 million impairment charge related to MSR. For the three months ended June 30, 2016, noninterest income includes \$36.9 million impairment charge related to MSR, a \$0.1 million increase related to restructuring cost and a \$1.5 million (2) gain on repurchase of trust preferred securities. For the three months ended March 31, 2016, noninterest income includes a \$22.5 million impairment charge related to MSR. For the three months ended December 31, 2015, noninterest income includes \$0.1 million in recovery on MSR valuation and a \$0.2 million decrease related to restructuring cost. For the three months ended September 30, 2015, noninterest income includes a \$4.5 million impairment charge related to MSR.

For the three months ended June 30, 2015, noninterest income includes \$15.7 million in recovery on MSR valuation and a \$0.1 million decrease related to restructuring cost. For the three months ended March 31, 2015, noninterest income includes \$43.4 million impairment charge related to MSR.

For the three months ended December 31, 2016, noninterest expense includes \$2.5 million of transaction and non-recurring regulatory related expense and a decrease of \$0.1 million in restructuring cost. For the three months ended September 30, 2016, noninterest expense includes \$6.8 million of transaction and non-recurring regulatory related expense and a decrease of \$2.6 million in restructuring costs. For the three months ended June 30, 2016, noninterest expense includes \$0.3 million in transaction and non-recurring regulatory related expense and \$0.6 million reduction of restructuring costs. For the three months ended March 31, 2016, noninterest expense includes a decrease of \$0.1 million in transaction and non-recurring regulatory related expense and \$0.7 million in (3) restructuring costs. For the three months ended December 31, 2015, noninterest expense includes a decrease of \$3.0 million due to a reduction in transaction expense and non-recurring regulatory related expense and \$3.4 million in restructuring cost. For the three months ended September 30, 2015, noninterest expense includes a decrease of \$1.3 million due to a reduction in transaction expense and non-recurring regulatory related expense and a decrease of \$0.4 million in restructuring cost. For the three months ended June 30, 2015, noninterest expense includes \$6.0 million in non-recurring regulatory related expense and \$17.1 million in restructuring cost. For the three months ended March 31, 2015, noninterest expense includes \$2.4 million in transaction expense and non-recurring regulatory related expense.

Return on average equity is calculated as net income less dividends declared on the Series A 6.75% (4) 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).

The efficiency ratio represents noninterest expense as a percentage of total revenue. Total revenue is defined as net (5) 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.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of December 31, 2016. The Company's controls and other procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable published financial statements. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Because of inherent limitations in any system of internal control, no matter how well designed, misstatements due to error or fraud may occur and not be detected, including the possibility of the circumvention or overriding of controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the Company's internal control over financial reporting as of December 31, 2016. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission on May 14, 2013 (2013 framework). Based on this assessment, the Chief Executive Officer and Chief Financial Officer assert that the Company maintained effective internal control over financial reporting as of December 31, 2016 based on the specified criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also has audited the Company's consolidated financial statements included in this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2016 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

MANAGEMENT'S ASSESSMENT AS TO THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act). Based on the foregoing, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required and information is accumulated and communicated to management on a timely basis.

The management of EverBank Financial Corp is responsible for establishing and maintaining adequate internal control, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. Management's assessment is based on the criteria established in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and was designed to provide reasonable assurance that the Company maintained effective internal control over financial reporting as of December 31, 2016. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2016. The Company's independent registered public accounting firm, that audited the Company's consolidated financial statements included in this annual report, has issued an audit report on our internal control over financial reporting as of December 31, 2016.

The Company's management also conducted an evaluation of internal control over financial reporting to determine whether any changes occurred during the year covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on this evaluation, there has been no such change during the year covered by this report.

/s/ Robert M. Clements

/s/ Steven J. Fischer

Robert M. Clements
Chief Executive Officer
(Principal Executive Officer)

Steven J. Fischer
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: February 17, 2017

Date: February 17, 2017

Item 9B. Other Information

None.

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Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to EverBank Financial Corp's directors, executive officers, code of ethics, audit committee and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance will be included in an amendment to this Annual Report on Form 10-K/A filed within 120 days after the end of our 2016 fiscal year.

Item 11. Executive Compensation

The information required by this item relating to compensation of our directors and executive officers will be included in an amendment to this Annual Report on Form 10-K/A filed within 120 days after the end of our 2016 fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans will be included in an amendment to this Annual Report on Form 10-K/A filed within 120 days after the end of our 2016 fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item relating to security ownership of certain relationships and related transactions and director independence will be included in an amendment to this Annual Report on Form 10-K/A filed within 120 days after the end of our 2016 fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by this item relating to principal accountant fees and services will be included in an amendment to this Annual Report on Form 10-K/A filed within 120 days after the end of our 2016 fiscal year.

