

EverBank Financial Corp  
Form S-1/A  
April 17, 2012

**Table of Contents**

As filed with the Securities and Exchange Commission on April 16, 2012.

Registration No. 333-169824

==

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Amendment No. 8  
to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**EVERBANK FINANCIAL CORP**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**6035**

*(Primary Standard Industrial  
Classification Code Number)*

**90-0615674**

*(I.R.S. Employer  
Identification Number)*

**501 Riverside Ave.**

**Jacksonville, Florida 32202**

**(904) 281-6000**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Thomas A. Hajda**

**Executive Vice President and General Counsel**

**501 Riverside Ave.**

**Jacksonville, Florida 32202**

**(904) 281-6000**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

*Copies of Communications to:*

**Richard B. Aftanas  
Patricia Moran  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036  
(212) 735-3000**

**Lee A. Meyerson  
Lesley Peng  
Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
(212) 455-2000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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. (Check one):

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

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

---

**Table of Contents**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated April 16, 2012

Shares

**EverBank Financial Corp**  
Common Stock

This is an initial public offering of shares of common stock of EverBank Financial Corp.

EverBank Financial Corp is offering \_\_\_\_\_ shares of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional \_\_\_\_\_ shares. EverBank Financial Corp will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_. Our common stock has been approved for listing on the New York Stock Exchange under the symbol EVER.

*See Risk Factors beginning on page 16 to read about factors you should consider before buying shares of the common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

EverBank Financial Corp is an emerging growth company, as defined in Section 2(a) of the Securities Act of 1933. This prospectus complies with the requirements that apply to an issuer that is an emerging growth company.

Per Share      Total

Edgar Filing: EverBank Financial Corp - Form S-1/A

|  |    |    |
|--|----|----|
| Initial public offering price                          | \$ | \$ |
| Underwriting discounts                                 | \$ | \$ |
| Proceeds, before expenses, to EverBank Financial Corp. | \$ | \$ |
| Proceeds, before expenses, to the selling stockholders | \$ | \$ |

To the extent that the underwriters sell more than \_\_\_\_\_ shares of common stock, the underwriters have the option to purchase up to an additional \_\_\_\_\_ shares from EverBank Financial Corp at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2012.  
*Joint Book-Running Managers*

|  |   |  |
|--|---|--|
| <b>BofA Merrill Lynch</b>                                  | <b>Goldman, Sachs &amp; Co.</b>                                     | <b>Credit Suisse</b>                           |
|  | <i>Co-Managers</i>  |  |
| <b>Keefe, Bruyette &amp; Woods</b><br><b>Raymond James</b> | <b>Sandler O'Neill + Partners, L.P.</b><br><b>Macquarie Capital</b> | <b>Evercore Partners</b><br><b>Sterne Agee</b> |

Prospectus dated \_\_\_\_\_, 2012.

---

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <u>Prospectus Summary</u>   | 1           |
| <u>Summary Consolidated Financial Data</u>  | 12          |
| <u>Risk Factors</u>   | 16          |
| <u>Cautionary Note Regarding Forward-Looking Statements</u>   | 37          |
| <u>Use of Proceeds</u>  | 39          |
| <u>Reorganization</u>   | 40          |
| <u>Dividend Policy</u>  | 41          |
| <u>Capitalization</u>   | 42          |
| <u>Dilution</u>   | 44          |
| <u>Selected Financial Information</u>   | 46          |
| <u>Summary Quarterly Financial Data</u>   | 48          |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                | 52          |
| <u>Business</u>   | 107         |
| <u>Regulation and Supervision</u>   | 125         |
| <u>Management</u>   | 140         |
| <u>Executive Compensation</u>   | 151         |
| <u>Principal and Selling Stockholders</u>   | 179         |
| <u>Certain Relationships and Related Party Transactions</u>   | 186         |
| <u>Description of Our Capital Stock</u>   | 190         |
| <u>Shares Eligible for Future Sale</u>  | 197         |
| <u>Certain Material U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders of Common Stock</u> | 199         |
| <u>Underwriting</u>   | 203         |
| <u>Legal Matters</u>  | 208         |
| <u>Experts</u>  | 208         |
| <u>Where You Can Find More Information</u>  | 208         |
| <u>Index to Financial Statements</u>  | F-1         |
| <u>EX-10.28</u>   |             |
| <u>EX-23.1</u>  |             |
| <u>EX-23.2</u>  |             |
| <u>EX-23.3</u>  |             |
| <u>EX-23.4</u>  |             |
| <u>EX-23.5</u>  |             |

**You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the selling stockholders and underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not, and the selling stockholders and underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.**

**These securities are not deposits, bank accounts or obligations of any bank and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency and are subject to investment risks, including possible loss of the entire amount invested.**

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.



**Table of Contents**

**PROSPECTUS SUMMARY**

*The following is a summary of selected information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before deciding to purchase shares of our common stock. You should read this entire prospectus carefully, especially the Risk Factors section immediately following this Prospectus Summary and the historical and pro forma financial statements and the related notes thereto and management's discussion and analysis thereof included elsewhere in this prospectus before making an investment decision to purchase our common stock. Unless we state otherwise or the context otherwise requires, references in this prospectus to EverBank Financial Corp, we, our, us, and the Company for all periods subsequent to the reorganization transactions described in the section entitled Reorganization (which will be completed in connection with this offering) refer to EverBank Financial Corp, a newly formed Delaware corporation, and its consolidated subsidiaries after giving effect to such reorganization transactions. For all periods prior to the completion of such reorganization transactions, these terms refer to EverBank Financial Corp, a Florida corporation, and its predecessors and their respective consolidated subsidiaries.*

**EverBank Financial Corp**

**Overview**

We are a diversified financial services company that provides innovative banking, lending and investing products and services to approximately 575,000 customers nationwide through scalable, low-cost distribution channels. Our business model attracts financially sophisticated, self-directed, mass-affluent customers and a diverse base of small and medium-sized business customers. We market and distribute our products and services primarily through our integrated online financial portal, which is augmented by our nationwide network of independent financial advisors, 14 high-volume financial centers in targeted Florida markets and other financial intermediaries. These channels are connected by technology-driven centralized platforms, which provide operating leverage throughout our business.

We have a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our core deposit franchise and customer base. We originate, invest in, sell and service residential mortgage loans, equipment 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. We originated \$2.2 billion of loans and leases in the fourth quarter of 2011 (\$8.8 billion on an annualized basis) and organically generated \$0.6 billion of volume for our own balance sheet (\$2.5 billion on an annualized basis). This retained volume increased 115% from the first quarter of 2011, which demonstrated our ability to quickly calibrate our organic balance sheet origination levels based upon market conditions. 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 customers and provides us with a stable and flexible source of low, all-in cost funding. We have a demonstrated ability to grow our customer deposit base significantly with short lead time by adapting our product offerings and marketing activities rather than incurring the higher fixed operating costs inherent in more branch-intensive banking models. Our extensive offering of deposit products and services includes proprietary features that distinguish us from our competitors and enhance our value proposition to customers. Our products, distribution and marketing strategies allow

us to generate

**Table of Contents**

substantial deposit growth while maintaining an attractive mix of high-value transaction and savings accounts.

Our significant organic growth has been supplemented by selective acquisitions of portfolios and businesses, including our recent acquisition of MetLife Bank's warehouse finance business and 2010 acquisitions of the banking operations of the Bank of Florida Corporation, or Bank of Florida, in an Federal Deposit Insurance Corporation, or FDIC, assisted transaction and Tygris Commercial Finance Group, Inc., or Tygris, a commercial finance company. We evaluate and pursue financially attractive opportunities to enhance our franchise on an ongoing basis. We have also recently made significant investments in our business infrastructure, management team and operating platforms that we believe will enable us to grow our business efficiently and further capitalize on organic growth and strategic acquisition opportunities.

We have recorded positive earnings in every full year since 1995. Since 2000, we have recorded an average return on average equity, or ROAE, of 14.9% and a net income compound annual growth rate, or CAGR, of 22%. As of December 31, 2011, we had total assets of \$13.0 billion and total shareholders' equity of \$1.0 billion.

**History and Growth**

The following chart shows key events in our history, and the corresponding growth in our assets and deposits over time:

**Asset Origination and Fee Income Businesses**

We have a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our low-cost deposit franchise and mass-affluent customer base. These businesses diversify our earnings, strengthen our balance sheet and provide us with increased flexibility to manage through changing market and operating environments.

## **Table of Contents**

Our asset origination and fee income businesses include the following:

***Mortgage Banking.*** We originate prime residential mortgage loans using a centrally controlled underwriting, processing and fulfillment infrastructure through financial intermediaries (including community banks, credit unions, mortgage bankers and brokers), consumer direct channels and financial centers. These low-cost, scalable distribution channels are consistent with our deposit distribution model. We have recently expanded our retail and correspondent distribution channels and emphasized jumbo prime mortgages, which we retain on our balance sheet, to our mass-affluent customer base.

Our mortgage servicing business includes collecting loan payments, remitting principal and interest payments to investors, managing escrow funds and other activities. In addition to generating significant fee income, our mortgage banking activities provide us with direct asset acquisition opportunities. We believe that our mortgage banking expertise, insight and resources position us to make strategic investment decisions, effectively manage our loan and investment portfolio and capitalize on significant changes currently taking place in the industry.

***Commercial Finance.*** We entered the commercial finance business as a result of our acquisition of Tygris. We originate equipment leases nationwide through relationships with approximately 280 equipment vendors with large networks of creditworthy borrowers and provide asset-backed loan facilities to other leasing companies. Since the acquisition, we have increased our origination activity from \$63 million in the fourth quarter of 2010 (\$252 million on an annualized basis) to \$192 million in the fourth quarter of 2011 (\$768 million on an annualized basis) by growing volumes in existing products as well as adding new products, customers and industries. Our commercial finance activities provide us with access to a variety of small business customers which creates opportunities to cross-sell our deposit, lending and wealth management products.

***Commercial Lending.*** We have historically originated a variety of commercial loans, including owner-occupied commercial real estate, commercial investment property and small business commercial loans principally through our financial centers. We have not been originating a significant volume of new commercial loans in recent periods, but plan to expand origination of these assets and pursue acquisitions as market conditions become more favorable. Our Bank of Florida acquisition significantly increased our commercial loan portfolio and expanded our ability to originate and acquire these assets. We also recently acquired MetLife Bank's warehouse finance business, which we expect to enhance our commercial lending capabilities. Our commercial lending business connects us with approximately 2,000 small business customers and provides cross-selling opportunities for our deposit, commercial finance, wealth management and other lending products.

***Portfolio Management.*** Our investment analysis capabilities are a core competency of our organization. We supplement our organically originated assets by purchasing loans and securities when those investments have more attractive risk-adjusted returns than those we can originate. Our flexibility to increase risk-adjusted returns by retaining originated assets or acquiring assets, differentiates us from our competitors with regional lending constraints.

***Wealth Management.*** Through our registered broker dealer and recently-formed investment advisor subsidiaries, we provide comprehensive financial advisory, planning, brokerage, trust and other wealth management services to our affluent and financially sophisticated customers.

## **Deposit Generation**

Our deposit franchise fosters strong relationships with a large number of financially sophisticated customers and provides us with a flexible source of low-cost funds. Our distribution channels, operating platform and marketing strategies are characterized by low operating costs and enable us to rapidly scale our business. As of December 31, 2011, we had \$10.3 billion in deposits, which have grown organically (i.e., excluding deposits acquired through our

acquisition of Bank of Florida) at a CAGR of 26% from December 31, 2003 to December 31, 2011. Our unique products, distribution and

## **Table of Contents**

marketing strategies allow us to generate organic deposit growth quickly and in large increments. These capabilities provide us flexibility and efficiency in funding asset growth opportunities organically or through strategic acquisitions. For example, we grew deposits by \$2.0 billion, or 50%, during the five quarter period ended September 30, 2009 following our 2008 capital raise and by \$1.3 billion, or 22%, during the two quarter period ended March 31, 2010 following the announcement of our Tygris acquisition.

We have received industry recognition for our innovative suite of deposit products with proprietary transaction and investment features that drive customer acquisition and increase customer retention rates. Our market-based deposit products, consisting of our WorldCurrency<sup>®</sup>, MarketSafe<sup>®</sup> and EverBank Metals Select<sup>sm</sup> products, provide investment capabilities for customers seeking portfolio diversification with respect to foreign currencies, commodities and other indices, which are typically unavailable from our banking competitors. These market-based deposit products generate significant fee income. Our YieldPledge<sup>®</sup> deposit products offer our customers certainty that they will earn yields on these deposit accounts in the top 5% of competitive accounts, as tracked by national bank rate tracking services. Consequently, the YieldPledge<sup>®</sup> products reduce customers' incentive to seek more favorable deposit rates from our competitors. YieldPledge<sup>®</sup> Checking and YieldPledge<sup>®</sup> Savings accounts have received numerous awards including Kiplinger Magazine's Best Checking Account and Money Magazine's Best of the Breed.

Our financial portal, recognized by Forbes.com as Best of the Web, includes online bill-pay, account aggregation, direct deposit, single sign-on for all customer accounts and other features, which further deepen our customer relationships. Our website and mobile device applications provide information on our product offerings, financial tools and calculators, newsletters, financial reporting services and other applications for customers to interact with us and manage all of their EverBank accounts on a single integrated platform. Our new mobile applications allow customers using iPhone<sup>®</sup>, iPad<sup>®</sup>, Android<sup>™</sup> and BlackBerry<sup>®</sup> devices to view account balances, conduct real time balance transfers between EverBank accounts, administer billpay, review account activity detail and remotely deposit checks. Our innovative deposit products and the interoperability and functionality of our financial portal and mobile device applications have led to strong customer retention rates.

Our deposit customers are typically financially sophisticated, self-directed, mass-affluent individuals, as well as small and medium-sized businesses. These customers generally maintain high balances with us, and our average deposit balance per household (excluding escrow deposits) was \$78,283 as of December 31, 2011, which we believe is more than three times the industry average.

We build and manage our deposit customer relationships through an integrated, multi-faceted distribution network, including the following channels:

***Consumer Direct.*** Our consumer direct channel includes Internet, email, telephone and mobile device access to products and services.

***Financial Centers.*** We have a network of 14 high-volume financial centers in key Florida metropolitan areas, including the Jacksonville, Naples, Ft. Myers, Miami, Ft. Lauderdale, Tampa Bay and Clearwater markets with average deposits per financial center of \$130.5 million as of December 31, 2011.

***Financial Intermediaries.*** We offer deposit products nationwide through relationships with financial advisory firms representing over 2,800 independent financial professionals.

We believe our deposit franchise provides lower all-in funding costs with greater scalability than branch-intensive banking models, which must replicate operational and administrative activities at each branch. Because our centralized operating platform and distribution strategy largely avoid such redundancy, we realize significant marginal operating cost benefits as our deposit base grows. Our flexible account features and marketing strategies enable us to

manage our deposit growth to meet strategic goals and asset deployment objectives.

**Table of Contents**

**Competitive Strengths**

***Diversified Business Model.*** We have a diverse set of businesses that provide complementary earnings streams, investment opportunities and customer cross-selling benefits. We believe our multiple revenue sources and the geographic diversity of our customer base mitigate business risk and provide opportunities for growth in varied economic conditions.

***Robust Asset Origination and Acquisition Capabilities.*** We have robust, nationwide asset origination that generates a variety of assets to either hold on our balance sheet or sell in the capital markets. Our organic origination activities are scalable, significant relative to our balance sheet size and provide us with substantial growth potential. We originated \$2.2 billion of loans and leases in the fourth quarter of 2011 (\$8.8 billion on an annualized basis) and organically generated \$0.6 billion of volume for our own balance sheet (\$2.5 billion on an annualized basis). We are able to calibrate our levels of asset origination, asset acquisition and retention of originated assets to capitalize on various market conditions.

***Scalable Source of Low-Cost Funds.*** We believe that the operating noninterest expense needed to gather deposits is an important component of measuring funding costs. Our scalable platform and low-cost distribution channels enable us to achieve a lower all-in cost of deposit funding compared to traditional branch-intensive models. Our integrated online financial portal, online account opening and other self-service capabilities lower our customer support costs. Our low-cost distribution channels do not require the fixed cost investment or lead times associated with more expensive, slower-growth branch systems. In addition, we have demonstrated an ability to scale core deposits rapidly and in large increments by adjusting our marketing activities and account features.

***Disciplined Risk Management.*** Through a combination of leveraging our asset origination capabilities, applying our conservative underwriting standards and executing opportunistic acquisitions, we have built a diversified, low-risk asset portfolio with significant credit protection, geographic diversity and attractive yields. We adhere to rigorous underwriting criteria and were able to avoid the higher risk lending products and practices that plagued our industry in recent years. Our focus on the long-term success of the business through increasing risk-adjusted returns, as opposed to short-term profit goals, has enabled us to remain profitable in various market conditions across business cycles.

***Scalable Business Infrastructure.*** Our scalable business infrastructure has enabled us to rapidly grow our business and achieve step function growth via acquisitions. Over the course of 2011, we made significant additional investments in our operating platforms, management talent and business processes. We believe our business infrastructure will enable us to continue growing our business well into the future.

***Attractive Customer Base.*** Our products and services typically appeal to well-educated, middle-aged, high-income individuals and households as well as small and medium-sized businesses. These customers, typically located in major metropolitan areas, tend to be financially sophisticated with complex financial needs, providing us with cross-selling opportunities. These customer characteristics result in higher average deposit balances and more self-directed transactions, which lead to operational efficiencies and lower account servicing costs.

***Financial Stability and Strong Capital Position.*** Our strong capital and liquidity position coupled with our conservative management principles have allowed us to grow our business profitably, across business cycles, even at times when the broader banking sector has experienced significant losses and balance sheet contraction. As of December 31, 2011, our total equity capital was approximately \$1.0 billion, our total risk-based capital ratio (bank level) was 15.7% and our total deposits represented approximately 88% of total debt funding.

***Experienced Management Team with Long Tenures at the Company.*** Our management team has extensive and varied experience in managing national banking and financial services firms and has worked together at EverBank for



many years. Senior management has demonstrated a track

## **Table of Contents**

record of managing profitable growth, successfully executing acquisitions and instilling a rigorous analytical culture. In 2011, we also made selective additions to our management team and added key business line leaders.

### **Business and Growth Strategies**

***Continue Strong Growth of Deposit Base.*** We intend to continue to grow our deposit base to fund investment opportunities by expanding our marketing activities and adjusting account features. Key components of this strategy are to build our brand recognition and extend our reach through new media outlets.

***Capitalize on Changing Industry Dynamics.*** We believe that the wide-scale disruptions in the credit markets and changes in the competitive landscape during the financial crisis will continue to provide us with attractive returns on our lending and investing activities. We see significant opportunities for us in the mortgage markets as uncertainty on the outcome of future regulation and government participation is causing many of our competitors to retrench or exit the market. We plan to capitalize on fundamental changes to the pricing of risk and build on our proven success in evaluating high risk-adjusted return assets as part of our growth strategy going forward.

***Opportunistically Evaluate Acquisitions.*** We evaluate and pursue financially attractive opportunities to enhance our franchise on an ongoing basis. 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 (whether in FDIC-assisted or unassisted transactions), wealth and investment management firms, securities brokerage firms, specialty finance or other financial services-related companies. Our strong capital and liquidity position enable us to strategically pursue acquisition opportunities as they arise.

***Pursue Cross-Selling Opportunities.*** We intend to leverage our strong customer relationships by cross-selling our banking, lending and investing products and services, particularly as we expand our branding and marketing efforts. We believe our customer concentrations in major metropolitan markets will facilitate our abilities to cross-sell our products. We expect to increase distribution of our deposit and lending products, achieve additional efficiencies across our businesses and enhance our value proposition to our customers.

***Execute on Wealth Management Business.*** We intend to provide additional investment and wealth management services that will appeal to our mass-affluent customer base. We believe our wealth management initiative will create new asset generation opportunities, drive additional fee income and build broader and deeper customer relationships.

### **Risk Factors**

There are a number of risks that you should consider before making an investment decision regarding this offering. These risks are discussed more fully in the section entitled **Risk Factors** following this prospectus summary. These risks include, but are not limited to:

general business or economic conditions;

liquidity risk, which could impair our ability to fund operations and jeopardize our financial condition;

changes in interest rates, which may make our results volatile and difficult to predict from quarter to quarter;

legislative or regulatory actions affecting or concerning mortgage loan modification and refinancing programs;

our potential need to make further increases in our provisions for loan and lease losses and to charge off additional loans and leases in the future;

**Table of Contents**

our exposure to risk related to our commercial real estate loan portfolio;

limited ability to rely on brokered deposits as a part of our funding strategy;

conditions in the real estate market and higher than normal delinquency and default rates;

our concentration of jumbo mortgage loans and mortgage servicing rights;

uncertainty resulting from the implementation of new and pending legislation and regulations;

our potential failure to comply with the complex laws and regulations that govern our operations; and

our dependence on programs administered by government agencies and government- sponsored enterprises.

**Corporate Information**

Our principal executive offices are located at 501 Riverside Ave., Jacksonville, Florida 32202 and our telephone number is (904) 281-6000. Our corporate website address is [www.everbank.com](http://www.everbank.com). Information on, or accessible through, our website is not part of, or incorporated by reference in, this prospectus. Our primary operating subsidiary is EverBank, a federal savings bank organized under the laws of the United States, referred to as EverBank.

EverBank, (the EverBank logo) and other trade names and service marks that appear in this prospectus belong to EverBank. Trade names and service marks belonging to unaffiliated companies referenced in this prospectus are the property of their respective holders.

In September 2010, EverBank Financial Corp, a Florida corporation, or EverBank Florida, formed EverBank Financial Corp, a Delaware corporation, or EverBank Delaware. EverBank Delaware holds no assets and has no subsidiaries and has not engaged in any business or other activities except in connection with its formation and as the registrant in this offering. Prior to the consummation of this offering, EverBank Florida will merge with and into EverBank Delaware, with EverBank Delaware continuing as the surviving corporation and succeeding to all of the assets, liabilities and business of EverBank Florida. In the merger, (1) all of the outstanding shares of common stock of EverBank Florida will be converted into approximately 77,994,699 shares of EverBank Delaware common stock, and (2) all of the outstanding shares of 4% Series B Cumulative Participating Perpetual Pay-In-Kind Preferred Stock of EverBank Florida, or Series B Preferred Stock, will be converted into 16,124,303 shares of EverBank Delaware common stock. We refer to these transactions in this prospectus as the Reorganization.

**Recent Developments**

***First Quarter Results***

Our consolidated financial statements for the quarter ended March 31, 2012 are not yet available. The following expectations regarding our results for this period are solely management estimates based on currently available information. Our independent registered public accounting firm has not audited, reviewed or performed any procedures with respect to preliminary financial data and, accordingly, does not express an opinion or any other form of assurance with respect to this data. Our actual results may differ from these expectations. Any such differences could be material.

We expect that, for the quarter ended March 31, 2012:

Our net interest income will be between \$114 million and \$117 million;

Our provision for loan and lease losses will be between \$10 million and \$13 million;

Our net income will be between \$10 million and \$13 million; and

**Table of Contents**

Our adjusted net income will be between \$25 million and \$28 million. Adjusted net income for the quarter ended March 31, 2012 excludes a \$3.9 million after-tax charge for transaction and non-recurring regulatory related cost, a \$2.1 million after-tax charge for an increase in Bank of Florida nonaccretable discount, and a \$9.4 million after-tax charge for MSR impairment.

We expect that, as of March 31, 2012:

Our net loans held for investment will be approximately \$7.2 billion;

Our total assets will be approximately \$13.8 billion; and

Our deposits will be approximately \$10.6 billion.

We expect that, for the quarter ended March 31, 2012:

Our net interest margin will be between 3.9% and 4.0%;

Our adjusted non-performing assets as a percentage of total assets will be between 1.6% and 1.7%. Total regulatory non-performing assets will be approximately \$1.9 billion, which includes \$1.5 billion of government insured loans that were 90 days past due and still accruing on approximately \$0.2 billion of loans and other real estate owned acquired from the Bank of Florida and accounted for under ASC 310-30. We define non-performing assets, or NPA, as non-accrual loans, accruing loans past due 90 days or more and foreclosed property. Our adjusted NPA will be between \$220 million and \$234 million. Our adjusted NPA calculation excludes government insured pool buyout loans for which payment is insured by the government. We also exclude loans, leases and foreclosed property acquired in the Tygris and Bank of Florida acquisitions accounted for under ASC 310-30 because, as of March 31, 2012, we expected to fully collect the carrying value of such loans, leases and foreclosed property; and

Our tangible equity to tangible assets will be approximately 7.1%. Tangible equity and assets as of March 31, 2012 exclude goodwill of \$10.2 million and intangible assets of \$7.1 million.

We organically generated approximately \$2.2 billion of loans and leases of which approximately \$0.5 billion are retained on our balance sheet.

We expect that our net income for the quarter ended March 31, 2012 will be between \$10.0 million and \$13.0 million, compared with net income of \$9.4 million for the quarter ended March 31, 2011. This increase is expected to be primarily due to (1) an increase in net interest income as a result of an increase in interest earning assets driven by organic production and strategic portfolio acquisitions, (2) a decrease in the provision for loan and lease loss due to continued stabilization of our residential and commercial legacy portfolios, and (3) an increase in noninterest income as a result of strong production for the quarter offset by additional impairment related to our MSR as a result of increased prepayment assumptions. The increases are expected to be offset by an increase in noninterest expense related to an increase in transaction and regulatory expenses.

We expect that our net loans held for investment as of March 31, 2012 will be approximately \$7.2 billion, an increase of 12% from net loans held for investment of \$6.4 billion as of December 31, 2011. The increase is expected to be driven primarily by organic loan production and a strategic loan acquisition during the first quarter. Asset growth is expected to be offset by principal paydowns in our loan portfolio.

We expect that our deposits as of March 31, 2012 will be approximately \$10.6 billion, an increase of 3% from deposits of \$10.3 billion as of December 31, 2011. Deposit growth is expected to be driven by increases in noninterest-bearing, time and savings and money market deposits. The increases are expected to be driven by increased efforts to expand our deposit base as a result of continued asset growth over the past two quarters.

**Table of Contents**

During the first quarter of 2012, our board of directors approved and paid a special cash dividend of \$4.5 million to the holders of the Series A Preferred Stock. As a result of the special cash dividend, all shares of Series A Preferred Stock were converted into shares of common stock.

***Acquisition of MetLife Bank's Warehouse Finance Business***

In April 2012, we acquired MetLife Bank's warehouse finance business, including approximately \$350 million in assets for a price of approximately \$350 million. In connection with the acquisition, we hired 16 sales and operational staff from MetLife who were a part of the existing warehouse business. The warehouse business will continue to be operated out of locations in New York, New York, Boston, Massachusetts and Plano, Texas. We intend to grow this line of business, which will provide residential loan financing to mid-sized, high-quality mortgage banking companies across the country.

***Regulatory Developments***

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, we and EverBank each entered into a consent order with the Office of Thrift Supervision, or OTS, with respect to EverBank's mortgage foreclosure practices and our oversight of those practices. The consent orders require, among other things, that we establish a new compliance program for our mortgage servicing and foreclosure operations and that we ensure that we have dedicated resources for communicating with borrowers, policies and procedures for outsourcing foreclosure or related functions and management information systems that ensure timely delivery of complete and accurate information. We are also required to retain an independent firm to conduct a review of residential foreclosure actions that were pending from January 1, 2009 through December 31, 2010 in order to determine whether any borrowers sustained financial injury as a result of any errors, misrepresentations or deficiencies and to provide remediation as appropriate. We are working to fulfill the requirements of the consent orders. In response to the consent orders, we have established an oversight committee to monitor the implementation of the actions required by the consent orders. Furthermore, we have enhanced and updated several policies, procedures, processes and controls to help ensure the mitigation of the findings of the consent orders, and submitted them to the Board of Governors of the Federal Reserve System, or FRB, and the Office of the Comptroller of the Currency, or OCC (the applicable successors to the OTS), for review. In addition, we have enhanced our third-party vendor management system and our compliance program, hired additional personnel and retained an independent firm to conduct foreclosure reviews.

In addition to the horizontal review, 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. We understand certain other institutions subject to the consent decrees with the banking regulators announced in April 2011 recently have been contacted by the U.S. Department of Justice and state attorneys general regarding a settlement. In addition, the federal banking agencies may impose civil monetary penalties on the remaining banks that were subject to the horizontal review as part of such an investigation or independently but have not indicated what the amount of any such penalties would be. At this time, we do not know whether any other requirements or remedies or penalties may be imposed on us as a result of the horizontal review.



**Table of Contents****The Offering**

|  |  |
|--|--|
| Common stock offered by us   | shares   |
| Common stock offered by the selling stockholders                               | shares   |
| Option to purchase additional shares from us                                   | shares   |
| Total shares of common stock to be outstanding immediately after this offering | shares   |
| Use of proceeds  | <p>We estimate that the net proceeds to us from the sale of our common stock in this offering will be \$            million, at an assumed initial public offering price of            per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering for general corporate purposes, which may include organic growth or the acquisition of businesses or assets that we believe are complementary to our present business and provide attractive risk-adjusted returns. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. See Use of Proceeds.</p> |
| Dividend policy  | <p>Commencing in the            quarter of 2012, we intend to pay a quarterly cash dividend of \$            per share, subject to the discretion of our Board of Directors. Our ability to pay dividends is limited by various regulatory requirements and policies of bank regulatory agencies having jurisdiction over us and our banking subsidiary, our earnings, cash resources and capital needs, general business conditions and other factors deemed relevant by our Board of Directors. See Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations Restrictions on Paying Dividends and Regulation and Supervision Regulation of Federal Savings Banks Limitation on Capital Distributions.</p>                                |
| New York Stock Exchange symbol   | EVER   |
| Risk factors   | <p>Please read the section entitled Risk Factors beginning on page 14 for a discussion of some of the factors you should carefully consider before deciding to invest in our common stock.</p>   |

References to the number of shares of our capital stock to be outstanding after this offering are based on 77,994,699 shares of our common stock outstanding on March 31, 2012 and include an additional 16,124,303 shares

of common stock issuable upon conversion of all outstanding shares of Series B Preferred Stock upon the consummation of the Reorganization and 5,950,046 shares of our common stock held in escrow as a result of our acquisition of Tygris. Pursuant to the terms of the Tygris acquisition agreement and related escrow agreement, we are required to review the average carrying value of the remaining Tygris portfolio annually and upon certain events, including this offering, and release a number of escrowed shares to the former Tygris shareholders to the extent

**Table of Contents**

that the aggregate value of the remaining escrowed shares (on a determined per share value) equals 17.5% of the average carrying value of the remaining Tygris portfolio on the date of each release (see Business Recent Acquisitions Acquisition of Tygris Commercial Finance Group, Inc. ). Based on our first annual review of the average carrying value of the remaining Tygris portfolio, we released 2,808,175 escrowed shares of our common stock to the former Tygris shareholders on April 25, 2011. As of March 31, 2012, 5,950,046 shares of our common stock remain in escrow. We expect that a partial release of the escrowed shares to the former Tygris shareholders will occur in connection with the consummation of this offering. As the necessary valuation of the remaining Tygris portfolio for the partial release of escrowed shares triggered by this offering must be made after the consummation of this offering, the number of shares to be released from escrow cannot be determined at present.

References to the number of shares of our capital stock to be outstanding after this offering exclude:

12,202,860 shares of our common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$11.21 per share;

387,072 shares of common stock issuable upon the vesting of outstanding restricted stock units; and

17,863,054 additional shares reserved for issuance under our benefit plans.

Unless otherwise indicated, the information presented in this prospectus:

gives effect to the Reorganization;

assumes an initial public offering price of            per share, the midpoint of the estimated initial public offering price range; and

assumes no exercise of the underwriters' option to purchase additional shares from us.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL DATA**

The summary historical consolidated financial information set forth below for each of the years ended December 31, 2011, 2010 and 2009 has been derived from our audited consolidated financial statements included elsewhere in this prospectus.

We have consummated several significant transactions in previous fiscal periods, including the acquisition of Tygris in February 2010 and the acquisition of the banking operations of Bank of Florida in an FDIC-assisted transaction in May 2010. Accordingly, our operating results for the historical periods presented below are not comparable and may not be predictive of future results.

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 historical and pro forma financial statements and the related notes thereto included in this prospectus.

As indicated in the notes to the tables below, certain items included in the tables are non-GAAP financial measures. For a more detailed discussion of these items, including a discussion of why we believe these items are meaningful and a reconciliation of each of these items to the most directly comparable generally accepted accounting principles, or GAAP, financial measure, see Management's Discussion and Analysis of Financial Condition and Results of Operations Primary Factors Used to Evaluate Our Business.

|   | <b>Year Ended December 31,</b>                        |             |             |
|---|---|-------------|-------------|
|   | <b>2011</b>   | <b>2010</b> | <b>2009</b> |
|   | <b>(In millions, except share and per share data)</b> |             |             |
| <b>Income Statement Data:</b>                                 |   |             |             |
| Interest income   | \$ 588.2  | \$ 612.5    | \$ 440.6    |
| Interest expense  | 135.9   | 147.2       | 163.2       |
| Net interest income   | 452.3   | 465.3       | 277.4       |
| Provision for loan and lease losses <sup>(1)</sup>            | 49.7  | 79.3        | 121.9       |
| Net interest income after provision for loan and lease losses | 402.6   | 386.0       | 155.5       |
| Noninterest income <sup>(2)</sup>                             | 233.1   | 357.8       | 232.1       |
| Noninterest expense <sup>(3)</sup>                            | 554.2   | 493.9       | 299.2       |
| Income before income taxes                                    | 81.5  | 249.9       | 88.4        |
| Provision for income taxes                                    | 28.8  | 61.0        | 34.9        |
| Net income from continuing operations                         | 52.7  | 188.9       | 53.5        |
| Discontinued operations, net of income taxes                  |   |             | (0.2)       |
| Net income  | \$ 52.7   | \$ 188.9    | \$ 53.4     |
| Net income allocated to common shareholders                   | \$ 41.5   | \$ 144.8    | \$ 33.8     |

**Share Data:**

Weighted-average common shares outstanding:

(units in thousands)

|  |          |          |         |
|--|----------|----------|---------|
| Basic  | 74,892   | 72,479   | 42,126  |
| Diluted  | 77,506   | 74,589   | 43,299  |
| Earnings from continuing operations per common share:                                |          |          |         |
| Basic  | \$ 0.55  | \$ 2.00  | \$ 0.80 |
| Diluted  | 0.54     | 1.94     | 0.78    |
| Net tangible book value per as converted common share at period end <sup>(4)</sup> : |          |          |         |
| Basic  | \$ 10.12 | \$ 10.65 | \$ 8.54 |
| Diluted  | 9.93     | 10.40    | 8.33    |

**Table of Contents**

|   | 2011     | As of December 31,<br>2010<br>(In millions) | 2009    |
|---|----------|---|---------|
| <b>Balance Sheet Data:</b>  |          |   |         |
| Cash and cash equivalents   | \$ 295.0 | \$ 1,169.2                                  | \$ 23.3 |
| Investment securities   | 2,191.8  | 2,203.6                                     | 1,678.9 |
| Loans held for sale   | 2,725.3  | 1,237.7                                     | 1,283.0 |
| Loans and leases held for investment, net   | 6,441.5  | 6,005.6                                     | 4,072.7 |
| Total assets  | 13,041.7 | 12,007.9                                    | 8,060.2 |
| Deposits  | 10,265.8 | 9,683.1                                     | 6,315.3 |
| Total liabilities   | 12,074.0 | 10,994.7                                    | 7,506.3 |
| Total shareholders' equity  | 967.7    | 1,013.2                                     | 553.9   |
|   | 2011     | Year Ended December 31,<br>2010             | 2009    |
| <b>Capital Ratios (period end):</b>   |          |   |         |
| Tangible equity to tangible assets <sup>(5)</sup>   | 7.3%     | 8.3%  | 6.9%    |
| Tier 1 (core) capital ratio (bank level) <sup>(6)</sup>   | 8.0%     | 8.7%  | 8.0%    |
| Total risk-based capital ratio (bank level) <sup>(7)</sup>  | 15.7%    | 17.0%                                       | 15.0%   |
| <b>Performance Metrics:</b>   |          |   |         |
| Adjusted net income attributable to the Company from continuing operations (in millions) <sup>(8)</sup> | \$ 107.6 | \$ 127.0                                    | \$ 53.5 |
| Return on average assets  | 0.4%     | 1.8%  | 0.7%    |
| Return on average equity  | 5.2%     | 20.9%                                       | 11.5%   |
| Adjusted return on average assets <sup>(9)</sup>  | 0.9%     | 1.2%  | 0.7%    |
| Adjusted return on average equity <sup>(9)</sup>  | 10.7%    | 14.0%                                       | 11.5%   |

- (1) For the year ended December 31, 2011, provision for loan and lease losses includes a \$4.9 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans, a \$1.9 million impact of change in ALLL methodology and a \$10.0 million impact of early adoption of troubled debt restructuring, or TDR, guidance and policy change. For the year ended December 31, 2010, provision for loan and lease losses includes a \$6.2 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans.
- (2) For the year ended December 31, 2011, noninterest income includes a \$4.7 million gain on repurchase of trust preferred securities including \$0.3 million resulting from the unwind of the associated cash flow hedge and a \$39.5 million impairment charge related to mortgage servicing rights, or MSR. For the year ended December 31, 2010, noninterest income includes a \$68.1 million non-recurring bargain purchase gain associated with the Tygris acquisition, a \$19.9 million gain on sale of investment securities due to portfolio concentration repositioning and a \$5.7 million gain on repurchase of trust preferred securities.
- (3) For the year ended December 31, 2011, noninterest expense includes \$27.1 million in transaction and non-recurring regulatory related expense and an \$8.7 million decrease in fair value of the Tygris indemnification asset resulting from a decrease in estimated future credit losses. The carrying value of the indemnification asset was \$0 as of December 31, 2011. For the year ended December 31, 2010, noninterest expense includes

\$9.7 million in transaction related expense, a \$10.3 million loss on early extinguishment of acquired debt and a \$22.0 million decrease in fair value of the Tygris indemnification asset.

- (4) Calculated as tangible shareholders' equity divided by shares of common stock. For purposes of computing net tangible book value per as converted common share, tangible book value equals shareholders' equity less goodwill and intangible assets. See Note 13 to the consolidated financial statements of EverBank Financial Corp and subsidiaries as of December 31, 2011, and 2010 and

**Table of Contents**

for the years ended December 31, 2011, 2010 and 2009 for additional information regarding our goodwill and intangible assets.

Basic and diluted net tangible book value per as converted common share are calculated using a denominator that includes actual period end common shares outstanding and additional common shares assuming conversion of all outstanding preferred stock to common stock. Diluted net tangible book value per as converted common share also includes in the denominator common stock equivalent shares related to stock options and common stock equivalent shares related to nonvested restricted stock units.

Net tangible book value per as converted common share is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is book value per common share.

- (5) Calculated as tangible shareholders' equity divided by tangible assets, after deducting goodwill and intangible assets from the numerator and the denominator. Tangible equity to tangible assets is a non-GAAP financial measure, and the most directly comparable GAAP financial measure for tangible equity is shareholders' equity and the most directly comparable GAAP financial measure for tangible assets is total assets.
- (6) Calculated as Tier 1 (core) capital divided by adjusted total assets. Total assets are adjusted for goodwill, deferred tax assets disallowed from Tier 1 (core) capital and other regulatory adjustments.
- (7) Calculated as total risk-based capital divided by total risk-weighted assets. Risk-based capital includes Tier 1 (core) capital, allowance for loan and lease losses, subject to limitations, and other regulatory adjustments.
- (8) Adjusted net income attributable to the Company from continuing operations includes adjustments to our net income attributable to the Company from continuing operations for certain material items that we believe are not reflective of our ongoing business or operating performance, including the Tygris and Bank of Florida acquisitions. There were no material items that gave rise to adjustments prior to the year ended December 31, 2010. Accordingly, for periods presented before the year ended December 31, 2010, we have not reflected adjustments to net income attributable to the Company from continuing operations calculated in accordance with GAAP. A reconciliation of adjusted net income attributable to the Company from continuing operations to net income attributable to the Company from continuing operations, which is the most directly comparable GAAP measure, is as follows:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
|  | <b>(In thousands)</b>          |             |             |
| Net income attributable to the Company from continuing operations  | \$ 52,729                      | \$ 188,900  | \$ 53,537   |
| Bargain purchase gain on Tygris transaction, net of tax  |                                | (68,056)    |             |
| Gain on sale of investment securities due to portfolio concentration repositioning, net of tax                                 |                                | (12,337)    |             |
| Gain on repurchase of trust preferred securities, net of tax   | (2,910)                        | (3,556)     |             |
| Transaction and non-recurring regulatory related expense, net of tax   | 16,831                         | 5,984       |             |
| Loss on early extinguishment of acquired debt, net of tax  |                                | 6,411       |             |
| Decrease in fair value of Tygris indemnification asset resulting from a decrease in estimated future credit losses, net of tax | 5,382                          | 13,654      |             |
| Increase in Bank of Florida non-accretible discount, net of tax  | 3,007                          | 3,837       |             |



Impact of change in ALLL methodology, net of tax

1,178

14

---

**Table of Contents**

|   | <b>Year Ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
|   | <b>(In thousands)</b>          |             |             |
| Early adoption of TDR guidance and policy change, net of tax                                      | 6,225                          |             |             |
| MSR impairment, net of tax  | 24,462                         |             |             |
| Tax benefit (expense) related to revaluation of Tygris net unrealized built-in losses, net of tax | 691                            | (7,840)     |             |
| Adjusted net income attributable to the Company from continuing operations                        | \$ 107,595                     | \$ 126,997  | \$ 53,537   |

- (9) Adjusted return on average assets equals adjusted net income attributable to the Company from continuing operations divided by average total assets and adjusted return on average equity equals adjusted net income attributable to the Company from continuing operations divided by average shareholders' equity. Adjusted net income attributable to the Company from continuing operations is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is net income attributable to the Company from continuing operations. For a reconciliation of net income attributable to the Company from continuing operations to adjusted net income attributable to the Company from continuing operations, see Note 8 above.

**Table of Contents**

**RISK FACTORS**

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this prospectus, before deciding to invest in our common stock.*

**Risks Related to Our Business**

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

Our businesses and operations are sensitive to general business and economic conditions in the United States. If the U.S. economy is unable to steadily emerge from the recession that began in 2007 or we experience worsening economic conditions, such as a so-called “double-dip” 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 hinder the U.S. economic recovery. Financial markets remain concerned about the ability of certain European countries, particularly Greece, Ireland, Portugal, Spain and Italy, to finance and service their debt. The default by any one of these countries on their debt payments could lead to weaker economic conditions in the United States. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, including a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of these factors are detrimental to our business. Our business is significantly affected by monetary and related policies of the U.S. federal government, its agencies and government-sponsored entities, or GSEs. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control, are difficult to predict and could have a material adverse effect on our business, financial position, results of operations and cash flows.

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

Liquidity is essential to our business. Actions by the Federal Home Loan Bank of Atlanta, or 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, or 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, customers 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.



**Table of Contents**

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 in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

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 stockholders. Likewise, we may need to incur additional debt in the future to achieve our business objectives, in connection with future acquisitions or for other reasons. Any borrowings, if sought, may not be available to us or, if available, may not be on favorable terms.

***Our financial results are significantly affected in a number of ways by changes in interest rates, which may make our results volatile and difficult to predict 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 and other liabilities. Interest rates are highly sensitive to many factors beyond our control, including competition, general economic conditions and monetary and fiscal policies of various governmental and regulatory authorities, including the FRB. A strengthening U.S. economy would be expected to cause the FRB to increase short-term interest rates, which would increase our borrowing costs and may reduce our profit margins. A sustained low interest rate environment could cause many of our loans subject to adjustable rates to reprice downward to lower interest rates, which would decrease our loan yields and reduce our profit margins.

Changes in interest rates also have a significant impact on our mortgage loan origination revenues. Historically, there has been an inverse correlation between the demand for mortgage loans and interest rates. Mortgage origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates. Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets on our balance sheet. Furthermore, 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.

We recorded a \$39.5 million impairment charge related to MSR for the year ended December 31, 2011. 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



**Table of Contents**

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. In addition, in recent quarters it has become apparent that even a low interest rate environment may not result in a significant increase in mortgage originations in light of other macroeconomic variable factors, declining real estate values and changes in underwriting standards resulting from the recent recession.

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

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

The real estate market in the United States since late 2007 has been characterized by high delinquency rates and price deterioration. Despite historically low interest rates beginning in 2008, higher credit standards, weak employment, slow economic growth and an overall de-leveraging in the residential and commercial sectors have perpetuated these trends. We maintain an allowance for loan and lease losses, 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. If current trends in the real estate markets continue, we expect that we will continue to experience increased delinquencies and credit losses, particularly with respect to construction, land development and land loans.