Part IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

(a) Documents Filed As Part of This Report

The following consolidated financial statements of EverBank Financial Corp and Subsidiaries are filed as part of this report under Item 8 - Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - As of December 31, 2016 and 2015

Consolidated Statements of Income - For the Years Ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income - For the Years Ended December 31, 2016, 2015 and 2014

Consolidated Statements of Shareholders' Equity - For the Years Ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows - For the Years Ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are not applicable or because the required information is provided in the consolidated financial statements or notes thereto.

3. Exhibits Required by Securities and Exchange Commission Regulation S-K

A list of exhibits to this Form 10-K is set forth on the Exhibit Index and is incorporated herein by reference.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EverBank Financial Corp

Date: February 17, 2017 /s/ Robert M. Clements
Robert M. Clements
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Date
/s/ Robert M. Clements Chairman of the Board and Chief Executive Officer	February 17, 2017
Robert M.(Principal Executive Officer) Clements	
/s/ Steven J. Fischer Senior Executive Vice President and Chief Financial Officer	February 17, 2017
Steven J. (Principal Financial and Accounting Officer) Fischer	
/s/ Joseph D. Hinkel Director	February 17, 2017
Joseph D. Hinkel	
/s/ Merrick R. Kleman Director	February 17, 2017
Merrick R. Kleman	
/s/ W. Radford Director	February 17, 2017
W. Radford Lovett, II Lovett, II	
/s/ Arrington H. Mixon Director	February 17, 2017

Arrington
H.
Mixon

/s/

Robert
J. Director
Mylod,
Jr.
Robert
J.
Mylod,
Jr.

February 17, 2017

/s/

Russell
B. Director
Newton,
III
Russell
B.
Newton, III

February 17, 2017

/s/

~~William~~
Director
Sanford
William
Sanford

February 17, 2017

/s/

Richard
Director
P.
Schifter
Richard
P.
Schifter

February 17, 2017

/s/

Scott
Director
M.
Stuart
Scott
M.
Stuart

February 17, 2017

/s/

W
Director
Blake
Wilson
W.
Blake

February 17, 2017

Wilson

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EXHIBIT INDEX

Exhibit No.	Description
2.1	Stock and Asset Purchase Agreement, by and between EverBank Financial Corp and General Electric Capital Corporation, dated June 30, 2012 (filed as Exhibit 2.1 to the Company's Form 8-K filed with the SEC on July 2, 2012 and incorporated herein by reference).
2.2	Amendment to Stock and Asset Purchase Agreement, dated as of October 1, 2012, by and between General Electric Capital Corporation and EverBank (filed as Exhibit 2.1 to the Company's Form 8-K filed with the SEC on October 1, 2012 and incorporated herein by reference).
2.3	Agreement and Plan of Merger, dated August 7, 2016, by and among Teachers Insurance and Annuity Association of America, TCT Holdings, Inc., Dolphin Sub Corporation and EverBank Financial Corp (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 8, 2016 and incorporated herein by reference)
3.1	Amended and Restated Certificate of Incorporation of EverBank Financial Corp (including the Certificate of Designations of 6.75% Series A Non-Cumulative Perpetual Preferred Stock) (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 26, 2015 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of EverBank Financial Corp (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 26, 2015 and incorporated herein by reference).
4.1	Specimen stock certificate of EverBank Financial Corp (filed as Exhibit 4.1 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference).
4.2	Amended and Restated Declaration of Trust of First Alliance Capital Trust I, dated as of July 16, 2001 (filed as Exhibit 4.2 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.3	Guarantee Agreement by and between Alliance Capital Partners, L.P. and State Street Bank and Trust Company of Connecticut, National Association, as Trustee, dated as of July 31, 2001 (filed as Exhibit 4.3 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.4	Indenture, dated as of July 31, 2001, between Alliance Capital Partners, L.P. and State Street Bank and Trust Company of Connecticut, National Association, as Trustee (filed as Exhibit 4.4 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.5	Amended and Restated Declaration of Trust of Alliance Capital Partners Statutory Trust I, dated as of July 31, 2001 (filed as Exhibit 4.5 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.6	Indenture, dated as of December 29, 2004, between EverBank Financial, L.P. and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.6 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.7	Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust V, dated as of May 25, 2005 (filed as Exhibit 4.7 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.8	Guarantee Agreement, dated as of May 25, 2005, by EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.8 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.9	Indenture, dated as of May 25, 2005, by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.9 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
4.10	Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust VI, dated as of September 28, 2005 (filed as Exhibit 4.10 to the Company's Form S-1/A (No. 333-169824) filed with the SEC