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. If charge-offs in future periods exceed the allowance for loan and lease losses, we will 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.

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

The U.S. Government, through the FRB, the FHA and the FDIC, has initiated a number of loss mitigation programs designed to afford relief to homeowners facing foreclosure and to assist borrowers whose home value is less than the principal on their mortgage, including the Home



**Table of Contents**

Affordable Modification Program, or HAMP, which provides homeowners with assistance in avoiding residential mortgage loan foreclosures, the Hope for Homeowners Program, or H4H Program, which allows certain distressed borrowers to refinance their mortgages into Federal Housing Administration, or FHA, insured loans in order to avoid residential mortgage loan foreclosures, and the Home Affordable Refinancing Program, or HARP, which make it easier for borrowers to refinance at lower interest rates. These loan modification programs, future legislative or regulatory actions, including possible amendments to the bankruptcy laws, which result in the modification of outstanding residential mortgage loans, as well as changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac or Ginnie Mae, may adversely affect the value of, and the returns on, our portfolio of mortgage-backed securities, or MBS, and on the value of our MSR. Our MSR is valued based on a number of factors, including assumptions about borrower repayment rates and costs of servicing. If the interest rate on a mortgage is adjusted, or if a borrower is permitted to refinance at a lower rate, or the costs of servicing or costs of foreclosures increase, the value of our MSR with respect to that mortgage can decrease, which, in turn, may reduce earnings in the period in which the decrease occurs. In addition, increases in our servicing costs from changes to our foreclosure and other servicing practices, including resulting from the consent orders, adversely affects the fair value of our MSR.

***Our commercial real estate loan portfolio exposes us to risks that may be greater than the risks related to our other mortgage loans and a high percentage of these loans are secured by properties located in Florida.***

Many analysts and economists are predicting that commercial mortgage loans could continue to see further deterioration. At December 31, 2011, our commercial real estate loans, net of discounts, were \$1.0 billion, or approximately 11% of our total loan portfolio, net of allowances. Commercial real estate loans generally carry larger loan balances and involve a greater degree of financial and credit risk than residential mortgage loans or home equity loans. The repayment of these loans is typically dependent upon the successful operation of the related real estate or commercial projects. If the cash flow from the project is reduced, a borrower's ability to repay the loan may be impaired. Furthermore, the repayment of commercial mortgage loans is generally less predictable and more difficult to evaluate and monitor and collateral may be more difficult to dispose of in a market decline. In such cases, we may be compelled to modify the terms of the loan or engage in other potentially expensive work-out techniques. Any significant failure to pay on time by our customers would adversely affect our results of operations and cash flows.

As a result of our 2010 acquisition of the banking operations of Bank of Florida in an FDIC-assisted transaction, we have increased our exposure to risks related to economic conditions in Florida. Unlike our residential mortgage loan portfolio, which is more geographically diverse, approximately 81% of our commercial loans as of December 31, 2011, are secured by properties located in Florida. Florida has experienced a deeper recession and more dramatic slowdown in economic activity than other states and the decline in real estate values in Florida has been significantly higher than the national average. Our concentration of commercial loans in this region subjects us to risk that a further downturn in the local economy could result in increases in delinquencies and foreclosures or losses on these loans. In addition, the occurrence of natural disasters in Florida, such as hurricanes, or man-made disasters, such as the BP oil spill in the Gulf of Mexico, could result in a decline in the value or destruction of our mortgaged properties and an increase in the risk of delinquencies or foreclosures. Losses we may experience on loans acquired from Bank of Florida may be covered by loss sharing agreements we entered into with the FDIC in connection with the acquisition. See Business Recent Acquisitions Acquisition of Bank of Florida. Nevertheless, these factors could have a material adverse effect on our business, financial position, results of operations and cash flows.

**Table of Contents**

***Conditions in the 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 have been and may continue to be adversely affected by weak real estate markets and historically high delinquency and default rates. Mortgage origination volume has been low in recent fiscal periods compared to historical levels (and refinancing activity in particular) and may remain low for the foreseeable future even if economic trends improve, particularly if interest rates significantly rise and more restrictive underwriting standards persist. At December 31, 2011, our MSR assets decreased by approximately 15%, from December 31, 2010 with MSR at the end of such period representing 4% of total assets and 43% of our Tier 1 capital plus the general allowance for loan and lease losses.

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. During 2009, we experienced an increase in foreclosures and reserves due to an increase in loss severity and foreclosure frequency resulting primarily from a decline in housing prices during 2008 and 2009. We may need to further increase our reserves for foreclosures if foreclosure rates return to the levels experienced in these recent periods.

Continued or worsening conditions in the 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 in 2010 and further increased levels in 2011 as compared to prior periods, which has led to material increases in our loan repurchase reserves and we may need to increase such reserves in the future, which would adversely affect net income. As of December 31,

**Table of Contents**

2009, 2010 and 2011 our loan repurchase reserve for loans that we sold or securitized was \$3.6 million, \$26.8 million and \$32.0 million, respectively.

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, in 2010 and 2011 we have experienced losses related to the repurchase of loans from GSEs and subsequent disposal or payment demands from the GSEs. As of December 31, 2009, 2010 and 2011 our reserve for servicing repurchase losses was \$6.3 million, \$30.0 million and \$30.4 million, respectively.

If future repurchase demands remain at these heightened levels or increase further or the severity of the repurchase requests increases, or our success at appealing repurchase or other requests differs from past experience, we may need to further 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.

***Our concentration of mass-affluent customers and so-called 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 Federal Housing Administration, 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, 2011, approximately 61% of our residential mortgage loans held for investment was comprised of so-called jumbo loans based on the current threshold of \$417,000 in most states, and 91% of the carrying value of our securities portfolio was comprised of residential nonagency investment securities, substantially all of which are backed by jumbo loans. Jumbo loans have principal balances exceeding the thresholds of the agencies described above, and tend to be less liquid than conforming loans, which may make it more difficult for us to rapidly rebalance our portfolio and risk profile than is the case for financial institutions with higher concentrations of conforming loan assets. Due to macroeconomic conditions, jumbo mortgage loans have, in recent periods, experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than conforming mortgage loans. In such event, liquidity in the capital markets for such assets could be diminished and we could be faced with increased losses and an inability to dispose of such assets.

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

We typically use derivatives and other instruments to hedge a portion of our mortgage banking interest rate risk. Hedging is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. We may use hedging instruments tied to U.S. Treasury rates, London Interbank Offered Rate, or 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 customer locks in the interest rate on a loan, and the time we sell or commit to sell the mortgage loan. Generally speaking, if interest rates increase, the value of an unhedged mortgage pipeline decreases, and gain on sale margins are adversely impacted. Typically, we hedge the risk of overall changes in fair value of loans held for sale by either entering into forward loan sale agreements, selling forward Fannie Mae or Freddie Mac MBS or using other derivative instruments to hedge loan commitments and to create fair



**Table of Contents**

value hedges against the funded loan portfolios. We generally do not hedge all of the interest rate risk on our mortgage portfolio and have not historically hedged the risk of changes in the fair value of our MSR resulting from changes in interest rates. To the extent we fail to appropriately reduce our exposure to interest rate changes, our financial results may be adversely affected.

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

As of December 31, 2011, the fair value of our securities portfolio was approximately \$2.1 billion, of which approximately 90% was comprised of residential nonagency investment securities. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, changes in market interest rates and continued instability in the credit markets. Any of these factors could cause an other-than-temporary impairment in future periods and result in realized losses. The process for determining whether impairment is other-than-temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting issuers and the performance of the underlying collateral, we may recognize realized and/or unrealized losses in future periods, which could have an adverse effect on our financial condition and results of operations.

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

In connection with the acquisition of Tygris, we acquired a significant portfolio of equipment leases. Although we purchased these leases at a discount, they were not subjected to our credit standards. The non-impaired leases we acquired may become impaired and the impaired leases may suffer further deterioration in value, resulting in additional charge-offs to this portfolio. 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. Although a significant portion of these losses will be satisfied out of escrowed portions of the purchase price paid by us, we are not protected for all losses and any charge-off of related losses that we experience will negatively impact our results of operations.

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.

***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

**Table of Contents**

small business lenders, residential lenders, direct banks, banks or bank branches (whether in FDIC-assisted or unassisted transactions), 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 customers; 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.

In addition, FDIC-assisted acquisitions involve risks similar to acquiring existing banks even though the FDIC might provide assistance to mitigate certain risks, such as sharing in the exposure to loan losses and providing indemnification against certain liabilities of a failed institution. However, because these acquisitions are typically conducted by the FDIC in a manner that does not allow the time normally associated with preparing for the integration of an acquired institution, we may face additional risks in FDIC-assisted transactions. These risks include, among other things, the loss of customers, strain on management resources related to collection and management of problem loans and problems related to integration of personnel and operating systems. We may not be successful in overcoming these risks or any other problems encountered in connection with acquisitions. Our inability to overcome these risks could have an adverse effect on our results of operations, particularly during periods in which the acquisitions are being integrated into our operations.

***We may become subject to additional risks as a result of our recent acquisition of MetLife Bank's warehouse finance business.***

Although we believe the recent acquisition of MetLife Bank's warehouse finance business represented an attractive opportunity to expand our business, any new business operation we acquire could expose us to additional fraud and counterparty risk which we may fail to adequately address. For example, our underwriting, operational controls and risk mitigants may fail to prevent or detect fraud or collusion with multiple parties which could result in losses that would affect our financial results. Since warehouse loans are typically larger than residential mortgage loans, the systemic deterioration of one or a few of these loans could cause an increase in non-performing loans. Our proposed structural agreements to minimize counterparty risk could be ineffective. Additionally, warehouse counterparties may become subject to repurchase demands by investors which could adversely affect their financial position.

We may have to take ownership of mortgage loans not directly underwritten by us if the mortgage broker is unable to sell them to investors and repay its underlying note with us. There is no guarantee that an active or liquid market for the types of loans we would be forced to sell will exist which could result in losses.



**Table of Contents**

***Concern of customers over deposit insurance may cause a decrease in deposits.***

With recent concerns about bank failures, customers have become concerned about the extent to which their deposits are insured by the FDIC, particularly mass-affluent customers that may maintain deposits in excess of insured limits. Customers may withdraw deposits in an effort to ensure that the amount they have on deposit with our bank is fully insured and may place them in other institutions or make investments that are perceived as being more secure, such as securities issued by the U.S. Treasury. We may be forced by such activity to pay higher interest rates to retain deposits, which may constrain our liquidity as we seek to meet funding needs caused by reduced deposit levels, which could have a material adverse effect on our business.

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

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

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

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

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

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

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



**Table of Contents**

***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 or 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 domain names from theft, including administrative proceedings. We may in the future be unable to prevent third parties from acquiring 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 purchase infringing domains or use our service marks on their pay-per-click sites to draw customers for competitors while exploiting our service marks. 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 any action is often highly uncertain.

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

Third parties may assert claims against us, asserting that our marks, services, associated content in any medium, or software applications infringe on 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. 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. 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 customers. Many of these transactions expose us to credit risk in the event of default of a counterparty or customer. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. Losses suffered through such increased credit risk exposure could have a material adverse effect on our financial condition, results of operations and cash flows.

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

As of December 31, 2011, we had outstanding market-based deposits of \$1.4 billion, representing approximately 13% of our total deposits, the significant majority of which are WorldCurrency® deposits. Many of our WorldCurrency® depositors have chosen that family of products in order to diversify their portfolios with respect to foreign currencies. Appreciation of the U.S. dollar relative to foreign currencies, political and economic disruptions in foreign markets or significant changes in commodity prices or securities indices could significantly reduce the demand for our WorldCurrency® and other market-based products as well as a devaluation of these deposit balances, which could have a material adverse effect on our liquidity and results of operations. In addition, although we routinely use derivatives to offset changes to our deposit obligations due to

**Table of Contents**

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. Furthermore, these rates, prices and indices are subject to significant changes due to factors beyond our control, which may subject us to additional risks.

***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 customers. Because we offer our services over the Internet, we compete nationally for customers against financial institutions ranging from small community banks to the largest international financial institutions. Many of our competitors continue to have access to greater financial resources than we have, which allows them to invest in technological improvements. Failure to successfully keep pace with technological change affecting the financial services industry could place us at a competitive disadvantage.

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

Our historical growth must be viewed in the context of the recent opportunities available to us as a result of the confluence of our access to capital at a time when market dislocations of historical proportions resulted in unprecedented asset acquisition opportunities. When evaluating our historical growth and prospects for future growth, it is also important to consider that while our business philosophy has remained relatively constant over time, our mix of business, distribution channels and areas of focus have changed frequently and dramatically over the last several years. Historically, we have entered and exited lines of business to adapt to changing market conditions and perceived opportunities, and may continue to do so in future periods. For example, we are currently seeking to build a wealth management line of business. Although we have a track record of successfully offering investment-oriented deposit products, we have limited operational experience in wealth management. Our resources, personnel and expertise may prove to be insufficient to execute our wealth management strategy, which could impact our future earnings and the retention of high net worth customers. Moreover, our dynamic business model makes it difficult to assess our prospects for future growth.

In recent fiscal periods, we have completed several significant transactions, including the acquisitions of Tygris and Bank of Florida in 2010, the acquisition of a number of residential mortgage loan and securities portfolios in 2008 and 2009 and the divestiture of our reverse mortgage operations in 2008. These transactions, along with equity capital infusions, have significantly expanded our asset and capital base, product mix and distribution channels. We also benefited from significant purchase price discounts from these transactions, which are highly accretive to our earnings and which may not be available in the future. Over the longer-term, we expect margins on loans to revert to longer-term historical levels.



**Table of Contents**

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

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

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

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

***We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, 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.

***We may be exposed to unrecoverable losses on the loans acquired in the Bank of Florida acquisition, despite the loss sharing agreements we have with the FDIC.***

Although we acquired the loan assets of Bank of Florida at a substantial discount and we have entered into loss sharing agreements which provide that the FDIC will bear 80% of losses on such assets in excess of \$385.6 million, we are not protected from all such losses. The FDIC has the right to refuse or delay payment for such loan losses if the loss sharing agreements are not managed in accordance with their terms. Additionally, the loss sharing agreements have limited terms; therefore, any losses that we experience after the terms of the loss sharing agreements have ended will not be recoverable from the FDIC, which would negatively impact our net income. See Business Recent Acquisitions Acquisition of Bank of Florida for a description of our loss sharing arrangements with the FDIC.



## **Table of Contents**

The acquisition of assets and liabilities of financial institutions in FDIC-sponsored or assisted transactions involves risks similar to those faced in unassisted acquisitions, even though the FDIC might provide assistance to mitigate certain risks (e.g., entering into loss sharing arrangements). However, because such acquisitions are structured in a manner that does not allow the time normally associated with evaluating and preparing for the integration of an acquired institution, we face the additional risk that the anticipated benefits of such an acquisition may not be realized fully or at all, or within the time period expected.

Any of these factors, among others, could adversely affect our ability to achieve the anticipated benefits of the Bank of Florida acquisition.

***Certain provisions of the loss sharing agreements entered into with the FDIC in connection with the Bank of Florida acquisition may have anti-takeover effects and could limit our ability to engage in certain strategic transactions our Board of Directors believes would be in the best interests of stockholders.***

The FDIC's agreement to bear 80% of qualifying losses in excess of \$385.6 million on single family residential loans for ten years and all other loans for five years is a significant advantage for us and a feature of the Bank of Florida acquisition without which we would not have entered into the transaction. Our agreement with the FDIC requires that we receive prior FDIC consent, which may be withheld by the FDIC in its sole discretion, prior to us or our stockholders engaging in certain transactions. If any such transaction is completed without prior FDIC consent, the FDIC would have the right to discontinue the loss sharing arrangement.

Among other things, prior FDIC consent is required for (1) a merger or consolidation of us or EverBank with or into another company if our stockholders will own less than 66.66% of the combined company, (2) the sale of all or substantially all of the assets of EverBank and (3) a sale of shares by a stockholder, or a group of related stockholders, that will effect a change in control of us, as determined by the FDIC with reference to the standards set forth in the Change in Bank Control Act (generally, the acquisition of between 10% and 25% of our voting securities where the presumption of control is not rebutted, or the acquisition by any person, acting directly or indirectly or through or in concert with one or more persons, of more than 25% of our voting securities). Although our Amended and Restated Certificate of Incorporation contains a provision that, with reference to the Change in Bank Control Act, restricts any person from acquiring control of us, or more than 9.9% of our voting securities, without the prior approval of our Board of Directors, such an acquisition by stockholders could occur beyond our control. If we or any stockholder desired to enter into any such transaction, the FDIC may not grant its consent in a timely manner, without conditions, or at all. If one of these transactions were to occur without prior FDIC consent and the FDIC withdrew its loss share protection, there could be a material adverse effect on our financial condition, results of operations and cash flows.

## **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 customers, depositors, the Deposit Insurance Fund, or 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

**Table of Contents**

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 bank 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, any of which could adversely affect our results of operations, capital base and the price of our common stock.

***Federal banking agencies periodically conduct examinations of our business, including for compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect us.***

On April 13, 2011, we and EverBank each entered into a consent order with the OTS with respect to EverBank's mortgage foreclosure practices and our oversight of those practices. The consent orders require, among other things, that we establish a new compliance program for our mortgage servicing and foreclosure operations and that we ensure that we have dedicated resources for communicating with borrowers, policies and procedures for outsourcing foreclosure or related functions and management information systems that ensure timely delivery of complete and accurate information. We are also required to retain an independent firm to conduct a review of residential foreclosure actions that were pending from January 1, 2009 through December 31, 2010 in order to determine whether any borrowers sustained financial injury as a result of any errors, misrepresentations or deficiencies and to provide remediation as appropriate. We are working to fulfill the requirements of the consent orders. In response to the consent orders, we have established an oversight committee to monitor the implementation of the actions required by the consent orders. Furthermore, we have enhanced and updated several policies, procedures, processes and controls to help ensure the mitigation of the findings of the consent orders, and submitted them to the FRB and the OCC (the applicable successors to the OTS) for review. In addition, we have enhanced our third-party vendor management system and our compliance program, hired additional personnel and retained an independent firm to conduct foreclosure reviews.

In addition to the horizontal review, other government agencies, including state attorneys general and the U.S. Department of Justice, investigated various mortgage related practices of certain servicers, some of which practices were also the subject of the horizontal review. In March 2012, the U.S. Department of Justice, the Department of Housing and Urban Development and 50 state attorneys general entered into separate consent judgments with five major mortgage servicers with respect to these matters. In total, the five mortgage servicers agreed to \$25 billion in borrower restitution assistance and refinancing. Monetary sanctions imposed by the federal banking agencies as a consequence of the horizontal review are being held in abeyance, subject to provision of borrower assistance and remediation under the consent judgments. We understand certain other institutions subject to the consent decrees with the banking regulators announced in April 2011 recently 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. In addition, the federal banking agencies may impose civil monetary penalties on the remaining banks that were subject to the horizontal review as part of such an investigation or independently but have not indicated what the amount of any such penalties would be. 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 common stock.



**Table of Contents**

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 bank regulators, are likely to result in further increases in our default servicing costs over the longer term. Delays in foreclosure sales may result in additional costs associated with the maintenance of properties or possible home price declines, result in a greater number of nonperforming loans and increased servicing advances and may adversely affect the collectability of such advances and the value of our MSR asset and 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.

In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, as of July 21, 2011, the functions and personnel of the OTS were transferred among the OCC, FDIC and FRB. As a result, the OTS no longer supervises or regulates savings associations or savings and loan holding companies. The supervision of federal thrifts, such as EverBank, was transferred to the OCC, and the supervision of thrift holding companies, such as us, was transferred to the FRB. A number of steps have been made and will be taken by the FRB to align the regulation and supervision of thrift holding companies more closely with that of bank holding companies. As a result of this change in supervision and related requirements, we are subject to new and uncertain examination and reporting requirements that could be more stringent than the OTS examinations we have had historically. For a more detailed description of the Dodd-Frank Act, see Regulation and Supervision.

***Governmental and other actions relating to recording mortgages in the name of MERS may have adverse consequences on us.***

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

***The enactment of the Dodd-Frank Act may have a material effect on our operations.***

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which imposes significant regulatory 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 Consumer Financial Protection Bureau, or CFPB;

**Table of Contents**

limitation on federal preemption; and

changes to mortgage loan origination and risk retention practices.

As noted above, the Dodd-Frank Act has changed the regulatory and supervisory framework governing federal thrifts and thrift holding companies, and as a result of this change in supervision and related requirements, we are subject to new and uncertain examination and reporting requirements that could be more stringent than the OTS examinations we have had historically. It is also expected that the FRB will impose regulatory capital requirements on thrift holding companies, such as us, which have not been historically subject to such requirements.

The Dodd-Frank Act also includes numerous provisions that impact mortgage origination. For example, approximately 53% of our total mortgage loan origination volume for the year ended December 31, 2011 was originated through independent mortgage brokers. Under the Dodd-Frank Act, the loss of federal preemption for operating subsidiaries and agents of national banks and federal thrifts, as well as changes to the compensation and compliance obligations of independent mortgage brokers, could change the manner in which our mortgage loans are originated. As a result of the Dodd-Frank Act, there will likely be fewer independent, nonbank mortgage brokers and lenders. A reduction in the number of independent mortgage brokers may adversely affect our mortgage volume and, thus, our revenues and earnings. In addition, in April 2012 the CFPB announced that it is considering adopting new standards that would require servicers (i) to maintain reasonable information management policies and procedures, (ii) to intervene early with troubled and delinquent borrowers and (iii) to ensure staff who deals with a homeowner have access to records about that homeowner, including records of the homeowner's previous communications with the servicer. These proposals, if adopted, or any other standards or rules adopted by the CFPB in the future may impose greater restrictions on our operations.

In addition, the Dodd-Frank Act contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments. While it is generally understood that these limitations are not intended to restrict hedging activities, the impact of the statutory limitations on our ability to conduct our hedging strategies will not be clear until the implementing regulations have been promulgated.

The Dodd-Frank Act currently impacts, or may impact in the future, other aspects of our operations and activities. For a more detailed description of the Dodd-Frank Act, see Regulation and Supervision.

***The short-term and long-term impact of the new Basel III capital standards and the forthcoming new capital rules for non-Basel U.S. banks is uncertain.***

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. When implemented by U.S. banking authorities, which have expressed support for the new capital standards, we expect Basel III will eventually preclude us from including certain assets in our regulatory capital ratios, including MSR. MSR currently comprise a significant portion of our regulatory capital. At December 31, 2011, our net MSR totaled \$489.5 million. For a more detailed description of Basel III, see Regulation and Supervision.

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

*flows.*

Our ability to generate revenues through securities issuances guaranteed by Ginnie Mae, or GNMA, and through mortgage loan sales to GSEs such as Fannie Mae and Freddie Mac (as well as

**Table of Contents**

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

Because nearly all other non-governmental participants providing liquidity in the secondary mortgage market left that market during the mortgage financial crisis, the GSEs have been the only significant purchasers of residential mortgage loans. It remains unclear when private investors may begin to re-enter the market. 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.

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

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

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

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

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

In the course of our activities, we may foreclose and take title to residential and commercial properties and become subject to environmental liabilities with respect to those properties. The laws and regulations related to environmental contamination often impose liability without regard to responsibility for the contamination. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous





**Table of Contents**

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.

**Risks Related to This Offering and Ownership of Our Common Stock**

***An active trading market for our common stock may not develop, and you may not be able to sell your common stock at or above the initial public offering price.***

Prior to this offering, there has been no public market for our common stock. An active trading market for shares of our common stock may never develop or be sustained following this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The initial public offering price for our common stock will be determined by negotiations between us, the selling stockholders and the representative of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell your common stock at or above the initial public offering price or at any other price or at the time that you would like to sell. An inactive market may also impair our ability to raise capital by selling our common stock and may impair our ability to acquire other companies, products or technologies by using our common stock as consideration.

***The price of our common stock may be volatile and fluctuate substantially.***

Since our common stock has not been publicly traded prior to this offering, it is difficult to predict the future volatility of the trading price of our stock as compared to the broader stock market indices. Our share price may be volatile for several reasons. We are currently operating through a protracted period of historically low interest rates that will not be sustained indefinitely. Recent and pending legislative, regulatory, monetary and political developments have led to a high level of uncertainty, and these factors could have profound implications for the banking industry and the outlook for our future profitability. In addition, our business model is highly adaptive. In the past, we have rapidly entered and exited lines of business as circumstances have changed and this practice may continue, which could lead to higher levels of volatility in our share price as compared to other financial institutions that conduct business in more predictable ways. You should consider an investment in our common stock risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment.

***If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline.***

The trading market for our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. The price of our stock could decline if one or more securities analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business.

If any of the analysts who elect to cover us downgrades our stock, our stock price would likely decline rapidly. If any of these analysts ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid.

***Our ability to pay dividends is subject to regulatory limitations and to the extent we are not able to access those funds, may impair our ability to accomplish our growth strategy and pay our operating expenses.***

Although we intend to pay an initial quarterly cash dividend to our stockholders, we have no obligation to do so and may change our dividend policy at any time without notice to our stockholders.

**Table of Contents**

Further, as a holding company separate and distinct from EverBank, our only bank subsidiary, with no significant assets other than EverBank's capital stock, we will need to depend upon dividends from EverBank for substantially all of our income. Accordingly, our ability to pay dividends and cover operating expenses depends primarily upon the receipt of dividends or other capital distributions from EverBank. EverBank's ability to pay dividends to us is subject to, among other things, its earnings, financial condition and need for funds, as well as federal and state governmental policies and regulations applicable to us and EverBank, including the statutory requirement that we serve as a source of financial strength for EverBank, which limit the amount that may be paid as dividends without prior regulatory approval. Additionally, if EverBank's earnings are not sufficient to pay dividends to us while maintaining adequate capital levels, we may not be able to pay dividends to our stockholders. See Dividend Policy, Management's Discussion and Analysis of Financial Condition and Results of Operations Restrictions on Paying Dividends and Regulation and Supervision Regulation of Federal Savings Banks Limitation on Capital Distributions.

***The obligations associated with being a public company will require significant resources and management attention, which may divert from our business operations.***

As a result of this offering, we will become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. As a result, we will incur significant legal, accounting and other expenses that we did not previously incur.

The need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. Moreover, we strive to maintain a work environment that reinforces our culture of collaboration, motivation and disciplined growth strategy. The effects of becoming public, including potential changes in our historical business practices, which focused on long-term growth instead of short-term gains, could adversely affect this culture. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand-alone public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we would expect to file with the Securities and Exchange Commission, or SEC, and will likely require in the same report, a report by our independent auditors on the effectiveness of our internal control over financial reporting. However, as an emerging growth company as defined by the recently enacted Jumpstart Our Business Startups Act of 2012, our independent auditors will not be required to furnish such an assessment until we no longer qualify as an emerging growth company. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. We may not be able to remediate any future deficiencies in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. Further, we may take advantage of other exemptions afforded to emerging growth companies from time to time.

**Table of Contents**

***You will incur immediate dilution as a result of this offering.***

If you purchase common stock in this offering, you will pay more for your shares than the amounts paid by existing stockholders for their shares. As a result, you will incur immediate dilution of \$      per share, representing the difference between the initial public offering price of \$      per share (the midpoint of the range set forth on the cover page of this prospectus) and our as adjusted net tangible book value per share after giving effect to this offering. See Dilution.

***Our management team may allocate the proceeds of this offering in ways in which you may not agree.***

We have broad discretion in applying the net proceeds we will receive in this offering. As part of your investment decision, you will not be able to assess or direct how we apply these net proceeds. If we do not apply these funds effectively, we may lose significant business opportunities. Furthermore, our stock price could decline if the market does not view our use of the net proceeds from this offering favorably. A significant portion of the offering is by selling stockholders, and we will not receive proceeds from the sale of the shares offered by them.

***Future sales, or the perception of future sales, of our common stock may depress the price of our common stock.***

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock in the market after this offering, including shares which might be offered for sale by our existing stockholders. The perception that these sales might occur could depress the market price. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon completion of this offering, we will have      shares of common stock outstanding (      shares if the underwriters exercise their option to purchase      additional shares in full) and additional shares that may be issued in respect of outstanding stock options or the vesting of outstanding restricted stock units, of which:

approximately      shares of common stock will have been held by non-affiliates of ours for more than one year and will be freely transferable pursuant to the exemption provided by Rule 144 under the Securities Act immediately following consummation of this offering;

approximately      shares of common stock will be held by non-affiliates of ours and will be freely transferable pursuant to the exemption provided by Rule 144 under the Securities Act 90 days following the effective date of this registration statement; and

approximately      shares of common stock will be held by our directors, executive officers and other affiliates and may not be sold in the public market unless the sale is registered under the Securities Act of 1933, or the Securities Act, or an exemption from registration is available

In connection with this offering, we, our directors and executive officers, the selling stockholders and substantially all of our other stockholders have each agreed to enter into a lock-up agreement and thereby be subject to a lock-up period, meaning that they and their permitted transferees will not be permitted to sell any of the shares of our common stock for 180 days after the date of this prospectus, subject to certain extensions without the prior consent of the underwriters. Although we have been advised that there is no present intention to do so, the underwriters may, in their sole discretion and without notice, release all or any portion of the shares of our common stock from the restrictions in any of the lock-up agreements described above.

As of March 31, 2012, holders of approximately 54,025,491 shares of our common stock, including any securities convertible into or exercisable or exchangeable for shares of our common stock, have demand and piggyback registration rights with respect to those securities. Any shares registered pursuant to the registration rights agreement would be freely tradable in the public market following customary lock-up periods. See Shares Eligible for Future Sale. In addition, immediately

**Table of Contents**

following this offering, we intend to file a registration statement registering under the Securities Act the shares of common stock reserved for issuance in respect of incentive awards to our officers and certain of our employees. If any of these holders cause a large number of securities to be sold in the public market following expiration of any applicable lock-up period, the sales could reduce the trading price of our common stock. These sales also could impede our ability to raise future capital.

***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, which will be in effect upon the closing of this offering:

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, in order to prevent any potential termination of protection under the loss sharing agreements we have with the FDIC in connection with the Bank of Florida acquisition;

establish a classified board of directors, with directors of each class serving a three-year term;

require that directors only be removed from office for cause and only upon a majority stockholder vote;

provide that vacancies on our Board of Directors, including newly created directorships, may be filled only by a majority vote of directors then in office;

limit who may call special meetings of stockholders;

prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and

require supermajority stockholder voting to effect certain amendments to our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws.

For additional information regarding these and other provisions of our organizational documents that may make it more difficult to acquire our company on an unsolicited basis, see *Description of Our Capital Stock* *Certain Provisions of Delaware Law and Certain Charter and By-law Provisions*.

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. 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.



**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus may contain forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance. We generally identify forward-looking statements by terminology such as outlook, believes, expects, potential, continues, may, will, could, should, seeks, approximately, predicts, intends, plans, estimates, negative version of those words 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 made in this prospectus. 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 Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. These factors include without limitation:

deterioration of general business and economic conditions, including the real estate and financial markets, in the United States and in the geographic regions and communities we serve;

risks related to liquidity;

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 mortgages held for sale;

risk of higher lease and loan charge-offs;

legislative or regulatory actions affecting or concerning mortgage loan modification and refinancing;

concentration of our commercial real estate loan portfolio, in particular, those secured by properties located in Florida;

higher than normal delinquency and default rates affecting our mortgage banking business;

limited ability to rely on brokered deposits as a part of our funding strategy;

concentration of mass-affluent customers and jumbo mortgages;

hedging strategies we use to manage our mortgage pipeline;

risks related to securities held in our securities portfolio;

delinquencies on our equipment leases and reductions in the resale value of leased equipment;

customer concerns over deposit insurance;

failure to prevent a breach to our Internet-based system and online commerce security;

soundness of other financial institutions;

**Table of Contents**

changes in currency exchange rates or other political or economic changes in certain foreign countries;

the competitive industry and market areas in which we operate;

historical growth rate and performance may not be a reliable indicator of future results;

loss of key personnel;

fraudulent and negligent acts by loan applicants, mortgage brokers, other vendors and our employees;

compliance with laws and regulations that govern our operations;

failure to establish and maintain effective internal controls and procedures;

impact of recent and future legal and regulatory changes, including the Dodd-Frank Act;

effects of changes in existing U.S. government or government-sponsored mortgage programs;

changes in laws and regulations that may restrict our ability to originate or increase our risk of liability with respect to certain mortgage loans;

risks related to the continuing integration of acquired businesses and any future acquisitions;

legislative action regarding foreclosures or bankruptcy laws;

environmental liabilities with respect to properties that we take title to upon foreclosure; and

inability of EverBank, our banking subsidiary, to pay dividends.

**Table of Contents**

**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of our common stock in this offering will be \$      million, at an assumed initial public offering price of \$      per share, the midpoint of the price range set forth on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses. Our net proceeds will increase by approximately \$      million if the underwriters' option to purchase additional shares is exercised in full. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$      per share, the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) the net proceeds to us of this offering by \$      million, or \$      million if the underwriters' option is exercised in full, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

We intend to use the net proceeds of this offering for general corporate purposes, which may include organic growth or the acquisition of businesses or assets that we believe are complementary to our present business and provide attractive risk-adjusted returns.

**Table of Contents**

**REORGANIZATION**

In September 2010, EverBank Financial Corp, a Florida corporation, or EverBank Florida, formed EverBank Financial Corp, a Delaware corporation, or EverBank Delaware. EverBank Delaware holds no assets and has no subsidiaries and has not engaged in any business or other activities except in connection with its formation and as the registrant in this offering. Prior to the consummation of this offering, EverBank Florida will merge with and into EverBank Delaware, with EverBank Delaware continuing as the surviving corporation and succeeding to all of the assets, liabilities and business of EverBank Florida. In the merger, (1) all of the outstanding shares of common stock of EverBank Florida will be converted into approximately 77,994,699 shares of EverBank Delaware common stock, and (2) all of the outstanding shares of Series B Preferred Stock will be converted into 16,124,303 shares of EverBank Delaware common stock.

The Reorganization will cause the reincorporation of EverBank Florida in Delaware. It will not result in any change of the business, management, jobs, fiscal year, assets, liabilities or location of the principal facilities of EverBank Florida.

**Table of Contents**

**DIVIDEND POLICY**

We have historically not paid cash dividends to holders of our common stock. However, we anticipate paying a quarterly cash dividend of \$      per share, commencing in the      quarter of 2012, subject to the discretion of our Board of Directors and dependent on, among other things, our results of operations, financial condition, level of indebtedness, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any future outstanding indebtedness we or our subsidiaries incur. Dividends from EverBank will be the principal source of funds for the payment of dividends on our common stock.

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 FRB notified EverBank that it was 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations Restrictions on Paying Dividends and Regulation and Supervision Regulation of Federal Savings Banks Limitation on Capital Distributions.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2011:

on an actual basis after giving effect to the 15-for-1 stock split of EverBank Florida's common stock, but before giving effect to the Reorganization; and

on an as adjusted basis after giving effect to (1) the Reorganization, (2) the sale of shares of our common stock offered by us at a purchase price equal to \$ per share, the midpoint of the price range set forth on the cover page of this prospectus and the receipt of estimated net proceeds therefrom of \$ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses, payable by us, and assuming no exercise of the underwriter's option to purchase additional shares from us, (3) conversion of Series A Preferred Stock into 2,801,160 shares of our common stock on March 1, 2012, and (4) payment of an aggregate of approximately \$4.5 million to the holders of Series A Preferred Stock in connection with the conversion of Series A Preferred Stock into common stock on March 1, 2012.

You should read this information together with the consolidated historical and pro forma financial statements and the related notes thereto included in this prospectus and the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Selected Financial Information sections of this prospectus.

|   | <b>As of December 31, 2011</b> |                    |
|---|--------------------------------|--------------------|
|   | <b>Actual</b>                  | <b>As Adjusted</b> |
|   | <b>(In thousands)</b>          |                    |
| Cash and cash equivalents   | \$ 294,981                     | \$                 |
| Debt:   |                                |                    |
| Other borrowings  | 1,257,879                      |                    |
| Trust preferred securities  | 103,750                        |                    |
| Total debt  | 1,361,629                      |                    |
| Shareholders' Equity:   |                                |                    |
| Preferred stock, 1,000,000 shares authorized actual; shares authorized, as adjusted:  |                                |                    |
| Series A Preferred Stock, \$0.01 par value; 186,744 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted  |                                | 2                  |
| Series B Preferred Stock, \$0.01 par value; 136,544 shares issued and outstanding, actual; no shares issued and outstanding, as adjusted  |                                | 1                  |
| Common stock, \$0.01 par value; 150,000,000 shares authorized, 75,094,375 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, as adjusted <sup>(1)</sup> |                                | 751                |
| Additional paid-in capital  | 561,247                        |                    |
| Retained earnings   | 513,413                        |                    |
| Accumulated other comprehensive loss  | (107,749)                      |                    |

|                           |              |    |
|---------------------------|--------------|----|
| Total shareholders equity | 967,665      |    |
| Total capitalization      | \$ 2,329,294 | \$ |

(1) As adjusted column includes 18,925,463 shares of our common stock that will be issued upon conversion of the Series A Preferred Stock and Series B Preferred Stock. Both columns include 5,950,046 shares of common stock held in escrow at December 31, 2011 as a result of our



**Table of Contents**

acquisition of Tygris. Pursuant to the terms of the Tygris acquisition agreement and related escrow agreement, we are required to review the average carrying value of the remaining Tygris portfolio annually and upon certain events, including this offering, release a number of escrowed shares to the former Tygris shareholders to the extent that the aggregate value of the escrowed shares (on a determined per share value) equals 17.5% of the average carrying value of the remaining Tygris portfolio on the date of each release (see Business Recent Acquisitions Acquisition of Tygris Commercial Finance Group, Inc. ). Based on our first annual review of the average carrying value of the remaining Tygris portfolio, we released 2,808,175 escrowed shares of our common stock to the former Tygris shareholders on April 25, 2011. As of December 31, 2011, 5,950,046 shares of our common stock remain in escrow. We expect that a partial release of the escrowed shares to the former Tygris shareholders will occur in connection with the consummation of this offering. As the necessary valuation of the remaining Tygris portfolio for the partial release of escrowed shares triggered by this offering must be made after the consummation of this offering, the number of shares to be released from escrow cannot be determined at present. Both columns exclude 11,507,077 shares of our common stock issuable upon exercise of outstanding stock options at a weighted-average exercise price of \$11.04 per share, 470,605 shares of common stock issuable upon the vesting of outstanding restricted stock units and 18,574,468 additional shares of common stock reserved for issuance under our benefit plans.

**Table of Contents****DILUTION**

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock immediately after this offering. Our historical net tangible book value as of December 31, 2011, after giving effect to the conversion of the Series A Preferred Stock and the Reorganization, was \$950.0 million, or \$10.12 per as converted common share at period end. Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of common stock outstanding.

After giving effect to the Reorganization and our sale of \_\_\_\_\_ shares of common stock at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the range on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses, our as adjusted net tangible book value as of December 31, 2011 would have been \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. This amount represents an immediate increase in net tangible book value to our existing stockholders of \$ \_\_\_\_\_ per share and an immediate dilution to new investors of \$ \_\_\_\_\_ per share. The following table illustrates this per share dilution:

|  |          |
|--|----------|
| Assumed initial public offering price per share  | \$       |
| Historical net tangible book value per as converted common share at December 31, 2011                      | \$ 10.12 |
| Increase in net tangible book value per share attributable to investors purchasing shares in this offering |          |
| As adjusted net tangible book value per share after giving effect to this offering                         |          |
| Dilution in as adjusted net tangible book value per share to investors in this offering                    | \$       |

Each \$1.00 increase (decrease) in the assumed public offering price of \$ \_\_\_\_\_ per share would increase (decrease) our as adjusted net tangible book value by approximately \$ \_\_\_\_\_ million, or approximately \$ \_\_\_\_\_ per share, and the dilution per share to investors in this offering by approximately \$ \_\_\_\_\_ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and offering expenses. We may also increase or decrease the number of shares we are offering. An increase of 1.0 million shares in the number of shares offered by us, together with a \$1.00 increase in the assumed offering price of \$ \_\_\_\_\_ per share, would result in an as adjusted net tangible book value of approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share, and the dilution per share to investors in this offering would be \$ \_\_\_\_\_ per share. Similarly, a decrease of 1.0 million shares in the number of shares offered by us, together with a \$1.00 decrease in the assumed public offering price of \$ \_\_\_\_\_ per share, would result in an as adjusted net tangible book value of approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share, and the dilution per share to investors in this offering would be \$ \_\_\_\_\_ per share. The as adjusted information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

If the underwriters exercise their option to purchase additional shares in full in this offering, our as adjusted net tangible book value at December 31, 2011 would be \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share, representing an immediate increase in as adjusted net tangible book value to our existing stockholders of \$ \_\_\_\_\_ per share and an immediate dilution to investors participating in this offering of \$ \_\_\_\_\_ per share.

The following table summarizes as of December 31, 2011, on an as adjusted basis and after giving effect to the Reorganization, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholders and by investors participating in this offering, based upon an assumed initial public offering price of

**Table of Contents**

\$ per share, the mid-point of the range on the cover of this prospectus, and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

|                       | Shares Purchased |            | Total Consideration |            | Average Price per Share |
|-----------------------|------------------|------------|---------------------|------------|-------------------------|
|                       | Number           | Percentage | Amount              | Percentage | Share                   |
| Existing stockholders |                  | %          | \$                  |            | \$                      |
| New investors         |                  |            |                     |            |                         |
| Total                 |                  | 100%       | \$                  | \$         | 100%                    |

Sales of shares of common stock by the selling stockholders in this offering will reduce the number of shares of common stock held by existing stockholders to , or approximately % of the total shares of common stock outstanding after this offering, and will increase the number of shares held by new investors to or approximately % of the total shares of common stock outstanding after this offering.

The above discussion and tables do not include 12,202,860 shares of common stock issuable upon the exercise of options outstanding as of March 31, 2012 at a weighted average exercise price of \$11.21 per share and 387,072 shares of common stock issuable upon the vesting of restricted stock units outstanding as of March 31, 2012.

Effective upon the completion of this offering, an aggregate of shares of our common stock will be reserved for future issuance under our equity incentive plans. To the extent that any of these options and restricted stock units are exercised, new options or restricted stock units are issued under our equity incentive plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering.

**Table of Contents****SELECTED FINANCIAL INFORMATION**

The selected statement of income data for the years ended December 31, 2011, 2010 and 2009 and the selected balance sheet data as of December 31, 2011 and 2010 have been derived from our audited financial statements included elsewhere in this prospectus. The selected income statement data for the years ended December 31, 2008 and 2007 and the selected balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from our audited financial statements that are not included in this prospectus. The selected financial information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical and pro forma financial statements and related notes thereto included elsewhere in this prospectus. We have prepared the unaudited consolidated financial information on the same basis as our audited consolidated financial information.

We consummated several significant transactions in prior fiscal periods, including the acquisition of Tygris in February 2010 and the acquisition of the banking operations of Bank of Florida in May 2010. Accordingly, our operating results for the historical periods presented below are not comparable and may not be predictive of future results. For additional information, see the consolidated historical and pro forma financial statements and the related notes thereto included in this prospectus.

**Year Ended December 31,**  
**2011      2010      2009      2008      2007**  
**(In millions, except share and per share data)**

**Income Statement Data:**

|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Interest income  | \$ 588.2 | \$ 612.5 | \$ 440.6 | \$ 322.4 | \$ 263.4 |
| Interest expense   | 135.9    | 147.2    | 163.2    | 202.6    | 185.0    |
| Net interest income  | 452.3    | 465.3    | 277.4    | 119.8    | 78.4     |
| Provision for loan and lease losses <sup>(1)</sup>                     | 49.7     | 79.3     | 121.9    | 37.3     | 5.6      |
| Net interest income after provision for loan and lease losses          | 402.6    | 386.0    | 155.5    | 82.5     | 72.8     |
| Noninterest income <sup>(2)</sup>                                      | 233.1    | 357.8    | 232.1    | 175.8    | 177.1    |
| Noninterest expense <sup>(3)</sup>                                     | 554.2    | 493.9    | 299.2    | 221.0    | 202.7    |
| Income before income taxes   | 81.5     | 249.9    | 88.4     | 37.4     | 47.2     |
| Provision for income taxes   | 28.8     | 61.0     | 34.9     | 14.2     | 17.8     |
| Net income from continuing operations                                  | 52.7     | 188.9    | 53.5     | 23.1     | 29.4     |
| Discontinued operations, net of income taxes <sup>(4)</sup>            |          |          | (0.2)    | 20.5     | (1.9)    |
| Net income   | 52.7     | 188.9    | 53.4     | 43.6     | 27.5     |
| Loss (income) attributable to non-controlling interest in subsidiaries |          |          |          | 2.4      | 2.8      |
| Net income attributable to the Company                                 | \$ 52.7  | \$ 188.9 | \$ 53.4  | \$ 46.0  | \$ 30.2  |

**Per Share Data:**

Weighted-average common shares outstanding:

(units in thousands)

|   |          |          |         |         |         |
|---|----------|----------|---------|---------|---------|
| Basic   | 74,892   | 72,479   | 42,126  | 41,029  | 40,692  |
| Diluted   | 77,506   | 74,589   | 43,299  | 42,196  | 41,946  |
| Earnings from continuing operations per common share:                               |          |          |         |         |         |
| Basic   | \$ 0.55  | \$ 2.00  | \$ 0.80 | \$ 0.43 | \$ 0.68 |
| Diluted   | 0.54     | 1.94     | 0.78    | 0.41    | 0.66    |
| Net tangible book value per as converted common share at period end: <sup>(5)</sup> |          |          |         |         |         |
| Basic   | \$ 10.12 | \$ 10.65 | \$ 8.54 | \$ 6.96 | \$ 5.39 |
| Diluted   | 9.93     | 10.40    | 8.33    | 6.79    | 5.14    |

**Table of Contents**

|   | As of December 31, |            |         |         |         |
|---|--------------------|------------|---------|---------|---------|
|   | 2011               | 2010       | 2009    | 2008    | 2007    |
|   | (In millions)      |            |         |         |         |
| <b>Balance Sheet Data:</b>                |                    |            |         |         |         |
| Cash and cash equivalents                 | \$ 295.0           | \$ 1,169.2 | \$ 23.3 | \$ 62.9 | \$ 33.9 |
| Investment securities                     | 2,191.8            | 2,203.6    | 1,678.9 | 715.7   | 283.6   |
| Loans held for sale                       | 2,725.3            | 1,237.7    | 1,283.0 | 915.2   | 943.5   |
| Loans and leases held for investment, net | 6,441.5            | 6,005.6    | 4,072.7 | 4,577.0 | 3,722.3 |
| Total assets                              | 13,041.7           | 12,007.9   | 8,060.2 | 7,048.3 | 5,521.9 |
| Deposits                                  | 10,265.8           | 9,683.1    | 6,315.3 | 5,003.0 | 3,892.4 |
| Total liabilities                         | 12,074.0           | 10,994.7   | 7,506.3 | 6,628.6 | 5,273.4 |
| Total stockholders' equity                | 967.7              | 1,013.2    | 553.9   | 419.6   | 248.5   |

- (1) For the year ended December 31, 2011, provision for loan and lease losses includes a \$4.9 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans, a \$1.9 million impact of change in ALLL methodology and a \$10.0 million impact of early adoption of TDR guidance and policy change. For the year ended December 31, 2010, provision for loan and lease losses includes a \$6.2 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans.
- (2) For the year ended December 31, 2011, noninterest income includes a \$4.7 million gain on repurchase of trust preferred securities including \$0.3 million resulting from the unwind of the associated cash flow hedge and a \$39.5 million impairment charge related to MSR. For the year ended December 31, 2010, noninterest income includes a \$68.1 million non-recurring bargain purchase gain associated with the Tygris acquisition, a \$19.9 million gain on sale of investment securities due to portfolio concentration repositioning and a \$5.7 million gain on repurchase of trust preferred securities.
- (3) For the year ended December 31, 2011, noninterest expense includes \$27.1 million in transaction and non-recurring regulatory related expense and an \$8.7 million decrease in fair value of the Tygris indemnification asset resulting from a decrease in estimated future credit losses. The carrying value of the indemnification asset was \$0 as of December 31, 2011. For the year ended December 31, 2010, noninterest expense includes \$9.7 million in transaction related expense, a \$10.3 million loss on early extinguishment of acquired debt and a \$22.0 million decrease in fair value of the Tygris indemnification asset.
- (4) Discontinued operations for the year ended December 31, 2008 includes a \$42.7 million after tax gain on the sale of our reverse mortgage business to an unaffiliated third party net of an \$18.8 million after tax loss from operations of the reverse mortgage business before the sale.
- (5) Calculated as tangible shareholders' equity divided by shares of common stock. For purposes of computing net tangible book value per as converted common share, tangible book value equals shareholders' equity less goodwill and other intangible assets.

Basic and diluted net tangible book value per as converted common share is calculated using a denominator that includes actual period end common shares outstanding and additional common shares assuming conversion of all outstanding preferred stock to common stock. Diluted net tangible book value per as converted common share also includes in the denominator common stock equivalent shares related to stock options and common stock equivalent shares related to nonvested restricted stock units.

Net tangible book value per as converted common share is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is book value per common share.



**Table of Contents****SUMMARY QUARTERLY FINANCIAL DATA**

The summary quarterly financial information set forth below for each of the last six quarters has been derived from our unaudited interim consolidated financial statements and other financial information. The summary historical quarterly financial information includes all adjustments consisting of normal recurring accruals that we consider necessary for a fair presentation of the financial position and the results of operations for these periods.

We consummated several significant transactions in prior fiscal periods, including the acquisition of Tygris in February 2010 and the acquisition of the banking operations of Bank of Florida in an FDIC-assisted transaction in May 2010. Accordingly, our operating results for the historical periods presented below are not comparable and may not be predictive of future results.

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 historical and pro forma financial statements and the related notes thereto included in this prospectus.

As indicated in the notes to the tables below, certain items included in the tables are non-GAAP financial measures. For a more detailed discussion of these items, including a discussion of why we believe these items are meaningful and a reconciliation of each of these items to the most directly comparable generally accepted accounting principles, or GAAP, financial measure, see Management's Discussion and Analysis of Financial Condition and Results of Operations Primary Factors Used to Evaluate Our Business.

|   | <b>Three Months Ended</b>                             |                               |                          |                           |                              |                               |
|---|---|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
|   | <b>December 31,<br/>2011</b>                          | <b>September 30,<br/>2011</b> | <b>June 30,<br/>2011</b> | <b>March 31,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>September 30,<br/>2010</b> |
|   | <b>(In millions, except share and per share data)</b> |                               |                          |                           |                              |                               |
| <b>Income Statement Data:</b>                                 |   |                               |                          |                           |                              |                               |
| Interest income   | \$ 145.7  | \$ 144.3                      | \$ 148.1                 | \$ 150.1                  | \$ 150.1                     | \$ 161.3                      |
| Interest expense  | 30.9  | 33.4                          | 35.2                     | 36.4                      | 37.6                         | 40.1                          |
| Net interest income   | 114.8   | 110.9                         | 112.9                    | 113.7                     | 112.5                        | 121.1                         |
| Provision for loan and lease losses <sup>(1)</sup>            | 10.4  | 12.3                          | 9.0                      | 18.0                      | 20.2                         | 17.4                          |
| Net interest income after provision for loan and lease losses | 104.4   | 98.6                          | 103.9                    | 95.7                      | 92.3                         | 103.7                         |
| Noninterest income <sup>(2)</sup>                             | 61.0  | 53.4                          | 52.9                     | 65.9                      | 79.3                         | 71.9                          |
| Noninterest expense <sup>(3)</sup>                            | 147.7   | 139.6                         | 121.7                    | 145.2                     | 127.9                        | 152.0                         |
| Income before income taxes                                    | 17.7  | 12.4                          | 35.1                     | 16.3                      | 43.7                         | 23.6                          |
| Provision for income taxes                                    | 4.0   | 4.6                           | 13.3                     | 6.9                       | 19.3                         | (1.4)                         |
| Net income  | \$ 13.8   | \$ 7.8                        | \$ 21.8                  | \$ 9.4                    | \$ 24.4                      | \$ 25.0                       |

|   |    |      |    |     |    |      |    |     |    |      |    |      |
|---|----|------|----|-----|----|------|----|-----|----|------|----|------|
| Net income allocated to common shareholders | \$ | 11.0 | \$ | 6.2 | \$ | 17.4 | \$ | 7.0 | \$ | 17.5 | \$ | 18.3 |
|---|----|------|----|-----|----|------|----|-----|----|------|----|------|

**Share Data:**

Weighted-average common shares outstanding:  
(units in thousands)

|         |        |        |        |        |        |        |
|---------|--------|--------|--------|--------|--------|--------|
| Basic   | 75,040 | 74,996 | 74,792 | 74,735 | 74,643 | 74,635 |
| Diluted | 76,908 | 77,709 | 77,568 | 77,621 | 76,826 | 76,993 |

Earnings from continuing operations per common share:

|         |    |      |    |      |    |      |    |      |    |      |    |      |
|---------|----|------|----|------|----|------|----|------|----|------|----|------|
| Basic   | \$ | 0.15 | \$ | 0.08 | \$ | 0.23 | \$ | 0.09 | \$ | 0.23 | \$ | 0.25 |
| Diluted |    | 0.14 |    | 0.08 |    | 0.23 |    | 0.09 |    | 0.23 |    | 0.24 |

Net tangible book value per as converted common share at period end<sup>(4)</sup>

|         |    |       |    |       |    |       |    |       |    |       |    |       |
|---------|----|-------|----|-------|----|-------|----|-------|----|-------|----|-------|
| Basic   | \$ | 10.12 | \$ | 10.19 | \$ | 10.77 | \$ | 10.71 | \$ | 10.65 | \$ | 10.33 |
| Diluted |    | 9.93  |    | 9.91  |    | 10.46 |    | 10.40 |    | 10.40 |    | 10.07 |

**Table of Contents**

|   | <b>December 31,<br/>2011</b> | <b>September 30,<br/>2011</b> | <b>June 30,<br/>2011</b> | <b>March 31,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>September 30,<br/>2010</b> |
|---|------------------------------|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
|   | (In millions)                |                               |                          |                           |                              |                               |
| <b>Balance Sheet Data:</b>  |                              |                               |                          |                           |                              |                               |
| Cash and cash equivalents   | \$ 295.0                     | \$ 459.3                      | \$ 683.6                 | \$ 650.0                  | \$ 1,169.2                   | \$ 675.2                      |
| Investment securities   | 2,191.8                      | 2,651.1                       | 2,930.4                  | 2,852.8                   | 2,203.6                      | 2,365.3                       |
| Loans held for sale   | 2,725.3                      | 1,792.7                       | 792.4                    | 615.3                     | 1,237.7                      | 1,436.0                       |
| Loans and leases held for investment, net   | 6,441.5                      | 6,197.7                       | 6,767.0                  | 6,445.6                   | 6,005.6                      | 5,692.6                       |
| Total assets  | 13,041.7                     | 12,550.8                      | 12,520.2                 | 11,889.4                  | 12,007.9                     | 11,583.4                      |
| Deposits  | 10,265.8                     | 10,206.9                      | 9,936.5                  | 9,685.5                   | 9,683.1                      | 9,295.6                       |
| Total liabilities   | 12,074.0                     | 11,577.1                      | 11,492.5                 | 10,868.8                  | 10,994.7                     | 10,601.6                      |
| Total shareholders equity   | 967.7                        | 973.7                         | 1,027.7                  | 1,020.6                   | 1,013.2                      | 981.8                         |
| <b>Capital Ratios (period end):</b>   |                              |                               |                          |                           |                              |                               |
| Tangible equity to tangible assets <sup>(5)</sup>   | 7.3%                         | 7.6%                          | 8.1%                     | 8.4%                      | 8.3%                         | 8.3%                          |
| Tier 1 (core) capital (bank level) <sup>(6)</sup>   | 8.0%                         | 8.3%                          | 8.3%                     | 8.7%                      | 8.7%                         | 8.5%                          |
| Total risk-based capital ratio (bank level) <sup>(7)</sup>  | 15.7%                        | 15.7%                         | 16.4%                    | 16.9%                     | 17.0%                        | 16.1%                         |
| <b>Performance Metrics:</b>   |                              |                               |                          |                           |                              |                               |
| Adjusted net income attributable to the Company from continuing operations (in millions) <sup>(8)</sup> | \$ 31.9                      | \$ 25.6                       | \$ 25.5                  | \$ 24.5                   | \$ 34.4                      | \$ 27.2                       |
| Return on average assets  | 0.43%                        | 0.25%                         | 0.73%                    | 0.32%                     | 0.82%                        | 0.88%                         |
| Return on average equity  | 5.62%                        | 3.08%                         | 8.50%                    | 3.68%                     | 9.74%                        | 10.34%                        |
| Adjusted return on average assets <sup>(9)</sup>  | 0.99%                        | 0.83%                         | 0.85%                    | 0.82%                     | 1.15%                        | 0.96%                         |
| Adjusted return on average equity <sup>(9)</sup>  | 13.04%                       | 10.19%                        | 9.94%                    | 9.58%                     | 13.72%                       | 11.27%                        |

(1) For the three months ended December 31, 2011, provision for loan and lease losses includes a \$3.6 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans. For the three

months ended September 30, 2011, provision for loan and lease losses includes a \$0.5 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans. For the three months ended June 30, 2011, provision for loan and lease losses includes a \$2.5 million impact of early adoption of TDR guidance and policy change. For the three months ended March 31, 2011, provision for loan and lease losses includes a \$0.8 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans, \$1.9 million impact of change in ALLL methodology and a \$7.5 million impact of early adoption of TDR guidance and policy change. For the three months ended December 31, 2010, provision for loan and lease losses includes a \$6.2 million increase in non-accretable discount related to Bank of Florida acquired credit-impaired loans.

- (2) For the three months ended December 31, 2011, noninterest income includes an \$18.8 million impairment charge related to MSR. For the three months ended September 30, 2011, noninterest income includes a \$20.7 million impairment charge related to MSR. For the three months ended March 31, 2011, noninterest income includes a \$4.7 million gain on repurchase of trust preferred securities including \$0.3 million resulting from the unwind of the associated cash flow hedge. For the three months ended September 30, 2010, noninterest income includes a \$1.6 million gain on sale of investment securities due to portfolio concentration repositioning.
- (3) For the three months ended December 31, 2011, noninterest expense includes \$7.0 million in transaction and non-recurring regulatory related expense. For the three months ended September 30, 2011, noninterest expense includes \$7.7 million in transaction and non-recurring regulatory related expense. For the three months ended June 30, 2011, noninterest expense includes \$3.4 million in transaction and non-recurring regulatory related expense. For the three months ended March 31, 2011, noninterest expense includes \$9.1 million in transaction and non-recurring regulatory related expense and an \$8.7 million decrease in fair value of the Tygris

**Table of Contents**

indemnification asset resulting from a decrease in estimated future credit losses. For the three months ended December 31, 2010, noninterest expense includes \$3.2 million in transaction related expense and a \$2.0 million decrease in fair value of the Tygris indemnification asset resulting from a decrease in estimated future credit losses. For the three months ended September 30, 2010, noninterest expense includes \$2.5 million in transaction related expense and a \$20.0 million decrease in fair value of the Tygris indemnification asset resulting from a decrease in estimated future credit losses.

- (4) Calculated as tangible shareholders' equity divided by shares of common stock. For purposes of computing net tangible book value per as converted common share, tangible book value equals shareholders' equity less goodwill and other intangible assets.

Basic and diluted net tangible book value per as converted common share are calculated using a denominator that includes actual period end common shares outstanding and additional common shares assuming conversion of all outstanding preferred stock to common stock. Diluted net tangible book value per as converted common share also includes in the denominator common stock equivalent shares related to stock options and common stock equivalent shares related to nonvested restricted stock units.

Net tangible book value per as converted common share is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is book value per common share.

- (5) Calculated as tangible shareholders' equity divided by tangible assets, after deducting goodwill and intangible assets from the numerator and the denominator. Tangible equity to tangible assets is a non-GAAP financial measure, and the most directly comparable GAAP financial measure for tangible equity is shareholders' equity and the most directly comparable GAAP financial measure for tangible assets is total assets.
- (6) Calculated as Tier 1 (core) capital divided by adjusted total assets. Total assets are adjusted for goodwill, deferred tax assets disallowed from Tier 1 (core) capital and other regulatory adjustments.
- (7) Calculated as total risk-based capital divided by total risk-weighted assets. Risk-based capital includes Tier 1 (core) capital, allowance for loan and lease losses, subject to limitations, and other regulatory adjustments.

**Table of Contents**

(8) Adjusted net income attributable to the Company from continuing operations includes adjustments to our net income attributable to the Company from continuing operations for certain material items that we believe are not reflective of our ongoing business or operating performance including the Tygris and Bank of Florida acquisitions. A reconciliation of adjusted net income attributable to the Company from continuing operations to net income attributable to the Company from continuing operations, which is the most directly comparable GAAP measure, is as follows:

|  | <b>Three Months Ended</b> |                      |                 |                  |                     |                      |
|--|---------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
|  | <b>December 31,</b>       | <b>September 30,</b> | <b>June 30,</b> | <b>March 31,</b> | <b>December 31,</b> | <b>September 30,</b> |
|  | <b>2011</b>               | <b>2011</b>          | <b>2011</b>     | <b>2011</b>      | <b>2010</b>         | <b>2010</b>          |
|  | <b>(In thousands)</b>     |                      |                 |                  |                     |                      |
| Net income attributable to the Company from continuing operations  | \$ 13,760                 | \$ 7,758             | \$ 21,795       | \$ 9,416         | \$ 24,404           | \$ 25,010            |
| Gain on sale of investment securities due to portfolio concentration repositioning, net of tax                                 |                           |                      |                 |                  |                     | (981)                |
| Gain on repurchase of trust preferred securities, net of tax   |                           |                      |                 | (2,910)          |                     |                      |
| Transaction and non-recurring regulatory related expense, net of tax   | 4,331                     | 4,751                | 2,136           | 5,613            | 1,986               | 1,556                |
| Decrease in fair value of Tygris indemnification asset resulting from a decrease in estimated future credit losses, net of tax |                           |                      |                 | 5,382            | 1,254               | 12,400               |
| Increase in Bank of Florida non-accretable discount, net of tax  | 2,208                     | 298                  |                 | 501              | 3,837               |                      |
| Impact of change in ALLL methodology, net of tax   |                           |                      |                 | 1,178            |                     |                      |
| Early adoption of TDR guidance and policy change, net of tax   |                           |                      | 1,561           | 4,664            |                     |                      |
| MSR impairment, net of tax   | 11,638                    | 12,824               |                 |                  |                     |                      |
| Tax benefit (expense) related to revaluation of Tygris net unrealized built-in losses, net of tax                              |                           |                      |                 | 691              | 2,900               | (10,740)             |
| Adjusted net income attributable to the Company from continuing operations   | \$ 31,937                 | \$ 25,631            | \$ 25,492       | \$ 24,535        | \$ 34,381           | \$ 27,245            |

- (9) Adjusted return on average assets equals adjusted net income attributable to the Company from continuing operations divided by average total assets and adjusted return on average equity equals adjusted net income attributable to the Company from continuing operations divided by average shareholders' equity. Adjusted net income attributable to the Company from continuing operations is a non-GAAP measure of our financial performance and its most directly comparable GAAP measure is net income attributable to the Company from continuing operations. For a reconciliation of net income attributable to the Company from continuing operations to adjusted net income attributable to the Company from continuing operations, see Note 8 above.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with the Selected Financial Information and the consolidated historical and pro forma financial statements and the related notes thereto included in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in Cautionary Note Regarding Forward-Looking Statements and Risk Factors. We assume no obligation to update any of these forward-looking statements.*

**Overview**

We are a diversified financial services company that provides innovative banking, lending and investing products and services to approximately 575,000 customers nationwide through scalable, low-cost distribution channels. Our business model attracts financially sophisticated, self-directed, mass-affluent customers and a diverse base of small and medium-sized business customers. We market and distribute our products and services primarily through our integrated online financial portal, which is augmented by our nationwide network of independent financial advisors, 14 high-volume financial centers in targeted Florida markets and other financial intermediaries. These channels are connected by technology-driven centralized platforms, which provide operating leverage throughout our business.

**Business Segments**

We evaluate our overall financial performance through two operating business segments: (1) Banking and Wealth Management and (2) Mortgage Banking. Our Banking and Wealth Management segment primarily includes earnings generated by and activities related to deposit and investment products and services and portfolio lending and leasing activities. Our Mortgage Banking segment primarily consists of activities related to the origination and servicing of residential mortgage loans. A third reporting segment, Corporate Services, consists of corporate expenses that are not allocated to either the Banking and Wealth Management or Mortgage Banking segments. This segment includes executive management, technology, legal, human resources, marketing, corporate development, treasury, accounting, finance and other services, and transaction-related items and expenses.

**Factors Affecting Comparability**

Each factor listed below materially affected the comparability of our cash flows, results of operations and financial condition in 2011, 2010 and 2009, and may affect the comparability of our historical financial information to financial information we report in future fiscal periods.

***Portfolio Acquisitions***

The significant capital we raised during the period from 2008 to 2010 enabled us to execute our strategy of organic growth and selective portfolio acquisitions. From September 30, 2008 to December 31, 2011, we increased our loans and leases held for investment and available for sale securities portfolio by approximately \$3.9 billion by acquiring Tygris and Bank of Florida, retaining for investment assets we originate and acquiring portfolios of loans, leases and MBS with attractive risk-adjusted returns. We purchased many of our portfolio acquisitions at discounts to par value, which enhance our effective yield through accretion into income in subsequent periods. Because risk-adjusted returns on acquisitions during this period exceeded returns available to us from our asset generation channels, a greater portion of our asset growth during 2008 to 2010 was comprised of portfolio acquisitions rather than from asset



retention. During 2011 we continued to take advantage of the market conditions and purchased several performing, high quality loan portfolios. We also

## **Table of Contents**

executed a strategy to retain more originated loans for portfolio, increase the amount of organic GNMA buyouts from our servicing portfolio and acquire portfolios of delinquent government insured loans. For banks like EverBank with cost effective sources of short term capital, this strategy represents an attractive return with low additional investment risk.

We also deployed excess capital to grow our portfolio of MSR through various bulk acquisitions of mortgage servicing portfolios through 2010. Furthermore, during 2011 we reduced our originated MSR and did not continue bulk acquisitions of mortgage servicing portfolio. During 2011 we recognized impairment of \$39.5 million due to historically low interest rates and related high prepayment rates. We expect to continue retaining originated MSR in the future.

### ***Strategic Acquisitions***

Strategic acquisitions have recently been a significant component of our growth and may be a source of future growth. We also completed two acquisitions during 2010 that grew our asset base, increased our capital and enhanced our asset and deposit generation platforms.

#### ***Tygris Commercial Finance Group, Inc.***

On February 5, 2010, we completed our acquisition of Tygris Commercial Finance Group, Inc., or Tygris, a commercial leasing and finance company. In addition to providing significant growth capital, the transaction added a major new business line and provided another source to generate assets with attractive risk-adjusted returns for our balance sheet.

We acquired total assets with a fair value of \$777.5 million, including lease financing receivables with a fair value of approximately \$538.1 million. At closing, acquired lease financing receivables were recorded at their acquisition date fair value. Our assessment of fair value was based on expected cash flows and included an estimation of expected credit losses, prepayment expectations and operating costs associated with those assets. The assessment resulted in a fair value reduction equal to \$266.8 million, of which \$196.1 million represents a purchase discount accretable into income on a level yield basis. At December 31, 2011, we note that all four lease pools have transferred to cost recovery, thereby excess income is being realized. We realized \$81.4 million and \$88.9 million of discount accretion income related to this discount, reported as a component of lease financing receivables interest income for the years ended December 31, 2011 and 2010, respectively. In 2010, we reported a bargain purchase gain of \$68.1 million, reflecting the excess of the fair value of the net assets acquired over the consideration paid. For further discussion of the Tygris acquisition and purchase accounting, see [Loan and Lease Quality](#) and [Critical Accounting Policies and Estimates](#) below.

#### ***Bank of Florida***

On May 28, 2010, we acquired substantially all of the assets and assumed substantially all of the deposits and certain other liabilities of Bank of Florida-Southwest, headquartered in Naples, Florida, Bank of Florida-Southeast, headquartered in Fort Lauderdale, Florida, and Bank of Florida-Tampa Bay, headquartered in Tampa, Florida, three affiliated full service Florida chartered commercial banks that we collectively refer to as Bank of Florida, from the FDIC, as receiver. Under the terms of our agreements with the FDIC, we assumed deposits with a fair value of approximately \$1.2 billion and acquired assets with a fair value of approximately \$1.4 billion, including loans with a fair value of approximately \$888.8 million. The acquisition enabled us to strengthen our core deposit franchise and enhance our wealth management capabilities by establishing a financial center presence in the Naples, Ft. Myers, Miami, Ft. Lauderdale, Tampa Bay and Clearwater markets and contributed to the increase of our total deposits to approximately \$10.3 billion as of December 31, 2011.

All loans acquired in connection with the Bank of Florida acquisition are subject to a loss-sharing agreement with the FDIC, including a first loss amount to be borne solely by EverBank. Under the agreement, the FDIC will cover 80% of losses on the disposition of loans and other real estate owned,

**Table of Contents**

or OREO, over \$385.6 million. The term for loss sharing on single-family residential real estate loans is ten years, while the term for loss sharing on all other loans is five years. At closing, our assessment of fair value resulted in a \$261.4 million reduction to the previous carrying value of acquired loans and real estate owned. The fair value of the loans was determined using methods similar to those outlined above in our description of the Tygris acquisition. In addition, we recorded a clawback liability of \$37.6 million based upon an estimated future true-up payment to the FDIC according to the terms of the loss sharing arrangement. For further discussion of the Bank of Florida acquisition and purchase accounting, see [Loan and Lease Quality](#), [Clawback Liability](#) and [Critical Accounting Policies and Estimates](#) below.

**Primary Factors Used to Evaluate Our Business**

***Results of Operations***

The primary factors we use to evaluate and manage our results of operations include net interest income, noninterest income, noninterest expense and net income.

***Net Interest Income.*** Represents interest income less interest expense. We generate interest income from interest, dividends and fees received on interest-earning assets, including loans and investment securities we own. We incur interest expense from interest paid on interest-bearing liabilities, including interest-bearing deposits, borrowings and other forms of indebtedness. Net interest income is a significant contributor to our revenues and net income. To evaluate net interest income, we measure and monitor (1) yields on our loans and other interest-earning assets, (2) the costs of our deposits and other funding sources, (3) our net interest spread, (4) our net interest margin and (5) our provisions for loan and lease losses. Net interest spread is the difference between rates earned on interest-earning assets and rates paid on interest-bearing liabilities. Net interest margin is calculated as the annualized net interest income divided by average interest-earning assets. Because noninterest-bearing sources of funds, such as noninterest-bearing deposits and shareholders' equity, also fund interest-earning assets, net interest margin includes the benefit of these noninterest-bearing sources.

Changes in the market interest rates and interest rates we earn on interest-earning assets or pay on interest-bearing liabilities, as well as the volume and types of interest-earning assets, interest-bearing and noninterest-bearing liabilities and shareholders' equity, are usually the largest drivers of periodic changes in net interest spread, net interest margin and net interest income. We measure net interest income before and after provision for loan and lease losses required to maintain our allowance for loan and lease losses at acceptable levels.

***Noninterest Income.*** Noninterest income includes:

net gains on sales of loans into the capital markets and loan production revenue;

net loan servicing income, which includes loan servicing fees and other ancillary income less amortization and impairment of owned MSR generated from loans we service and sub-service;

deposit fee income;

other lease income, and

other noninterest income.

Changes in market interest rates and housing market conditions have a significant impact on our noninterest income. Lower interest rates have historically increased customer demand for loans to purchase homes and refinance existing

loans. Higher customer demand for loans generally results in higher gains on sale of loans and loan production revenue and higher expenses from amortization of owned MSR, which serve to lower net loan servicing income. Higher interest rates have converse effects. Our deposit fee income is largely impacted by the volume, growth and type of deposits we

## **Table of Contents**

hold, which are driven by prevailing market conditions for our deposit products, our marketing efforts and other factors.

***Noninterest Expense.*** Includes employees' salaries, commissions and other employee benefits expense, occupancy expense, equipment expense and general and administrative expense. Employees' salaries, commissions and other employee benefits expense include compensation, employee benefit and tax expenses for our personnel. Occupancy expense includes office and financial center lease and other occupancy-related expenses. Equipment expense includes furniture, fixtures and equipment expenses. General and administrative expenses include professional fees, other credit related expenses, foreclosure and REO expense, FDIC premium and assessments fees, advertising and marketing expense, loan origination and other general and administrative expenses. Noninterest expenses generally increase as we grow our business segments.

### ***Financial Condition***

The primary factors we use to evaluate and manage our financial condition include liquidity, asset quality and capital.

***Liquidity.*** We manage liquidity based upon factors that include the amount of core deposits as a percentage of total deposits, the level of diversification of our funding sources, the allocation and amount of our deposits among deposit types, the short-term funding sources used to fund assets, the amount of non-deposit funding used to fund assets, the availability of unused funding sources, off-balance sheet obligations, the availability of assets to be readily converted into cash without undue loss, the ability to securitize and sell certain pools of assets, the amount of cash and liquid securities we hold, and the re-pricing characteristics and maturities of our assets when compared to the re-pricing characteristics and maturities of our liabilities and other factors.

***Asset Quality.*** We manage the diversification and quality of our assets based upon factors that include the level, distribution, severity and trend of problem, classified, delinquent, non-accrual, non-performing and restructured assets; the adequacy of our allowance for loan and lease losses, or ALLL, discounts and reserves for unfunded loan commitments; the diversification and quality of loan and investment portfolios, the extent of counterparty risks and credit risk concentrations.

***Capital.*** We manage capital based upon factors that include the level and quality of capital and overall financial condition of the Company, the trend and volume of problem assets, the adequacy of discounts and reserves, the level and quality of earnings, the risk exposures in our balance sheet, the levels of Tier 1 (core), risk-based and tangible equity capital, the ratios of Tier 1 (core), risk-based and tangible equity capital to risk-weighted assets and total assets and other factors.

### ***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.

**Table of Contents**

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.

|  | <b>As of and for the<br/>Year Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2011</b>  | <b>2010</b> | <b>2009</b> |
| <b>Performance Metrics:</b>  |  |             |             |
| Yield on interest-earning assets   | 5.35%  | 6.51%       | 6.25%       |
| Cost of interest-bearing liabilities   | 1.38%  | 1.74%       | 2.53%       |
| Net interest spread  | 3.97%  | 4.77%       | 3.72%       |
| Net interest margin  | 4.11%  | 4.95%       | 3.93%       |
| Return on average assets   | 0.43%  | 1.77%       | 0.69%       |
| Return on average equity   | 5.22%  | 20.86%      | 11.46%      |
| Adjusted return on average assets <sup>(1)</sup>                                     | 0.87%  | 1.19%       | 0.69%       |
| Adjusted return on average equity <sup>(1)</sup>                                     | 10.66%   | 14.03%      | 11.49%      |
| <b>Credit Quality Ratios:</b>  |  |             |             |
| Adjusted non-performing assets as a percentage of total assets <sup>(2)</sup>        | 1.86%  | 2.09%       | 2.71%       |
| Adjusted ALLL as a percentage of loans and leases held for investment <sup>(3)</sup> | 1.15%  | 1.71%       | 2.46%       |
| <b>Capital Ratios:</b>   |  |             |             |
| Tier 1 (core) capital ratio (bank level) <sup>(4)</sup>                              | 8.0%   | 8.7%        | 8.0%        |
| Total risk-based capital ratio (bank level) <sup>(4)</sup>                           | 15.7%  | 17.0%       | 15.0%       |
| Tangible equity to tangible assets <sup>(5)</sup>                                    | 7.3%   | 8.3%        | 6.9%        |
| <b>Deposit Metrics:</b>  |  |             |             |
| Total core deposits as a percentage of total deposits <sup>(6)</sup>                 | 95.1%  | 97.8%       | 97.4%       |
| Deposit growth (trailing 12 months)  | 6.0%   | 53.3%       | 26.2%       |
| <b>Banking and Wealth Management Metrics:</b>  |  |             |             |
| Efficiency ratio <sup>(7)</sup>  | 42.8%  | 38.4%       | 27.8%       |
| <b>Mortgage Banking Metrics: (in millions)</b>                                       |  |             |             |
| Unpaid principal balance of loans originated   | \$ 5,974.2   | \$ 6,534.8  | \$ 7,613.2  |
| Unpaid principal balance of loans serviced for the Company and others                | 54,838.1   | 58,232.2    | 48,537.4    |
| <b>Share Data:</b>   |  |             |             |
| Net tangible book value per as converted common share <sup>(8)</sup>                 |  |             |             |
| Basic  | \$ 10.12   | \$ 10.65    | \$ 8.54     |
| Diluted  | 9.93   | 10.40       | 8.33        |

(1) Adjusted return on average assets equals adjusted net income attributable to the Company from continuing operations divided by average total assets and adjusted return on average equity equals adjusted net income

attributable to the Company from continuing operations divided by average shareholders' equity. Adjusted net income attributable to the Company from continuing operations is a non-GAAP measure of our financial performance. Adjusted net income attributable to the Company from continuing operations includes adjustments to our net income attributable to the Company from



**Table of Contents**

continuing operations for certain material items that we believe are not reflective of our ongoing business or operating performance including the Tygris and Bank of Florida acquisitions. There were no material items that gave rise to adjustments prior to the year ended December 31, 2010. Accordingly, for periods presented before the year ended December 31, 2010, we have not reflected adjustments to net income attributable to the Company from continuing operations calculated in accordance with GAAP.

A reconciliation of adjusted net income attributable to the Company from continuing operations to net income attributable to the Company from continuing operations, which is the most directly comparable GAAP measure, is as follows:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
|  | <b>(In thousands)</b>          |             |             |
| Net income attributable to the Company from continuing operations  | \$ 52,729                      | \$ 188,900  | \$ 53,537   |
| Bargain purchase gain on Tygris transaction, net of tax  |                                | (68,056)    |             |
| Gain on sale of investment securities due to portfolio concentration repositioning, net of tax                                 |                                | (12,337)    |             |
| Gain on repurchase of trust preferred securities, net of tax   | (2,910)                        | (3,556)     |             |
| Transaction and non-recurring regulatory related expense, net of tax   | 16,831                         | 5,984       |             |
| Loss on early extinguishment of acquired debt, net of tax  |                                | 6,411       |             |
| Decrease in fair value of Tygris indemnification asset resulting from a decrease in estimated future credit losses, net of tax | 5,382                          | 13,654      |             |
| Increase in Bank of Florida non-accretable discount, net of tax  | 3,007                          | 3,837       |             |
| Impact of change in ALLL methodology, net of tax   | 1,178                          |             |             |
| Early adoption of TDR guidance and policy change, net of tax   | 6,225                          |             |             |
| MSR impairment, net of tax   | 24,462                         |             |             |
| Tax benefit (expense) related to revaluation of Tygris net unrealized built-in losses, net of tax                              | 691                            | (7,840)     |             |
| Adjusted net income attributable to the Company from continuing operations   | \$ 107,595                     | \$ 126,997  | \$ 53,537   |

(2) We define non-performing assets, or NPA, as non-accrual loans, accruing loans past due 90 days or more and foreclosed property. Our NPA calculation excludes government-insured pool buyout loans for which payment is insured by the government. We also exclude loans, leases and foreclosed property acquired in the Tygris and Bank of Florida acquisitions because, as of December 31, 2011, we expected to fully collect the carrying value of such loans, leases and foreclosed property. For further discussion of NPA, see [Loan and Lease Quality](#) below.

(3) Adjusted ALLL as a percentage of loans held for investment equals the ALLL excluding the portion related to loans and leases accounted for under ASC 310-30 divided by loans and leases held for investment excluding loans and leases accounted for under ASC 310-30. Adjusted ALLL as a percentage of loans and leases held for investment is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is ALLL as a percentage of loans and leases held for investment. For further discussion of the ALLL and loans and leases accounted for under ASC 310-30, see [Loan and Lease Quality](#) below.

(4)

The Tier 1 (core) capital ratio and risk-based capital ratio are regulatory financial measures that are used to assess the capital position of financial services companies and, as such, these ratios are presented at the bank level. The Tier 1 (core) capital ratio is calculated as Tier 1 (core) capital divided by adjusted total assets. Tier 1 (core) capital includes common equity and certain qualifying preferred stock less goodwill, disallowed deferred tax assets and other regulatory deductions. Total assets are adjusted for goodwill, deferred tax assets disallowed from Tier 1 (core) capital and other regulatory adjustments.

**Table of Contents**

The risk-based capital ratio is calculated as total risk-based capital divided by total risk-weighted assets. Risk-based capital includes Tier 1 (core) capital, ALLL, subject to limitations, and other additions. 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.

- (5) In the calculation of the ratio of tangible equity to tangible assets, we deduct goodwill and intangible assets from the numerator and the denominator. We believe these adjustments are consistent with the manner in which other companies in our industry calculate the ratio of tangible equity to tangible assets.

A reconciliation of (1) tangible equity to shareholders' equity, which is the most directly comparable GAAP measure, and (2) tangible assets to total assets, which is the most directly comparable GAAP measure, is as follows:

|                      | 2011          | December 31,<br>2010<br>(In thousands) | 2009         |
|----------------------|---------------|--|--------------|
| Shareholders' equity | \$ 967,665    | \$ 1,013,198                           | \$ 553,911   |
| Less:                |               |  |              |
| Goodwill             | 10,238        | 10,238                                 | 239          |
| Intangible assets    | 7,404         | 8,621                                  |              |
| Tangible equity      | \$ 950,023    | \$ 994,339                             | \$ 553,672   |
| Total assets         | \$ 13,041,678 | \$ 12,007,886                          | \$ 8,060,179 |
| Less:                |               |  |              |
| Goodwill             | 10,238        | 10,238                                 | 239          |
| Intangible assets    | 7,404         | 8,621                                  |              |
| Tangible assets      | \$ 13,024,036 | \$ 11,989,027                          | \$ 8,059,940 |

- (6) We measure core deposits as a percentage of total deposits to monitor the amount of our deposits that we believe demonstrate characteristics of being long-term, stable sources of funding.

We define core deposits as deposits in which we interface directly with our customers. These deposits include demand deposits, negotiable order of withdrawal accounts, other transaction accounts, escrow deposits, money market deposit accounts, savings deposits, and time deposits where we maintain a primary customer relationship. Our definition of core deposits differs from regulatory and industry definitions, which generally exclude time deposits with balances greater than \$100,000 and/or deposits generated from sources under which marketing fees are paid as a percentage of the deposit. Because the balances held by our customers and methods by which we pay our marketing sources have not impacted the stability of our funding sources, in our determination of what constitutes a core deposit, we have focused on what we believe drives funding stability, i.e., whether we maintain the primary customer relationships.

We occasionally participate in Promontory Interfinancial Network, LLC's CDARS® One-Way Buy<sup>SM</sup> products and bulk orders of master certificates through deposit brokers, including investment banking and brokerage firms, to manage our liquidity needs. Because these deposits do not allow us to maintain the primary customer relationship, we do not characterize such deposits as core deposits.

**Table of Contents**

The calculation of core deposits is as follows:

|  | 2011          | December 31,<br>2010<br>(In thousands) | 2009         |
|--|---------------|--|--------------|
| Total deposits                                 | \$ 10,265,763 | \$ 9,683,054                           | \$ 6,315,287 |
| Less:  |               |  |              |
| Brokered deposits                              | 225,122       | 208,629                                | 167,345      |
| CDARS® One-Way Buy <sup>SM</sup> time deposits | 273,266       | 2,228                                  |              |
| Core deposits                                  | \$ 9,767,375  | \$ 9,472,197                           | \$ 6,147,942 |

- (7) The efficiency ratio represents noninterest expense from our Banking and Wealth Management segment as a percentage of total revenues from our Banking and Wealth Management segment. We use the efficiency ratio to measure noninterest costs expended to generate a dollar of revenue. Because of the significant costs we incur and fees we generate from activities related to our mortgage production and servicing operations, we believe the efficiency ratio is a more meaningful metric when evaluated within our Banking and Wealth Management segment.
- (8) Calculated as tangible shareholders' equity divided by shares of common stock. For purposes of computing net tangible book value per as converted common share, tangible book value equals shareholders' equity less goodwill and other intangible assets.

Basic and diluted net tangible book value per as converted common share are calculated using a denominator that includes actual period end common shares outstanding and additional common shares assuming conversion of all outstanding preferred stock to common stock. Diluted net tangible book value per as converted common share also includes in the denominator common stock equivalent shares related to stock options and common stock equivalent shares related to nonvested restricted stock units.

Net tangible book value per as converted common share is a non-GAAP financial measure, and its most directly comparable GAAP financial measure is book value per common share. For a reconciliation of shareholders' equity to tangible equity, see Note 5 above.

**Material Trends and Developments**

Our historical growth must be viewed in the context of the recent opportunities available to us over the past four years as a result of the confluence of our access to capital at a time when market dislocations of historical proportions resulted in unprecedented asset acquisition opportunities. Additionally, changes to the regulatory environment and our growth have recently increased the investments we made in our business infrastructure. Current and future market trends cannot be expected to produce the same opportunities that existed during the recent financial crisis. Important trends that will impact our growth and our results of operations are described below.

***Economic and Interest Rate Environment***

The results of our operations are highly dependent on economic conditions and market interest rates. Beginning in 2007, turmoil in the financial sector resulted in a reduced level of confidence in financial markets among borrowers, lenders and depositors, as well as extreme volatility in the capital and credit markets. In response to these conditions, the Board of Governors of the Federal Reserve System, or FRB, began decreasing short-term interest rates, with 11 consecutive decreases totaling 525 basis points between September 2007 and December 2008. To stimulate economic activity and stabilize the financial markets, the FRB maintained historically low market interest rates from 2009 to 2011. While market conditions improved during this period, continued economic uncertainty has resulted in high unemployment, low consumer confidence and depressed home prices. As part of a sustained effort to spur economic growth, the FRB has indicated that low market interest rates will likely continue into 2014.

**Table of Contents**

***Capital Raising Initiatives***

In 2008, we embarked on a growth plan designed to take advantage of our relative strength in a period of market disruption. Our plan was fueled by several capital-generating events, including the sale of our reverse mortgage operations to an unaffiliated third party in May 2008 and an equity private placement in the third quarter of 2008, which enabled us to deploy \$120.6 million of equity capital into lending, investment and deposit growth opportunities.

Additionally, we raised \$424.5 million of equity capital and added a new asset generation channel through the Tygris acquisition. As a result of this transaction, we increased our equity capital base in the fall of 2009 through \$65.0 million of pre-acquisition private placement investments made by Tygris into the Company and through the acquisition of Tygris in February 2010, which had \$359.6 million of net identifiable assets after purchase accounting adjustments.

The capital generated by our capital raising initiatives and any primary capital generated by this offering should allow us to continue to grow our balance sheet, expand our marketing initiatives and further build our core deposit base. We believe our strong capital position, particularly relative to our competitors in the marketplace who experienced significant liquidity and capital constraints, will continue to enable us to capitalize on banking, lending and investment opportunities with attractive risk-adjusted returns.

***Banking and Wealth Management***

Net interest income in our Banking and Wealth Management segment experienced significant growth during the period of market uncertainty that began in 2008, with contributions from both increased margin and higher earning asset levels. While short-term interest rates remained low during and after the financial crisis, disruptions in the financial sector, real estate market and capital markets widened liquidity risk premiums and enabled us to selectively acquire high credit quality investment securities and whole loans at a discount to par value. These discounted acquisitions resulted in significant accretion into interest income, particularly in 2010.

In more recent periods, as market conditions improved and liquidity risk premiums contracted, we executed a strategy to expand our organic asset generation while continuing to acquire loans and securities. We have recently expanded our retail and correspondent residential lending channels and have emphasized jumbo prime mortgages to our mass-affluent customer base. Through our 2010 acquisition of Tygris, we entered the commercial finance business and have significantly increased our origination activity within this segment. Finally, our 2010 acquisition of Bank of Florida enhanced our ability to originate and invest in small business commercial loans. Efforts to build our residential lending, commercial finance and commercial lending channels enabled us to originate loans and leases for our balance sheet. We also recently acquired MetLife Bank's warehouse finance business, which we expect to contribute a meaningful amount of commercial lending volume in the future if we successfully integrate the acquired business.