- on January 10, 2011 and incorporated herein by reference).
- 4.11 Guarantee Agreement, dated as of September 28, 2005, by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.11 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.12 Indenture, dated as of September 28, 2005, by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.13 Indenture, dated as of December 14, 2006, between EverBank Financial Corp and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.13 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.14 Guarantee Agreement by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee, dated as of March 30, 2007 (filed as Exhibit 4.14 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.15 Indenture, dated as of March 30, 2007, by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.15 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.16 Guarantee Agreement, dated as of June 21, 2007, by and between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.16 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.17 Guarantee Agreement, dated as of July 16, 2001, by and between Alliance Capital Partners, LP and The Bank of New York, as Trustee (filed as Exhibit 4.18 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.18 Indenture, dated as of July 16, 2001, between Alliance Capital Partners, LP and The Bank of New York, as Trustee (filed as Exhibit 4.19 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).

- Guarantee Agreement, dated as of December 29, 2004, by EverBank Financial, L.P. and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.20 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.19 Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust IV, dated as of December 29, 2004 (filed as Exhibit 4.21 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.20 Guarantees Agreement, dated as of December 14, 2006, by EverBank Financial Corp and Wells Fargo Bank, National Association, as Trustee (filed as Exhibit 4.22 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.21 Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust VII, dated as of December 14, 2006 (filed as Exhibit 4.23 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.22 Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust VIII, dated as of March 30, 2007 (filed as Exhibit 4.24 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.23 Indenture, dated as of June 21, 2007, between EverBank Financial Corp and Wilmington Trust Company, as Trustee (filed as Exhibit 4.25 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.24 Amended and Restated Declaration of Trust of EverBank Financial Preferred Trust IX, dated as of June 21, 2007 (filed as Exhibit 4.26 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 4.25 First Supplemental Indenture, dated May 8, 2012, by and among Wilmington Trust Company, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated May 25, 2005 pursuant to which EverBank Financial Corp (Florida) issued \$10,310,000 of its Fixed/Floating Rate Junior Subordinated Debt Securities due August 23, 2035 (filed as Exhibit 4.26 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.26 First Supplemental Indenture, dated May 8, 2012, by and among Wilmington Trust Company, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated September 28, 2005 pursuant to which EverBank Financial Corp (Florida) issued \$10,310,000 of its Fixed/Floating Rate Junior Subordinated Debt Securities due November 23, 2035 (filed as Exhibit 4.27 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.27 First Supplemental Indenture, dated May 8, 2012, by and among Wilmington Trust Company, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated March 30, 2007 pursuant to which EverBank Financial Corp (Florida) issued \$15,464,000 of its Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures due June 15, 2037 (filed as Exhibit 4.28 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.28 First Supplemental Indenture, dated May 8, 2012, by and among Wilmington Trust Company, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated June 21, 2007 pursuant to which EverBank Financial Corp (Florida) issued \$13,403,000 of its Fixed/Floating Rate Junior Subordinated Deferrable Interest Debentures due September 15, 2037 (filed as Exhibit 4.29 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.29 Second Supplemental Indenture (Alliance Capital Partners Statutory Trust I), dated May 8, 2012, by and among U.S. Bank National Association, as successor in interest to State Street Bank and Trust Company of Connecticut, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated July 31, 2001, as amended by that First Supplemental Indenture effective as of January 2, 2005, pursuant to which EverBank Financial Corp (Florida) issued \$15,464,000 of its Floating Rate Junior Subordinated Deferrable Interest Debentures (filed as Exhibit 4.30 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.30