We funded our asset retention and acquisition initiatives through a combination of deposit growth, other borrowings and the capital raising initiatives discussed earlier. Our deposits grew by approximately \$5.3 billion, or 105%, from December 31, 2008 to \$10.3 billion at December 31, 2011. The Bank of Florida acquisition contributed \$0.9 billion, or 17%, to total deposit growth during the same time period. Sustained reductions in the federal funds rate set by the FRB provided a declining cost of funds used to pursue lending and acquisition activities. A low cost of funds, coupled with significant accretion income, resulted in historically high net interest margins while our asset portfolio maintained a sound credit profile. Our net interest margin declined in 2011, as accretion income from discounted acquisitions comprised a lower percentage of interest income. While we believe wide-scale disruptions in the real estate markets will continue to provide us with attractive margins on our lending and investing activities, we do not expect to acquire additional high credit quality assets at significant discounts to par value going forward.





## **Table of Contents**

Due to general declines in the real estate housing markets, we experienced elevated levels of loan and lease loss provisioning in 2009 and 2010. Loan and lease loss provisioning declined in 2011 as economic conditions improved. Continued economic improvement could moderate or further reduce loss provisioning in the future, which would benefit our net interest income after loan and lease loss provisions. Lastly, we expect higher noninterest expense in the Banking and Wealth Management segment in future periods as we increase the scope of our marketing efforts, invest in our banking and lending infrastructure and seek to build our national brand recognition. We expect the Banking and Wealth Management segment's earnings will continue to represent a significant percentage of total earnings in the future.

### ***Mortgage Banking***

Our Mortgage Banking segment is comprised of fees earned from our mortgage origination and servicing businesses that historically have counterbalanced each other. As a result of residential real estate purchasing and refinancing activity due to the low interest rate environment and tax credits available to certain home buyers, our mortgage origination volume increased by 41% to \$7.6 billion in 2009 from \$5.4 billion in 2008. Mortgage origination volume decreased to \$6.5 billion, or 14%, during 2010 from \$7.6 billion in 2009 as the stimulus from lower interest rates and housing support programs waned. In 2011, mortgage origination volume decreased \$560.6 million, or 9%, to \$6.0 billion, from \$6.5 billion in 2010 due to lower volume in our wholesale channel as a result of contraction in the third-party market.

The low interest rate environment of 2009 and 2010 drove significant refinance activity in our mortgage origination business. During this time, financial service firms limited investments in MSR assets which created attractive opportunities to retain and acquire MSR assets in the market at more conservative valuations. We capitalized on these opportunities by increasing our MSR assets by approximately 14% from 2009 to 2010.

However, the sustained low interest rate environment, which the FRB has indicated will likely continue until late 2014, has led to higher loan servicing amortization levels and MSR impairment charges in 2011. Additionally, higher delinquency rates and new regulatory requirements led us to increase our servicing and default staff over the last few years, which resulted in higher operational expenses. These increased expenses and higher loan servicing amortization levels partially offset higher mortgage origination income and increased loan servicing fees. The balance of our MSR assets decreased 15% from 2010 to 2011 due primarily to MSR amortization and a valuation allowance of \$39.5 million recorded as of December 31, 2011, partially offset by capitalized MSR resulting from sale of loans we originated and sold with servicing retained.

We believe uncertainty in the mortgage market regarding future regulation and government participation could cause competitors to retreat from the market, creating opportunities for us to grow our mortgage business. At this time, we do not plan significant future investments in MSR due to regulatory constraints. As a result, we expect our fee income from mortgage servicing will not experience material prospective growth consistent with our recent trends. In addition, we may experience lower mortgage origination volumes due to new regulations, lower rates of refinancing and higher expected mortgage rates if government and monetary policies designed to stimulate real estate activity do not persist. This would favorably impact our mortgage servicing business through lower mortgage servicing amortization levels and negatively impact our mortgage origination business.

### ***Corporate Services***

During 2010 and 2011, we made significant investments and incurred significant increases to our corporate services expenses resulting from enhancements to our business processes, management structure and operating platforms. We believe these enhancements were necessary to comply with the changing regulatory environment and position the Company for continued growth. In recent periods, we incurred legal and third-party consulting expenses and

substantially increased personnel

## **Table of Contents**

in compliance, accounting and risk management to comply with new regulatory and public company standards. We made selective additions to our management team and added key business line leaders, including hiring a new Chief Financial Officer, Executive Vice President-Residential and Consumer Lending and Chief Information Officer. We also added support staff for channel expansions in our mortgage and commercial lending businesses. Finally, we made investments in technology, marketing and facilities in order to improve the scalability of our deposit and lending platforms.

These investments resulted in increases in corporate services noninterest expense during these periods. We believe our business infrastructure will enable us to grow our business efficiently and further capitalize on organic growth and strategic acquisition opportunities.

### ***Regulatory Environment***

As a result of regulatory changes, including the Dodd-Frank Act, Basel III and other new legislation, we expect to be subject to new and potentially heightened examination and reporting requirements. In 2011, we incurred noninterest expense for the implementation of new Dodd-Frank Act requirements, consolidation of thrift supervision from the OTS into the OCC, initiation of new systems and processes resulting from our growth above \$10.0 billion in assets into the OCC's mid-tier bank review group, expenses related to compliance with the historical audit requirements of the horizontal servicer foreclosure review, increases in FDIC deposit assessments and changes to our corporate governance structure.

In addition, in April 2011, we and Everbank each entered into a consent order with the OTS, with respect to Everbank's mortgage foreclosure practices and our oversight of those practices. The consent orders require, among other things, that we establish a new compliance program for our mortgage servicing and foreclosure operations and that we ensure that we have dedicated resources for communicating with borrowers, policies and procedures for outsourcing foreclosure or related functions and management information systems that ensure timely delivery of complete and accurate information. We are also required to retain an independent firm to conduct a review of residential foreclosure actions that were pending from January 1, 2009 through December 31, 2010 in order to determine whether any borrowers sustained financial injury as a result of any errors, misrepresentations or deficiencies and to provide remediation as appropriate. We are working to fulfill the requirements of the consent orders. In response to the consent orders, we have established an oversight committee to monitor the implementation of the actions required by the consent orders. Furthermore, we have enhanced and updated several policies, procedures, processes and controls to help ensure the mitigation of the findings of the consent orders. In addition, we have enhanced our third-party vendor management system and our compliance program, hired additional personnel and retained an independent firm to conduct foreclosure reviews. We expect to continue to incur higher noninterest expense to comply with the consent orders and the new regulations.

Additionally, regulatory changes have resulted in more restrictive capital requirements and more stringent asset concentration and growth limitations including, but not limited to, limits in concentrations in MSR, nonagency mortgage securities and brokered deposits. Due to heightened costs and regulatory restrictions, we could face a challenging environment for customer loan demand due to the increased costs that could be ultimately borne by borrowers. This uncertain regulatory environment could have a detrimental impact on our ability to manage our business consistent with historical practices and cause difficulty in executing our growth plan. See **Risk Factors** **Regulatory and Legal Risks** and **Regulation and Supervision**.

### ***Credit Reserves***

One of our key operating objectives has been, and continues to be, to maintain an appropriate level of reserves against probable losses in our loan and lease portfolio. Due to general stabilization in the real estate and housing markets, we

have experienced decreased levels of loan and lease loss provisioning within our portfolio. For the year ended December 31, 2011, our provision for loan and

**Table of Contents**

lease losses was \$49.7 million, a 37% decrease from 2010 where the provision for loan and lease losses was \$79.3 million. For the year ended December 31, 2010, our provision for loan and lease losses decreased 35% from \$121.9 million for the year ended December 31, 2009. As a result of the limited remaining legacy commercial real estate portfolio and our allowance and discount position on other loans and leases, we believe provisions associated with existing problem loans and leases should continue to be monitored as these and other more distressed legacy vintages work through our loan portfolio.

In addition to the ALLL, we have other credit-related reserves or discounts, including reserves for unfunded loan and lease commitments and purchase discounts related to certain acquired loans and leases. See Discounts on Acquired Loans and Lease Financing Receivables for information related to purchase discounts.

**Average Balance Sheet, Interest and Yield/Rate Analysis**

The following tables present average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2011, 2010 and 2009. The average balances are principally daily averages and, for loans, include both performing

**Table of Contents**

and non-performing balances. Interest income on loans includes the effects of discount accretion and net deferred loan origination costs accounted for as yield adjustments.

|  | Year Ended December 31, |            |                |                    |            |                |                    |            |
|--|-------------------------|------------|----------------|--------------------|------------|----------------|--------------------|------------|
|  | 2011                    |            |                | 2010               |            |                | 2009               |            |
|  | Average<br>Balance      | Interest   | Yield/<br>Rate | Average<br>Balance | Interest   | Yield/<br>Rate | Average<br>Balance | Interest   |
|  | (In thousands)          |            |                |                    |            |                |                    |            |
| earning assets:                        |                         |            |                |                    |            |                |                    |            |
| Cash equivalents                       | \$ 553,281              | \$ 1,432   | 0.26%          | \$ 494,078         | \$ 1,210   | 0.24%          | \$ 209,669         | \$ 525     |
| Securities                             | 2,582,080               | 106,054    | 4.11%          | 2,318,193          | 158,953    | 6.86%          | 956,230            | 130,003    |
| Investments                            | 100,772                 | 796        | 0.79%          | 112,350            | 464        | 0.41%          | 87,421             | 303        |
| Loans for sale                         | 1,348,214               | 62,895     | 4.67%          | 1,091,092          | 50,535     | 4.63%          | 1,139,930          | 62,024     |
| Leases held for sale                   |                         |            |                |                    |            |                |                    |            |
| Loans:                                 |                         |            |                |                    |            |                |                    |            |
| Commercial mortgages                   | 4,554,717               | 211,996    | 4.65%          | 3,642,437          | 191,828    | 5.27%          | 3,645,449          | 205,341    |
| Commercial and residential real estate | 1,155,707               | 68,845     | 5.96%          | 1,075,546          | 59,172     | 5.50%          | 768,387            | 33,328     |
| Financing                              |                         |            |                |                    |            |                |                    |            |
| Loans                                  | 481,216                 | 126,208    | 26.23%         | 432,833            | 141,353    | 32.66%         |                    |            |
| Lines of credit                        | 211,435                 | 9,748      | 4.61%          | 226,961            | 8,612      | 3.79%          | 239,692            | 8,718      |
| and credit card                        | 9,332                   | 246        | 2.64%          | 10,028             | 380        | 3.79%          | 5,677              | 352        |
| Leases and leases held for sale        |                         |            |                |                    |            |                |                    |            |
| Investment                             | 6,412,407               | 417,043    | 6.50%          | 5,387,805          | 401,345    | 7.45%          | 4,659,205          | 247,739    |
| Interest-earning                       |                         |            |                |                    |            |                |                    |            |
| Assets                                 | 10,996,754              | \$ 588,220 | 5.35%          | 9,403,518          | \$ 612,507 | 6.51%          | 7,052,455          | \$ 440,594 |
| Non-interest-earning assets            | 1,321,352               |            |                | 1,290,273          |            |                | 713,141            |            |
| Total assets                           | \$ 12,318,106           |            |                | \$ 10,693,791      |            |                | \$ 7,765,596       |            |
| Liabilities and equity:                |                         |            |                |                    |            |                |                    |            |
| Equity:                                |                         |            |                |                    |            |                |                    |            |
| Accruing liabilities:                  |                         |            |                |                    |            |                |                    |            |
| Accruing demand                        | \$ 2,052,353            | \$ 18,320  | 0.89%          | \$ 1,694,233       | \$ 20,502  | 1.21%          | \$ 1,308,492       | \$ 22,402  |
| Used money                             |                         |            |                |                    |            |                |                    |            |
| Accounts                               | 451,740                 | 4,197      | 0.93%          | 366,774            | 4,504      | 1.23%          | 321,934            | 5,779      |
| and money market                       |                         |            |                |                    |            |                |                    |            |
| excluding                              |                         |            |                |                    |            |                |                    |            |
| Used                                   | 3,682,067               | 33,600     | 0.91%          | 2,839,705          | 35,389     | 1.25%          | 1,865,472          | 34,271     |
| Used time                              | 947,133                 | 8,859      | 0.94%          | 758,693            | 8,242      | 1.09%          | 611,968            | 11,063     |
| Total liabilities                      | 1,770,342               | 32,035     | 1.81%          | 1,781,052          | 32,772     | 1.84%          | 1,093,313          | 34,181     |

|                        |               |            |       |               |            |       |              |            |
|------------------------|---------------|------------|-------|---------------|------------|-------|--------------|------------|
| cluding<br>ed          |               |            |       |               |            |       |              |            |
| sits                   | 8,903,635     | 97,011     | 1.09% | 7,440,457     | 101,409    | 1.36% | 5,201,179    | 107,696    |
| S:                     |               |            |       |               |            |       |              |            |
| rred securities        | 104,106       | 6,641      | 6.38% | 117,019       | 7,769      | 6.64% | 123,000      | 8,677      |
| ances                  | 794,268       | 31,912     | 4.02% | 850,184       | 35,959     | 4.23% | 1,117,612    | 46,793     |
| e agreements           | 20,561        | 346        | 1.68% | 12,560        | 212        | 1.69% | 1,496        | 16         |
|                        | 5             |            | 0.00% | 33,188        | 1,818      | 5.48% | 11,510       | 29         |
| est-bearing            |               |            |       |               |            |       |              |            |
|                        | 9,822,575     | \$ 135,910 | 1.38% | 8,453,408     | \$ 147,167 | 1.74% | 6,454,797    | \$ 163,211 |
| t-bearing              |               |            |       |               |            |       |              |            |
| osits                  | 1,123,830     |            |       | 1,039,096     |            |       | 678,572      |            |
| nterest-bearing        |               |            |       |               |            |       |              |            |
|                        | 349,981       |            |       | 261,096       |            |       | 159,259      |            |
| ities                  | 11,296,386    |            |       | 9,753,600     |            |       | 7,292,628    |            |
| holders equity         | 1,021,720     |            |       | 940,191       |            |       | 472,968      |            |
| ities and<br>rs equity | \$ 12,318,106 |            |       | \$ 10,693,791 |            |       | \$ 7,765,596 |            |
| t income/spread        |               | \$ 452,310 | 3.97% |               | \$ 465,340 | 4.77% |              | \$ 277,383 |
| t margin               |               |            | 4.11% |               |            | 4.95% |              |            |

**Table of Contents****Interest Rates and Operating Interest Differential**

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

|   | Year Ended December 31,<br>2011 Compared to 2010 |            |            | 2010 Compared to 2009                |            |            |
|---|--|------------|------------|--------------------------------------|------------|------------|
|   | Increase (Decrease) Due to<br>Volume             | Rate       | Total      | Increase (Decrease) Due to<br>Volume | Rate       | Total      |
|   | (In thousands)                                   |            |            |                                      |            |            |
| Interest-earning assets:                                  |  |            |            |                                      |            |            |
| Cash and cash equivalents                                 | \$ 142   | \$ 80      | \$ 222     | \$ 711                               | \$ (26)    | \$ 685     |
| Investment securities                                     | 18,103   | (71,002)   | (52,899)   | 185,227                              | (156,277)  | 28,950     |
| Other investments   | (47)   | 379        | 332        | 87                                   | 74         | 161        |
| Loans held for sale                                       | 11,905   | 455        | 12,360     | (2,657)                              | (8,832)    | (11,489)   |
| Loans and leases held for investment:                     |  |            |            |                                      |            |            |
| Residential mortgages                                     | 48,077   | (27,909)   | 20,168     | (170)                                | (13,343)   | (13,513)   |
| Commercial and commercial real estate                     | 4,409  | 5,264      | 9,673      | 13,331                               | 12,513     | 25,844     |
| Lease financing receivables                               | 15,802   | (30,947)   | (15,145)   | 141,353                              |            | 141,353    |
| Home equity lines   | (588)  | 1,724      | 1,136      | (463)                                | 357        | (106)      |
| Consumer and credit card                                  | (26)   | (108)      | (134)      | 270                                  | (242)      | 28         |
| Total loans and leases held for investment                | 67,674   | (51,976)   | 15,698     | 154,321                              | (715)      | 153,606    |
| Total change in interest income                           | 97,777   | (122,064)  | (24,287)   | 337,689                              | (165,776)  | 171,913    |
| Interest-bearing liabilities:                             |  |            |            |                                      |            |            |
| Deposits:   |  |            |            |                                      |            |            |
| Interest-bearing demand                                   | \$ 4,333   | \$ (6,515) | \$ (2,182) | \$ 6,596                             | \$ (8,496) | \$ (1,900) |
| Market-based money market accounts                        | 1,045  | (1,352)    | (307)      | 807                                  | (2,082)    | (1,275)    |
| Savings and money market accounts, excluding market-based | 10,530   | (12,319)   | (1,789)    | 17,926                               | (16,808)   | 1,118      |
| Market-based time   | 2,054  | (1,437)    | 617        | 2,656                                | (5,477)    | (2,821)    |
| Time, excluding market-based                              | (197)  | (540)      | (737)      | 21,526                               | (22,935)   | (1,409)    |
| Total deposits  | 17,765   | (22,163)   | (4,398)    | 49,511                               | (55,798)   | (6,287)    |
| Other borrowings:   |  |            |            |                                      |            |            |
| Trust preferred securities                                | (857)  | (271)      | (1,128)    | (422)                                | (486)      | (908)      |



Edgar Filing: EverBank Financial Corp - Form S-1/A

|                                     |           |             |             |            |              |            |
|-------------------------------------|-----------|-------------|-------------|------------|--------------|------------|
| FHLB advances                       | (2,365)   | (1,682)     | (4,047)     | (11,205)   | 371          | (10,834)   |
| Repurchase agreements               | 135       | (1)         | 134         | 115        | 81           | 196        |
| Other                               | (1,818)   |             | (1,818)     | 54         | 1,735        | 1,789      |
| Total change in interest expense    | 12,860    | (24,117)    | (11,257)    | 38,053     | (54,097)     | (16,044)   |
| Total change in net interest income | \$ 84,917 | \$ (97,947) | \$ (13,030) | \$ 299,636 | \$ (111,679) | \$ 187,957 |

**Table of Contents****Results of Operations Comparison of Results of Operations for the Years Ended December 31, 2011 and 2010**

|   | <b>Year Ended<br/>December 31,</b> |             | <b>%</b>      |
|---|------------------------------------|-------------|---------------|
|   | <b>2011</b>                        | <b>2010</b> | <b>Change</b> |
|   | <b>(In thousands)</b>              |             |               |
| Interest income   | \$ 588,220                         | \$ 612,507  | (4)%          |
| Interest expense  | 135,910                            | 147,167     | (8)%          |
| Net interest income   | 452,310                            | 465,340     | (3)%          |
| Provision for loan and lease losses                           | 49,704                             | 79,341      | (37)%         |
| Net interest income after provision for loan and lease losses | 402,606                            | 385,999     | 4%            |
| Noninterest income  | 233,103                            | 357,807     | (35)%         |
| Noninterest expense   | 554,195                            | 493,933     | 12%           |
| Income before income taxes                                    | 81,514                             | 249,873     | (67)%         |
| Provision for income taxes                                    | 28,785                             | 60,973      | (53)%         |
| Net income  | \$ 52,729                          | \$ 188,900  | (72)%         |

***Interest Income***

Our total interest income decreased by \$24.3 million, or 4%, to \$588.2 million in 2011 from \$612.5 million in 2010, primarily due to a decrease in interest earned from our investment securities portfolio offset by increases in interest income from our loan portfolio.

Interest income earned on our loan and lease portfolio increased by \$28.1 million, or 6%, to \$479.9 million in 2011 from \$451.9 million in 2010. This increase consisted of a \$15.7 million increase in interest income earned on our average balance of loans and leases held for investment, and a \$12.4 million increase in interest income earned on our average balance of loans held for sale. The increase in interest income earned on our loans and leases held for investment was primarily driven by \$20.2 million and \$9.7 million of interest income earned on our residential mortgages and commercial and commercial real estate loans, respectively. The increase in interest income on our residential mortgages is due to increases in originations partially offset by decreases in interest rates as a result of decreases in interest rates associated with the new volume. The increase in interest income on our commercial and commercial real estate loans is due to the timing of the Bank of Florida transaction in May 2010. The increase in interest income is offset by a \$15.1 million decrease in interest income generated from lease financing receivables. The decrease in yield is a result of continued run off of deeply discounted receivables acquired as part of the Tygris acquisition.

Interest income earned on our investment securities portfolio decreased by \$52.6 million, or 33%, to \$106.9 million in 2011 from \$159.4 million in 2010. This decrease was primarily driven by a 275 basis point decrease in yield on the average balance of our investment securities portfolio to 4.11% in 2011 from 6.86% in 2010 offset by a \$263.9 million, or 11%, increase in the average balance of our investment securities portfolio to \$2,582.1 million in 2011 from \$2,318.2 million in 2010. The decrease in yield resulted from lower discount accretion and the addition of lower yielding agency securities during 2011.



**Table of Contents**

***Interest Expense***

Interest expense decreased by \$11.3 million, or 8%, to \$135.9 million in 2011 from \$147.2 million in 2010, primarily due to decreases in other borrowings interest expense and in our deposit interest expense.

Other borrowings interest expense decreased by \$6.9 million, or 15%, to \$38.9 million in 2011 from \$45.8 million in 2010. This decrease is primarily attributable to a decrease of \$94.0 million, or 9%, in our average other borrowings balance to \$918.9 million in 2011 from \$1,013.0 million in 2010. In January 2011, we purchased \$10.0 million of our own trust preferred securities due in September 2037.

Deposit interest expense decreased by \$4.4 million, or 4%, to \$97.0 million in 2011 from \$101.4 million in 2010. The decrease largely resulted from a 27 basis point decrease in deposit yield to 1.09% for 2011 from 1.36% for 2010 as a result of lower deposit costs due to lower market interest rates. Interest rates were reduced during 2011 to align our deposit levels with lower market interest rates. The decrease was partially offset by an increase of \$1,463.1 million, or 20%, in our average deposit balance to \$8,903.6 million in 2011 from \$7,440.5 million in 2010.

***Provision for Loan and Lease Losses***

Provision for loan and lease losses decreased by \$29.6 million, or 37%, to \$49.7 million in 2011 from \$79.3 million in 2010. This decrease was primarily a reflection of lower incurred losses on our legacy commercial and commercial real estate loans held for investment.

***Noninterest Income***

Noninterest income decreased by \$124.7 million, or 35%, to \$233.1 million for in 2011 from \$357.8 million in 2010. The decrease is primarily a result of the bargain purchase gain of \$68.1 million related to the Tygris acquisition in February 2010 and a decrease in net servicing income. Significant components of noninterest income are discussed below.

***Loan Production Revenue.*** Loan production revenue decreased \$8.4 million, or 24%, to \$26.5 million during 2011 from \$34.9 million during 2010, primarily as a result of a decline in volume and lower fees associated with originating residential mortgage loans.

***Net Loan Servicing Income.*** Net loan servicing decreased by \$63.7 million, or 54%, to \$54.0 million in 2011 from \$117.7 million in 2010. This decrease was attributable to a \$42.4 million, or 45%, increase in the amortization expense and impairment of MSR to \$135.5 million in 2011 from \$93.1 million in 2010. This increase is the result of a \$39.5 million impairment charge driven by increasing prepayments and higher net servicing costs. Loan servicing fee income decreased to \$189.4 million in 2011 from \$210.8 million in 2010. The decrease in net loan servicing fee income is due to a \$3.4 billion, or 6%, decrease in the unpaid principal balance, or UPB, of our servicing portfolio to \$54.8 billion as of December 31, 2011 from \$58.2 billion as of December 31, 2010. Prepayments exceeded new servicing retained from loans originated internally.

***Deposit Fee Income.*** Noninterest income earned on deposit fees increased by \$6.2 million, or 31%, to \$26.0 million in 2011 from \$19.8 million in 2010. This was largely attributable to a \$6.0 million increase in fee income associated with an increase in volume of our WorldCurrency® deposit products.

***Other Noninterest Income.*** Other noninterest income decreased by \$58.8 million, or 32%, to \$126.7 million in 2011 from \$185.5 million in 2010. This decrease was largely attributable to a \$68.1 million non-recurring bargain purchase gain related to the Tygris acquisition in February 2010. This decrease was partially offset by an increase in operating

lease income of \$9.6 million, or 45%, to \$30.9 million in 2011 from \$21.3 million in 2010. In addition, we generated \$15.9 million of gains from

**Table of Contents**

the sale of investment securities in our portfolio in 2011 compared to \$22.0 million of net gains in 2010.

***Noninterest Expense***

Noninterest expenses increased by \$60.3 million, or 12%, to \$554.2 million in 2011 from \$493.9 million in 2010. Significant components of this increase are discussed below.

***Salaries, Commissions and Other Employee Benefits.*** Salaries, commissions and other employee benefits expense increased by \$31.0 million, or 15%, to \$232.8 million in 2011 from \$201.8 million in 2010, due to increases in salaries, benefits and incentives resulting from higher staffing levels from our Tygris and Bank of Florida acquisitions, our mortgage banking business, and corporate administration growth to support general operations. Headcount increased by 5% from 2010 to 2011 and by 31% from 2009 to 2010, which helps account for the variance in expense on a full year basis.

***Equipment and Occupancy.*** Equipment and occupancy expense increased by \$16.6 million, or 31%, to \$69.9 million in 2011 from \$53.3 million in 2010, due primarily to increases of \$3.1 million in computer expense and \$12.8 million in depreciation expense. Company growth due to the Tygris and Bank of Florida acquisitions were the primary drivers of the expense increase.

***General and Administrative.*** General and administrative expense increased by \$12.6 million, or 5%, to \$251.5 million in 2011 from \$238.9 million in 2010, due to increases in legal and transaction expenses and FDIC insurance premiums, partially offset by a decrease in other credit-related expenses. Legal expenses increased \$10.3 million and other professional expense increased \$25.2 million, as a result of expenses related to this offering, preparations for becoming a public company, the Bank of Florida and Tygris acquisitions, and legal and regulatory compliance, including compliance with the consent orders entered into in April 2011 and the third party review of historical residential mortgage foreclosure actions. Foreclosure and OREO related expenses increased \$13.7 million. The FDIC premium assessment and agency fees increased \$14.1 million. The increase in general and administrative expenses was partially offset by a decrease in production reserves of \$16.6 million and counter party reserves of \$12.7 million as a result of decreasing loan repurchase requests. Additionally, we experienced a decrease in the non-recurring loss on debt extinguishments of \$10.3 million incurred in the comparative period. The indemnification asset write down related to the Tygris acquisition was \$8.7 million in 2011. This was a decrease of \$13.3 million from a write down of \$22.0 million in 2010. The write down of the indemnification asset resulted from a decrease in estimated future credit losses. The carrying value of the indemnification asset was \$0 as of December 31, 2011.

***Income Taxes***

Provision for income taxes decreased by \$32.2 million, or 53%, to \$28.8 million in 2011 from \$61.0 million in 2010, primarily due to a decrease in pre-tax income. Our effective tax rates were 35.3% and 24.4% in 2011 and 2010, respectively. Our effective tax rate in 2010 was reduced due to the nontaxable bargain purchase gain of \$68.1 million and a \$7.8 million tax benefit resulting from the revaluation of net unrealized built-in losses. Excluding the impact of the non-recurring items from the Tygris acquisition, the effective tax rate was 37% in 2010.

**Table of Contents****Results of Operations Comparison of Results of Operations for the Years Ended December 31, 2010 and December 31, 2009**

|   | <b>Year Ended<br/>December 31,</b> |             | <b>%</b>      |
|---|------------------------------------|-------------|---------------|
|   | <b>2010</b>                        | <b>2009</b> | <b>Change</b> |
|   | <b>(In thousands)</b>              |             |               |
| Interest income   | \$ 612,507                         | \$ 440,594  | 39%           |
| Interest expense  | 147,167                            | 163,211     | (10)%         |
| Net interest income   | 465,340                            | 277,383     | 68%           |
| Provision for loan and lease losses                           | 79,341                             | 121,912     | (35)%         |
| Net interest income after provision for loan and lease losses | 385,999                            | 155,471     | 148%          |
| Noninterest income  | 357,807                            | 232,098     | 54%           |
| Noninterest expense   | 493,933                            | 299,179     | 65%           |
| Income before income taxes                                    | 249,873                            | 88,390      | 183%          |
| Provision for income taxes                                    | 60,973                             | 34,853      | 75%           |
| Net income from continuing operations                         | 188,900                            | 53,537      | 253%          |
| Discontinued operations, net of income taxes                  |                                    | (172)       |               |
| Net income  | \$ 188,900                         | \$ 53,365   | 254%          |

***Interest Income***

Our total interest income increased by \$171.9 million, or 39%, to \$612.5 million in 2010 from \$440.6 million in 2009, primarily due to increases in interest income from our loans held for investment and investment securities portfolio.

Interest income earned on our loan and lease portfolio increased by \$142.1 million, or 46%, to \$451.9 million in 2010 from \$309.8 million in 2009. This increase consisted of a \$153.6 million increase in interest income earned on our average balance of loans and leases held for investment, partially offset by a \$11.5 million decrease in interest income earned on our average balance of loans held for sale. The \$153.6 million increase in interest income earned on our loans and leases held for investment was primarily driven by \$141.4 million and \$25.8 million of interest income earned on our lease financing receivables and commercial and commercial real estate loans, respectively, partially offset by a \$13.5 million, or 7%, decrease in interest income earned on residential mortgage loans. The \$141.4 million of interest income earned on our lease financing receivables resulted from our acquisition of Tygris, including accretion of discounts of \$86.4 million, and was not a component of interest income in 2009. The decrease in interest income earned on our loans held for sale was primarily driven by a \$48.8 million, or 4%, decrease in the average balance of our loans held for sale to \$1.1 billion in 2010. The decrease in average balance was the result of a decrease in mortgage origination volumes and lower yields due to lower market interest rates to which such yields are indexed.

Interest income earned on our available for sale, or AFS, held to maturity, or HTM, and trading securities increased by \$29.0 million, or 22%, to \$159.0 million in 2010 from \$130.0 million in 2009. This increase was primarily driven by a \$1.4 billion, or 142%, increase in the average balance of our investment securities portfolio to \$2.3 billion in 2010

from \$956.2 million in 2009, partially offset by a 674 basis point decrease in yield on the average balance of our investment securities portfolio to 6.86% in 2010 from 13.6% in 2009. The decrease in yield resulted from higher discount accretion in 2009 due to higher prepayment volumes.



**Table of Contents*****Interest Expense***

Interest expense decreased by \$16.0 million, or 10%, to \$147.2 million in 2010 from \$163.2 million in 2009, primarily due to decreases in our deposit interest expense and other borrowings interest expense.

Deposit interest expense decreased by \$6.3 million, or 6%, to \$101.4 million in 2010 from \$107.7 million in 2009. The decrease largely resulted from lower deposit costs due to lower market interest rates, partially offset by an increase of \$2.2 billion, or 43%, in our average deposit balance to \$7.4 billion in 2010 from \$5.2 billion in 2009.

Other borrowings interest expense decreased by \$9.8 million, or 18%, to \$45.8 million in 2010 from \$55.5 million in 2009. This decrease is primarily attributable to a decrease of \$240.7 million, or 19%, in our average other borrowings balance to \$1.0 billion in 2010 from \$1.3 billion in 2009.

***Provision for Loan and Lease Losses***

Provision for loan and lease losses decreased by \$42.6 million, or 35%, to \$79.3 million in 2010 from \$121.9 million in 2009. This decrease was primarily a reflection of lower expected losses on our legacy commercial and commercial real estate loans held for investment.

***Noninterest Income***

Noninterest income increased by \$125.7 million, or 54%, to \$357.8 million in 2010 from \$232.1 million in 2009. Significant components of this increase are discussed below.

***Gain on Sale of Loans and Loan Production Revenue.*** Noninterest income earned on the gain on sale of loans decreased by \$0.5 million, or 1%, to \$66.0 million in 2010 from \$66.4 million in 2009, primarily as a result of lower mortgage origination volumes generating lower gains on the sale of such loans into the capital markets. Loan production revenue decreased \$4.5 million, or 11%, to \$34.9 million in 2010 from \$39.3 million in 2009, primarily as a result of lower fees associated with originating fewer residential mortgage loans.

***Net Loan Servicing Income.*** Noninterest income earned on net loan servicing increased by \$25.5 million, or 28%, to \$117.7 million in 2010 from \$92.2 million in 2009. This increase was largely attributable to the \$5.1 billion, or 10%, increase in the unpaid principal balance, or UPB, of our servicing portfolio to \$56.4 billion in 2010 from \$51.3 billion in 2009, resulting from increased retention of originated MSR and bulk acquisitions of loan servicing portfolios. This increase was also driven by a \$53.2 million, or 34%, increase in loan servicing fee income to \$210.8 million in 2010 from \$157.7 million in 2009, partially offset by a \$27.7 million, or 42%, increase in the amortization of MSR to \$93.1 million in 2010 from \$65.5 million in 2009. The increase in net loan servicing fee income was primarily attributable to the increase in UPB while the amortization of MSR increase was primarily attributed to higher prepayment activity due to the market interest rate environment.

***Deposit Fee Income.*** Noninterest income earned on deposit fees decreased by \$2.3 million, or 10%, to \$19.8 million in 2010 from \$22.0 million in 2009. This was largely attributable to a \$3.2 million decrease in fee income associated with our WorldCurrency<sup>®</sup> deposit products due to lower transaction volumes.

***Other Noninterest Income.*** Other noninterest income increased by \$107.4 million, or 886%, to \$119.5 million in 2010 from \$12.1 million in 2009. This increase was largely attributable to a \$68.1 million non-recurring bargain purchase gain related to the Tygris acquisition and \$21.3 million of operating lease income. In addition, we generated \$21.9 million of gains in 2010 from the sale of investment securities in our portfolio compared to \$7.4 million of gains in 2009.



## **Table of Contents**

### ***Noninterest Expense***

Noninterest expenses increased by \$194.8 million, or 65%, to \$493.9 million in 2010 from \$299.2 million in 2009. Significant components of this increase are discussed below.

***Salaries, Commissions and Other Employee Benefits.*** Salaries, commissions and other employee benefits expense increased by \$51.2 million, or 34%, to \$201.8 million in 2010 from \$150.6 million in 2009, due to increases in salaries, benefits and incentives resulting from higher staffing levels from our Tygris and Bank of Florida acquisitions and in our mortgage banking business. Total headcount increased by 31%.

***Equipment and Occupancy.*** Equipment and occupancy expense increased by \$15.3 million, or 40%, to \$53.3 million in 2010 from \$38.0 million in 2009, due primarily to increases of \$4.9 million in lease expense, \$4.5 million in computer expense and \$1.6 million in depreciation expense. The Tygris and Bank of Florida acquisitions were the primary drivers of the expense increase.

***General and Administrative.*** General and administrative expense increased by \$128.3 million, or 116%, to \$238.9 million in 2010 from \$110.6 million in 2009, due to increases in legal, transaction, advertising, OREO and foreclosure and other expenses, as well as increased mortgage repurchase reserves. Legal expense increased \$2.5 million and other professional expense increased \$10.7 million, primarily due to one-time expenses related to the Tygris and Bank of Florida acquisitions. Advertising expense increased \$9.6 million due to expanded marketing related to our deposit growth initiative. OREO and foreclosure expense decreased \$0.4 million and mortgage repurchase reserves increased \$63.2 million due to higher than anticipated impairment levels and foreclosure-related expenses. The indemnification asset related to the Tygris acquisition decreased in fair value by \$22.0 million resulting from a decrease in estimated future credit losses. Other expenses increased \$15.9 million to \$40.9 million in 2010 from \$24.9 million in 2009, due primarily to \$10.3 million related to the loss realized on the early extinguishment of Tygris debt and increased transaction expenses of \$9.8 million.

### ***Income Taxes***

Provision for income taxes increased by \$26.1 million, or 75%, to \$61.0 million in 2010 from \$34.9 million in 2009, due to increases in pre-tax income from continuing operations. Our effective tax rates were 24% and 39% in 2010 and 2009, respectively. Our effective tax rate in 2010 was impacted by non-recurring items from the Tygris acquisition, including the nontaxable bargain purchase gain of \$68.1 million and a tax benefit of \$7.8 million resulting from a revaluation of net unrealized built-in losses. Excluding the impact of the non-recurring items from the Tygris acquisition, the effective tax rate was 37% in 2010.

### ***Discontinued Operations***

Discontinued operations relate to business activities that we have sold, discontinued or dissolved. Net loss from discontinued operations of \$0.2 million in 2009 represents trailing expenses from the sale of our commercial and multi-family real estate mortgage wholesale brokerage unit in February 2009.

### ***Segment Results***

We evaluate our overall financial performance through three financial reporting segments: Banking and Wealth Management, Mortgage 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, many 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.

**Table of Contents**

We use funds transfer pricing in the calculation of the 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, Basel 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.

Our Banking and Wealth Management segment often invests in loans originated from asset generation channels contained within our Mortgage Banking segment. When intersegment acquisitions take place, we assign an estimate of the market value to the asset and record the transfer as a market purchase. In addition, inter-segment cash balances are eliminated in segment reporting. The effects of these inter-segment allocations and transfers are eliminated in consolidated reporting.

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

|                               | <b>2011</b>           | <b>Year Ended<br/>December 31,<br/>2010</b> | <b>2009</b>  |
|-------------------------------|-----------------------|---|--------------|
|                               | <b>(In thousands)</b> |   |              |
| <b>Segment Earnings:</b>      |                       |   |              |
| Banking and Wealth Management | \$ 241,146            | \$ 233,521                                  | \$ 85,300    |
| Mortgage Banking              | (38,765)              | 32,313                                      | 77,065       |
| Corporate Services            | (120,867)             | (15,961)                                    | (73,975)     |
| Segment earnings              | \$ 81,514             | \$ 249,873                                  | \$ 88,390    |
| <b>Segment Assets:</b>        |                       |   |              |
| Banking and Wealth Management | \$ 11,658,702         | \$ 10,117,289                               | \$ 6,522,869 |
| Mortgage Banking              | 1,557,421             | 1,957,897                                   | 1,543,370    |
| Corporate Services            | 99,886                | 49,325                                      | 24,148       |
| Eliminations                  | (274,331)             | (116,625)                                   | (30,208)     |
| Total assets                  | \$ 13,041,678         | \$ 12,007,886                               | \$ 8,060,179 |

***Banking and Wealth Management***

The following summarizes the results of operations for our Banking and Wealth Management segment for the periods shown:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |

**(In thousands)**

|   |            |            |            |
|---|------------|------------|------------|
| Net interest income   | \$ 419,415 | \$ 434,811 | \$ 253,352 |
| Provision for loan and lease losses                           | 47,554     | 72,771     | 121,376    |
| Net interest income after provision for loan and lease losses | 371,861    | 362,040    | 131,976    |
| Noninterest income  | 85,345     | 62,386     | 32,819     |
| Noninterest expense   | 216,060    | 190,905    | 79,495     |
| Segment earnings  | \$ 241,146 | \$ 233,521 | \$ 85,300  |

**Table of Contents***Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010*

Banking and Wealth Management segment earnings increased by \$7.6 million, or 3%, in 2011 compared to 2010, primarily due to an increase in noninterest income which was offset by an increase in noninterest expense. Net interest income decreased by \$15.4 million, or 4%, for the comparable period. This decrease was primarily due to a decrease of \$52.6 million or 33% in interest earned on our investment securities and partially offset by an increase of \$35.5 million, or 9%, in interest and fees earned on our loans and leases. The decrease in interest earned on investment securities was primarily driven by a decrease in yield on the average balance of our investment securities portfolio. The decrease in yield resulted from lower discount accretion due to a decrease in prepayment volumes and the addition of lower yielding agency securities during the 2011 period. The increase in interest and fees on loans and leases was driven by an increase in average loans and leases held for investment of \$1.0 billion, or 19% and an increase in average loans and leases held for sale of \$355.4 million, or 154%. The increase in average loans and leases held for investment was primarily driven by our residential mortgages, commercial and commercial real estate loans, and lease financing receivables. Average loans held for sale increased as a result of acquisitions of GNMA loans during the second half of the year. The increase in interest income is offset by a \$15.1 million decrease in interest income generated from lease financing receivables. The decrease is due largely to a decrease in yield of 643 basis points to 26.2% for the twelve months ended December 31, 2011. The decrease in yield is a result of continued run off of deeply discounted receivables acquired as part of the Tygris acquisition. Additionally, intersegment revenue decreased \$8.6 million, as a result of a change in transfer pricing to align interest rates with market rates.

Provision expense decreased by \$25.2 million, or 35%, in 2011 compared to the 2010, primarily due to lower credit losses on our legacy commercial and commercial real estate loans held for investment, and the improvement in the performance of commercial loans over last year. The decrease is partially offset by higher provision expense due to growth in our residential portfolio. Noninterest income increased by \$23.0 million, or 37%, in 2011 compared to 2010. The increase is driven primarily by an increase in the income generated from sales of loans, improved earnings from leasing operations, and an increase in deposit fee income associated with our WorldCurrency® deposit products due to increased foreign currency deposits. This increase was offset by lower gains from the sale of investment securities in our portfolio. Noninterest expense increased by \$25.2 million, or 13%, in 2011 compared to 2010. This increase primarily reflects higher operating expenses as a result of the Tygris and Bank of Florida acquisitions and higher FDIC insurance premiums. Additionally, noninterest expense in 2011 includes a charge of \$8.7 million from the write-off of the remaining Tygris indemnification asset, and noninterest expense in 2010 includes a write-off of the Tygris indemnification asset of \$22.0 million and a charge for the extinguishment of Tygris debt of \$10.3 million.

*Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009*

Banking and Wealth Management segment earnings increased by \$148.2 million, or 174%, in 2010 compared to 2009, primarily due to an increase in interest income from investment securities and a decrease in our provision for loan and lease losses. Net interest income increased by \$181.5 million, or 72%, for the comparable periods. This increase was primarily due to a \$146.5 million, or 55%, increase in interest income earned on our loans and leases held for investment. Average loans and leases held for investment increased \$728.6 million, or 16%, primarily as a result of our acquisitions of Tygris and Bank of Florida. Provision expense decreased by \$48.6 million, or 40%, in 2010 compared to 2009, primarily due to lower anticipated credit losses in our commercial and multi-family real estate loans held for investment. Noninterest income increased by \$29.6 million, or 90%, in 2010 compared to 2009. This increase primarily reflects noninterest income earned on leases resulting from the Tygris acquisition and a higher gain on the sale of investment securities. Noninterest expense increased by \$111.4 million, or 140%, in 2010 compared to 2009. This increase primarily reflected higher operating expenses as a result of the Tygris and

**Table of Contents**

Bank of Florida acquisitions, non-recurring transaction expenses associated with the Tygris and Bank of Florida acquisitions, and higher expenses from dispositions of OREO.

**Mortgage Banking**

The following summarizes the results of operations for our Mortgage Banking segment for the periods shown:

|   | <b>2011</b> | <b>Year Ended<br/>December 31,<br/>2010</b> | <b>2009</b> |
|---|-------------|---|-------------|
|   |             | <b>(In thousands)</b>                       |             |
| Net interest income   | \$ 39,536   | \$ 38,298                                   | \$ 32,708   |
| Provision for loan and lease losses                           | 2,150       | 6,570                                       | 536         |
| Net interest income after provision for loan and lease losses | 37,386      | 31,728                                      | 32,172      |
| Noninterest income  | 143,035     | 221,442                                     | 199,152     |
| Noninterest expense   | 219,186     | 220,857                                     | 154,259     |
| Segment earnings  | \$ (38,765) | \$ 32,313                                   | \$ 77,065   |

*Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010*

Mortgage Banking segment earnings decreased \$71.1 million, or 220%, in 2011 compared to 2010, primarily due to a decrease in noninterest income earned from the loan servicing, loan production and gain on sale of loans. Net loan servicing income decreased by \$64.1 million, or 54%, compared to 2010. This decrease was driven in part by a \$3.3 billion, or 6% decrease in UPB, of our servicing portfolio as compared to the balance in the servicing portfolio at December 31, 2010. Additionally, net loan servicing income includes a \$39.5 million charge for MSR impairment. Loan production revenue decreased by \$7.9 million, or 24%, in 2011 compared to 2010 primarily as a result of a decrease in volume and lower fees associated with originating residential mortgage loans. Noninterest income earned from the gain on sale of loans decreased by \$3.0 million, or 4% in 2011 compared to 2010. Decreases are offset by an increase in net interest income of \$1.2 million, or 3% due primarily to increases in intersegment revenue with the Banking and Wealth Management segment. Intersegment revenue increased \$8.6 million, as a result of a change in transfer pricing to align interest rates with market rates.

*Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009*

Mortgage Banking segment earnings decreased by \$44.8 million, or 58%, in 2010 compared to 2009, primarily due to an increase in noninterest expense, partially offset by an increase in net loan servicing income. Loan production revenue decreased by \$4.4 million, or 12%, in 2010 compared to 2009, largely driven by lower mortgage origination volumes in the comparable periods. Net loan servicing income increased by \$25.3 million, or 27%, during the comparable periods. This increase was largely driven by a \$9.7 billion, or 20%, increase in our servicing portfolio compared to the prior year. Noninterest expense increased by \$66.6 million, or 43%, in 2010 compared to 2009. This increase was largely driven by a \$54.7 million, or 92%, increase in general and administrative expenses that was primarily the result of higher mortgage repurchase reserves. In addition, salaries, commissions and other employee benefits increased by \$10.9 million, or 14%, in 2010 compared to 2009. The increase in salaries, commissions and other employee benefits was largely driven by a 12% increase in headcount to support our mortgage banking



operations.

**Table of Contents****Corporate Services**

The following summarizes the results of operations for our Corporate Services segment for the periods shown:

|                         | <b>Year Ended<br/>December 31,</b> |             |             |
|-------------------------|------------------------------------|-------------|-------------|
|                         | <b>2011</b>                        | <b>2010</b> | <b>2009</b> |
|                         | <b>(In thousands)</b>              |             |             |
| Net interest expense    | \$ (6,641)                         | \$ (7,769)  | \$ (8,677)  |
| Noninterest income      | 4,723                              | 73,979      | 127         |
| Noninterest expense     | 118,949                            | 82,171      | 65,425      |
| Segment earnings (loss) | \$ (120,867)                       | \$ (15,961) | \$ (73,975) |

*Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010*

Corporate Services recorded noninterest income of \$4.7 million in 2011. This was composed of a \$4.7 million gain on extinguishment of trust preferred securities. In addition, Corporate Services noninterest expense increased \$36.8 million, or 45%, in 2011 compared to 2010, primarily due to an increase in general and administrative expenses. We experienced a \$20.2 million, or 107%, increase in general and administrative expenses. In addition, we had increases of \$11.7 million, or 24%, in salaries and other employee benefits, and \$4.8 million, or 35%, in occupancy and equipment expense. The increase in general and administrative expenses is driven primarily by an increase in legal and professional fees as a result of this offering, legal and regulatory compliance, and additional consulting arrangements. Additionally, salaries, commissions, and other employee benefits increased as a result of headcount increases. Total headcount increased 24% in 2011 compared to 2010.

*Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009*

Corporate Services recorded noninterest income of \$74.0 million in 2010. This was primarily composed of a \$68.1 million non-recurring bargain purchase gain associated with the Tygris acquisition and a \$5.7 million gain on extinguishment of trust preferred securities. In addition, Corporate Services noninterest expense increased by \$16.7 million, or 26%, in 2010 compared to 2009, primarily due to an increase in salaries, commissions and other employee benefits. We experienced a \$6.3 million, or 15%, increase in salaries, commissions and other employee benefits, in addition to a \$2.4 million, or 21%, increase in occupancy and equipment expense and a \$8.0 million, or 73%, increase in general and administrative expenses. The increase in salaries, commissions and other employee benefits was largely driven by an 18% increase in headcount to support our general operations.

**Financial Condition****Assets**

Total assets increased by \$1.0 billion, or 9%, to \$13.0 billion at December 31, 2011 from \$12.0 billion at December 31, 2010. This increase was primarily attributable to increases in our loans held for sale and loans and leases held for investment portfolio partially offset by a decrease in our interest-bearing deposits in banks. Total assets increased by \$3.9 billion, or 49%, to \$12.0 billion at December 31, 2010 from \$8.1 billion at December 31, 2009. This increase was primarily attributable to increases in our loan and leases held for investment and investment securities

portfolio resulting from the continued deployment of capital generated from our capital raising activities and the acquisitions of Tygris and Bank of Florida. Total assets increased by \$1.0 billion, or 14%, to \$8.1 billion at December 31, 2009 from \$7.0 billion at December 31, 2008, primarily due to increases in our loans and leases held for investment and investment securities portfolio resulting from the deployment of capital. Descriptions of our major balance sheet asset categories are set forth below.

**Table of Contents****Investment Securities**

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, 2011, 2010 and 2009:

|  | <b>2011</b>           | <b>December 31,<br/>2010</b> | <b>2009</b>  |
|--|-----------------------|------------------------------|--------------|
|  | <b>(In thousands)</b> |                              |              |
| Available for sale (at fair value):                                    |                       |                              |              |
| Residential collateralized mortgage obligation (CMO) securities agency | \$ 104                | \$ 148                       | \$ 4,809     |
| Residential CMO securities nonagency                                   | 1,895,818             | 2,032,663                    | 1,532,643    |
| Residential mortgage-backed securities (MBS) agency                    | 338                   | 540                          | 883          |
| Other  | 7,662                 | 8,254                        | 8,092        |
| Total investment securities available for sale                         | 1,903,922             | 2,041,605                    | 1,546,427    |
| Held to maturity (at amortized cost):                                  |                       |                              |              |
| Residential CMO securities agency                                      | 159,882               | 6,800                        | 7,378        |
| Residential MBS agency   | 19,132                | 20,959                       | 20,215       |
| Other  | 10,504                | 5,169                        | 5,747        |
| Total investment securities held to maturity                           | 189,518               | 32,928                       | 33,340       |
| Total investment securities  | \$ 2,093,440          | \$ 2,074,533                 | \$ 1,579,767 |

The amortized cost and fair value of debt securities at December 31, 2011 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.

|                                      | <b>Amortized<br/>Cost</b> | <b>Fair Value</b> | <b>Yield</b> |
|--------------------------------------|---------------------------|-------------------|--------------|
|                                      | <b>(In thousands)</b>     |                   |              |
| Asset-backed securities              |                           |                   |              |
| After ten years                      | \$ 10,573                 | \$ 7,477          | 1.23%        |
| Residential CMO securities agency    | 96                        | 104               | 6.14%        |
| Residential CMO securities nonagency | 1,919,046                 | 1,895,818         | 3.95%        |
| Residential MBS securities agency    | 317                       | 338               | 4.39%        |
| Equity securities                    | 77                        | 185               |              |
|                                      | 1,930,109                 | 1,903,922         |              |

Held to maturity:

|                            |        |              |              |       |
|----------------------------|--------|--------------|--------------|-------|
| Corporate securities       |        |              |              |       |
| After ten years            |        | 10,504       | 7,921        | 3.79% |
| Residential CMO securities | agency | 159,882      | 165,833      | 3.14% |
| Residential MBS securities | agency | 19,132       | 20,596       | 4.65% |
|                            |        | 189,518      | 194,350      |       |
|                            |        | \$ 2,119,627 | \$ 2,098,272 |       |

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

**Table of Contents**

and interest rates, changes in security prepayment rates, liquidity considerations and regulatory capital requirements. The principal categories of our investment portfolio are set forth below.

*Residential Agency*

At December 31, 2011, our residential agency CMO securities totaled \$160.0 million, or 8% of our investment securities portfolio. The increase of \$153.0 million from December 31, 2010 is due to purchases of securities partially offset by subsequent sales of securities. At December 31, 2011, our residential agency MBS portfolio totaled \$19.5 million, or less than 1% of our investment securities portfolio. Our agency residential MBS and CMO portfolio is secured by seasoned first-lien fixed and adjustable rate residential mortgage loans insured by GSEs.

*Residential Nonagency*

Our residential CMO securities portfolio is almost entirely comprised of investments in nonagency residential CMO securities. Investments in nonagency residential CMO securities decreased by \$136.8 million, or 7%, to \$1.9 billion at December 31, 2011 from \$2.0 billion at December 31, 2010. The decrease during 2011 is primarily due to sales of nonagency residential CMO securities. The same investment securities increased by \$500.0 million, or 33%, to \$2.0 billion at December 31, 2010 from \$1.5 billion at December 31, 2009. Such increases during 2010 were primarily due to purchases of nonagency residential CMO securities at discounts to par value. We acquired 99% of the December 31, 2011 balance of such securities after September 30, 2008.

Our residential nonagency CMO securities are secured by seasoned first-lien fixed and adjustable rate residential mortgage loans backed by loan originators other than a GSE. 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-securitizations of real estate mortgage investment conduit securities, or Re-REMICS, which adds credit subordination to provide protection against future losses and rating downgrades. Re-REMICS constituted \$1.3 billion, or 66%, of our nonagency residential CMO investment securities at December 31, 2011.

We have internal guidelines for the credit quality and duration of our residential CMO securities portfolio and monitor these on a regular basis. At December 31, 2011, the portfolio carried a weighted-average Fair Isaac Corporation, or FICO, score of 731, an amortized loan-to-value ratio, or LTV, of 66%, and was seasoned 78 months. This portfolio includes protection against credit losses from purchase discounts, subordination in the securities structures and borrower equity.

The composition of our residential nonagency available for sale securities includes amounts invested with several single issuers that are in excess of 10% of our shareholders' equity as of December 31, 2011. The following table provides a summary of the total par value, amortized cost

**Table of Contents**

and fair value of the securities held for each of these issuers and our total residential nonagency CMO securities at December 31, 2011:

| Name of Issuer                                | Par Value    | Amortized Cost<br>(In thousands) | Fair Value   |
|---|--------------|----------------------------------|--------------|
| BCAP LLC Trust                                | \$ 364,192   | \$ 361,374                       | \$ 363,008   |
| Credit Suisse Mortgage Capital                | 274,172      | 274,164                          | 276,993      |
| Royal Bank of Scotland Resecuritization Trust | 182,192      | 182,507                          | 182,951      |
| Citigroup Mortgage Loan Trust                 | 181,566      | 181,776                          | 183,157      |
| Banc of America Funding Corp.                 | 122,391      | 121,842                          | 121,540      |
| JP Morgan Re-REMIC                            | 112,404      | 112,607                          | 113,554      |
| Countrywide Home Loans                        | 101,843      | 100,300                          | 96,125       |
| Total   | 1,338,760    | 1,334,570                        | 1,337,328    |
| Other residential nonagency issuers           | 602,756      | 584,476                          | 558,490      |
| Total residential nonagency CMO securities    | \$ 1,941,516 | \$ 1,919,046                     | \$ 1,895,818 |

During 2011, we sold residential agency and nonagency CMO securities with a par value of \$653.8 million and recorded net securities gains totaling \$15.9 million. The securities were sold in the interest of maintaining a high quality portfolio.

We do not currently plan to substantially increase our future investments in nonagency residential CMO securities.

**Loans and Leases Held for Investment**

The following table presents the balance and associated percentage of each major category in our loan and lease portfolio at December 31, 2011, 2010, 2009, 2008 and 2007:

|                 | 2011         |        | 2010         |        | December 31,<br>2009 |        | 2008         |        | 2007         |
|-----------------|--------------|--------|--------------|--------|----------------------|--------|--------------|--------|--------------|
|                 | Balance      | %      | Balance      | %      | Balance              | %      | Balance      | %      | Balance      |
| Mortgages       | \$ 4,556,841 | 69.9%  | \$ 4,182,785 | 68.6%  | \$ 3,225,147         | 77.4%  | \$ 3,553,498 | 77.1%  | \$ 2,709,150 |
| Real estate     | 1,165,384    | 17.9%  | 1,230,128    | 20.1%  | 707,841              | 17.0%  | 799,916      | 17.4%  | 744,740      |
| Other           | 588,501      | 9.0%   | 451,443      | 7.4%   |                      |        |              |        |              |
| Lines of credit | 200,112      | 3.1%   | 224,627      | 3.7%   | 227,106              | 5.5%   | 249,700      | 5.4%   | 272,610      |
|                 | 8,443        | 0.1%   | 10,285       | 0.2%   | 5,781                | 0.1%   | 6,489        | 0.1%   | 7,530        |
|                 | 6,519,281    | 100.0% | 6,099,268    | 100.0% | 4,165,875            | 100.0% | 4,609,603    | 100.0% | 3,734,040    |

|          |              |              |              |              |             |
|----------|--------------|--------------|--------------|--------------|-------------|
| loan     | (77,765)     | (93,689)     | (93,178)     | (32,653)     | (11,74      |
| s        |              |              |              |              |             |
|          | \$ 6,441,516 | \$ 6,005,579 | \$ 4,072,697 | \$ 4,576,950 | \$ 3,722,30 |
| resented |              |              |              |              |             |
| loan     |              |              |              |              |             |
| unts     | \$ 237,170   | \$ 393,014   | \$ 108,289   | \$ 125,527   | \$ 33,94    |
| an and   |              |              |              |              |             |
| n costs  | \$ 19,057    | \$ 10,861    | \$ 7,576     | \$ 9,390     | \$ 8,06     |

The following table shows the contractual maturities, including scheduled principal repayments, of our loan and lease portfolio and the distribution between fixed and adjustable interest rate loans at December 31, 2011:

**Maturities and Sensitivities of Selected Loans to Changes in Interest Rates <sup>(1)</sup>**  
**December 31, 2011**

|  | <b>Due in One<br/>Year or<br/>Less</b> | <b>Due After One<br/>to<br/>Five Years<sup>(2)</sup></b> | <b>Due After<br/>Five Years<sup>(2)</sup></b> | <b>Total</b> |
|--|--|--|---|--------------|
|  | <b>(In thousands)</b>                  |  |   |              |
| <b>HFI Commercial and Commercial<br/>Real Estate<sup>(3)</sup></b> | \$ 376,323                             | \$ 325,172   | \$ 496,728                                    | \$ 1,198,223 |



**Table of Contents**

- (1) Based on contractual maturities.
- (2) As of December 31, 2011, loans maturing after one year consisted of \$441.7 million in variable rate loans and \$380.2 million in fixed rate loans.
- (3) Calculated contractual loan balances do not include \$32.8 million in discounts to contractual UPB and \$28.2 million in ALLL.

The principal categories of our loan and lease portfolio are set forth below.

*Residential Mortgage Loans*

At December 31, 2011, our residential mortgage loans totaled \$4.6 billion, or 70% of our total held for investment loan and lease portfolio. We primarily offer our customers residential closed-end mortgage loans typically secured by first liens on one-to-four family residential properties. We additionally invest in government-insured GNMA pool buyouts purchased from GNMA pool securities and other loans secured by residential real estate.

Residential mortgage loans increased by \$374.1 million, or 9%, to \$4.6 billion at December 31, 2011 from \$4.2 billion at December 31, 2010. This increase was driven primarily by organic jumbo loan growth and acquisitions of performing, high-quality mortgage loans along with the purchase of GNMA pool buyouts. Residential mortgage loans increased by \$957.6 million, or 30%, to \$4.2 billion at December 31, 2010 from \$3.2 billion at December 31, 2009. This increase was driven primarily by purchases of GNMA pool buyouts and the addition of \$107.0 million of residential mortgage loans acquired as part of the Bank of Florida acquisition, partially offset by principal payments on loans within the existing portfolio and, to a lesser extent, the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Residential mortgage loans decreased by \$328.4 million, or 9%, to \$3.2 billion at December 31, 2009 from \$3.6 billion at December 31, 2008 due to general declines in demand for housing, a reduction in borrowers meeting our lending criteria and a deployment of capital into investment securities.

*Commercial and Commercial Real Estate Loans*

At December 31, 2011, our commercial and commercial real estate loans, which include owner-occupied commercial real estate, commercial investment properties and small business commercial loans, totaled \$1.2 billion, or 18%, of our total held for investment loan and lease portfolio.

Commercial and commercial real estate loans decreased by \$64.7 million, or 5%, to \$1.2 billion at December 31, 2011 from \$1.2 billion at December 31, 2010, due to principal paydowns on the loans within our legacy portfolio and the movement of some of the acquired Bank of Florida loans out of our loan portfolio through charge-off, pay-off or foreclosure. This decrease is partially offset by originations. Commercial and commercial real estate loans increased by \$522.3 million, or 74%, to \$1.2 billion at December 31, 2010 from \$707.8 million at December 31, 2009, due to the purchase of such loans in the Bank of Florida acquisition. The increase was partially offset by principal payments on loans within the existing portfolio and the movement of lower quality loans out of our loan portfolio through charge-off, pay-off or foreclosure. Commercial and commercial real estate loans decreased by \$92.1 million, or 12%, to \$707.8 million at December 31, 2009 from \$799.9 million at December 31, 2008. This decrease is primarily due to amortization in the legacy commercial and commercial real estate loan portfolios.

*Lease Financing Receivables*

At December 31, 2011, our lease financing receivables totaled \$588.5 million, or 9%, of our total held for investment loan and lease portfolio. Our leases generally consist of short and medium-term leases and loans secured by office

equipment, office technology systems, healthcare and other essential-use small business equipment. All of our lease financing receivables were either purchased

**Table of Contents**

as a part of the Tygris acquisition or originated out of the operations of Tygris, which was rebranded as EverBank Commercial Finance, Inc.

Lease financing receivables increased by \$137.1 million, or 30%, to \$588.5 million at December 31, 2011 from \$451.4 million at December 31, 2010, due to lease originations offset by principal payments. We did not have an investment in lease financing receivables prior to 2010.

*Home Equity Lines*

At December 31, 2011, our home equity lines totaled \$200.1 million, or 3%, of our total held for investment loan and lease portfolio. We offer home equity closed-end loans and revolving lines of credit typically secured by junior or senior liens on one-to-four family residential properties. Home equity lines decreased by \$24.5 million, or 11%, to \$200.1 million at December 31, 2011 from \$224.6 million at December 31, 2010, due to pay-offs. Home equity lines decreased by \$2.5 million, or 1%, to \$224.6 million at December 31, 2010 from \$227.1 million at December 31, 2009, due to principal payments on existing lines of credit. Home equity lines decreased by \$22.6 million, or 9%, to \$227.1 million at December 31, 2009 from \$249.7 million at December 31, 2008 due to principal payments.

*Consumer and Credit Card Loans*

At December 31, 2011, consumer and credit card loans, in the aggregate, totaled \$8.4 million, or less than 1% of our total held for investment loan and lease portfolio. These loans include direct personal loans, credit card loans and lines of credit, automobile and other loans to our customers which are generally secured by personal property. Lines of credit are generally floating rate loans that are unsecured or secured by personal property.

*Loans Held for Sale*

At December 31, 2011, our loans held for sale totaled \$2.7 billion, or 21%, of total assets. Loans held for sale represent loans originated or acquired by the Company that we intend to sell. In most cases, loans originated for sale are sold within 60 days. Certain buyers have recourse to return a purchased loan under limited circumstances. Recourse conditions may include early payment default, breach of representations or warranties and documentation deficiencies.

During 2011, we transferred \$780.4 million from loans held for investment to loans held for sale. The original intent of this pool of loans was to hold for the foreseeable future. Due to recent changes in the economic and legislative environment, a higher proportion of government insured mortgage loans previously expected to foreclose are being reinstated which caused an increase in the expected duration of these loans. We determined we no longer had the intent to hold these loans for the foreseeable future and thus transferred these loans to loans held for sale at the lower of cost or fair value. We sold \$156.7 million of these transferred loans and recognized a gain of \$12.3 million for the year ended December 31, 2011. We also purchased \$1.2 billion of government insured loans, net of discounts, with the intent of pooling and selling the loans as they become eligible.

***MSR***

At December 31, 2011, net MSR totaled \$489.5 million, or 4% of total assets. Net MSR decreased \$83.7 million, or 15%, from \$573.2 million at December 31, 2010. The decrease is primarily attributable to MSR amortization and valuation allowance, partially offset by capitalized MSR resulting from sale of loans we originated and sold with servicing retained. We recorded a \$39.5 million impairment charge related to MSR in 2011. 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. We record impairment adjustments, if

any, through a valuation allowance. Net MSR increased \$69.6 million, or 14%, to \$573.2 million as of

**Table of Contents**

December 31, 2010 from \$503.6 million as of December 31, 2009, due principally to bulk acquisitions of MSR. At December 31, 2011, MSR comprised 43% of Tier 1 capital plus the general ALLL.

***Cash and Cash Equivalents***

Cash and cash equivalents decreased by \$874.2 million, or 75%, to \$295.0 million as of December 31, 2011 from \$1,169.2 million as of December 31, 2010, largely due to cash outflows used to invest in organic loan growth, loans held for sale and loans held for investment acquisitions, offset by cash generated from operations and an increase in deposits and other borrowings.

***Indemnification Asset***

Pursuant to the terms of the Tygris acquisition agreement, an escrow account was established at acquisition consisting of cash and a portion of our common stock issued in the transaction. See Business Recent Acquisitions Acquisition of Tygris Commercial Finance Group, Inc. This escrow account is intended to compensate us for credit losses exceeding an annual allowance for a five-year period following the acquisition. As a result, we recognized an indemnification asset representing the fair value of the shares expected to be released to us from escrow. The indemnification asset is accounted for as a derivative, as the number of shares returned to us from escrow is based upon a determined amount of losses in exchange for an escrowed share of our common stock. Any changes in the fair value of our stock or changes resulting from either increases or decreases in expected cash flows of the acquired portfolio will impact the carrying value of our related indemnification asset and have a related effect on our earnings. As of December 31, 2011, our indemnification asset was written down to \$0, from \$8.7 million at December 31, 2010, due to better than anticipated performance of the Tygris portfolio.

***Deferred Tax Asset***

Our net deferred tax asset increased \$18.3 million, to \$151.6 million at December 31, 2011 from \$133.3 million at December 31, 2010. The deferred tax asset increased \$62.5 million related to the tax effects of other comprehensive income adjustments. This increase is offset by \$44.2 million in deferred tax expense. The net deferred tax asset attributable to Tygris net operating loss carryforwards at December 31, 2011 is \$77.0 million. Our future realization of these net operating loss carryforwards is limited by the application of Section 382 of the Internal Revenue Code of 1986, as amended, and is reflected in our net deferred tax asset.

***Goodwill***

Our total goodwill as of December 31, 2011 was \$10.2 million. This amount is almost entirely composed of goodwill resulting from the excess of the fair value of liabilities assumed over the net assets acquired in the Bank of Florida acquisition.

**Liabilities**

Total liabilities increased by \$1.1 billion, or 10%, to \$12.1 billion at December 31, 2011 from \$11.0 billion as of December 31, 2010, primarily due to growth in deposits and an increase in FHLB advances resulting from increased funding requirements.

**Table of Contents****Deposits**

The following table shows the distribution of, and certain other information relating to, our deposits by type of deposit at the dates indicated:

|                            | 2011           |                 | December 31, 2010 |                |                 | 2009  |                |                 |
|----------------------------|----------------|-----------------|-------------------|----------------|-----------------|-------|----------------|-----------------|
|                            | Actual Balance | Average Balance | Rate              | Actual Balance | Average Balance | Rate  | Actual Balance | Average Balance |
|                            |                |                 |                   | (In thousands) |                 |       |                |                 |
| noninterest-bearing demand | \$ 1,234,615   | \$ 1,123,830    |                   | \$ 1,136,619   | \$ 1,039,096    |       | \$ 438,952     | \$ 678,572      |
| interest-bearing demand    | 2,124,306      | 2,052,353       | 0.89%             | 2,003,314      | 1,694,233       | 1.21% | 1,493,709      | 1,308,492       |
| money market               |                |                 |                   |                |                 |       |                |                 |
|                            | 455,204        | 451,740         | 0.93%             | 379,207        | 366,774         | 1.23% | 364,827        | 321,934         |
| money market including     |                |                 |                   |                |                 |       |                |                 |
|                            | 3,759,045      | 3,682,067       | 0.91%             | 3,457,351      | 2,839,705       | 1.25% | 2,296,793      | 1,865,472       |
| time                       | 901,053        | 947,133         | 0.94%             | 854,388        | 758,693         | 1.09% | 750,141        | 611,968         |
| including                  |                |                 |                   |                |                 |       |                |                 |
|                            | 1,791,540      | 1,770,342       | 1.81%             | 1,852,175      | 1,781,052       | 1.84% | 970,865        | 1,093,313       |
|                            | \$ 10,265,763  |                 |                   | \$ 9,683,054   |                 |       | \$ 6,315,287   |                 |

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

|                               | December 31, 2011<br>(In thousands) |
|-------------------------------|-------------------------------------|
| 3 months or less              | \$ 604,013                          |
| 3 through 6 months            | 184,813                             |
| 6 through 12 months           | 175,601                             |
| 12 through 24 months          | 156,494                             |
| 24 through 36 months          | 44,003                              |
| Over 36 months                | 314,385                             |
| Total certificates of deposit | \$ 1,479,309                        |

At December 31, 2011, deposits, in the aggregate totaled \$10.3 billion. Our major source of funds and liquidity is our deposit base, which provides funding for our investments in loans and securities. We carefully manage our interest paid for 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 constantly changes due to our funding needs, marketing activities and market conditions. We have experienced significant growth in our deposits as a result of the increased marketing initiatives we executed as part of our growth plan.

Noninterest-bearing deposits increased by \$0.1 billion to \$1.2 billion at December 31, 2011 from \$1.1 billion at December 31, 2010, primarily due to an increase in escrow deposits. Interest-bearing deposits increased by \$0.5 billion to \$9.0 billion at December 31, 2011 from \$8.5 billion at December 31, 2010. The increase is due to growth in savings and money market accounts and interest-bearing demand accounts.

Deposits increased by \$3.4 billion, or 53%, to \$9.7 billion at December 31, 2010 from \$6.3 billion at December 31, 2009, primarily as a result of a \$2.4 billion increase in organic core deposits and \$0.9 billion of deposits acquired from Bank of Florida. Noninterest-bearing deposits increased by \$697.7 million to \$1.1 billion at December 31, 2010 from \$439.0 million at December 31, 2009, primarily due to \$78.3 million acquired in the Bank of Florida acquisition, as well as increases in the escrows generated by our servicing portfolio of \$607.4 million. Interest-bearing deposits increased by \$2.7 billion to \$8.5 billion at December 31, 2010 from \$5.9 billion at December 31, 2009.

Approximately \$0.8 billion of this increase is a result of the deposits acquired from Bank of Florida. The remaining increase is a result of organic activity generated by increased marketing activities. In addition, the change in composition is primarily attributable to a higher concentration of time deposits from Bank of Florida.

**Table of Contents****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 customers and fund growth in earning assets. Our FHLB borrowings increased by \$372.1 million, or 43%, to \$1.2 billion at December 31, 2011 from \$864.2 million at December 31, 2010. The increase is primarily due to an increase in overnight borrowings.

The following table provides a summary of our FHLB advances at the dates indicated:

|  | 2011           | December 31,<br>2010 | 2009       |
|--|----------------|----------------------|------------|
|  | (In thousands) |                      |            |
| Fixed-rate advances with a weighted-average interest rate of 2.45%, 3.63%, and 3.92%, respectively <sup>(1)</sup>        | \$ 846,786     | \$ 720,168           | \$ 857,500 |
| Convertible advances with a weighted-average fixed rate of 4.42%, 4.42%, and 5.92%, respectively <sup>(2)</sup>          | 44,000         | 44,000               | 2,000      |
| Overnight advances with a weighted-average floating interest rate of 0.36%, 0.47% and 0.36%, respectively <sup>(3)</sup> | 345,500        | 100,000              | 37,000     |
|  | \$ 1,236,286   | \$ 864,168           | \$ 896,500 |

(1) Interest is payable either monthly or quarterly; full principal due upon maturity.

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

(3) Overnight advance rates are adjusted daily by FHLB.

In addition, 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, 2011, 2010 and 2009, respectively.

|                                | 2011           | Year Ended<br>December 31,<br>2010 | 2009         |
|--------------------------------|----------------|------------------------------------|--------------|
|                                | (In thousands) |                                    |              |
| Fixed-rate advances:           |                |                                    |              |
| Average daily balance          | \$ 688,091     | \$ 803,378                         | \$ 993,632   |
| Weighted-average interest rate | 3.43%          | 3.70%                              | 4.10%        |
| Maximum month-end amount       | \$ 846,786     | \$ 1,156,500                       | \$ 1,265,500 |
| Convertible advances:          |                |                                    |              |
| Average daily balance          | \$ 44,000      | \$ 26,690                          | \$ 2,000     |
| Weighted-average interest rate | 4.42%          | 4.44%                              | 5.92%        |
| Maximum month-end amount       | \$ 44,000      | \$ 44,000                          | \$ 2,000     |
| Overnight advances:            |                |                                    |              |



|                                |            |            |            |
|--------------------------------|------------|------------|------------|
| Average daily balance          | \$ 60,344  | \$ 16,175  | \$ 121,980 |
| Weighted-average interest rate | 0.36%      | 0.43%      | 0.45%      |
| Maximum month-end amount       | \$ 410,000 | \$ 200,000 | \$ 568,000 |

***Trust Preferred Securities***

Our outstanding trust preferred securities totaled \$103.8 million at December 31, 2011 and for the years ended December 31, 2010 and 2009 were \$113.8 and \$123.0 million, respectively. The decrease in trust preferred securities of \$10.0 million at December 31, 2011 from December 31, 2010 is due to the early extinguishment of one of the trust preferred securities in January 2011.

## **Table of Contents**

### ***Clawback Liability***

At December 31, 2011, the clawback liability totaled \$43.3 million. At the date of our acquisition of Bank of Florida, we recorded a clawback liability of \$37.6 million, which represents the net present value of expected true-up payments due 45 days after the tenth anniversary of the closing of the Bank of Florida acquisition pursuant to the purchase and assumption agreements between us and the FDIC. On July 13, 2020, the true-up measurement date, we are required to make a true-up payment to the FDIC in an amount equal to 50% of the excess, if any, of (1) 20% of the intrinsic loss estimate, or \$96.4 million, less (2) the sum of (a) 25% of the asset discount, or \$72.0 million, plus (b) 25% of the cumulative loss share payments plus (c) a 1% servicing fee based on the principal amount of the covered assets over the term (calculated annually based on the average principal amount at the beginning and end of each year and then summed up for a total fee included in the calculation). The intrinsic loss estimate is an established figure by the FDIC. The asset discount was a part of the Company's bid. The liability was discounted using an estimated cost of debt capital of 6%, based on an index of the cost of debt capital of banks with credit quality comparable to ours. This liability is considered to be contingent consideration as it requires the return of a portion of the initial consideration in the event contingencies are met. Contingent consideration is re-measured each reporting period at fair value with changes reflected in other noninterest income until the contingency is resolved.

### **Interest Rate Swaps**

At December 31, 2011, we had \$133.9 million in unrealized losses related to our cash flow hedges outstanding due to an expected prolonged period of historically low interest rates. We have recorded the effect of this unrecognized loss in accumulated other comprehensive income, net of tax.

### **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 and 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 and similar support agreements with the FDIC and other parties, purchase discounts on acquired loans and leases and other credit-related reserves, such as those on unfunded commitments.

### ***Assets with Credit Support***

Assets with credit support represent acquired loans, leases and real estate that are covered by credit indemnification agreements and/or government insurance. Our assets with credit support include loans and leases acquired as part of the Tygris acquisition, assets acquired through the acquisition of the banking operations of Bank of Florida and GNMA pool securities.

We acquired \$548.8 million of covered loans and leases through our acquisition of Tygris, including equipment under operating leases of \$10.7 million. The credit risk associated with those assets is substantially mitigated by a portfolio credit loss protection escrow which indemnifies us against future credit losses incurred on the acquired loan and lease portfolio above 2% of the average purchased portfolio and \$44.5 million in the first year, up to a maximum of \$141.6 million. An escrow account was established with 9,470,010 shares of common stock, along with \$50.0 million in cash, to offset potential losses realized in connection with Tygris' lease and loan portfolio over a five-year period following the closing. As a result of a post-closing adjustment, the number of the escrowed shares was reduced to 8,758,220. The value of the escrowed shares represented 17.5% of the carrying value of the Tygris portfolio as of the

closing. Pursuant to the terms of the Tygris acquisition

**Table of Contents**

agreement and related escrow agreement, we are required to review the average carrying value of the remaining Tygris portfolio annually over the five-year term of the escrow, and upon specified events, including the consummation of this offering, release a portion of the escrowed shares to the former Tygris shareholders to the extent that the aggregate value of the remaining escrowed shares (on a determined per share value) equals 17.5% of the average carrying value of the remaining Tygris portfolio on the date of each release. Based on our first annual review of the average carrying value of the remaining Tygris portfolio, we released 2,808,175 escrowed shares of our common stock to the former Tygris shareholders on April 25, 2011. As of March 31, 2012, 5,950,046 shares of our common stock remain in escrow. As the necessary valuation of the remaining Tygris portfolio for the partial release triggered by the consummation of this offering must be made after the consummation of this offering, the number of shares to be released from escrow in connection therewith cannot be determined at present. The escrowed cash will not be released prior to the completion of the five-year term, unless the amount of such escrowed cash not subject to a reserve on any date of determination exceeds the carrying value of the leases and loans in the Tygris portfolio, in which case such excess portion of the escrowed cash will be released to the former Tygris shareholders. Upon the expiration of such five-year period, all remaining escrowed shares and escrowed cash will be released to the former Tygris shareholders to the extent not reserved in respect of then-pending claims.

We recorded an indemnification asset of \$30.8 million at the time of the Tygris acquisition based on our estimate of the fair value of the indemnification support obligation. We evaluate this asset quarterly and if favorable loss trends experienced since the acquisition continue, this asset may be written down or eliminated, which would result in a non-recurring loss in the period of such write-down. Concurrently, an increase in expected cash flows in the loan and lease portfolio acquired from Tygris would likely result in increased interest income in prospective periods due to a higher effective yield on the acquired loan and lease portfolio. During the years ended December 31, 2011 and 2010, we recognized an \$8.7 million and \$22.0 million decrease, respectively, in fair value of the indemnification asset effectively writing down the asset in anticipation of lower estimated future credit losses as a result of favorable loss trends. See [Business](#) [Recent Acquisitions](#) [Acquisition of Tygris Commercial Finance Group, Inc.](#)

In conjunction with the Bank of Florida acquisition, we entered into loss sharing agreements regarding future losses incurred on an aggregate of approximately \$1.4 billion of assets as of the acquisition date. Under the terms of the loss share agreements, we will be reimbursed by the FDIC for 80% of all net losses exceeding \$385.6 million, subject to reporting requirements. We will reimburse the FDIC for 80% of specified recoveries on the covered assets. The term for loss and recovery sharing on residential real estate mortgage loans is ten years, while the term for loss share on non-residential real estate mortgage loans is five years with respect to losses and eight years with respect to loss recoveries. See [Business](#) [Recent Acquisitions](#) [Acquisition of Bank of Florida.](#)

As a GNMA servicer, we have the right, but not the obligation, to purchase delinquent loans which are backed by government insurance and guarantees out of GNMA pool securities for which we act as servicer and from other third-party servicers, or GNMA pool buyout loans. This option is permitted when individual loans reach an established delinquency stage, which normally is 90 days or more delinquent. Each loan in a GNMA pool is insured or guaranteed by one of several federal government agencies, including the Federal Housing Authority, Department of Veterans Affairs or the Department of Agriculture's Rural Housing Service. The loans must at all times comply with the requirements for obtaining and maintaining such insurance or guaranty. Since these residential loans are guaranteed by these government agencies, we incur no incremental credit risk when we purchase these loans. Many of these loans do not cure and go through a foreclosure process that takes between 6 and 18 months (primarily depending on state laws), which enables us to earn a spread equal to the difference between the cost of funding required to acquire the loan and the stated interest rate on the loan that we collect from the government insurer or guarantor, as applicable, following foreclosure. The acquisition of these government insured loans at face value can be particularly

**Table of Contents**

attractive in periods when prevailing interest rates at the time the loan was made were significantly higher than rates prevailing at the time we acquire the loan.

GNMA pool buyout loans are accounted for using an expected cash flow model. At the date of acquisition, we designate the loans as held for investment or held for sale. Loans held for sale are carried at the lower of cost or market. Loans held for investment are carried at amortized cost and measured periodically for impairment. GNMA pool buyout loans totaled \$2.8 billion and \$1.6 billion at December 31, 2011 and 2010, respectively.

***Discounts on Acquired Loans and Lease Financing Receivables***

We evaluate acquired loans and lease financing receivables for evidence of credit deterioration in order to determine proper accounting classification. Loans are accounted for under ASC Topic 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality, or ASC 310-30, when there is evidence of credit deterioration since origination and it is probable, at acquisition, that we will be unable to collect all contractually required payments.

ASC 310-30 allows us to aggregate acquired credit-impaired, or ACI, loans into one or more pools according to common risk characteristics. The contractual cash flows due for such pools are reduced by the portion expected to be uncollectible, referred to as the non-accretable difference. The non-accretable difference is determined according to expectations of principal credit losses, foregone interest, prepayment activity, servicing costs and other cash outlays. A pool is accounted for as a single asset with the expectation of cash flows and anticipated timing of receipt of such cash flows determined on an aggregate basis. To determine fair value, expected cash flows are discounted by an interest rate approximating the acquisition date market rate of return for the pool of loans. The excess of expected cash flows over fair value is referred to as the accretable yield and is recognized as interest income on a level yield basis over the estimated remaining life of the pool of loans.

Acquired loans that do not meet the criteria established under ASC 310-30, or non-ACI loans, are accounted for under ASC Topic 310-20, Receivables Nonrefundable Fees and Other Costs, or ASC 310-20. For non-ACI loans acquired at a discount to UPB, this accounting method results in a purchase discount that accretes on a level yield basis and is recognized as a component of interest income. This accretion represents income in addition to contractual interest received and increases the effective yield of the loans. While under ASC 310-20 the entire purchase discount is accretable, a portion of the accretable purchase discount can be attributable to expected credit losses and other cash flow items impacting fair value.

We evaluated the loans acquired from Bank of Florida and concluded that all loans, with the exception of revolving loans and consumer loans, were ACI loans and would be accounted for under ASC 310-30. As of the acquisition date, ACI loans had remaining contractual principal and interest payments of \$1.3 billion, expected cash flows of \$996.3 million, and a fair value of \$807.0 million. The difference between the contractually required payments of \$1.3 billion and the expected cash flows of \$996.3 million represents a non-accretable difference in the amount of \$314.4 million. The difference between the expected cash flows of \$996.3 million and fair value of \$807.0 million represents an accretable yield of \$189.3 million. The \$807.0 million fair value established for ACI loans represented a \$220.8 million discount to acquired UPB of \$1.0 billion at acquisition.

Acquired revolving loans were accounted for under ASC 310-20 and recognized at fair value. The fair value of these loans was \$73.1 million, which represented a \$26.4 million discount to acquired UPB of \$99.5 million. Additionally, we acquired consumer loans with a UPB of \$10.3 million at a fair value of \$8.3 million, which resulted in a \$2.0 million discount. Payments on these loans are accounted for under the cost recovery method.

In conjunction with the Tygris acquisition, we adopted an accounting policy of recognizing accretable yield for ACI lease financing receivables based on expected cash flows, following the accounting method described above under

ASC 310-30. We determined a portfolio of ACI lease

**Table of Contents**

financing receivables based on internal criteria established for evidence of credit deterioration since origination such that it was deemed probable that we would be unable to collect all contractually required payments. At acquisition, the ACI portfolio had contractual amounts due of \$128.6 million, \$6.0 million of which were related to residual amounts, expected cash flows of \$44.9 million and a fair value of \$38.8 million. The difference between the contractually required payments of \$128.6 million and the expected cash flows of \$44.9 million represents a non-accretable difference of \$83.7 million. The difference between the expected cash flows of \$44.9 million and fair value of \$38.8 million represents an accretable yield of \$6.1 million. The \$38.8 million fair value of the ACI portfolio represented a \$70.7 million discount to its prior carrying value of \$109.5 million at acquisition.

For non-ACI lease financing receivables acquired from Tygris, our assessment of fair value as of the date of acquisition incorporated assumptions for credit losses, servicing costs and other cash outlays even though the portfolio had not displayed evidence of credit deterioration. Contractual amounts due for the non-ACI portfolio were \$809.4 million, of which \$51.1 million was related to residual amounts, while expected cash flows were \$603.2 million. Expected cash flows were discounted by a rate approximating the market rate of return for the lease portfolio. This approach resulted in a \$499.3 million fair value for the non-ACI portfolio, which represented a \$196.1 million discount to its prior carrying value of \$695.5 million at acquisition. For the non-ACI portfolio, we adopted a policy for accreting this discount on a level yield basis, following the accounting method described above under ASC 310-20. For non-ACI loans and lease financing receivables accounted for under ASC 310-20, we periodically monitor the accretable purchase discount and recognize an allowance for loan loss if the discount is not sufficient to absorb incurred losses.

For ACI loans and lease financing receivables accounted for under (or by analogy to) ASC 310-30, we periodically reassess cash flow expectations at a pool or loan/lease level. In the case of improving cash flow expectations for a particular pool, we reclassify an amount of non-accretable difference as accretable yield, thus increasing the prospective yield of the pool. In the case of deteriorating cash flow expectations, we record a provision for loan or lease loss, following the allowance for loan loss framework. For more information on ACI loans and lease financing receivables accounted for under (or by analogy to) ASC 310-30. See Note 8 to the consolidated financial statements of EverBank Financial Corp and subsidiaries as of and for the years ended December 31, 2011 and 2010. The following table presents a bridge from UPB or contractual net investment to carrying value for ACI loans and lease financing receivables accounted for under (or by analogy to) ASC 310-30 at December 31, 2011.

|   | <b>Bank of Florida</b> | <b>Tygris</b> | <b>Other</b> | <b>Total</b> |
|---|------------------------|---------------|--------------|--------------|
|   | <b>(In thousands)</b>  |               |              |              |
| <b>Under ASC 310-30 (or by analogy)</b>           |                        |               |              |              |
| UPB or contractual net investment                 | \$ 685,967             | \$            | \$ 543,240   | \$ 1,229,207 |
| Plus: contractual interest due or unearned income | 267,879                |               | 470,601      | 738,480      |
| Contractual cash flows due                        | 953,846                |               | 1,013,841    | 1,967,687    |
| Less: nonaccretable difference                    | 179,342                |               | 421,446      | 600,788      |
| Less: ALLL  | 11,638                 |               | 4,351        | 15,989       |
| Expected cash flows                               | 762,866                |               | 588,044      | 1,350,910    |
| Less: accretable yield                            | 141,750                |               | 65,973       | 207,723      |
| Carrying value                                    | \$ 621,116             | \$            | \$ 522,071   | \$ 1,143,187 |
|   | 91%                    | 0%            | 95%          | 93%          |

*Carrying value as a percentage of UPB or  
contractual net investment*

In the Bank of Florida ACI portfolio, an impairment charge of \$5.4 million was recognized for 2011 due to deteriorating cash flow expectations in certain pools of loans. Within this portfolio we also reclassified \$11.0 million to nonaccretable difference from accretable yield due to a reduction in cash flows.



**Table of Contents**

In the Tygris ACI portfolio, payments received during 2011 reduced the carrying value of an additional pool of lease financing receivables to zero, reverting the pool to move from classification under ASC 310-30 to Cost Recovery. In conjunction with this occurrence, we adopted a policy of accounting for ACI pools of loans or lease financing receivables under the cost recovery method if payments over a period reduce their carrying value to zero. Under this method, any future loan or lease payments will be recognized as interest income. For 2011, we had \$8.9 million in transfers to cost recovery. Within this portfolio, we also reclassified approximately \$2.6 million from nonaccretable difference to accretable yield due to improving estimated cash flows in other pools. At December 31, 2011, all ASC 310-30 pools related to the Tygris acquisition have moved to cost recovery due to the carrying value of each of these pools moving to zero. While the book value is zero, we still expect trailing cash flows from these pools over the next couple years.

In our other ACI portfolio, additional impairment of \$0.7 million was recognized for 2011. Within this portfolio, we reclassified \$23.9 million to accretable yield.