- Second Supplemental Indenture, dated May 8, 2012, by and among the Bank of New York Mellon (formerly known as The Bank of New York, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated July 16, 2001, as amended by that First Supplemental Indenture effective as of January 2, 2005, pursuant to which EverBank Financial Corp (Florida) issued \$15,464,000 of its 10.25% Junior Subordinated Deferrable Interest Debentures due July 25, 2031 (filed as Exhibit 4.31 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.32 Second Supplemental Indenture, dated May 8, 2012, by and among Wells Fargo Bank, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated December 29, 2004, as amended by that First Supplemental Indenture effective as of January 2, 2005, pursuant to which EverBank Financial Corp (Florida) issued \$10,310,000 of its Junior Subordinated Debt Securities due January 2, 2005. (filed as Exhibit 4.32 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.33 First Supplemental Indenture, dated May 8, 2012, by and among Wells Fargo Bank, as trustee, EverBank Financial Corp (Delaware) and EverBank Financial Corp (Florida), to the Indenture dated December 14, 2006 pursuant to which EverBank Financial Corp (Florida) issued \$20,619,000 of its Junior Subordinated Debt Securities due December 15, 2036 (filed as Exhibit 4.33 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 4.34 Deposit Agreement dated November 13, 2012 between EverBank Financial Corp, Wells Fargo Bank, N.A. and the holders from time to time of the Depositary Receipts described therein (filed as Exhibit 4.2 to the Company's Form 8-A filed with the SEC on November 13, 2012 and incorporated herein by reference).
- 4.35 Specimen receipt representing the Depositary Shares, each representing a 1/1000th interest in a share of 6.75% Series A Non-Cumulative Perpetual Preferred Shares, 0.01 par value, of EverBank Financial Corp (included in Exhibit 4.34 to the Company's Form S-1/A filed with the SEC on October 29, 2012 and incorporated herein by reference).
- 4.36 Specimen certificate for 6.75% Series A Non-Cumulative Perpetual Preferred Stock, 0.01 par value per share, of EverBank Financial Corp (filed as Exhibit 4.36 to the Company's Form S-1/A (No. 333-184381) filed with the SEC on October 29, 2012 and incorporated herein by reference).
- 4.37 Indenture, dated as of June 30, 2015, by and between EverBank Financial Corp and Wells Fargo, N.A., as Trustee. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 30, 2015 and incorporated herein by reference).

- 4.38 First Supplemental Indenture, dated as of June 30, 2015, by and between EverBank Financial Corp and Wells Fargo, N.A., as Trustee. (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on June 30, 2015 and incorporated herein by reference).
- 4.39 Second Supplemental Indenture, dated as of March 14, 2016, by and between EverBank Financial Corp, and Wells Fargo, N.A., as Trustee. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on March 14, 2016 and incorporated herein by reference).
- 10.1 EverBank Financial Corp Senior Management Incentive Plan (filed as Exhibit 10.1 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference). ±
- 10.2 First Amended and Restated 2005 Equity Incentive Plan (filed as Exhibit 10.2 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on November 12, 2010 and incorporated herein by reference). ±
- 10.3 EverBank Financial, L.P. Incentive Plan (filed as Exhibit 10.3 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on November 12, 2010 and incorporated herein by reference). ±
- 10.4 Amended and Restated Employment Agreement, dated December 23, 2008, by and between EverBank Financial Corp and Robert M. Clements (filed as Exhibit 10.4 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference). ±
- 10.5 Amended and Restated Employment Agreement, dated December 23, 2008, by and between EverBank Financial Corp and W. Blake Wilson (filed as Exhibit 10.5 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference). ±
- 10.6 Amended and Restated Employment Agreement, dated December 31, 2008, by and between EverBank Financial Corp and Gary A. Meeks (filed as Exhibit 10.6 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference). ±
- 10.7 Amended and Restated Employment Agreement, dated December 23, 2008, by and between EverBank Financial Corp and John S. Surface (filed as Exhibit 10.7 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February 7, 2011 and incorporated herein by reference). ±
- 10.8 Lease Agreement between Riverside Avenue Partners, Ltd., as Landlord and EverBank, as Tenant, dated February 24, 2006 (filed as Exhibit 10.8 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.9 Lease Agreement between Riverside Avenue Partners, Ltd., as Landlord, and EverBank, as Tenant, dated March 26, 2007 (filed as Exhibit 10.9 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.10 Amended and Restated Registration Rights Agreement, dated November 22, 2002, by and among Alliance Capital Partners, L.P., Arena Capital Investment Fund, L.P., Lovett Miller Venture Fund III, Limited Partnership and Lovett Miller Venture Fund II, Limited Partnership (filed as Exhibit 10.11 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.11 First Amendment to the Amended and Restated Registration Rights Agreement, dated July 21, 2008, by and among Alliance Capital Partners, L.P., Arena Capital Investment Fund, L.P., Lovett Miller Venture Fund III, Limited Partnership and Lovett Miller Venture Fund II, Limited Partnership (filed as Exhibit 10.12 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.12 Advances and Security Agreement, dated as of April 15, 2005, between EverBank and the Federal Home Loan Bank of Atlanta (filed as Exhibit 10.13 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.13 Registration Rights Agreement, dated July 21, 2008, by and between EverBank Financial Corp and Sageview Partners L.P. (filed as Exhibit 10.14 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on November 12, 2010 and incorporated herein by reference).
- 10.14 Transfer and Governance Agreement, dated July 21, 2008, by and between EverBank Financial Corp and Sageview Partners L.P. (filed as Exhibit 10.15 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.15

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Registration Rights Agreement, dated October 21, 2009, by and between EverBank Financial Corp and Tygris Commercial Finance Group, Inc. (filed as Exhibit 10.16 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on November 12, 2010 and incorporated herein by reference).