For non-ACI loans and lease financing receivables accounted for under ASC 310-20, we periodically monitor the accretable purchase discount and recognize an allowance for loan loss if the discount is not sufficient to absorb incurred losses. The following table presents a bridge from UPB or contractual net investment to carrying value for non-ACI loans and lease financing receivables accounted for under ASC 310-20 at December 31, 2011.

|   | <b>Bank of<br/>Florida</b> | <b>Tygris<br/>(In thousands)</b> | <b>Other</b> | <b>Total</b> |
|---|----------------------------|----------------------------------|--------------|--------------|
| <b>Under ASC 310-20</b>   |                            |                                  |              |              |
| UPB or contractual net investment   | \$ 58,519                  | \$ 225,794                       | \$ 2,067,453 | \$ 2,351,766 |
| Less: purchase discount   | 16,959                     | 49,708                           | 80,720       | 147,387      |
| Recorded investment   | \$ 41,560                  | \$ 176,086                       | \$ 1,986,733 | \$ 2,204,379 |
| <i>Recorded investment as a percentage of UPB or contractual net investment</i> | 71%                        | 78%                              | 96%          | 94%          |

**Analysis of the Allowance for Loan and Lease Losses**

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

|                                       | <b>Year Ended December 31,</b> |          |               |          |               |          |               |          |               |          |
|---------------------------------------|--------------------------------|----------|---------------|----------|---------------|----------|---------------|----------|---------------|----------|
|                                       | <b>2011</b>                    |          | <b>2010</b>   |          | <b>2009</b>   |          | <b>2008</b>   |          | <b>2007</b>   |          |
|                                       | <b>Amount</b>                  | <b>%</b> | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
|                                       | <b>(In thousands)</b>          |          |               |          |               |          |               |          |               |          |
| Residential mortgages                 | \$ 43,454                      | 55.9%    | \$ 46,584     | 49.7%    | \$ 56,653     | 60.8%    | \$ 14,920     | 45.7%    | \$ 5,976      | 50.9%    |
| Commercial and commercial real estate | 28,209                         | 36.3%    | 33,490        | 35.8%    | 26,576        | 28.5%    | 11,193        | 34.3%    | 4,937         | 42.0%    |
| Lease financing receivables           | 3,766                          | 4.8%     | 2,454         | 2.6%     |               |          |               |          |               |          |
| Other equity lines                    | 2,186                          | 2.8%     | 10,907        | 11.6%    | 9,651         | 10.4%    | 6,244         | 19.1%    | 516           | 4.4%     |

consumer and credit

|           |      |           |      |           |      |           |      |           |      |
|-----------|------|-----------|------|-----------|------|-----------|------|-----------|------|
| 150       | 0.2% | 254       | 0.3% | 298       | 0.3% | 296       | 0.9% | 317       | 2.7% |
| \$ 77,765 | 100% | \$ 93,689 | 100% | \$ 93,178 | 100% | \$ 32,653 | 100% | \$ 11,746 | 100% |

The ALLL and the balance of non-accretable discounts represent 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

**Table of Contents**

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

Individual loans and leases considered to be uncollectible are charged off against the allowance. The amount and timing of charge-offs on loans and leases includes consideration of the loan or lease type, length of delinquency, insufficient collateral value, lien priority and the overall financial condition of the borrower. Collateral value is determined using updated appraisals and/or other market comparable information, such as Broker Price Opinions. Updated financial information on commercial and commercial real estate loans is also obtained from the borrower at least annually, or more frequently if the loan becomes delinquent. Charge-offs are generally taken on loans once the impairment is determined to be other-than-temporary. Recoveries on loans previously charged off are added to the allowance. Net charge-offs to average loans held for investment for the years ended December 31, 2011, 2010 and 2009 were 1.02%, 1.46%, and 1.35%, respectively.

The ALLL totaled \$77.8 million at December 31, 2011, a decrease of \$15.9 million from December 31, 2010 primarily due to lower provision expense as a function of decreased gross charge offs for commercial and commercial real estate portfolios partially offset by an increase in gross charge offs in residential portfolios. The ALLL totaled \$93.7 million at December 31, 2010, an increase of \$0.5 million from December 31, 2009, primarily due to an increase in charge-offs for residential mortgages.

We analyze the loan portfolio, including delinquencies, concentrations, and risk characteristics, 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 table below sets forth the calculation of the ALLL as a percentage of loans and leases held for investment, both as a percentage of total loans and leases and as a percentage of all loans and leases not accounted for under ASC 310-30:

|  | <b>December 31, 2011</b> |  | <b>December 31, 2010</b> |  |
|--|--------------------------|--|--------------------------|--|
|  |                          | <b>Excluding loans<br/>and leases<br/>accounted for<br/>under ASC 310-30</b> |                          | <b>Excluding loans<br/>and leases<br/>accounted for<br/>under ASC 310-30</b> |
|  | <b>Total</b>             |  | <b>Total</b>             |  |
|  | <b>(In thousands)</b>    |  |                          |  |
| ALLL   | \$ 77,765                | \$ 61,776  | \$ 93,689                | \$ 83,708  |
| Loans and leases held for investment                         | 6,519,281                | 5,360,105  | 6,099,268                | 4,888,524  |
| ALLL as a percentage of loans and leases held for investment | 1.19%                    | 1.15%  | 1.54%                    | 1.71%  |

***Provision for Loan and Lease Losses***

Provisions for loan and lease losses are charged to operations to record changes to the total ALLL to a level deemed appropriate by management. For the years ended December 31, 2011, 2010

**Table of Contents**

and 2009, the provision totaled \$49.7 million, \$79.3 million and \$121.9 million, respectively. The \$29.6 million decrease in 2011 compared to 2010 is primarily a result of continued stabilizing economic activity in commercial real estate portfolio which was offset partially by challenging economic performance of the residential portfolio. The \$42.6 million decrease in 2010 compared to 2009 is primarily a result of decreased losses on non-performing loans, or NPL, and lower than expected delinquencies due to stabilizing economic conditions during 2010, particularly on our legacy commercial real estate portfolio.

The following table provides an analysis of the ALLL, provision for loan and lease losses and net charge-offs for the five-year period ended December 31, 2011:

|   | <b>Year Ended December 31,</b> |                  |                  |                  |                  |
|---|--------------------------------|------------------|------------------|------------------|------------------|
|   | <b>2011</b>                    | <b>2010</b>      | <b>2009</b>      | <b>2008</b>      | <b>2007</b>      |
|   | <b>(In thousands)</b>          |                  |                  |                  |                  |
| ALLL, beginning of period                                   | \$ 93,689                      | \$ 93,178        | \$ 32,653        | \$ 11,746        | \$ 6,952         |
| Charge-offs:  |                                |                  |                  |                  |                  |
| Residential mortgages                                       | 36,664                         | 19,730           | 8,351            | 3,482            |                  |
| Commercial and commercial real estate                       | 19,446                         | 46,168           | 47,930           | 11,121           | 659              |
| Lease financing receivables                                 | 5,371                          | 6,050            |                  |                  |                  |
| Home equity lines   | 5,806                          | 7,540            | 5,219            | 2,009            |                  |
| Consumer and credit card                                    | 193                            | 610              | 156              | 156              | 221              |
| <b>Total charge-offs</b>                                    | <b>67,480</b>                  | <b>80,098</b>    | <b>61,656</b>    | <b>16,768</b>    | <b>880</b>       |
| Recoveries:   |                                |                  |                  |                  |                  |
| Residential mortgages                                       | 46                             | 267              | 246              | 10               |                  |
| Commercial and commercial real estate                       | 2,028                          | 598              | 6                | 11               | 49               |
| Lease financing receivables                                 | 116                            | 2                |                  |                  |                  |
| Home equity lines   | 24                             | 187              | 17               |                  |                  |
| Consumer and credit card                                    | 35                             | 214              |                  | 9                | 14               |
| <b>Total recoveries</b>                                     | <b>2,249</b>                   | <b>1,268</b>     | <b>269</b>       | <b>32</b>        | <b>63</b>        |
| <b>Net charge-offs</b>                                      | <b>65,231</b>                  | <b>78,830</b>    | <b>61,387</b>    | <b>16,736</b>    | <b>817</b>       |
| Provision for loan and lease losses                         | 49,704                         | 79,341           | 121,912          | 37,278           | 5,632            |
| Other   | (397)                          |                  |                  | 365              | (21)             |
| <b>ALLL, end of period</b>                                  | <b>\$ 77,765</b>               | <b>\$ 93,689</b> | <b>\$ 93,178</b> | <b>\$ 32,653</b> | <b>\$ 11,746</b> |
| <b>Net charge-offs to average loans held for investment</b> | <b>1.02%</b>                   | <b>1.46%</b>     | <b>1.35%</b>     | <b>0.41%</b>     | <b>0.03%</b>     |

Net charge-offs for 2011 totaled \$65.2 million, down \$13.6 million from 2010. This decrease in net charge-offs is primarily a result of stabilizing property values of the commercial real estate portfolio. Net charge-offs for 2010 totaled \$78.8 million, up \$17.4 million over 2009. Net charge-offs increased from \$0.8 million in 2007 to \$16.7 million and \$61.4 million in 2008 and 2009, respectively, primarily in the commercial and commercial real estate loan portfolios. Residential mortgage net charge-offs for 2011 totaled \$36.6 million. Residential mortgages experienced increasing levels of net charge-offs from 2007 to 2011, growing from \$0 to \$36.6 million, respectively.

***Problem Loans and Leases***

Loans and leases are placed on non-accrual 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, with the exception of government-insured loans and ACI loans and leases. When a loan is placed on non-accrual status, previously accrued but unpaid interest is reversed from interest income, and interest income is recorded as collected.

We exclude government-insured pool buyout loans from our definition of non-performing loans and leases. At December 31, 2011 and 2010, we also excluded loans and leases acquired in the Tygris and Bank of Florida acquisitions from non-performing status, because we expected to fully

**Table of Contents**

collect their new carrying value which reflects significant purchase discounts. If our expectation of reasonably estimable future cash flows deteriorates, these loans and leases may be classified as non-accrual loans and interest income will not be recognized until the timing and amount of future cash flows can be reasonably estimated. These Tygris and Bank of Florida acquired assets are required to be included in the definition of non-performing loans by the OTS but not by the OCC.

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

In cases where a borrower experiences financial difficulties and we make certain concessionary modifications to contractual terms, the loan is classified as a troubled debt restructuring, or TDR. 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 following table sets forth the composition of our NPA, including non-accrual, 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.

|   | <b>Year Ended December 31,</b> |                   |                   |                   |                  |
|---|--------------------------------|-------------------|-------------------|-------------------|------------------|
|   | <b>2011</b>                    | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       | <b>2007</b>      |
|   | <b>(In thousands)</b>          |                   |                   |                   |                  |
| Non-accrual loans and leases:                                 |                                |                   |                   |                   |                  |
| Residential mortgages   | \$ 81,594                      | \$ 53,719         | \$ 52,820         | \$ 32,942         | \$ 24,637        |
| Commercial and commercial real estate                         | 104,829                        | 153,024           | 136,924           | 85,130            | 985              |
| Lease financing receivables                                   | 2,385                          | 3,755             |                   |                   |                  |
| Home equity lines   | 4,251                          | 2,420             | 5,149             | 5,167             | 6,084            |
| Consumer and credit card                                      | 419                            | 920               | 58                | 1                 | 64               |
| <b>Total non-accrual loans and leases</b>                     | <b>193,478</b>                 | <b>213,838</b>    | <b>194,951</b>    | <b>123,240</b>    | <b>31,770</b>    |
| Accruing loans 90 days or more past due                       | 6,673                          | 1,754             | 1,362             | 104               |                  |
| <b>Total non-performing loans (NPL)</b>                       | <b>200,151</b>                 | <b>215,592</b>    | <b>196,313</b>    | <b>123,344</b>    | <b>31,770</b>    |
| Other real estate owned (OREO)                                | 42,664                         | 37,450            | 24,087            | 18,010            | 4,821            |
| <b>Total non-performing assets (NPA)</b>                      | <b>242,815</b>                 | <b>253,042</b>    | <b>220,400</b>    | <b>141,354</b>    | <b>36,591</b>    |
| Troubled debt restructurings (TDR) less than 90 days past due | 92,628                         | 70,173            | 95,482            | 48,768            | 275              |
| <b>Total NPA and TDR</b>                                      | <b>\$ 335,443</b>              | <b>\$ 323,215</b> | <b>\$ 315,882</b> | <b>\$ 190,122</b> | <b>\$ 36,866</b> |
| <b>Total NPA and TDR</b>                                      | <b>\$ 335,443</b>              | <b>\$ 323,215</b> | <b>\$ 315,882</b> | <b>\$ 190,122</b> | <b>\$ 36,866</b> |
| Government-insured 90 days or more past due still accruing    | 1,570,787                      | 553,341           | 589,842           | 428,630           | 236,455          |

Tygris and Bank of Florida loans  
and leases accounted for under  
ASC 310-30 or by analogy:

|                          |         |         |
|--------------------------|---------|---------|
| 90 days or more past due | 149,743 | 195,425 |
| OREO                     | 19,456  | 19,166  |

|                              |              |              |            |            |            |
|------------------------------|--------------|--------------|------------|------------|------------|
| Total regulatory NPA and TDR | \$ 2,075,429 | \$ 1,091,147 | \$ 905,724 | \$ 618,752 | \$ 273,321 |
|------------------------------|--------------|--------------|------------|------------|------------|

Adjusted credit quality ratios  
excluding government-insured  
loans and Tygris and Bank of  
Florida loans and leases accounted  
for under ASC 310-30 or by  
analogy:

|                             |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|
| NPL to total loans          | 2.18% | 2.98% | 3.67% | 2.25% | 0.68% |
| NPA to total assets         | 1.86% | 2.11% | 2.73% | 2.01% | 0.66% |
| NPA and TDR to total assets | 2.57% | 2.69% | 3.92% | 2.70% | 0.67% |

Credit quality ratios including  
government-insured loans and loans  
and leases accounted for under  
ASC 310-30 or by analogy:

|                             |        |        |        |        |       |
|-----------------------------|--------|--------|--------|--------|-------|
| NPL to total loans          | 20.95% | 13.31% | 14.68% | 10.05% | 5.75% |
| NPA to total assets         | 15.20% | 8.50%  | 10.05% | 8.09%  | 4.94% |
| NPA and TDR to total assets | 15.91% | 9.09%  | 11.24% | 8.78%  | 4.95% |



## **Table of Contents**

At December 31, 2011, total non-performing loans, or NPL, were \$200.2 million, or 2.2% of total loans, down \$15.4 million from \$215.6 million, or 3.0% of total loans, at December 31, 2010. NPL have increased \$76.8 million since December 31, 2008 primarily due to the national rise in mortgage defaults.

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

In addition to the problem loans described above, as of December 31, 2011, we had special mention loans and leases totaling \$86.2 million, which are not included in either the non-accrual or 90 days past due loan and lease categories but which in our opinion were subject to potential future rating downgrades. Special mention loans and leases decreased \$1.1 million, or 1%, to \$86.2 million at December 31, 2011 from \$87.3 million at December 31, 2010, and increased \$27.4 million, or 46%, to \$87.3 million at December 31, 2010 from \$59.9 million at December 31, 2009. Loans and leases rated as special mention totaled \$86.2 million, or 0.9%, of the total loan portfolio and 1.0% of the non-covered loan portfolio at December 31, 2011, including \$51.3 million acquired from Bank of Florida.

## **Liquidity and Capital Resources**

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

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

As of December 31, 2011, we had a \$2.1 billion line of credit with the FHLB, of which \$1.2 billion was outstanding. Based on asset size, the maximum potential line available with the FHLB was \$5.0 billion at December 31, 2011, assuming eligible collateral to pledge. As of December 31, 2011, we had collateral pledged with the FRB that provided \$201.0 million of borrowing capacity at the discount window, but did not have any borrowings outstanding. The maximum potential borrowing at the FRB is limited only by eligible collateral.

At December 31, 2011, our availability under Promontory Interfinancial Network, LLC's CDARS® One-Way Buy<sup>sm</sup> deposits and federal funds commitments was \$2.0 billion and \$40.0 million, with \$273.3 million and \$0 in outstanding

borrowings, respectively.

**Table of Contents**

**Regulatory Capital Requirements**

We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements may prompt certain actions by regulators that, if undertaken, could have a direct material adverse effect on our financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

We expect that, as a result of recent developments such as the Dodd-Frank Act and Basel III, we will be subject to increasingly stringent regulatory capital requirements. For further discussion of the changing regulatory framework in which we operate, please see Regulation and Supervision.

At December 31, 2011, EverBank exceeded all regulatory capital requirements and was considered to be well capitalized with a Tier 1 (core) capital ratio of 8.0% and a total risk-based capital ratio of 15.7%.

**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 and FRB regulate all capital distributions by EverBank directly or indirectly to us, including dividend payments. 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 either the OCC or FRB notifies EverBank that it is subject to heightened supervision. Under the 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.

As a result of the passage of the Dodd-Frank Act, EverBank is now regulated by the OCC. We cannot predict the changes, if any, the OCC may make to restrictions on dividend payments. See Regulation and Supervision.

**Table of Contents****Contractual Obligations**

The following tables contain supplemental information regarding our total contractual obligations as of December 31, 2011:

|   | <b>As of December 31, 2011</b> |                               |                    |                   |                     | <b>Total</b>         |
|---|--------------------------------|-------------------------------|--------------------|-------------------|---------------------|----------------------|
|   | <b>&lt; 1 Year</b>             | <b>Payments Due by Period</b> |                    |                   | <b>&gt; 5 Years</b> |                      |
|   |                                | <b>1 - 3 Years</b>            | <b>3 - 5 Years</b> |                   |                     |                      |
|   | <b>(In thousands)</b>          |                               |                    |                   |                     |                      |
| Deposits without a stated maturity <sup>(1)</sup> | \$ 7,573,170                   | \$                            | \$                 | \$                | \$                  | \$ 7,573,170         |
| Time deposits                                     | 1,852,747                      | 304,842                       | 488,885            | 59,177            |                     | 2,705,651            |
| Other borrowings                                  | 692,428                        | 372,858                       | 161,000            | 30,000            |                     | 1,256,286            |
| Trust preferred securities                        |                                |                               |                    | 103,750           |                     | 103,750              |
| Interest on interest-bearing debt <sup>(2)</sup>  | 33,072                         | 68,746                        | 59,463             | 107,298           |                     | 268,579              |
| Operating lease obligations <sup>(3)</sup>        | 8,989                          | 12,879                        | 10,313             | 7,301             |                     | 39,482               |
| Interest rate swap agreements <sup>(4)</sup>      | 2,697                          | 52,738                        | 46,312             | 36,575            |                     | 138,322              |
| Strategic marketing and promotional arrangements  | 3,308                          | 7,119                         | 400                |                   |                     | 10,827               |
| <b>Total</b>                                      | <b>\$ 10,166,411</b>           | <b>\$ 819,182</b>             | <b>\$ 766,373</b>  | <b>\$ 344,101</b> |                     | <b>\$ 12,096,067</b> |

- (1) Deposits without a stated maturity do not have fixed contractual obligations relating to future interest payments. Hence, these interest amounts have been excluded from the contractual obligations table because we are unable to reasonably predict the ultimate amount or timing of future payments.
- (2) The variable interest rate component on other borrowings and trust preferred securities has been forecasted based on a yield curve at December 31, 2011 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.
- (3) Operating lease obligations include all minimum lease payments. In December 2011, the Company entered into an 11 year lease agreement for approximately 269,168 square feet of office space located in downtown Jacksonville, Florida. The Company expects to take occupancy of the premises in June 2012. As of December 31, 2011, the lease was not yet in force as there were contingencies which the landlord was required to fulfill, and as a result minimum lease payments under the lease were not included in the table above.
- (4) Interest rate swap amounts are derived from the forecast of three-month LIBOR at December 31, 2011 on all open swap positions at that date. Open swap positions relate to liability hedge swaps, commercial real estate loan hedge swaps and trust preferred hedge swaps.

We enter into derivatives to hedge certain business activities. See Note 24 to the consolidated financial statements of EverBank Financial Corp and subsidiaries as of December 31, 2011, 2010 and 2009 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.

## **Table of Contents**

### **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 customers. 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 the Company's 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 customers 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 customer to a third party. In the event the customer 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 customer. Our policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements. See Note 26 to the consolidated financial statements of EverBank Financial Corp and subsidiaries as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 for additional information regarding our contractual obligations.

### **Loans Subject to Representations and Warranties**

We originate residential mortgage loans, primarily first-lien home loans, through our direct and wholesale 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 Fannie Mae, or FNMA, and Freddie Mac, or FHLMC. We also sell residential mortgage loans, especially those that do not meet criteria for whole loan sales to GSEs (nonconforming mortgage loans), through whole loan sales to private non-GSE purchasers.

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 or warranties, or (2) with respect to non-GSE purchasers, in material breach of these representations and warranties, we generally have an obligation to either: (a) repurchase the loan for the UPB, accrued interest and related advances, which we

refer to collectively as the Repurchase Price, (b) indemnify the purchaser or (c) make the purchaser whole for the economic benefits of the loan. Our obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan. For example, if an investor has already liquidated the mortgage loan, the investor no longer has a mortgage asset that we could repurchase.

**Table of Contents**

We also have a limited repurchase exposure for early payment defaults, or EPDs, 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. 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 on the community reinvestment loans we originate and sell under a State of Florida housing program, which represents a minimal amount of our total originations. Except with respect to such EPDs, the risk of credit loss for loans sold is transferred to investors upon sale in the secondary market.

***Loans Sold to or Securitized with GSEs***

From 2004 through 2011, we originated and securitized approximately \$17.6 billion of mortgage loans in GSE-guaranteed MBS. Such securities were issued through GNMA for federally insured loans and FNMA and FHLMC for conventional loans. Once issued, these securities were sold in the secondary markets.

***Loans Sold to Private Investors***

From 2004 through 2011, we originated and sold approximately \$25.0 billion of mortgage loans to private investors. We did not securitize any mortgage loans with private investors during this time period.

***Private Mortgage Insurance***

We do not sell residential mortgage loans to mortgage insurers. Rather, we are subject to potential losses if a mortgage insurance company rescinds or cancels private mortgage insurance, or PMI, on loans that we originate and sell or securitize. Rescission or cancellation of coverage often triggers automatic repurchase demands from investors because such loans are not eligible for sale or securitization.

Although unresolved PMI cancellation notices are not formal repurchase requests, we include these in our active repurchase request pipeline when analyzing and estimating loss content in relation to the loans sold on the secondary market.

***Loans Repurchased after Sale or Securitization***

Between January 1, 2008 and December 31, 2011, we received requests from investors to repurchase 1,109 mortgage loans. As a basis for comparison, we originated and sold 101,086 loans during this same time period. We have successfully defended 471 of the repurchase requests (representing 59.5% of all resolved requests) and repurchased, indemnified investors or made investors whole on 321 loans. At December 31, 2011, we had 317 open repurchase requests (277 non-GSE and 40 GSE).



**Table of Contents**

We have summarized the activity for each of the periods 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:

|  | <b>Year Ended December 31,</b> |             |             |             |
|--|--------------------------------|-------------|-------------|-------------|
|  | <b>2011</b>                    | <b>2010</b> | <b>2009</b> | <b>2008</b> |
| GSE  | 176                            | 77          | 29          | 6           |
| Non-GSE  | 316                            | 301         | 120         | 84          |
| Repurchase requests                                    | 492                            | 378         | 149         | 90          |
| GSE  | 96                             | 48          | 13          | 3           |
| Non-GSE  | 99                             | 123         | 45          | 44          |
| Requests successfully defended                         | 195                            | 171         | 58          | 47          |
| GSE  | 40                             | 29          | 16          | 3           |
| Non-GSE  | 32                             | 103         | 59          | 39          |
| Loans repurchased, indemnified or made whole           | 72                             | 132         | 75          | 42          |
| GSE  | \$ 3,202                       | \$ 1,136    | \$ 625      | \$ 349      |
| Non-GSE  | 9,240                          | 10,449      | 3,110       | 2,111       |
| Net realized losses on loan repurchases (in thousands) | \$ 12,442                      | \$ 11,585   | \$ 3,735    | \$ 2,460    |
| Years of origination of loans repurchased              | 2001-2011                      | 2001-2010   | 2002-2009   | 2004-2008   |

The most common reasons for loan repurchases and make-whole payments are claimed misrepresentations related to falsified employment documents and/or verifications, occupancy, credit and/or stated income. These requests amounted to 565 from January 1, 2008 through December 31, 2011. Additionally, in the same time period we received requests to repurchase or make whole 237 loans because they did not meet the specified investor guidelines.

Beginning in 2009, higher loan delinquencies, resulting from deterioration in overall economic conditions and trends, particularly those impacting the residential housing sector, caused investors to carefully examine and re-underwrite credit files for those loans in default. Investors have most often cited income and employment misrepresentations as the grounds for us to repurchase loans.

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

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

If we agree with the investor that we are obligated to repurchase a loan, we will either: (1) repurchase the loan at the Repurchase Price, (2) indemnify the purchaser or (3) 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 loan status.

In May of 2011, EverBank executed an agreement with one of our correspondent investors to settle claims related to certain loan repurchase requests. These loan requests were received in 2009 through 2011 and relate to 30 loans originated in 2006 and 2007, with a UPB totaling \$7.7 million. In exchange for a payment of \$2.1 million and without any admission of wrongdoing by EverBank, the investor released EverBank from any and all claims arising from these mortgage loans. This agreement referred solely to the outstanding repurchase requests in question and did not relate to any requests which may arise in the future.

**Table of Contents**

Of the three courses of action described above, a loan repurchase is the only remedy where we will place the loan asset that is the subject of the repurchase demand on our balance sheet. In the case of indemnification, the investor still owns the loan asset and we indemnify the investor for losses incurred resulting from our breach of a representation and warranty. In the case of a make-whole payment, the investor or subsequent purchaser of a loan asset has liquidated the loan and there is no loan asset for us to repurchase. We are simply obligated to make the investor whole for losses incurred between the initial purchase price and the liquidation price, and related costs.

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

When we sell residential mortgage loans on the secondary mortgage market, our repurchase obligations are typically not limited to any specific period of time. Rather, the contractual representations and warranties we make on these loans survive indefinitely for the life of the loan.

Historically, the majority of our requests for repurchase end approximately three years after the loan has been sold to an investor. However, for certain vintages, repurchase activity has persisted beyond our historical experience. Repurchase demands relating to early payment defaults, or EPDs, generally surface sooner, typically within 180 days of selling the loan to an investor. Historically, the Company has 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.

***Reserves for Repurchase Obligations for Loans Sold or Securitized***

We establish reserves for estimated losses inherent in our origination of mortgage loans. The reserves are derived from loss frequencies that reflect default trends in residential real estate loans and severities reflecting declining housing prices. In estimating the accrued liability for loan repurchases and make-whole payment obligations, we estimate probable losses inherent in the population of all loans sold based on trends in claims requests and actual loss severities we have experienced. The liability includes accruals for probable contingent losses in addition to those identified in the pipeline of repurchase/make-whole payment requests. The estimation process is designed to include amounts based on historical losses experienced from actual repurchase activity. The baseline for the repurchase reserve uses historical loss factors that are applied to loan pools originated in 2003 through 2011 and sold in years 2004 through 2011. Loss factors, tracked by year of loss, are calculated using actual losses incurred on repurchases or make-whole payment arrangements. The historical loss factors experienced are accumulated for each sale vintage and are applied to more recent sale vintages to estimate inherent losses incurred but not yet realized. Due to the increased levels of repurchase demands experienced in 2010 and 2011, and that have been present in the industry, we have increased our expected levels of repurchase activity for some vintages in excess of the historical repurchase frequency curves. In determining the reserve, the Company evaluates trends in the existing pipeline of pending repurchase requests, historical activity levels for various vintages over comparable time periods from origination, effects of changes in rescission rates and other qualitative factors.

**Table of Contents**

The following is a roll forward of our reserves for repurchase losses:

|  | <b>Year Ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2011</b>                    | <b>2010</b> | <b>2009</b> |
|  | <b>(In thousands)</b>          |             |             |
| Balance, beginning of year                             | \$ 26,798                      | \$ 3,610    | \$ 1,170    |
| Provision for new sales/securitizations                | 877                            | 724         | 54          |
| Provision for changes in estimate of existing reserves | 16,767                         | 33,981      | 6,121       |
| Net realized losses on repurchases                     | (12,442)                       | (11,517)    | (3,735)     |
| Balance, end of year                                   | \$ 32,000                      | \$ 26,798   | \$ 3,610    |

We track the historical frequency of loan repurchases, indemnifications or make-whole payments by vintage year of loan sale and the losses associated with the disposal of the repurchased loans. Based on this experience, we estimate the future liability associated with the loan sales by making assumptions concerning future repurchase frequency and severity of losses expected. Both the severity and frequency assumptions are subject to some variability due to changes in the housing market and general economic conditions.

We perform a sensitivity analysis on our loan repurchase reserve by varying the frequency and severity assumptions independently for each loan sale vintage year. By increasing the frequency and severity by 20%, the reserve balance as of December 31, 2011 would have increased by 74% from the baseline. Conversely, by decreasing the frequency and the severity by 20%, the reserve balance as of December 31, 2011 would have decreased by 55%. Based upon qualitative and quantitative factors, including the number of pending repurchase requests, rescission rates and trends in loss severities, we may make adjustments to the base reserve balance to incorporate recent, known trends.

The sensitivity analysis for the loan repurchase reserve as of December 31, 2011 is as follows:

|   | <b>Frequency and Severity</b> |               |             |                 |                 |
|---|-------------------------------|---------------|-------------|-----------------|-----------------|
|   | <b>Up 20%</b>                 | <b>Up 10%</b> | <b>Base</b> | <b>Down 10%</b> | <b>Down 20%</b> |
|   | <b>(In thousands)</b>         |               |             |                 |                 |
| Reserve for originated loan repurchases | \$ 55,686                     | \$ 43,123     | \$ 32,000   | \$ 22,393       | \$ 14,382       |

**Loan Servicing**

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

In certain cases, we have been able to limit our repurchase exposure on those loans we did not originate by entering into tri-party agreements with the GSE and the party who sells the loan asset to the GSE and the servicing rights to us. Under such agreements, the GSE agrees that it will not look to us to repurchase loans for breaches of loan level origination representations and warranties.

When we enter into contractual arrangements to service mortgage loans on behalf of non-GSE third parties or purchase MSR from non-GSE third parties, we enter into market standard servicing or MSR purchase agreements. Such agreements do not require us as servicer to repurchase loans in

**Table of Contents**

default. Instead, we may be required to indemnify third parties for our contractual breaches, including a failure to service loans in accordance with applicable law and accepted servicing practices.

The outstanding principal balance on loans serviced at December 31, 2011 and 2010, was approximately \$53.1 billion and \$54.6 billion, respectively, including residential mortgage loans held for sale.

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. Due to the failures of several of our counterparties, we have experienced losses related to the repurchase of loans from FNMA and FHLMC and subsequent disposal or payment demands from the GSEs. We have established reserves for estimated losses related to the servicing of loans for the GSEs that we have purchased from these defunct originators. There is an inherent uncertainty in the estimate of servicing repurchase losses as we are not the originator or the securitizing entity of these mortgage loans and consequently lack the origination data related to these loans. The reserves are derived from loss frequencies that reflect default trends in residential real estate loans and severities reflecting declining housing prices. In estimating the accrued liability for loan repurchases and make-whole payment obligations, we estimate probable losses related to our defunct counterparties based on the actual frequency and severity of the repurchases over the past year.

The following is a rollforward of our reserves for servicing repurchase losses related to these defunct counterparties for the years ended December 31, 2011 and 2010:

|                                     | <b>Year Ended<br/>December 31,<br/>2011                  2010<br/>(In thousands)</b> |           |
|-------------------------------------|--|-----------|
| Balance, beginning of year          | \$ 30,000  | \$ 6,319  |
| Provisions for changes in estimates | 18,586   | 39,899    |
| Reductions for actual repurchases   | (18,222)   | (16,218)  |
| Balance, end of year                | \$ 30,364  | \$ 30,000 |

We performed a sensitivity analysis on our loan servicing repurchase reserve by varying the frequency and severity assumptions. By increasing the frequency and severity by 20%, the reserve balance as of December 31, 2011 would have increased by 29% from the baseline. Conversely, by decreasing the frequency and the severity by 20%, the reserve balance as of December 31, 2011 would have decreased by 23%. Based upon qualitative and quantitative factors, including the number of pending repurchase requests, rescission rates and trends in loss severities, management may make adjustments to the base reserve balance to incorporate recent, known trends.

The following is a sensitivity analysis as of December 31, 2011 of our reserve related to our estimated servicing repurchase losses based on ASC Topic 460, Guarantees:

| <b>Frequency and Severity</b> |               |             |                 |                 |
|-------------------------------|---------------|-------------|-----------------|-----------------|
| <b>Up 20%</b>                 | <b>Up 10%</b> | <b>Base</b> | <b>Down 10%</b> | <b>Down 20%</b> |
| <b>(In thousands)</b>         |               |             |                 |                 |

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Reserve for servicing repurchase losses | \$ 39,063 | \$ 34,516 | \$ 30,364 | \$ 26,608 | \$ 23,248 |
|---|-----------|-----------|-----------|-----------|-----------|

***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 the GNMA Guide or the FHLB Guide requires

**Table of Contents**

servicers to fund any foreclosure claims not otherwise covered by insurance claim funds of the U.S. Department of Housing and Urban Development and/or the U.S. Department of Veterans Affairs.

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

**Quantitative and Qualitative Disclosures about Market Risk**

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

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

If NPV 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 NPV, no matter what the rate scenario. The table below shows the estimated impact on





**Table of Contents**

NPV of increases in interest rates of 1%, 2% and 3% and a decrease in interest rates of 1%, as of December 31, 2011 and 2010:

|                       | As of December 31,     |             |              |             |
|-----------------------|------------------------|-------------|--------------|-------------|
|                       | 2011                   |             | 2010         |             |
|                       | (Dollars in thousands) |             |              |             |
|                       | NPV                    | % of Assets | NPV          | % of Assets |
| Up 300 basis points   | \$ 1,838,181           | 14.3%       | \$ 1,725,284 | 14.4%       |
| Up 200 basis points   | 1,860,204              | 14.2%       | 1,724,165    | 14.1%       |
| Up 100 basis points   | 1,830,916              | 13.7%       | 1,662,524    | 13.5%       |
| Actual                | 1,694,353              | 12.5%       | 1,552,388    | 12.4%       |
| Down 100 basis points | 1,564,919              | 11.5%       | 1,374,693    | 11.0%       |

The projected exposure of NPV to changes in interest rates at December 31, 2011 was in compliance with established policy guidelines. Exposure amounts are derived from numerous assumptions of growth and changes in the mix of assets or liabilities. Due to historically low interest rates, the table above may not predict the full 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.

We also enter into foreign exchange contracts, equity and metal indexed options and options embedded in customer deposits to hedge our market-based deposits. The notional amounts of such derivatives were \$1.1 billion, \$220.5 million and \$218.5 million, respectively, as of December 31, 2011 and \$1.0 billion, \$165.7 million and \$164.9 million, respectively, as of December 31, 2010.

**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

## **Table of Contents**

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, or OTTI. Investment securities that are classified as held to maturity are recorded at amortized cost, unless deemed to be OTTI.

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

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

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

### ***Loans Held for Sale***

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

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

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

For loans carried at lower of cost or market value, fair value estimates are derived from models using characteristics of loans. The key assumptions we used in the valuation models are prepayment speeds, loss estimates and the discount rate. Prepayment and credit loss assumptions based on the historical performance of the loans are adjusted for the current economic environment as appropriate.



**Table of Contents**

The discount rate used in these valuations is derived from the whole loan purchase market, adjusted for our estimate of the required yield for these loans. We believe that such assumptions are consistent with assumptions that other major market participants use in determining such assets' fair values.

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

***Allowance for Loan and Lease Losses (ALLL)***

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

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

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

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



## **Table of Contents**

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 and fluctuations in the provision for loan and lease losses. 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 lease 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 do not mark to market our MSR. MSR do not trade in an active market with readily observable market prices, and the exact terms and conditions of sales 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.





**Table of Contents**

***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 contracts. We also have freestanding derivatives related to the fair value of the shares expected to be released to us from escrow which was recorded as a result of the Tygris acquisition and a recourse commitment asset which was recorded as a result of a 2011 purchase of a pool of loans. We offer various index-linked time deposit products to our customers with returns that are based on a variety of reference indices including equity, commodities, foreign currency and precious metals, and typically offset our exposure from such products by entering into hedging contracts. All derivatives are recognized on the balance sheet at fair value.

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

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

**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 elsewhere in this document for a discussion of recently issued accounting pronouncements that have been adopted by us during the year ended December 31, 2011 or that will only require enhanced disclosures in our financial statements in future periods.

**Table of Contents**

**BUSINESS**

**Overview**

We are a diversified financial services company that provides innovative banking, lending and investing products and services to approximately 575,000 customers nationwide through scalable, low-cost distribution channels. Our business model attracts financially sophisticated, self-directed, mass-affluent customers and a diverse base of small and medium-sized business customers. We market and distribute our products and services primarily through our integrated online financial portal, which is augmented by our nationwide network of independent financial advisors, 14 high-volume financial centers in targeted Florida markets and other financial intermediaries. These channels are connected by technology-driven centralized platforms, which provide operating leverage throughout our business.

We have a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our core deposit franchise and customer base. We originate, invest in, sell and service residential mortgage loans, equipment 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 customers and provides us with a stable and flexible source of low, all-in cost funding. We have a demonstrated ability to grow our customer deposit base significantly with short lead time by adapting our product offerings and marketing activities rather than incurring the higher fixed operating costs inherent in more branch-intensive banking models. Our extensive offering of deposit products and services includes proprietary features that distinguish us from our competitors and enhance our value proposition to customers. 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.

Our significant organic growth has been supplemented by selective acquisitions of portfolios and businesses, including our recent acquisition of MetLife Bank's warehouse finance business and 2010 acquisitions of the banking operations of the Bank of Florida in an FDIC-assisted transaction and Tygris, a commercial finance company. We evaluate and pursue financially attractive opportunities to enhance our franchise on an ongoing basis. We have also recently made significant investments in our business infrastructure, management team and operating platforms that we believe will enable us to grow our business efficiently and further capitalize on organic growth and strategic acquisition opportunities.

We have recorded positive earnings in every full year since 1995. Since 2000, we have recorded an average ROAE of 14.9% and a net income CAGR of 22%. As of December 31, 2011, we had total assets of \$13.0 billion and total shareholders' equity of \$1.0 billion.

**History and Growth**

EverBank Financial Corp was incorporated in 2004, but our history as a financial services company extends through various predecessors back to the early 1960s. In 1994, a private investor group, including our Chairman and Chief

Executive Officer and Vice Chairman, acquired Alliance

**Table of Contents**

Mortgage Company, laying the foundation for what ultimately would become EverBank and EverBank Financial Corp. Key events in our history since 1994 are as follows:

From 1994 to 1998, we grew our residential mortgage servicing and origination businesses.

In October 1998, we established a de novo bank called First Alliance Bank.

In January 1999, we joint-ventured with The Bank of New York to establish BNY Mortgage Company LLC to originate residential mortgage loans in New York and surrounding states.

In January 2001, we acquired Marine National Bank, a Jacksonville-based community bank, increasing our assets to approximately \$1.5 billion at December 31, 2001.

In November 2002, we acquired CustomerOne Financial Network, Inc., which became the basis for our online banking platform.

In February 2004, we rebranded our operations under the EverBank name.

In February 2007, we acquired The Bank of New York's interest in BNY Mortgage Company LLC, rebranded the company as EverBank Reverse Mortgage LLC and focused the business exclusively on nationwide origination of reverse mortgage loans.

In July 2007, we acquired NetBank's mortgage servicing portfolio. In October 2007, we completed the acquisition of approximately \$569.4 million of NetBank's mortgage assets from the FDIC.

In May 2008, we sold EverBank Reverse Mortgage LLC to an unaffiliated third-party and in July and September of 2008, we received capital investments from private investors, including existing stockholders. Collectively, these transactions generated \$120.6 million of growth capital, which we define as equity capital used to expand the business, preparing us to embark on a growth plan designed to take advantage of market opportunities.

In May 2009, we qualified to participate in the U.S. Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program, although we elected not to participate.

In October and November 2009, we increased our growth capital by \$65 million through pre-acquisition investments made by Tygris. In February 2010, we further increased our capital and acquired an equipment leasing origination channel through the acquisition of Tygris, which had \$359.6 million of equity after purchase accounting adjustments.

In May 2010, we completed an FDIC-assisted acquisition of Bank of Florida Corporation's banking operations, which established our financial centers in the Naples, Ft. Myers, Miami, Ft. Lauderdale, Tampa Bay and Clearwater markets and increased our assets by approximately \$1.4 billion.

Also in May 2010, we established EverBank Wealth Management, Inc., as a registered investment advisor to serve as the platform for our wealth management services.

In 2011, we completed the integration of our Tygris and Bank of Florida acquisitions, deployed \$5.4 billion in assets through organic channels and portfolio acquisitions and made significant investments in our business infrastructure, management team and operating platforms.

In April 2012, we acquired MetLife Bank's warehouse finance business. The platform currently has approximately \$350 million in assets, which we plan to grow in the future.

### **Asset Origination and Fee Income Businesses**

We have selectively built a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our core deposit franchise and customer base. We originated \$2.2 billion of loans and leases in the fourth quarter of 2011 (\$8.8 billion on an annualized basis) and organically generated \$0.6 billion of volume for our own balance sheet

**Table of Contents**

(\$2.5 billion on an annualized basis). This retained volume, which we define as originated loans and leases that we hold for investment on our balance sheet, increased 115% from the first quarter of 2011 which demonstrated our ability to quickly calibrate our organic balance sheet origination levels based upon market conditions. These businesses diversify our earnings, strengthen our balance sheet and provide us with increased flexibility to manage through changing market and operating environments. Additionally, the inter-connected nature of these businesses provides us with opportunities to deepen our customer relationships by cross-selling multiple products.

***Mortgage Banking***

We generate significant fee income from our mortgage banking activities, which consist of originating and servicing one-to-four family residential mortgage loans. Historically, these two businesses have provided counterbalancing earnings in various market conditions. Our mortgage banking activities also provide us with investment opportunities for our balance sheet.

We originate prime residential mortgage loans using a centrally controlled underwriting, processing and fulfillment infrastructure through financial intermediaries (including community banks, credit unions, mortgage bankers and brokers), consumer direct channels and financial centers. These low-cost, scalable distribution channels are consistent with our deposit distribution model. Our mortgage origination activities include originating, underwriting, closing, warehousing and selling to investors prime conforming and jumbo residential mortgage loans. We have recently expanded our retail and correspondent distribution channels and emphasized jumbo prime mortgages, which we retain on our balance sheet, to our mass-affluent customer base. These channels and products meet our balance sheet objectives and offer attractive margins due to recent market dislocations. We do not originate subprime loans, negative amortization loans or option adjustable-rate mortgage loans, and these products have never constituted a meaningful portion of our business. From our mortgage origination activities, we earn fee-based income on fees charged to borrowers and other noninterest income from gains on sales from mortgage loans and servicing rights. In 2011, we originated \$6.0 billion of residential loans.

We generate mortgage servicing business through the retention of servicing from our origination activities, acquisition of bulk MSR and related servicing activities. Our mortgage servicing business includes collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, responding to customer inquiries, counseling delinquent mortgagors, supervising foreclosures and liquidations of foreclosure properties and otherwise administering our mortgage loan servicing portfolio. We earn mortgage servicing fees and other ancillary fee-based income in connection with these activities. We service a diverse portfolio by both product and investor, including agency and private pools of mortgages secured by properties throughout the United States. As of December 31, 2011, our mortgage servicing business, which services mortgage loans for itself and others, managed loan servicing administrative functions for loans with UPB of \$54.8 billion.

We believe that our mortgage banking expertise, insight and resources position us to make strategic investment decisions, effectively manage our loan and investment portfolio and capitalize on significant changes currently taking place in the industry. In addition to generating significant fee income, our mortgage banking activities provide us with direct asset acquisition opportunities and serves as a valuable complement to our core deposit activities, including the ability to:

- invest in high quality originated jumbo mortgage loans, which we choose to retain or sell depending upon market conditions;

- purchase government-guaranteed loans from securities we service;

leverage our mortgage banking expertise and resources to manage our loan portfolio and develop insights to selectively acquire assets for our investment portfolio;

obtain incremental low-cost funding through the generation of escrow deposits;



**Table of Contents**

cross-sell banking and wealth management products to our jumbo residential mortgage loan customers; and provide credit products to our banking and wealth management customers.

***Commercial Finance***

We entered the commercial finance business as a result of our acquisition of Tygris. We originate equipment leases nationwide through relationships with approximately 280 equipment vendors with large networks of creditworthy borrowers and provide asset-backed loan facilities to other leasing companies. Our equipment leases and loans generally finance essential-use health care, office product, technology and other equipment. Our typical commercial financings range from approximately \$25,000 to \$1.0 million per transaction, with typical lease terms ranging from 36 to 60 months. We have significantly increased our origination activity to capitalize on the advantageous competitive landscape, and we are expanding our commercial finance business to include different types of equipment. Since the acquisition, we have increased our origination activity from \$63 million in the fourth quarter of 2010 (\$252 million on an annualized basis) to \$192 million in the fourth quarter of 2011 (\$768 million on an annualized basis) by growing volumes in existing products as well as adding new products, customers and industries. Also, to expand our commercial finance business, we recently formed an asset-based lending group. The asset-based lending group will seek to participate in or originate credit facilities ranging from \$5.0 million to \$25.0 million.

Our commercial finance activities provide us with access to approximately 25,000 small business customers nationwide, which creates opportunities to cross-sell our deposit, lending and wealth management products.