Amended and Restated Transfer Restriction and Voting Agreement, dated as of November 22, 2002, by and among Alliance Capital Partners, L.P., Alliance Capital Partners, Inc., Arena Capital Investment Fund, L.P.,

- 10.16 Lovett Miller Venture Fund II, Limited Partnership and Lovett Miller Venture Fund III, Limited Partnership (filed as Exhibit 10.19 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on January 10, 2011 and incorporated herein by reference).
- 10.17 EverBank Financial Corp 2011 Omnibus Equity Incentive Plan (filed as Exhibit 10.26 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February, 7 2011 and incorporated herein by reference). ±
- 10.18 EverBank Financial Corp 2011 Executive Incentive Plan (filed as Exhibit 10.27 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February, 7 2011 and incorporated herein by reference). ±
- 10.19 Form of Indemnification Agreement between EverBank Financial Corp and each of its directors and executive officers (filed as Exhibit 10.28 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February, 7 2011 and incorporated herein by reference). ±
- 10.20 Form of Amendment to Employment Agreement between EverBank Financial Corp and each of Robert M. Clements and W. Blake Wilson (filed as Exhibit 10.29 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February, 7 2011 and incorporated herein by reference). ±
- 10.21 Form of Amendment to Employment Agreement between EverBank Financial Corp and each of Gary A. Meeks and John S. Surface (filed as Exhibit 10.30 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on February, 7 2011 and incorporated herein by reference). ±
- 10.22 Employment Agreement between EverBank Financial Corp and Steven Fischer (filed as Exhibit 10.31 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on May 12, 2011 and incorporated herein by reference). ±
- 10.23 Lease Agreement, dated as of December 15, 2011, between El-Ad Florida LLC and EverBank (filed as Exhibit 10.32 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on March 20, 2012 and incorporated herein by reference).

- 10.24 Director Nomination Agreement, dated as of April 5, 2012, among EverBank Financial Corp, Arena Capital Investment Fund, L.P., Lovett Miller Venture Partners III, Limited Partnership and Lovett Miller Venture Fund II, Limited Partnership (filed as Exhibit 10.33 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on April 24, 2012 and incorporated herein by reference).
- 10.25 Director Nomination Agreement, dated as of April 5, 2012, by and between EverBank Financial Corp and Sageview Partners L.P (filed as Exhibit 10.34 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on April 24, 2012 and incorporated herein by reference).
- 10.26 Registration Rights Agreement, dated August 27, 2012, by and between EverBank Financial Corp and individuals and entities listed on Schedule I thereto (filed as Exhibit 10.33 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on October 29, 2012 and incorporated herein by reference).
- 10.27 Employment Agreement between EverBank Financial Corp and Frank Ervin (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K filed with the SEC on February 20, 2015 and incorporated herein by reference).
- 10.28 Employment Agreement between EverBank Financial Corp and James Hubbard (filed as Exhibit 10.28 to the Company's Annual Report on Form 10-K filed with the SEC on February 19, 2016 and incorporated herein by reference),
- 12.1 Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.*
- 21.1 Subsidiaries of EverBank Financial Corp.*
- 23 Consent of Deloitte & Touche LLP.*
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Chief Executive Officer pursuant to Rule pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
- 32.2 Certification of Chief Financial Officer pursuant to Rule pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- 99.1 Consent Order and Stipulation, dated April 13, 2011, between EverBank Financial Corp and the Office of Thrift Supervision (filed as Exhibit 99.3 to the Company's Form S-1/A (No. 333-169824) filed with the SEC on March 20, 2012 and incorporated herein by reference).
- 101 The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2016, formatted in Extensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets; (b) Consolidated Statements of Income; (c) Consolidated Statements of Comprehensive Income (Loss); (d) Consolidated Statements of Shareholders' Equity; (e) Consolidated Statements of Cash Flows; and (f) Notes to Consolidated Financial Statements.
- * Filed herewith.
- ** Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 accompany this Annual Report on Form 10-K and are "furnished" to the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by us for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
- ± Represents management contract or compensatory plan or arrangement.