***Commercial Lending***

We have historically originated a variety of commercial loans, including owner-occupied commercial real estate, commercial investment property and small business commercial loans principally through our financial centers. We have not been originating a significant volume of new commercial loans in recent periods but plan to expand origination of these assets and pursue acquisitions as market conditions become more favorable. Our Bank of Florida acquisition significantly increased our commercial loan portfolio and expanded our prospective ability to originate these assets. We also recently acquired MetLife Bank's warehouse finance business, which we expect to enhance our commercial lending capabilities.

Our commercial lending business connects us with approximately 2,000 small business customers and provides cross-selling opportunities for our deposit, leasing, wealth management and other lending products.

***Portfolio Management***

Our investment analysis capabilities are a core competency of our organization. We supplement our organically originated assets by purchasing loans and securities when those investments have more attractive risk-adjusted returns than those we can originate. We decide whether to hold originated assets for investment or sell them in the capital markets based on our assessment of the yield and risk characteristics of these assets as compared to other available opportunities to deploy our capital. Our decisions to originate, hold, acquire, securitize or sell assets are grounded in our rigorous analytical approach to investment analysis. Because risk-adjusted returns available on acquisitions exceeded returns available through retaining assets from our asset generation channels, a significant proportion of our recent asset growth has come from acquisitions. Many of our recent acquisitions were purchased at discounts to par value, which enhance our effective yield through accretion into income in subsequent periods. Our flexibility to increase risk-adjusted returns by retaining originated assets or acquiring assets differentiates us from our competitors with regional lending constraints.



**Table of Contents**

***Wealth Management***

Our marketing strategies are targeted to mass-affluent customers and include investment newsletters and financial publications. We provide comprehensive financial advisory, planning, brokerage, trust and other wealth management services to our mass-affluent and high net worth customers through our registered broker dealer and recently-formed registered investment advisor subsidiaries. Wealth management is a multiple-year strategic initiative that we expect will be a significant focus for us in the foreseeable future, although we do not expect this initiative to materially affect our near-term revenue generation or earnings.

**Interest-Earning Asset Portfolio**

Through a combination of leveraging our asset origination capabilities, applying our conservative underwriting standards and executing opportunistic acquisitions, we have built a diversified, low-risk asset portfolio with significant credit protection and attractive yields. As of December 31, 2011, our interest-earning assets were \$11.7 billion. Our loan and lease held for investment portfolio was \$6.5 billion at December 31, 2011. Approximately 26% of our loan and lease held for investment portfolio includes indemnification or insurance against credit losses. As of December 31, 2011, the carrying values (before ALLL) of our interest-earning assets are summarized below (in millions of dollars):

***Residential.*** Includes primarily prime loans originated and retained from our mortgage banking activities, acquired from third parties or held for sale to other investors. The portfolio is well diversified by geography and vintage.

***Government-Insured (Residential).*** Includes GNMA pool buyouts with government insurance, sourced from our Mortgage Banking segment and third-party sources.

***Securities.*** Includes primarily nonagency residential MBS and CMO purchased at significant discounts, with approximately 99% of balances purchased after September 30, 2008. This portfolio includes protection against credit losses from purchase discounts, subordination in the securities structures and borrower equity.

## **Table of Contents**

***Commercial and Commercial Real Estate.*** Includes a variety of commercial loans including owner-occupied commercial real estate, commercial investment property and small business commercial loans.

***Bank of Florida (Covered).*** Includes primarily commercial, multi-family and commercial real estate loans with \$71.3 million of purchase discounts as of December 31, 2011 and with FDIC loss protection for losses over \$385.6 million.

***Lease Financing Receivables.*** Includes covered lease financing receivables purchased as a part of the Tygris acquisition and leases originated out of the operations of Tygris. The acquired lease portfolio is covered by a credit loss indemnification share escrow equal to 17.5% of the average carrying value of the acquired portfolio and a \$50 million cash escrow. As of December 31, 2011, the lease portfolio had \$64.7 million of total discounts.

***Other.*** Includes home equity loans and lines of credit, consumer and credit card loans and other investments.

## ***Marketing***

Historically, most of our marketing efforts have supported our consumer direct channel through a variety of targeted marketing media including the Internet, print, direct mail and financial newsletters. Our marketing efforts are designed to appeal to financially sophisticated consumers who value our banking products and services. Our online marketing activities include agreements with third-party search and referral sites, pay-per-click and banner advertising, as well as marketing to our existing customer base through the use of our website. Our marketing activities for our market-based deposit products are primarily through financial newsletters and conferences that attract sophisticated individual investors.

We tailor our marketing strategies to meet our growth objectives based on current economic and market conditions. For example, we have recently expanded our marketing plans through mass media marketing channels to increase core deposits. We believe our strategy will enable us to take advantage of lower average customer acquisition costs, build valuable brand awareness and lower our funding costs. To begin this effort, we launched a television marketing campaign in certain local test markets which we intend to expand nationally. We plan to run these advertisements primarily on financial news television networks, websites and other television and cable networks. We also entered into a stadium naming rights deal with the Jacksonville Jaguars of the National Football League designed to broaden our name recognition nationally.

## **Deposit Generation**

Our deposit franchise fosters strong relationships with a large number of financially sophisticated customers and provides us with a flexible source of low-cost funds. Our distribution channels, operating platform and marketing strategies are characterized by low operating costs and provide us with the flexibility to rapidly scale our business. Our differentiated products, integrated online financial portal and value-added account features deepen our interactions and relationships with our customers and result in high customer retention rates. As of December 31, 2011, we had approximately \$10.3 billion in deposits, which have grown organically (i.e., excluding deposits acquired through our acquisition of Bank of Florida) at a CAGR of 26% from 2003 to 2011. Our unique products, distribution and marketing strategies allow us to generate organic deposit growth with a short lead time and in large increments. These capabilities provide us flexibility and efficiency in funding asset growth opportunities organically or through strategic acquisitions. For example, we grew deposits by \$2.0 billion, or 50%, during the five quarter period ended September 30, 2009 following our 2008



**Table of Contents**

capital raise and by \$1.3 billion, or 22%, during the two quarter period ended March 31, 2010 following the announcement of our Tygris acquisition.

We have received industry recognition for our innovative suite of deposit products with proprietary transaction and investment features that drive customer acquisition and increase customer retention rates. Our market-based deposit products, consisting of our WorldCurrency®, MarketSafe® and EverBank Metals Select<sup>sm</sup> products, provide investment capabilities for customers seeking portfolio diversification with respect to foreign currencies, commodities and other indices, which are typically unavailable from our banking competitors. These market-based deposit products generate significant fee income. Our YieldPledge® deposit products offer our customers certainty that they will earn yields on these deposit accounts in the top 5% of competitive accounts, as tracked by national bank rate tracking services. Consequently, the YieldPledge® products reduce customers' incentive to seek more favorable deposit rates from our competitors. YieldPledge® Checking and YieldPledge® Savings accounts have received numerous awards including *Kiplinger Magazine*'s Best Checking Account and *Money Magazine*'s Best of the Breed.

Our financial portal, recognized by *Forbes.com* as Best of the Web, includes online bill-pay, account aggregation, direct deposit, single sign-on for all customer accounts and other features, which further deepen our customer relationships. Our website and mobile device applications provide information on our product offerings, financial tools and calculators, newsletters, financial reporting services and other applications for customers to interact with us and manage all of their EverBank accounts on a single integrated platform. Our new mobile applications allow customers using iPhone®, iPad®, Android™ and Blackberry® devices to view account balances, conduct real time balance transfers between EverBank accounts, administer billpay, review account activity detail and remotely deposit checks. Our innovative deposit products and the interoperability and functionality of our financial portal and mobile device applications have led to strong customer retention rates.

**Table of Contents**

We have designed our marketing strategies and product offerings to increase our concentration in high-value transaction and savings accounts. The following table illustrates our deposit growth across our various product categories from 2005 to 2011:

|   | <b>Year Ended December 31,</b> |                   |                   |                   |                   |                   |                   |
|---|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>2011</b>                    | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       | <b>2007</b>       | <b>2006</b>       | <b>2005</b>       |
|   | <b>(In millions)</b>           |                   |                   |                   |                   |                   |                   |
| Noninterest-bearing deposits                              | \$ 1,177.6                     | \$ 1,062.5        | \$ 439.0          | \$ 569.2          | \$ 446.1          | \$ 478.0          | \$ 510.1          |
| Interest-bearing demand                                   | 1,955.5                        | 1,892.8           | 1,493.7           | 1,125.5           | 794.7             | 601.9             | 510.9             |
| Market-based money market accounts                        | 455.2                          | 379.2             | 364.8             | 285.6             | 238.3             | 203.9             | 209.3             |
| Savings and money market accounts, excluding market-based | 3,480.1                        | 3,245.1           | 2,296.8           | 1,335.1           | 566.9             | 302.8             | 244.8             |
| Time, excluding market-based time deposits                | 1,171.2                        | 1,123.0           | 803.5             | 796.5             | 389.3             | 378.5             | 228.7             |
| Market-based time deposits                                | 901.1                          | 854.4             | 750.1             | 624.9             | 795.7             | 574.8             | 602.4             |
| Brokered deposits   | 225.2                          | 208.6             | 167.4             | 266.2             | 661.4             | 453.1             | 435.9             |
| Bank of Florida deposits <sup>(1)</sup>                   | 899.9                          | 917.5             |                   |                   |                   |                   |                   |
| <b>Total deposits</b>                                     | <b>\$ 10,265.8</b>             | <b>\$ 9,683.1</b> | <b>\$ 6,315.3</b> | <b>\$ 5,003.0</b> | <b>\$ 3,892.4</b> | <b>\$ 2,993.0</b> | <b>\$ 2,742.1</b> |

(1) Bank of Florida deposits as of December 31, 2011 include \$57.0 million noninterest-bearing, \$168.8 million interest-bearing demand, \$278.9 million savings and money market and \$395.2 million time deposits.

We generate deposit customer relationships through our consumer direct, financial center and financial intermediary distribution channels. Our consumer direct channel includes Internet, email, telephone and mobile device access to product and customer support offerings. We augment our direct distribution with a network of 14 financial centers in key Florida metropolitan areas, including Jacksonville, Naples, Ft. Myers, Miami, Ft. Lauderdale, Tampa Bay and Clearwater. As of December 31, 2011, our financial centers had average deposits of \$130.5 million, which is approximately double the industry average. We believe this results in higher operating leverage than is typical for the banking industry. We also distribute deposit products through relationships with financial advisory firms representing over 2,800 independent financial professionals trained to distribute our products. In addition, we generate noninterest-bearing escrow deposits from our mortgage servicing business.

The following chart reflects our deposits by source, as of December 31, 2011 (in millions of dollars):

## **Table of Contents**

Our deposit customers (excluding escrow account holders) are typically financially sophisticated, self-directed, mass-affluent individuals, as well as small and medium-sized businesses. These customers generally maintain high balances with us, and our average deposit balance per household was \$78,283 as of December 31, 2011, which we believe is more than three times the industry average. Mass-affluent customers, who we define as individuals with more than \$250,000 in net worth, are the most prevalent users of our products and services. The median household income of our customers is greater than \$75,000, as compared to a median U.S. household income of \$54,442 as of June 30, 2010. Our customers have demonstrated an interest in using multiple products across our platform. For example, our customers use an average of 2.0 deposit products in addition to other account features and services. We believe there are significant opportunities to cross-sell additional credit and wealth management products to our customers.

Our deposit operations are conducted through a centralized, scalable operating platform which supports all of our distribution channels. The integrated nature of our systems and our ability to efficiently scale our operations create competitive advantages that support our value proposition to customers. Additionally, we have features such as online account opening and online bill-pay that promote self-service and further reduce our operating expenses. We believe our deposit franchise provides lower all-in funding costs with greater scalability than branch-intensive banking models. Traditional branch models have high fixed operating costs and require significant lead times to accommodate desired growth objectives because they must replicate many operational and administrative activities at each branch. By contrast, we realize significant marginal operating cost benefits as our deposit base grows because our centralized platform and distribution strategy largely avoid such redundancy.

## **Competitive Strengths**

### ***Diversified Business Model***

We have a diverse set of businesses that provide complementary earnings streams, investment opportunities and customer cross-selling benefits. The multiple channels through which we distribute our products and services enable us to attract high-value customers and provide geographic diversity and stability to our customer base. Our business model allows us to deploy capital to multiple asset classes based on the best risk-adjusted returns available and maintain a diversified and balanced portfolio. We believe our multiple revenue sources, including our favorable balance of interest and noninterest income, and the geographic diversity of our customer base mitigate business risk and provide opportunities for growth in varied economic conditions.

### ***Robust Asset Origination and Acquisition Capabilities***

We have robust, nationwide asset origination that generates a variety of assets to either hold on our balance sheet or sell in the capital markets. We originate assets through multiple origination sources. Our organic origination activities are scalable, significant relative to our balance sheet size and provide us with substantial growth potential. We originated \$2.2 billion of loans and leases in the fourth quarter of 2011 (\$8.8 billion on an annualized basis) and organically generated \$0.6 billion of volume for our own balance sheet (\$2.5 billion on an annualized basis). We consider organically generated volume to be loans and leases originated by us and loans purchased out of GNMA pool securities that we were servicing in the current period. The size of our mortgage origination business, which originated approximately \$6.0 billion UPB of residential mortgage loans in 2011, allows us to selectively retain only those loans which meet our specific investment criteria. In addition, our commercial finance expertise allows us to originate equipment leases with attractive investment characteristics. We can also originate commercial loans through our financial centers when market conditions warrant. In managing our investment portfolio we routinely augment our internally originated assets by acquiring assets in the capital markets that meet our investment criteria through rigorous research and analysis. We are able to calibrate our levels of asset origination, asset acquisitions and retention of originated assets to capitalize on various market conditions.





## **Table of Contents**

### ***Scalable Source of Low-Cost Funds***

We believe that the operating noninterest expense needed to gather deposits is an important component of measuring funding costs. Our scalable platform and low-cost distribution channels enable us to achieve a lower all-in cost of deposit funding compared to traditional branch-intensive models. Our integrated online financial portal, online account opening and other self-service capabilities lower our customer support costs. Our low-cost distribution channels do not require the fixed cost investment or lead times associated with more expensive, slower-growth branch systems. In addition, we have demonstrated an ability to scale core deposits rapidly and in large increments by adjusting our marketing activities and account features.

### ***Disciplined Risk Management***

We actively deploy our capital to fund selective asset growth and increase our risk-adjusted returns by selectively investing in assets that meet our investment criteria. Our ability to identify assets for investment is supported by our extensive asset origination and acquisition capabilities as well as our credit underwriting expertise. We adhere to rigorous underwriting criteria and avoided the higher risk lending products and practices that plagued our industry in recent years. Our focus on the long-term success of the business through increasing risk-adjusted returns, as opposed to short-term profit goals, has enabled us to remain profitable in various market conditions across business cycles.

### ***Flexible Business Infrastructure***

Our flexible business infrastructure has enabled us to rapidly grow our business and achieve step function growth via acquisitions. Over the course of 2011, we made significant additional investments in our operating platforms, management talent and business processes. We believe our business infrastructure will enable us to continue growing our business well into the future.

### ***Attractive Customer Base***

Our products and services typically appeal to well-educated, middle-aged, high-income individuals and households as well as small and medium-sized businesses. These customers, typically located in major metropolitan areas, tend to be financially sophisticated with complex financial needs, providing us with cross-selling opportunities. These customer characteristics result in higher average deposit balances and more self-directed transactions, which lead to operational efficiencies and lower account servicing costs. As of December 31, 2011, our average deposit balance per household (excluding escrow deposits) was \$78,283, which we believe is more than three times the industry average.

### ***Financial Stability and Strong Capital Position***

Our strong capital and liquidity position, coupled with conservative management principles, have allowed us to grow profitably, across business cycles, even at times when the broader banking sector has experienced significant losses and balance sheet contraction. As of December 31, 2011 our total equity capital was approximately \$1.0 billion, Tier 1 (core) capital ratio (bank level) was 8.0% and total risk-based capital ratio (bank level) was 15.7%. In addition, we have achieved profitability in every year since 1995. Total deposits represent approximately 88% of total debt funding. Total debt funding is defined as the total amount of our deposits, other borrowings, and trust preferred securities. We intend to use our strong capital and liquidity position to pursue high-quality lending opportunities in our core business and to pursue other profitable, risk appropriate, strategic transactions.

### ***Experienced Management Team with Long Tenures at the Company***

Our management team has extensive and varied experience in managing national banking and financial services firms and has significant experience working together at EverBank. Our Chairman & Chief Executive Officer, Robert Clements, has been with us for 17 years and has 24 years of financial industry experience. Our President and Chief Operating Officer, Blake Wilson, has over 22 years of

## **Table of Contents**

experience in financial services and has been with us for 10 years. Our management team has experienced a variety of economic cycles, including many during their tenure with us, which provides them with the capacity to understand and proactively address market changes, through a culture centered around rigorous analytics that management has fostered. In 2011, we also made selective additions to our management team and added key business line leaders. In addition, members of our executive management team will beneficially own approximately % of our common stock, including any securities convertible into or exchangeable for shares of our common stock following completion of this offering, thus aligning our management's interests with those of our other stockholders.

## **Business and Growth Strategies**

### ***Continue Strong Growth of Deposit Base***

We plan to leverage the success of our existing deposit model and grow our deposit base to fund investment opportunities. We intend to continue providing deposit products through our multi-channel distribution network to generate low-cost, high-quality, long-term core deposits. We have successfully driven deposit growth without sacrificing deposit quality, as evidenced by our diversified deposit composition with high concentrations of core, transactional deposit products and believe we can continue to achieve high-quality growth in the future by increasing our marketing efforts or adjusting account features to respond to various economic conditions.

In order to attract deposits through increased brand awareness, we continue to develop detailed strategies for expanding our media efforts to include radio, television, additional sponsorships and other media outlets. Our recently announced strategic relationship with the Jacksonville Jaguars of the National Football League illustrates a key step in our expanded marketing strategy. As part of the relationship, the team's home stadium in Jacksonville, Florida has been named EverBank Field and EverBank has been designated as the official bank of the Jaguars. We anticipate this relationship will increase our name recognition through radio, television and other media outlets.

Additionally, we may selectively increase our financial center locations to grow deposits. Our physical branch network strategy is to target locations in key wealth markets that have a large concentration of our existing customers and higher deposits per branch. We plan to acquire financial center locations meeting our criteria through FDIC-assisted or unassisted branch or whole bank acquisitions if attractive opportunities become available.

### ***Capitalize on Changing Industry Dynamics***

We believe that the wide-scale disruptions in the credit markets and changes in the competitive landscape during the financial crisis, will continue to provide us with attractive returns on our lending and investing activities. Our success in asset acquisition and origination has included identifying high risk-adjusted return assets among the asset acquisition opportunities available to us. We have a flexible asset selection and credit underwriting process that we have successfully tailored to various business and credit environments. We see significant opportunities for us in the mortgage markets as uncertainty on the outcome of future regulation and government participation is causing many of our competitors to retrench or exit the market. We plan to capitalize on fundamental changes to the pricing of risk and build on our proven success in evaluating high risk-adjusted return assets as part of our growth strategy going forward.

### ***Opportunistically Evaluate Acquisitions***

We have historically augmented our strong organic growth with selective strategic acquisitions. We have a strong track record of successfully executing these acquisitions and realizing expected financial benefits. In the future, we intend to evaluate and pursue attractive opportunities to continue to enhance our franchise. 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 (whether in FDIC-assisted or unassisted transactions), wealth

and investment management

## **Table of Contents**

firms, securities brokerage firms, specialty finance or other financial services-related companies. Our strong capital and liquidity position enable us to strategically pursue acquisition opportunities as they arise. Our acquisition strategy employs rigorous financial analysis and due diligence to ensure that our return hurdles and credit policies are met. We further believe that our servicing expertise and capabilities offer us a significant advantage in acquiring companies with residential mortgage loan portfolios and provide us with insights into credit risk.

### ***Pursue Cross-Selling Opportunities***

Our current business model benefits from cross-selling opportunities between our banking, lending and investing activities. We believe there are additional opportunities to cross-sell these components of our business, which should accelerate due to our increased marketing and branding. We believe our customer concentrations in major metropolitan markets will facilitate our abilities to cross-sell our products. We expect to increase distribution of our deposit and lending products, achieve additional efficiencies across our businesses and enhance our value proposition to our customers. Both our deposit and lending products attract similar mass-affluent, self-directed customers. We believe there are opportunities, in addition to our wealth management strategy, to meaningfully increase distribution of products to customers from all aspects of our business, including through increased brand awareness resulting from our marketing efforts.

### ***Execute on Wealth Management Business***

We intend to provide investment and wealth management services that will appeal to our mass-affluent customer base. We believe the mass-affluent, self-directed population represents a large potential private banking customer base that is currently underserved. We believe this group of customers overlaps with our current customer base and is a natural extension of our WorldCurrency®, MarketSafe® and EverBank Metals Select<sup>sm</sup> products. Our wealth management strategy also capitalizes on our existing infrastructure, marketing programs and distribution resources.

As we pursue our wealth management strategy, we believe we will be able to broaden and deepen our relationships with existing customers while enhancing retention and generating additional fee income. Simultaneously, we plan to encourage new customers drawn to our wealth management services to utilize our other lending, deposit and investing products, which would drive growth across our other business lines.

## **Recent Acquisitions**

### ***Acquisition of MetLife Bank's Warehouse Finance Business***

In April 2012, we acquired MetLife Bank's warehouse finance business, including approximately \$350 million in assets for a price of approximately \$350 million. In connection with the acquisition, we hired 16 sales and operational staff from MetLife who were a part of the existing warehouse business. The warehouse business will continue to be operated out of locations in New York, New York, Boston, Massachusetts and Plano, Texas. We intend to grow this line of business, which will provide residential loan financing to mid-sized, high-quality mortgage banking companies across the country.

### ***Acquisition of Tygris Commercial Finance Group, Inc.***

On February 5, 2010, we completed our acquisition of Tygris, a company engaged in commercial equipment financing and leasing activities. In addition to expanding our product offerings, the acquisition increased our capital position by \$424.5 million.

We acquired Tygris through a stock-for-stock merger with one of our subsidiaries in which 29,913,030 shares of our common stock were issued to the former Tygris stockholders. Of such shares, 9,470,010, along with \$50 million in cash, were placed in an escrow account to offset potential losses realized in connection with Tygris lease and loan portfolio over a five-year period following the closing, and to satisfy any indemnification claims that we may have under the acquisition agreement.

**Table of Contents**

During the five-year period following the closing, losses on the Tygris portfolio in excess of specified allowances will be recovered through releases to us of shares and/or cash from the escrow account. As a result of a post-closing adjustment, the number of escrowed shares was reduced to 8,758,220. Any shares released to us in respect of losses or indemnification claims will be retired.

The value of the escrowed shares represented 17.5% of the carrying value of the Tygris portfolio as of the closing. Pursuant to the terms of the Tygris acquisition agreement and related escrow agreement, we are required to review the average carrying value of the remaining Tygris portfolio annually over the five-year term of the escrow and upon specified events, including the consummation of this offering, and release a portion of the escrowed shares to the former Tygris stockholders to the extent that the aggregate value of the remaining escrowed shares (on a determined per share value) equals 17.5% of the average carrying value of the remaining Tygris portfolio on the date of each release. Based on our first annual review of the average carrying value of the remaining Tygris portfolio, we released 2,808,175 escrowed shares of our common stock to the former Tygris shareholders on April 25, 2011. As of March 31, 2012, 5,950,046 shares of our common stock remain in escrow. As the necessary valuation of the remaining Tygris portfolio for the partial release triggered by the consummation of this offering must be made after the consummation of this offering, the number of shares to be released from escrow in connection therewith cannot be determined at present. The escrowed cash will not be released prior to the completion of the five-year term, unless the amount of such escrowed cash not subject to a reserve on any date of determination exceeds the carrying value of the leases and loans in the Tygris portfolio, in which case such excess portion of the escrowed cash will be released to the former Tygris stockholders. Upon the expiration of such five-year period, all remaining escrowed shares and escrowed cash will be released to the former Tygris stockholders to the extent not reserved in respect of then-pending claims.

In connection with the acquisition, three designated former Tygris stockholders were given the right to appoint one director to our Board of Directors until such designated stockholder and its affiliates hold less than 50% of the shares of our common stock held by them at the closing of the acquisition.

***Acquisition of Bank of Florida***

On May 28, 2010, we acquired substantially all of the assets and assumed all of the deposits and certain other liabilities of Bank of Florida-Southwest, headquartered in Naples, Florida, Bank of Florida-Southeast, headquartered in Fort Lauderdale, Florida and Bank of Florida-Tampa Bay, headquartered in Tampa, Florida, three affiliated full service Florida chartered commercial banks that we collectively refer to as Bank of Florida, from the FDIC, as receiver. The three banks were owned by the same holding company, Bank of Florida Corporation, which was not part of the transaction. The acquisition enabled us to strengthen our core deposit franchise by establishing a financial center presence in the Naples, Ft. Myers, Miami, Ft. Lauderdale, Tampa Bay and Clearwater markets and contributed to the increase of our total deposits to approximately \$10.3 billion, as of December 31, 2011. We now operate a total of 10 financial centers in these markets.

We entered into whole bank purchase and assumption agreements with the FDIC. Under these agreements, we assumed all of the deposits of Bank of Florida, totaling approximately \$1.2 billion. We also acquired substantially all of the assets of Bank of Florida, a sum of approximately \$1.4 billion, including approximately \$773.1 million of commercial real estate loans, multi-family loans and other commercial loans, and \$115.2 million of one-to-four family residential mortgage loans, home equity lines of credit and consumer loans at fair value. We also entered into loss-share agreements with the FDIC. Pursuant to these agreements, we were obligated to continue the banking business of the Bank of Florida in its legacy footprint until May 2011. See Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability Strategic Acquisitions Bank of Florida.





**Table of Contents**

**Market Opportunity**

***Overall Banking Market***

Disruptions in the banking industry, housing markets and capital markets from 2008 to 2011 created opportunities for well capitalized banking institutions, such as us, in deposit generation, jumbo portfolio lending, loan and MBS portfolio acquisitions, strategic acquisitions and business line expansions. We believe the market environment will continue to create opportunities for us as many of our competitors have experienced significant constraints in funding, capital and credit. As our competitors have been forced to downsize balance sheets, business operations and funding lines, we believe many customers have become disenfranchised from their traditional banks. Additionally, many competitors have been forced to reevaluate their business models in the wake of the financial crisis, leading to either market retrenchments or exits that benefit new entry by healthy institutions. We believe we are positioned to capitalize on these opportunities as well as other favorable trends in the market.

***Online Banking***

Online banking and investing represent a growing segment of the financial services industry. According to Global Industry Analysts, Inc., in the United States, there were an estimated 81 million online banking customers in 2009, a 6% increase over 2008. According to McKinsey & Company, the number of U.S. households banking online more than doubled, from 20 million in 2001 to 52 million in 2008. In 2008, approximately 82% of all U.S. households with an Internet connection used online banking services and over 90% of such households paid at least one bill online. Furthermore, a September 2011 McKinsey & Company study indicates that online banking is following the trend of U.S. retailing, where more than 40% of total retail sales are either transacted online or influenced by the online channel. The study expects the percentage of active U.S. online banking customers to increase within 3-5 years, as the digital consumer becomes more comfortable using the internet and mobile devices. We believe that the online banking market will continue to grow and we are well-positioned to take advantage of this growth relative to our industry peers.

***Residential Mortgage Market***

The residential mortgage markets are large and experienced consolidation during the financial crisis as competitors exited the market, failed or downsized. Total residential lending volume originated in 2011 was \$1.3 trillion as compared to \$3.0 trillion in 2005 according to the Mortgage Bankers Association. The market share of the largest five mortgage lenders has increased from approximately 44% in 2006 to approximately 55% in the third quarter of 2011. In addition to consolidation, the mortgage market has also experienced a significant shift from nonagency to agency originations. In 2005, nonagency originations comprised 62% of the market, and in 2011 nonagency originations comprised 12% of originations. Product availability has shifted as well; given the reduction in financing that is available through the nonagency securitization market, subprime, alt-A and other exotic mortgages have largely disappeared from the markets and the availability of jumbo mortgages has significantly contracted. Significant uncertainty remains in the mortgage market from pending changes of regulatory reform, resolution of the future role of the government in mortgage funding and remaining stress in the housing market. Recently many of the largest participants in the mortgage market have retrenched or exited the market including Bank of America, Ally and Citi reducing their correspondent channel businesses and MetLife shutting down its mortgage business. The evolving landscape will likely provide opportunities for companies with the ability to respond to the market changes.

***Commercial Leasing and Vendor Financing***

Difficult economic conditions and stress in the wholesale funding market have forced some commercial leasing and vendor financing companies to exit the industry, increasing consolidation and decreasing the availability of credit. We

believe that the decrease in available sources of credit for this

120

---

## **Table of Contents**

market coupled with an increase in demand in the future will likely create attractive investment and origination opportunities for companies with the expertise to properly evaluate risk and credit in this market.

### ***Commercial Lending***

Commercial lending comprises commercial investment property, owner-occupied commercial real estate and small business loans. According to the U.S. Department of Commerce, the domestic commercial real estate market represents approximately \$5.8 trillion in capitalization, comprised of \$3.2 trillion in multi tenant and \$2.6 trillion in single tenant and owner-occupied real estate. Small business loans outstanding at FDIC-insured institutions totaled \$600 billion in 2011. We believe that our national origination footprint ideally positions us to capitalize on commercial lending opportunities as market conditions become more favorable. Warehouse finance is a \$40 billion market and we seek to grow in this market provided we are able to successfully integrate the recent acquisition of MetLife Bank's warehouse finance business.

### **Competition**

We face substantial competition in all areas of our operations from various competitors including Internet banks and national, regional and community banks within the markets in which we serve. We also compete with many other types of financial institutions, such as savings and loan institutions, credit unions, mortgage companies, other finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries.

Our services are primarily offered over the Internet. While providing many competitive advantages, some customers may prefer a more traditional branch footprint. Additionally, because we offer our services primarily over the Internet, we compete for customers nationally. As a result, our competitors range from small community banks to the largest international financial institutions.

Competition for deposit products is generally based on pricing because of the ease with which customers 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 customers through competitive interest rates and fees. In addition to price competition, we also seek to increase our deposit market share through product differentiation by offering deposit products that provide investment capabilities such as our WorldCurrency<sup>®</sup>, MarketSafe<sup>®</sup> and EverBank Metals Select<sup>sm</sup> deposit products.

Competition for loans is also often driven by interest rates, loan origination and related fees and services. Because of our lower 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.

In addition to price competition and product differentiation, 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 Internet banks through the quality of our online offerings and website functionality.

### **Intellectual Property and Proprietary Rights**

We take active measures to safeguard our name, work product and other proprietary intellectual property. We register our various Internet URL addresses with service companies, clear all trademarks and service marks prior to use and registration and police our service marks and



## **Table of Contents**

copyrighted works. Policing unauthorized use of intellectual property assets and proprietary information is difficult and litigation may be necessary to enforce our intellectual property rights.

We own numerous federal trademark applications and have applications pending in certain foreign jurisdictions. We own dozens of Internet domain names, including the names.com domains corresponding to the names of EverBank and its operating subsidiaries. Domain names in the United States and in foreign countries are regulated but the laws and regulations governing the Internet are continually evolving. Additionally, the relationship between regulations governing domain names and laws protecting intellectual property rights is not entirely clear. We have had to engage in enforcement actions to protect these names, including administrative proceedings. As a result, we may in the future be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other intellectual property rights.

## **Employees**

As of December 31, 2011, we had over 2,400 employees. None of our employees are subject to collective bargaining agreements. We consider our relationships with our employees to be good.

## **Properties**

We lease or sublease over 607,000 square feet in 45 locations in 14 states. We also sublease out to third parties approximately 65,000 square feet of our leased space. We own one financial center in Naples, Florida.

Our principal executive offices are located at 501 Riverside Avenue, Jacksonville, Florida 32202 and our telephone number is (904) 281-6000. We lease approximately 47,500 square feet under a lease that expires on June 30, 2017. We occupy one of our four Jacksonville financial centers at this location, occupying approximately 3,300 square feet under a separate lease that expires on June 30, 2017. We also occupy approximately 30,000 square feet of additional office space at this location, approximately 5,500 square feet of which is under a sublease that expires on September 30, 2013, approximately 13,000 square feet of which is under a sublease which expires on April 30, 2014, approximately 2,800 square feet of which is under a sublease that expires on December 31, 2012, and approximately 5,700 square feet of which is under a lease that expires on May 31, 2016.

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

We conduct the banking functions associated with our consumer direct channel in St. Louis, Missouri, our deposit operations are in Islandia, New York, and our commercial finance activities are in Parsippany, New Jersey.

In December 2011, we entered into a lease for office space in downtown Jacksonville pursuant to which we will relocate substantially all of our mortgage operations currently located at other facilities in Jacksonville. We plan to begin occupying the building during the second half of 2012. As a result we will increase our leased space by approximately 80,000 square feet.

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.

## **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.

**Table of Contents**

***Bock Litigation***

In April 2011, a complaint alleging patent infringement, entitled *Joao Bock Transportation System, Inc. v. USAmeribank, EverBank, et al.* was filed in the United States District Court for the Middle District of Florida. The plaintiff alleges it is the owner of a patent and that defendants, including EverBank, have infringed on such patent by activities associated with online banking and account management services. The plaintiff is seeking damages to compensate the plaintiff for the infringement, costs and attorneys' fees and permanent injunctive relief. EverBank filed an answer on September 16, 2011. EverBank is currently participating in discovery. Trial has been set in the matter for September 3, 2013.

***Crawford Class Action***

In December 2011, a putative class action entitled *Crawford, Kim, et al., v. Bank of America, N.A., EverBank, et al.*, pending in the United States District Court for the Eastern District of Michigan was served on EverBank. The plaintiffs filed a putative class action lawsuit alleging fraudulent misrepresentation, fraud based on bad-faith promise, breach of contract, negligence under the Home Affordable Modification Program (HAMP), violation of Michigan law, promissory estoppel, deceptive trade practices, and a civil conspiracy to defraud. The plaintiffs seek a temporary restraining order and preliminary injunction preventing eviction and foreclosure, an order granting plaintiffs a lis pendens on their properties during the litigation, plaintiffs' loan modifications reopened, unpaid late fees and attorneys' fees or bank fees waived, actual damages, punitive damages, reasonable costs of litigation, and award attorneys' fees as well as pre- and post-judgment interest. On February 7, 2012, the federal court remanded the state law claims for fraudulent misrepresentation, fraud, breach of contract, promissory estoppels, deceptive practices and civil conspiracy to state court. The federal court retained jurisdiction over the HAMP claim and a Motion to Dismiss was filed on March 8, 2012.

***Figueroa Class Action***

In July 2010, a putative class action entitled *Figueroa vs. MERSCORP, Inc., Law Offices of David J. Stern, P.A., and David J. Stern, individually*, was filed in the United States District Court, Southern District of Florida. In August 2010, an amended complaint was filed adding other defendants including EverHome Mortgage Company and other shareholders in MERS. The proposed class consists of individuals who owned Florida real property which was encumbered by a mortgage listing MERS as mortgagee, who lost title to the property when an adverse final judgment was entered in a foreclosure action in which the plaintiff was represented by defendant Law Offices of David J. Stern, P.A., and where the foreclosure actions were filed in the name of plaintiffs which allegedly were not the real parties in interest. The amended complaint alleges, among other things, that the MERS and Stern defendants engaged in a pattern of racketeering by sending fraudulent assignments and foreclosure pleadings through the mail and by bringing the foreclosure actions in the name of MERS, which was not the real party in interest, for the purpose of defrauding borrowers of their money and property. In addition, the amended complaint alleges that the MERS shareholder defendants were complicit in the actions of the MERS and Stern defendants by entering into Agreements for Signing Authority to which the MERS and Stern defendants were also parties. The plaintiffs do not estimate actual damages or the size of the class, but state that the measure of damages is the average amount of the accelerated loan amounts alleged to have been demanded from the class members by the MERS and Stern defendants, plus costs, attorneys' fees, and such additional relief as the court or jury deems proper. EverHome Mortgage Company filed a joint motion to dismiss with all defendants on December 2, 2010. On January 31, 2011, the court issued an order dismissing the case with prejudice. Plaintiffs filed a Notice of Appeal and other administrative documents with the court on February 28, 2011. Defendants filed a response to the brief on June 7, 2011. The parties are currently awaiting a ruling by the appellate court.





**Table of Contents**

***Mortgage Electronic Registration Services Related Litigation***

MERS, EverHome Mortgage Company and other lenders and servicers that have held mortgages through MERS are parties to the following 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) *Christian County Clerk, et al. v. MERS and EverHome Mortgage Company* filed in May 2011 in the United States District Court for the District of Kentucky; (2) *State of Ohio, ex. rel. David P. Joyce, Prosecuting Attorney General of Geauga County, Ohio v. MERSCORP, Inc., Mortgage Electronic Registration Services, Inc. et al.* filed in October 2011 in the Court of Common Pleas for Geauga County, Ohio and later removed to federal court; (3) *State of Iowa, by and through Darren J. Raymond, Plymouth County Attorney v. MERSCORP, Inc., Mortgage Electronic Registration Services, Inc., et al.*, filed in March 2012 in the Iowa District Court for Plymouth County and later removed to federal court; and (4) *State of Ohio, ex. rel. Jessica Little, Prosecuting Attorney General of Brown County, Ohio v. MERSCORP, Inc., Mortgage Electronic Registration Services, Inc., et al.* filed in October 2011 in the court of Common Pleas for Brown County, Ohio and later removed to federal court. In these 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.

***Peterson Class Action***

In July 2011, plaintiffs filed a putative class action complaint entitled *Purnie Ray Peterson, et al. v. CitiMortgage, Inc., et al.*, in the Fourth Judicial District, County of Hennepin, Minnesota against EverBank, EverHome Mortgage Company and other lenders and foreclosure counsel. The complaint alleges slander of title, breach of fiduciary duty, due process violation, fraud, negligent misrepresentation, conversion, civil conspiracy, unjust enrichment, and equitable estoppel. The plaintiffs assert that defendants do not have valid legal title to the original notes nor have physical possession of same so the notes cannot be enforced and seek a determination that defendants have no lien interests in the properties and are permanently enjoined from failing to record assignments of securitized mortgage loans. The plaintiffs seek quiet title to their properties and a determination that defendants have invalid and voidable mortgages. The plaintiffs also seek a determination that defendants failed to pay appropriate filing fees, that plaintiffs original notes are void, that all sums paid to defendants be returned, and that attorneys fees and costs are awarded. On August 18, 2011, the lawsuit was removed to federal court and on August 29, 2011 a Joint Motion to Dismiss was filed by all defendants. A hearing on the Motion to Dismiss was heard on March 7, 2012. The court has 90 days to issue a written ruling.

**Table of Contents**

**REGULATION AND SUPERVISION**

**Government Regulation**

We and EverBank are subject to comprehensive supervision and regulation that affect virtually all aspects of our operations. This supervision and regulation is designed primarily to protect depositors and the 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. See also the discussion under **Risk Factors – Regulatory and Legal Risk Factors**. As of the date of this prospectus, substantial changes to the regulatory framework applicable to us and our subsidiaries have been passed by the U.S. Congress, and the majority of these legislative changes will be implemented over time by various regulatory agencies. For a discussion of such changes, see **Recent Regulatory Developments** below. The full effect of the changes in the applicable laws and regulations, as implemented by the regulatory agencies, cannot be fully predicted and could have a material adverse effect on our business and results of operations.

**Recent Regulatory Developments**

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, we and EverBank each entered into a consent order with the OTS, with respect to EverBank's mortgage foreclosure practices and our oversight of those practices. The consent orders require, among other things, that we establish a new compliance program for our mortgage servicing and foreclosure operations and that we ensure that we have dedicated resources for communicating with borrowers, policies and procedures for outsourcing foreclosure or related functions and management information systems that ensure timely delivery of complete and accurate information. We are also required to retain an independent firm to conduct a review of residential foreclosure actions that were pending from January 1, 2009 through December 31, 2010 in order to determine whether any borrowers sustained financial injury as a result of any errors, misrepresentations or deficiencies and to provide remediation as appropriate. We are working to fulfill the requirements of the consent orders. In response to the consent orders, we have established an oversight committee to monitor the implementation of the actions required by the consent orders. Furthermore, we have enhanced and updated several policies, procedures, processes and controls to help ensure the mitigation of the findings of the consent orders, and submitted them to the FRB and the OCC (the applicable successors to the OTS), for review. In addition, we have enhanced our third-party vendor management system and our compliance program, hired additional personnel and retained an independent firm to conduct foreclosure reviews.

In addition to the horizontal review, 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. We understand certain other institutions subject to the consent decrees with the banking regulators announced in April 2011 recently have been contacted by the U.S. Department of Justice and state attorneys general regarding a settlement. In addition, the federal banking agencies may impose civil monetary penalties on the remaining banks that were subject to the horizontal review as part of such an investigation or independently but have not indicated what the amount of any such penalties would be. At this time, we do not know whether any other requirements or remedies or penalties may be imposed on us as a result of the horizontal review.

***The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.*** As noted in the discussion of **Risk Factors** above, on July 21, 2010, President Obama signed into law the Dodd-Frank Act. The 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

## **Table of Contents**

restructuring of the supervisory regime applicable to thrifts and 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 establishes a new framework of authority to conduct systemic risk oversight within the financial system to be distributed among new and existing federal regulatory agencies, including the Financial Stability Oversight Council, or Oversight Council, the FRB, the OCC and the FDIC.

The following items provide a brief description of the relevant provisions of the Dodd-Frank Act and their potential impact on our operations and activities, both currently and prospectively.

***Change in Thrift Supervisory Structure.*** The Dodd-Frank Act, among other things, as of July 21, 2011, transferred the functions and personnel of the OTS between the OCC, FDIC and FRB. As a result, the OTS no longer supervises or regulates savings associations or savings and loan holding companies. The Dodd-Frank Act preserves the federal thrift charter; however, supervision of federal thrifts, such as EverBank, has been transferred to the OCC. Most significantly for us, the Dodd-Frank Act has transferred the supervision of thrift holding companies, such as us, to the FRB while taking a number of steps to align the regulation of thrift holding companies to that of bank holding companies. The FRB is in the process of taking steps to implement changes mandated by the Dodd-Frank Act, including requiring a thrift holding company to serve as a source of strength for its subsidiary depository institutions, requiring thrift holding companies to satisfy supervisory standards applicable to financial holding companies (e.g., well capitalized and well managed status) and to elect to be treated as a financial holding company, in order to conduct those activities permissible for a financial holding company, and generally authorizing the FRB to promulgate capital requirements for thrift holding companies (for example, under the so-called Collins Amendment). As a result of this change in supervision and related requirements, we also will generally be subject to new and potentially heightened examination and reporting requirements. The Dodd-Frank Act also provides various agencies with the authority to assess additional supervision fees.

***Creation of New Governmental Agencies.*** The Dodd-Frank Act creates 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 may reduce the ability of national banks and federal thrifts to rely upon federal preemption of state consumer financial laws. Although the OCC, as the new primary regulator of federal thrifts, has the ability to make preemption determinations where certain conditions are met, the new requirements 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 potential 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 21, 2011, the OCC issued a final rule implementing certain Dodd-Frank Act preemption provisions. Among other things, the rule states that federal thrifts, such as EverBank, are subject to the same laws, legal standards and OCC regulations regarding the preemption of state law as national banks. In promulgating the rule, the OCC stated that its prior preemption determinations and regulations remain valid. As a result, we expect EverBank should have the benefit of those determinations and regulations.

***Mortgage Loan Origination and Risk Retention.*** The Dodd-Frank Act contains additional regulatory requirements that may affect our mortgage origination and servicing operations, result in



**Table of Contents**

increased compliance costs and may impact revenue. For example, in addition to numerous new disclosure requirements, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and thrifts. Most significantly, the new standards prohibit us from making a residential mortgage loan without verifying a borrower's ability to repay, limit the total points and fees that we and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount and prohibit certain prepayment penalty practices. Also, the Dodd-Frank Act, in conjunction with the FRB's final rule on loan originator compensation issued August 16, 2010 and effective April 1, 2011, prohibits certain compensation payments to loan originators and the steering of consumers to loans not in their interest because the loans will result in greater compensation for a loan originator. These standards will result in a myriad of new system, pricing and compensation controls in order to ensure compliance and to decrease repurchase requests and foreclosure defenses. In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans the lender sells and other asset-backed securities that the securitizer issues if the loans have not complied with the ability to repay standards. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

***Imposition of Restrictions on Certain Activities.*** The Dodd-Frank Act requires new regulations for the over-the-counter derivatives market, including requirements for clearing, exchange trading, capital, margin and reporting. Additionally, the Dodd-Frank Act requires that certain swaps and derivatives activities be pushed out of insured depository institutions and conducted in separately capitalized non-bank affiliates. Further, the Volcker Rule generally prohibits so-called banking entities (which includes us and our subsidiaries and affiliates) from engaging in certain securities activities defined to be proprietary trading or sponsoring or investing in or having certain other relationships with certain private investment funds referred to as private equity funds or hedge funds, subject to limited exemptions. Rules regarding the implementation of the swaps push out requirement are in the process of being developed and an interagency proposal for implementing the Volcker Rule has been released for public comment. The timing of a final rule implementing the Volcker Rule is uncertain. However, banking entities will have a conformance period of two years, with the possibility of up to three one-year extensions and one five-year extension applicable to illiquid funds, within which to bring their activities into conformance with the Volcker Rule. The general two-year conformance period begins on July 21, 2012. When implemented, these rules may affect our ability to manage certain risks in our mortgage business.

***Transactions with Affiliates.*** The Dodd-Frank Act enhances the requirements for certain transactions with affiliates under Sections 23A and 23B of the Federal Reserve Act, or FRA, including an expansion of the definition of covered transactions and increasing the amount of time for which collateral requirements regarding covered transactions must be satisfied.

***Corporate Governance.*** The Dodd-Frank Act addresses many investor protection, corporate governance and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act, among other things, (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for Compensation Committee members; and (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers.

***Deposit Insurance.*** The Dodd-Frank Act makes permanent the \$250,000 deposit insurance limit for insured deposits. Amendments to the FDIA also revise the assessment base against which an insured depository institution's deposit insurance premiums paid to the DIF will be calculated. Under the amendments and FDIC implementing regulations, effective April 1, 2011, the assessment base is no longer the institution's deposit base but rather its average consolidated total assets less its average tangible equity. This may shift the burden of deposit insurance premiums toward those depository institutions that rely on funding sources other than U.S. deposits. Additionally, the Dodd-Frank Act makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain





**Table of Contents**

thresholds. Several of these provisions could increase our FDIC deposit insurance premiums. In addition, effective July 21, 2011, depository institutions may pay interest on demand deposits.

Many of the requirements called for in the Dodd-Frank Act will be implemented over time and most will be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations continues to be unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our investors.

**FDIC Insurance Assessment.** On November 12, 2009, the FDIC adopted a final rule that requires nearly all FDIC-insured depositor-institutions to prepay the DIF assessments for the fourth quarter of 2009 and for the next three years. On December 31, 2009, we paid approximately \$38.6 million for our 2009 fourth quarter and all of our 2010, 2011 and 2012 FDIC assessments.

As discussed above, the Dodd-Frank Act required the FDIC to substantially revise its regulations for determining the amount of an institution's deposit insurance premiums. The FDIC approved a final rule, effective April 1, 2011, that implements the required change to the assessment base and changes the assessment rate calculation for large insured depository institutions, including EverBank. Effective April 1, 2011, the assessment rates are subject to adjustments based upon the insured depository institution's ratio of (1) long-term unsecured debt to the new assessment base, (2) long-term unsecured debt issued by another insured depository institution to the new assessment base, and (3) brokered deposits to the new assessment base. However, the adjustments based on brokered deposits to the new assessment base do not apply so long as the institution is well capitalized and has a composite CAMELS rating of 1 or 2. Additionally, the rules permit the FDIC to impose additional discretionary assessment rate adjustments.

**Basel III.** While we were required by the OTS to have a prudential level of capital to support our risk profile, the OTS did not historically subject thrift holding companies, such as us, to consolidated regulatory capital requirements. The Dodd-Frank Act will subject us to new capital requirements that are not less stringent than such requirements generally applicable to insured depository institutions, such as EverBank, or quantitatively lower than such requirements in effect for insured depository institutions as of July 21, 2010. The current risk-based capital guidelines that apply to EverBank are based upon the 1988 capital accord of the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking agencies on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as Basel II, for large or core international banks (generally defined for U.S. purposes as having total assets of \$250 billion or more or consolidated foreign exposures of \$10 billion or more). Basel II emphasizes internal assessment of credit, market and operational risk, as well as supervisory assessment and market discipline in determining minimum capital requirements.

As noted in the discussion of Risk Factors above, on September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. The agreement is supported by the U.S. federal banking agencies and the final text of the Basel III rules was released by the Basel Committee on Banking Supervision on December 16, 2010. While the timing and scope of any U.S. implementation of Basel III remains uncertain, the following items



**Table of Contents**

provide a brief description of the relevant provisions of Basel III and their potential impact on our capital levels if applied to us and EverBank.

**New Minimum Capital Requirements.** Subject to implementation by the U.S. federal banking agencies, Basel III would be expected to have the following effects on the minimum capital levels of banking institutions to which it applies when fully phased in on January 1, 2019:

**Minimum Common Equity.** The minimum requirement for common equity, the highest form of loss absorbing capital, will be raised from the current 2.0% level, before the application of regulatory adjustments, to 4.5% after the application of stricter adjustments. This requirement will be phased in by January 1, 2015. As noted below, total common equity required will rise to 7.0% by January 1, 2019 (4.5% attributable to the minimum required common equity plus 2.5% attributable to the capital conservation buffer).

**Minimum Tier 1 Capital.** The minimum Tier 1 capital requirement, which includes common equity and other qualifying financial instruments based on stricter criteria, will increase from 4.0% to 6.0% also by January 1, 2015. Total Tier 1 capital will rise to 8.5% by January 1, 2019 (6.0% attributable to the minimum required Tier 1 capital ratio plus 2.5% attributable to the capital conservation buffer, as discussed below).

**Minimum Total Capital.** The minimum Total Capital (Tier 1 and Tier 2 capital) requirement will increase to 8.0% (10.5% by January 1, 2019, including the capital conservation buffer).

**Capital Conservation Buffer.** An initial capital conservation buffer of 0.625% above the regulatory minimum common equity requirement will begin in January 2016 and will gradually be increased to 2.5% by January 1, 2019. The buffer will be added to common equity, after the application of deductions. The purpose of the conservation buffer is to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. It is expected that, while banks would be allowed to draw on the buffer during such periods of stress, the closer their regulatory capital ratios approach the minimum requirement, the greater the constraints that would be applied to earnings distributions.

**Countercyclical Buffer.** Basel III expects regulators to require, as appropriate to national circumstances, a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss absorbing capital. The purpose of the countercyclical buffer is to achieve the broader goal of protecting the banking sector from periods of excess aggregate credit growth. For any given country, it is expected that this buffer would only be applied when there is excess credit growth that is resulting in a perceived system-wide build up of risk. The countercyclical buffer, when in effect, would be introduced as an extension of the conservation buffer range.

**Regulatory Deductions from Common Equity.** The regulatory adjustments (i.e., deductions and prudential filters), including minority interests in financial institutions, MSR, and deferred tax assets from timing differences, would be deducted in increasing percentages beginning January 1, 2014, and would be fully deducted from common equity by January 1, 2018. Certain instruments that no longer qualify as Tier 1 capital, such as trust preferred securities, also would be subject to phase out over a 10-year period beginning January 1, 2013.

**Non-Risk Based Leverage Ratios.** These capital requirements are supplemented by a non-risk-based leverage ratio that will serve as a backstop to the risk-based measures described above. In July 2010, the Governors and Heads of Supervision agreed to test a minimum Tier 1 leverage ratio of 3.0% during the parallel run period. Based on the results of the parallel run period, any final adjustments would be carried out in the first half of 2017 with a view to adopting the 3.0% leverage ratio on January 1, 2018, based on appropriate review and calibration.

**Adoption.** Basel III was endorsed at the meeting of the G-20 nations in November 2010 and the final text of the Basel III rules was subsequently agreed to by the Basel Committee on Banking Supervision on December 16, 2010. The agreement calls for national jurisdictions to implement the new requirements beginning January 1, 2013. At that time, the U.S. federal banking agencies,

## **Table of Contents**

including the OCC, will be expected to have implemented appropriate changes to incorporate the Basel III concepts into U.S. capital adequacy standards. While the Basel III changes as implemented in the United States will likely result in generally higher regulatory capital standards, it is difficult at this time to predict how any new standards will ultimately be applied to EverBank and us.

## **The Company**

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

Currently, HOLA prohibits a savings bank 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 convenience and needs of the community and competitive factors.

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, or QTL, test. See [Regulation of Federal Savings Banks](#) [QTL Test](#) below for a discussion of the QTL requirements. If we were to make a non-supervisory acquisition of another savings institution or of a savings institution that meets the QTL test and is deemed to be a savings institution and that will be held as a separate subsidiary, then we would become a multiple savings and loan holding company within the meaning of HOLA and would be subject to limitations on the types of business activities in which we can engage. HOLA limits the activities of a multiple savings institution holding company and its non-insured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, subject to the prior approval of the FRB, and to other activities authorized by regulation.

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 Federal Savings Banks](#) [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 Federal Savings Banks](#) [Limitation on Capital Distributions](#) below.



## **Table of Contents**

### **EverBank**

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

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

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

### **Regulation of Federal Savings Banks**

***Business Activities.*** EverBank derives its lending and investment powers from HOLA and the regulations thereunder, which have been assumed and will now be 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 rating 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, savings banks 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 savings bank to one borrower or related group of borrowers outstanding at one time and not fully secured by collateral may not exceed 15% of the savings bank'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 savings bank to one borrower or related group of borrowers outstanding at one time and fully secured by readily-marketable



**Table of Contents**

collateral may not exceed 10% of the savings bank'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, 2011, EverBank's limit on loans to one borrower was approximately \$168.9 million and \$112.6 million, for the 15% limitation and 10% limitation, respectively. At December 31, 2011, EverBank's largest aggregate amount of loans to one borrower was approximately \$25.0 million, and the second largest borrower had an aggregate balance of approximately \$25.0 million.

The Dodd-Frank Act expands the scope of the loans-to-one-borrower restrictions to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

***QTL Test.*** HOLA requires a savings bank 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 savings bank that fails the QTL test must either operate under certain restrictions on its activities or convert to a bank charter. At December 31, 2011, EverBank maintained approximately 94.6% of its portfolio assets in qualified thrift investments. EverBank had also satisfied the QTL test in each of the twelve months prior to December 31, 2011 and, therefore, was a QTL.

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. Specifically, the thrift is not only subject to the general dividend restrictions as would apply to a national bank (as under prior law), but also 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 now are treated as violations of HOLA subject to remedial enforcement action.

***Capital Requirements.*** Federal banking regulations currently require savings banks to meet three minimum capital standards:

- a tangible capital requirement for savings banks to have tangible capital in an amount equal to at least 1.5% of adjusted total assets;

- a leverage ratio requirement;

- for savings banks assigned the highest composite rating of 1, to have core capital in an amount equal to at least 3% of adjusted total assets; or

- for savings banks assigned any other composite rating, to have core capital in an amount equal to at least 4% of adjusted total assets, or a higher percentage if warranted by the particular circumstances or risk profile of the savings bank; and

- a risk-based capital requirement for savings banks to have capital in an amount equal to at least 8% of risk-weighted assets.

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

There currently are no regulatory capital requirements directly applicable to us as a unitary savings and loan holding company apart from the regulatory capital requirements for savings banks that are applicable to EverBank. However,

as noted above and below, the FRB is required and expected to issue regulations implementing regulatory capital requirements applicable to thrift holding companies.

At December 31, 2011, EverBank exceeded all applicable regulatory capital requirements.

**Table of Contents**

These standards are expected to change as a result of the Dodd-Frank Act, and in particular as a result of the Collins Amendment. As noted above, the Collins Amendment requires that the appropriate federal banking agencies establish minimum leverage and risk-based capital requirements on a consolidated basis for insured depository institutions and their holding companies. As a result, we and EverBank will be subject to the same capital requirements, and must include the same components in regulatory capital. One impact of the Collins Amendment is to prohibit bank and thrift holding companies from including in their Tier 1 regulatory capital certain hybrid debt and equity securities issued on or after May 19, 2010. Among the hybrid debt and equity securities included in this prohibition are trust preferred securities, which we have used in the past as a tool for raising additional Tier 1 capital and otherwise improving our regulatory capital ratios. Although we are permitted to continue to include our existing trust preferred securities as Tier 1 capital, the prohibition on the use of these securities as Tier 1 capital going forward may limit our ability to raise capital in the future.

***Limitation on Capital Distributions.*** Federal banking regulations currently impose limitations upon certain capital distributions by savings banks, 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 FRB regulates all capital distributions by EverBank directly or indirectly to us, including dividend payments. EverBank currently must file an application to receive the approval of the FRB for a proposed capital distribution if the total amount of all of EverBank's capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds EverBank's net income for that year-to-date period plus EverBank's retained net income for the preceding two years. In the event EverBank is not required under applicable banking regulations to file an application with the FRB, EverBank must file a notice to receive the approval of the FRB because EverBank is a subsidiary of EverBank Financial Corp, 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 FRB notified EverBank that it was in need of more than normal supervision. Under the 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 OTS historically charged assessments to recover the costs of examining savings banks and their affiliates, processing applications and other filings, and covering direct and indirect expenses in regulating savings banks and their affiliates. These assessments were based on three components: size of the savings bank, the savings bank's supervisory condition, and the complexity of the savings bank's operations. These assessments were paid semi-annually on January 31 and July 31. EverBank's assessment expense during the years ended December 31, 2010 and 2009 was \$2.0 million and \$1.6 million, respectively.

Under the Dodd-Frank Act, starting July 21, 2011, the authority to collect assessments from federal savings banks is transferred to the OCC. The Dodd-Frank Act provides that, 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. The OCC issued a final rule implementing this authority, effective

**Table of Contents**

July 21, 2011. Under the final rule, the assessments charged to federal savings banks by the OCC will be based on the same assessment schedule as is used for national banks. Under the OCC's assessment regulation, 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. As a result of these changes, the next assessment for federal savings banks occurred on September 30, 2011, rather than July 31, 2011. For the first two assessment cycles after July 21, 2011, the OCC will base assessments for federal savings banks, including EverBank, on the lesser of the amounts that would be assessed under the OCC's assessment regulation and the former OTS assessment structure. EverBank's OCC assessment for September 30, 2011 was \$0.9 million. After the March 2012 assessment, federal savings banks will be assessed using the same method as national banks under the OCC's assessment regulation.

As noted above, the Dodd-Frank Act provides various agencies with the authority to assess additional supervision fees.

***Branching.*** Subject to certain limitations, HOLA and regulations thereunder permit federally chartered savings banks 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 FRA and Regulation W of the FRB, as those provisions are made applicable to federal savings banks by regulation. The applicable regulations for savings banks regarding transactions with affiliates generally conform to the requirements of Regulation W, which is applicable to national banks and state-chartered member banks. In general, an affiliate of a savings bank is any company that controls, is controlled by, or is under common control with, the savings bank, other than the savings bank's subsidiaries. For instance, we are deemed an affiliate of EverBank under these regulations.

Generally, Section 23A limits the extent to which a savings bank may engage in covered transactions with any one affiliate to an amount equal to 10% of the savings bank'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 savings bank's capital stock and surplus.

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 savings bank, as those prevailing at the time for transactions with or involving non-affiliates. Additionally, under the applicable regulations, a savings bank 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.

The Dodd-Frank Act generally enhances the restrictions on transactions with affiliates under Sections 23A and 23B of the FRA, including an expansion of the definition of covered transactions and an increase in the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. The ability of the FRB to grant exemptions from these restrictions is also narrowed by the Dodd-Frank Act, including with respect to federal thrifts, the requirement for the OCC, FDIC and FRB to coordinate with one another.



## **Table of Contents**

The Dodd-Frank Act generally expands restrictions on extensions of credit to insiders to include, for example, credit exposure arising from derivatives transactions, and imposes certain restrictions on 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 customer obtain some additional service from us or not obtain services from one of our competitors.

***Enforcement.*** Under the FDIA, the OCC has primary enforcement responsibility over federal savings banks 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 savings bank 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, removal of officers and/or directors, institution of proceedings for receivership or conservatorship and termination of deposit insurance.

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

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

***Prompt Corrective Regulatory Action.*** Under the Prompt Corrective Action regulations applicable to federal thrifts, the OCC is required to take certain, and is authorized to take other, supervisory actions against undercapitalized federal savings banks, such as requiring compliance with a capital restoration plan, restricting 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 bank's capital deteriorates. Federal savings banks are classified into five categories of capitalization as well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, a federal savings bank is categorized as well capitalized if:

its total risk-based capital is at least 10%;

its Tier 1 risk-based capital is at least 6%;

its leverage ratio is at least 5% of its adjusted total assets; and





## **Table of Contents**

it is not subject to any written agreement, order, capital directive or prompt corrective action directive issued by the OCC (or, prior to July 21, 2011, the OTS), or certain regulations, to meet or maintain a specific capital level for any capital measure.

The OTS categorized EverBank as well capitalized following its last examination. At December 31, 2011, EverBank exceeded all regulatory capital requirements and was considered to be well capitalized with a Tier 1 (core) capital ratio of 8.0% and a total risk-based capital ratio of 15.7%. 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.** Currently, 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, or 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 customers.

**Federal Home Loan Bank System.** EverBank is a member of the Federal Home Loan Bank, of Atlanta, or FHLB, which is one of the 12 regional Federal Home Loan Banks comprising the Federal Home Loan Bank system. Each Federal Home Loan Bank provides a central credit facility primarily for its member institutions as well as other entities involved in home mortgage lending. Any advances from a Federal Home Loan Bank must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance.

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 \$96.4 million and \$95.6 million as of December 31, 2011 and 2010, respectively. EverBank's capital stock in FHLB includes \$32.7 million purchased during 2011. The FHLB repurchased \$31.8 million in 2011 and \$11.4 million in 2010.

For the period ended December 31, 2011, the FHLB paid dividends of \$0.7 million on the capital stock held by EverBank. During the year ended December 31, 2010, the FHLB paid dividends of approximately \$0.3 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 noninterest-earning reserves against their deposit accounts and certain other liabilities. Currently, federal savings banks 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. The FRB pays targeted federal funds rates on the required reserves which are lower than the yield on our traditional investments.

## **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 Dodd-Frank Act and FDIC regulations have significantly changed the way assessments are determined. Effective April 1, 2011, the FDIC made the following changes to the FDIC deposit insurance regulations:

The assessment base upon which insurance assessments are based was changed from domestic deposits (with some adjustments) to average consolidated total assets less the average tangible equity of the insured depository institution.

## **Table of Contents**

The FDIC changed the method used to calculate the assessment rate for large depository institutions, including EverBank. Previously, the FDIC assigned the institution to one of four risk categories based primarily on supervisory risk ratings and certain financial ratios. Now, assessment rates for large depository institutions, such as EverBank, will be calculated using a scorecard that combines the supervisory risk ratings of the institution with certain forward-looking financial measures.

The assessment rates now are subject to adjustments based upon the insured depository institution's ratio of (1) long-term unsecured debt to the new assessment base, (2) long-term unsecured debt issued by another insured depository institution to the new assessment base, and (3) brokered deposits to the new assessment base. However, the adjustments based on brokered deposits to the new 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 also makes changes to the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminating the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds.

In addition, as part of an effort to remedy the decline in the ratio from recent bank failures, the FDIC, on September 30, 2009, collected a one-time special assessment of five basis points of an institution's assets minus Tier 1 capital as of June 30, 2009. The assessment on EverBank was approximately \$3.5 million. On November 12, 2009, the FDIC ruled that nearly all FDIC-insured depositor-institutions must prepay their estimated DIF assessments for the next three years on December 31, 2009. This ruling also provided for maintaining the assessment rates at their current levels through the end of 2010, with a uniform increase of \$0.03 per \$100 of covered deposits effective January 1, 2011. The ruling did not affect how EverBank determines and recognizes its expense for deposit insurance.

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 2011 was \$0.0066 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 customer identification in their dealings with foreign financial institutions and foreign customers. 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. The regulatory

authorities have imposed cease and desist orders and civil monetary penalties against institutions found to be violating these obligations.

**Table of Contents**

***Community Reinvestment Act.*** EverBank is subject to the provisions of the Community Reinvestment Act of 1977, as amended, or the 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.*** The GLB Act imposed new requirements on financial institutions with respect to consumer privacy. The GLB Act generally prohibits 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 the GLB Act. The GLB Act also directed federal regulators, including the OCC, to prescribe standards for the security of consumer information. EverBank is subject to such standards, as well as standards for notifying customers in the event of a security breach. Under federal law, EverBank must disclose its privacy policy to consumers, permit customers to opt out of having nonpublic customer information disclosed to third parties in certain circumstances, and allow customers to opt out of receiving marketing solicitations based on information about the customer 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 customer information and to ensure proper disposal. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused.

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

limit the interest and other charges collected or contracted for by EverBank, including new rules respecting the terms of credit cards and of debit card overdrafts;

govern EverBank's disclosures of credit terms to consumer borrowers;

require EverBank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;

prohibit EverBank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit; and

govern the manner in which EverBank may collect consumer debts.

New rules on credit card interest rates, fees, and other terms took effect on February 22, 2010, as directed by the Credit Card Accountability, Responsibility and Disclosure (CARD) Act. Among the new requirements are (1) 45-days advance notice to a cardholder before the interest rate on a card may be increased, subject to certain exceptions; (2) a ban on interest rate increases in the first year; (3) an opt-in for over-the-limit charges; (4) caps on high fee cards; (5) greater limits on the issuance of cards to persons below the age of 21; (6) new rules on monthly statements and payment due dates and the crediting of payments; and (7) the application of new rates only to new charges and of payments to higher rate charges.

New rules regarding overdraft charges for debit card and automatic teller machine, or ATM, transactions took effect on July 1, 2010. These rules eliminated automatic overdraft protection arrangements that had been in common use, instead requiring banks to notify and obtain the consent of customers before enrolling them in an overdraft protection plan. For existing debit card and ATM card holders, the current automatic programs expired on August 15, 2010. The notice and consent

**Table of Contents**

process is a requirement for all new cards issued on or after July 1, 2010. The new rules do not apply to overdraft protection on checks or to automatic bill payments.

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

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

require EverBank to adequately disclose the interest rates and other terms of consumer deposit accounts;

impose a duty on EverBank to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records;

require escheatment of unclaimed funds to the appropriate state agencies after the passage of certain statutory time frames; and

govern automatic deposits to and withdrawals from deposit accounts with EverBank and the rights and liabilities of customers who use automated teller machines, or ATMs, and other electronic banking services. As described above, beginning in July 2010, new rules took effect that limit EverBank's ability to charge fees for the payment of overdrafts for every day debit and ATM card transactions.

As noted above, EverBank will likely face a significant increase in its consumer compliance regulatory burden as a result of the combination of the newly-established CFPB and the potentially 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.

**Table of Contents****MANAGEMENT****Executive Officers and Directors**

The following table sets forth information regarding our directors, nominees for director and executive officers and other key officers, upon completion of this offering.

| <b>Name</b>               | <b>Age</b> | <b>Position(s)</b>                                   |
|---------------------------|------------|--|
| Robert M. Clements        | 49         | Chairman of the Board and Chief Executive Officer    |
| W. Blake Wilson           | 46         | Director, President and Chief Operating Officer      |
| Steven J. Fischer         | 42         | Executive Vice President and Chief Financial Officer |
| Gary A. Meeks             | 66         | Vice Chairman and Chief Risk Officer                 |
| Michael C. Koster         | 50         | Executive Vice President                             |
| Thomas L. Wind            | 52         | Executive Vice President                             |
| John S. Surface           | 40         | Executive Vice President                             |
| Gerald S. Armstrong       | 68         | Director   |
| Charles E. Commander, III | 71         | Director   |
| Joseph D. Hinkel          | 63         | Director   |
| Merrick R. Kleeman        | 48         | Director   |
| Mitchell M. Leidner       | 41         | Director   |
| W. Radford Lovett, II     | 52         | Director   |
| Robert J. Mylod, Jr.      | 45         | Director   |
| Russell B. Newton, III    | 58         | Director   |
| William Sanford           | 52         | Director   |
| Richard P. Schifter       | 59         | Director   |
| Alok Singh                | 58         | Director   |
| Scott M. Stuart           | 52         | Director   |

Set forth below is certain biographical information for each of these individuals.

**Robert M. Clements.** Mr. Clements has served as Chairman of the Board and Chief Executive Officer of EverBank Financial Corp and its predecessor companies since 1997. Mr. Clements joined the EverBank family of companies in 1994. Our Board of Directors has concluded that Mr. Clements should serve as Chairman of the Board of Directors based on the experience, operational expertise and continuity he brings to our Board of Directors as our longtime Chairman and Chief Executive Officer. Mr. Clements was previously a Vice President at Merrill Lynch & Co., where he was a member of the firm's leveraged buyout group, Merrill Lynch Capital Partners, Inc. He is a former member of the FRB's Thrift Institutions Advisory Council, and a former director of Fidelity National Financial, Inc., Fidelity National Information Services, Inc., Fortegra Capital and Columbia National Mortgage Corporation. Mr. Clements received a B.A. in Economics from Dartmouth College and an M.B.A. from Harvard Business School.

**W. Blake Wilson.** Mr. Wilson has been a director and President of EverBank Financial Corp since 2005 and has been Chief Operating Officer of EverBank Financial Corp since 2011. From January 2002 to 2011, Mr. Wilson served as our Chief Financial Officer. Our Board of Directors has concluded that Mr. Wilson should serve as a director because his many years of experience in the financial services industry, financial and accounting expertise and experience in senior corporate management positions provide our Board of Directors with a variety of perspectives on corporate



governance and management issues and valuable insights regarding our business. Mr. Wilson has been involved in the financial services industry since 1989. Prior to joining EverBank, Mr. Wilson was

**Table of Contents**

the Chief Financial Officer of HomeSide Lending, Inc. and served in various positions there since 1996. He was Vice President of Corporate Finance at Prudential Home Mortgage and also worked for KPMG Peat Marwick's National Mortgage and Structured Finance Group in Washington, D.C. Mr. Wilson has served on various industry advisory boards. Mr. Wilson received a B.A. in Accounting *cum laude* from the University of Utah.

**Steven J. Fischer.** Mr. Fischer joined EverBank Financial Corp as Executive Vice President and Chief Financial Officer in April 2011. Prior to joining EverBank, Mr. Fischer was a partner in the Florida/Puerto Rico practice of Deloitte & Touche LLP since 2004, having joined Deloitte in 1992. He has over 18 years of public accounting experience and has provided advisory, attest and consulting services to clients primarily in the financial services industry. Mr. Fischer received a B.S. in Accounting and Finance from Florida State University and is a certified public accountant in Florida and Georgia.

**Gary A. Meeks.** Mr. Meeks has served as Vice Chairman of EverBank Financial Corp since 2005 and has served as Vice Chairman and Chief Risk Officer of EverBank Financial Corp since 2010. He has been involved in the mortgage banking industry since 1973 and is a Certified Mortgage Banker. Mr. Meeks joined EverBank's predecessor company in 1989 as President and Chief Executive Officer, having previously served in that capacity for Numerica Financial Services, Inc. Prior to entering the mortgage banking industry, Mr. Meeks was an officer in the U.S. Air Force from 1969 to 1972, where he attained the rank of Captain. Mr. Meeks received a B.B.A. and an M.B.A. from the University of Georgia.

**Michael C. Koster.** Mr. Koster has been an Executive Vice President of EverBank Financial Corp and its predecessors since 1995, leads EverBank's mortgage servicing and banking operations group and has served as President of EverHome® Mortgage Company since 2005. He joined EverBank in 1995 as Executive Vice President of Loan Administration, previously served as Senior Vice President and Director of Customer Service at BancBoston Mortgage Corporation and has been involved in the mortgage banking industry since 1983. Mr. Koster is a member and former chairman of Lender Processing Services, Inc.'s Mortgage Advisory Board, is a former chairman of the Mortgage Bankers Association's Loan Administration Committee and serves on its Residential Mortgage Board of Governors. He also serves on the board for the local Habitat for Humanity affiliate and received a B.B.A. from Marietta College.

**Thomas L. Wind.** Mr. Wind joined EverBank Financial Corp as Executive Vice President - Residential and Consumer Lending in April 2011. Prior to joining EverBank, Mr. Wind was the Chief Executive Officer of Aurora Loan Services, the Denver-based mortgage banking division of Lehman Brothers Holdings, Inc., from 2008 to 2010, and served as Head of Residential Lending for Lehman Brothers Holdings, Inc. from 2006 to 2008. Mr. Wind has also previously served as Chief Executive Officer of Home Mortgage for JPMorgan Chase & Co. from 2004 to 2006. Mr. Wind has over 23 years of professional mortgage experience and is also a certified public accountant. He received a B.S. in Accounting and an M.B.A. from Saint Louis University.

**John S. Surface.** Mr. Surface has served as Executive Vice President-Corporate Development of EverBank Financial Corp since 2004. He manages our business development, partnership and M&A activities. He has been with EverBank for 14 years and served previously as Vice President of Asset Management for the EverBank family of companies. In addition, he previously worked as an Associate at TSG Equity Partners, a venture capital investment firm. Mr. Surface has served on various nonprofit housing boards, including HabiJax and LISC Jacksonville, and serves on the Williams School Board of Advisors for Washington and Lee University. Mr. Surface received a B.S. in Business Management, *magna cum laude* and Phi Beta Kappa, from Washington and Lee University and an M.B.A. from Harvard Business School.

**Gerald S. Armstrong.** Mr. Armstrong has been a director of EverBank Financial Corp since 2011. Our Board of Directors has concluded that Mr. Armstrong should serve as a director because his experience in private equity and

serving on other companies boards of directors provides our

141

---

**Table of Contents**

Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He has been a director of Cenveo, Inc., a diversified printing company, since 2007 and has also been a Managing Director of Arena Capital Partners, LLC, the management company for a private equity firm Arena Capital Investment Fund, L.P. that invests in both established companies and developing businesses since 1997. Prior to co-founding Arena, Mr. Armstrong was a Partner at Stonington Partners, Inc., a private equity partnership formed in 1994 out of Merrill Lynch Capital Partners, a private investment firm affiliated with Merrill Lynch & Co., where Mr. Armstrong had served as a Managing Director since 1988. Prior to Merrill, Mr. Armstrong served as President and Chief Operating Officer of PACE Industries, Inc., a holding company formed at the end of 1983. Mr. Armstrong currently serves on the board of directors of Cenveo, Inc. In past years, Mr. Armstrong has served on the board of directors of First USA, Inc. (now a part of JPMorgan Chase & Co.), Ann Taylor Stores Corporation, World Color Press, Inc., and numerous private companies. Mr. Armstrong has also served as an officer in the United States Navy. Mr. Armstrong is Arena's designated nominee for our Board of Directors, pursuant to the terms of the Amended and Restated Transfer Restriction and Voting Agreement described in Board Composition and Election of Directors Board Composition below. Mr. Armstrong received a B.A. in English from Dartmouth College and an M.B.A. in Finance from New York University.

***Charles E. Commander, III.*** Mr. Commander has been a director of EverBank Financial Corp and its predecessors since 1997. Our Board of Directors has concluded that Mr. Commander should serve as a director because his many years of legal experience and his service on other companies' boards of directors provides our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. Mr. Commander is a retired partner at the law firm Foley & Lardner, LLP, where he practiced corporate, financial institutions and real estate law and was previously a member of that firm's management committee. Mr. Commander currently serves on the boards of Patriot Transportation Holdings, Inc., a public real estate and trucking company, and Summit Housing Partners, LLC, of which he is non-executive chairman. He has served on numerous civic and charitable organizations and is currently chairman of the Jacksonville Housing and Community Development Commission. He received a B.S. in Commerce from Washington & Lee University and a J.D. from The University of Florida.

***Joseph D. Hinkel.*** Mr. Hinkel has been a director of EverBank Financial Corp since 2011. Mr. Hinkel has served as an independent financial consultant since November 2006. Our Board of Directors has concluded that Mr. Hinkel should serve as a director because his many years of experience in public accounting provide our Board of Directors and our Audit Committee with valuable financial reporting and financial management expertise as we transition to becoming a public reporting company. From June 2002 to October 2006, he was a Managing Director of KPMG, LLP. Prior to working at KPMG, LLP, he was employed by Arthur Andersen LLP from 1971 to 2002, and served as a partner from 1983 to 2002. Mr. Hinkel served as a director of Dayton Superior Corporation from 2007 to 2009. He received a B.S. in Business Administration from University of Dayton in 1971 and became a certified public accountant in 1972.

***Merrick R. Kleeman.*** Mr. Kleeman has been a director of EverBank Financial Corp since 2009. Our Board of Directors has concluded that Mr. Kleeman should serve as a director because his experience in real estate private equity and his financial expertise provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. Mr. Kleeman is a founding partner of Wheelock Street Capital, L.L.C., a real estate private equity firm formed in 2008 to pursue a highly-focused, value oriented investment strategy. Prior to creating Wheelock Street Capital, L.L.C., Mr. Kleeman spent over 15 years working at Starwood Capital Group, where he served as Senior Managing Director and Head of Acquisitions. Mr. Kleeman led the acquisition of Westin Hotels & Resorts, National and American Golf, Le Meridien Hotels & Resorts in collaboration with Starwood Hotels, and the formation of Troon Golf and Starwood Land Ventures. Mr. Kleeman serves on the board of directors of Troon Golf and on the board of trustees of The Boys and Girls Harbor in New York City and The Waterside School in Stamford,



**Table of Contents**

Connecticut. Mr. Kleeman received a B.A. from Dartmouth College and an M.B.A. from Harvard Business School, where he was a Baker Scholar.

***Mitchell M. Leidner.*** Mr. Leidner has been a director of EverBank Financial Corp since 2009. Our Board of Directors has concluded that Mr. Leidner should serve as a director because his experience in the financial services industry and private equity, his financial expertise and his knowledge of the Tygris business provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. Mr. Leidner is an investment professional with Aquiline Capital Partners LLC. He has worked in the financial services industry since 1993. Prior to joining Aquiline in 2005, Mr. Leidner worked at Venturion Capital LLC, a private equity firm that invested in financial services companies in North America and Europe, between 2000 and 2005. He also worked at Venturion from 1998 to 1999. From 1999 to 2000, Mr. Leidner was an investment specialist in The Blackstone Group, L.P.'s Alternative Asset Management group, where he focused on investing in hedge funds across various strategies. From 1995 to 1997, he was an associate at UBS Securities LLC in the Financial Institutions Group, where he focused on mergers and acquisitions and corporate finance assignments in the financial services industry. From 1993 to 1995, Mr. Leidner was an analyst at Alex. Brown & Sons, Inc. in the Financial Institutions Group, where he completed several sell-side advisory and capital raising assignments in the bank, thrift and specialty finance sectors. Mr. Leidner is a board member of CRT Greenwich LLC. Mr. Leidner received a B.S.E. in Finance and a B.A.S. in Engineering from the University of Pennsylvania and received an M.B.A. from the Columbia Business School.

***W. Radford Lovett, II.*** Mr. Lovett has been a director of EverBank Financial Corp and its predecessors since 2004. Our Board of Directors has concluded that Mr. Lovett should serve as a director because his many years of experience in private equity and his financial expertise provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He is Managing Director and co-founding partner of Lovett Miller & Co., a Florida-based venture capital and private equity firm that invests in privately held companies primarily in the southeastern United States. Mr. Lovett has also served as founder, Chairman and Chief Executive Officer of two successful growth companies, TowerCom Development, LP, a developer of wireless communication infrastructure, and TowerCom Limited, a developer of broadcast communication towers. Mr. Lovett has served as a director of over 20 private companies, and currently serves on the board of directors of five private companies. Prior to co-founding Lovett Miller & Co., Mr. Lovett served as the President of Southcoast Capital Corporation, a Jacksonville-based holding company that invests in private companies, public companies and real estate. In addition, Mr. Lovett is currently Co-Chairman of University of North Florida's Capital Campaign, is a member of its Board of Trustees and formerly served as President of the Foundation Board. He is also a former Chairman of the Youth Crisis Center and the Jacksonville Jaguars Honor Rows Program. Mr. Lovett received a B.A. from Harvard College.

***Robert J. Mylod, Jr.*** Mr. Mylod has been a director of EverBank Financial Corp and its predecessors since 2001. Our Board of Directors has concluded that Mr. Mylod should serve as a director because his operational and financial management experience at priceline.com Incorporated, or priceline.com, as well as his experience in finance and private equity provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. From January 2009 to March 2011, Mr. Mylod served as the Vice Chairman of priceline.com. Before becoming Vice Chairman, Mr. Mylod had been priceline.com's Chief Financial Officer since November 2000. Prior to joining priceline.com, Mr. Mylod was a principal at Stonington Partners, a privately held investment firm that executed and managed private equity investments. Prior to Stonington Partners, Mr. Mylod was an associate with Merrill Lynch Capital Partners, the merchant banking division of Merrill Lynch & Co. Mr. Mylod received an A.B. in English from the University of Michigan and an M.B.A. from the University of Chicago Graduate School of Business.

**Russell B. Newton, III.** Mr. Newton has been a director of EverBank Financial Corp since 2009. Our Board of Directors has concluded that Mr. Newton should serve as a director because his

**Table of Contents**

many years of experience in investment management and his financial and accounting expertise provides our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He is Chairman and Chief Executive Officer of Timucuan Asset Management, Inc., or Timucuan, a privately owned investment management firm. Mr. Newton has been responsible for directing the investment activities of the Newton family since 1981. In 1988, Mr. Newton formed Timucuan to provide asset management services to those outside the Newton family. Mr. Newton also controls the general partner of The Timucuan Fund, L.P., which he formed in 1990, and Timucuan Opportunity Fund, L.P., which he launched in October 2001. Prior to 1981, Mr. Newton was employed as a public accountant by Peat Marwick Mitchell & Company. Mr. Newton received a B.A. from Bowdoin College and attended the Graduate School of Business Administration, New York University.

**William Sanford.** Mr. Sanford has been a director of EverBank Financial Corp since 2006. Our Board of Directors has concluded that Mr. Sanford should serve as a director because his experience in senior corporate management positions and his management and operational expertise provides our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He is an Operating Partner at Sterling Investment Partners, a middle-market private equity fund based in Westport, Connecticut, and advises Sterling portfolio companies with regard to management and operational matters. Mr. Sanford is currently Interim Chief Administrative Officer and Interim Chief Financial Officer at Fairway Market, a Sterling portfolio company based in New York. From 1998 until December 31, 2008, he was with Interline Brands, Inc., a Jacksonville, Florida-based distributor and direct marketer of building maintenance products where he served as President, Chief Operating Officer and Secretary and previously as Chief Financial Officer. Mr. Sanford has worked in the wholesale distribution industry since 1984 and has held senior executive positions with Airgas, Inc. and MSC Industrial Direct. Mr. Sanford is a director of FCX Performance, Inc. and Exelligence Learning Corporation. Mr. Sanford received a B.S. from Vanderbilt University.

**Richard P. Schifter.** Mr. Schifter has been a director of EverBank Financial Corp since 2010. Our Board of Directors believes Mr. Schifter should serve as a director due to his experience serving on other companies' boards of directors, and his experience in private equity, his legal experience and his knowledge of the Tygris business provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He has been a partner at TPG Capital since 1994. Prior to joining TPG Capital, Mr. Schifter was a partner at the law firm of Arnold & Porter LLP in Washington, D.C., where he specialized in bankruptcy law and corporate restructuring. Mr. Schifter joined Arnold & Porter in 1979 and was a partner from 1986 through 1994. Mr. Schifter currently serves on the Boards of Directors of Republic Airways, American Beacon Advisors, Bristol Group, LPL Holdings, Direct General Corporation and ProSight Specialty Insurance Holdings and on the Board of Overseers of the University of Pennsylvania Law School. Mr. Schifter is also a member of the board of directors of the Youth, I.N.C. (Improving Non-profits for Children). Mr. Schifter received a B.A. with distinction from George Washington University and a J.D. *cum laude* from the University of Pennsylvania Law School.

**Alok Singh.** Mr. Singh has been a director of EverBank Financial Corp since 2010. Our Board of Directors believes Mr. Singh should serve as a director because his service on other companies' boards of directors, his financial expertise and his knowledge of the Tygris business provide our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He is a Managing Director of New Mountain Capital. Mr. Singh was a founding member and Managing Director of the Bankers Trust Securities Mergers & Acquisitions Group between 1984 and 1992. As Senior Managing Director for Bankers Trust Securities from 1992 until 1997, Mr. Singh was responsible for the firm's investment banking activities in the consumer and retail sectors and led its relationships with a number of major multi-industry and consumer product clients. Mr. Singh was elected to the Partnership Group of Bankers Trust Company in 1994. Subsequently, Mr. Singh served in the Financial Sponsors Group of Deutsche





**Table of Contents**

Bank Alex Brown from 1997 until 2001. Most recently, Mr. Singh led the Corporate Financial Advisory Group for the Americas for Barclays Capital, where he established the group upon joining the firm in March 2001. Mr. Singh is Chairman of the Board of RedPraire Corporation, non-executive chairman of Overland Solutions, Inc., lead director of Deltek, Inc., Camber Corporation, Ikaria Holdings, Inc. and Stroz Friedberg Inc., and a director of Validus Holdings, Ltd. and Avantor Performance Materials Holdings, Inc. He received a B.A. in Economics and History from New York University and an M.B.A. in Finance from New York University.

**Scott M. Stuart.** Mr. Stuart has been a director of EverBank Financial Corp since 2008. Our Board of Directors has concluded that Mr. Stuart should serve as a director because his experience in private equity and finance provides our Board of Directors with a variety of perspectives on corporate governance and management issues and valuable insights regarding our business. He is co-founder of Sageview Capital L.P., a private equity investment firm. Prior to co-founding Sageview Capital L.P. in 2006, Mr. Stuart worked for the global private equity firm Kohlberg Kravis Roberts & Co., L.P., or KKR, from 1986 to 2005. Mr. Stuart became a partner of KKR in 1994 and served on KKR’s investment committee from 2000 until 2005. From 2000 until his departure in 2005, Mr. Stuart was responsible for KKR’s industry groups in the utilities and consumer products sectors. Prior to joining KKR in 1986, Mr. Stuart worked from 1981 to 1984 in the Mergers and Acquisitions Department at Lehman Brothers Kuhn Loeb, Inc. Mr. Stuart served as a director of the Sealy Corporation from April 2004 through April 2009. Mr. Stuart is Sageview’s designated member of our Board of Directors, pursuant to the terms of the Transfer and Governance Agreement described in Board Composition and Election of Directors Board Composition below. Mr. Stuart received a B.A. from Dartmouth College and an M.B.A. from Stanford University.

**Board Composition and Election of Directors**

***Board Composition***

Our Board of Directors is authorized to have no fewer than seven members nor more than 15 members and is currently comprised of 14 members. Our Board of Directors has evaluated the independence of its members based upon the rules of the New York Stock Exchange, or the NYSE. Applying this standard, our Board of Directors has affirmatively determined that each of Messrs. Armstrong, Commander, Hinkel, Kleeman, Leidner, Lovett, Mylod, Sanford, Schifter, Singh and Stuart is an independent director.

We are party to the Amended and Restated Transfer Restriction and Voting Agreement with Arena Capital Investment Fund, L.P., or Arena, Lovett Miller Venture Fund II, Limited Partnership and Lovett Miller Venture Fund III, Limited Partnership, or together, Lovett Miller, dated as of November 22, 2002. Both Arena and Lovett Miller purchased securities issued by our predecessor entity in 2000 and 2002 and are currently two of our stockholders. Pursuant to the terms of the agreement, Arena has the right to designate a member of our Board of Directors and each of Arena and Lovett Miller have the right to appoint an observer who is permitted to attend meetings of our Board of Directors. Arena’s and Lovett Miller’s rights under the agreement will terminate at such time as each owns less than 20% of the aggregate shares they respectively purchased in 2000 and 2002. Gerald S. Armstrong is Arena’s designated nominee for our Board of Directors.

We are also party to the Transfer and Governance Agreement, dated as of July 21, 2008, with Sageview Partners, L.P., pursuant to which Sageview has the right to designate a member of our Board of Directors and an observer who is permitted to attend meetings of our Board of Directors. Sageview will continue to have rights under the agreement until such time as it no longer holds either 10% of the aggregate number of shares of Series B Preferred Stock Sageview purchased in 2008, or the common stock equivalent thereof, as adjusted for stock splits, recapitalizations and other similar transactions. Scott M. Stuart is Sageview’s designated member of our Board of Directors.



**Table of Contents**

***Election and Classification of Directors***

In accordance with the terms of our Amended and Restated Certificate of Incorporation, our Board of Directors will be divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms, upon consummation of the offering and will be divided as follows:

the Class I directors will be Gerald S. Armstrong, Charles E. Commander, III, Joseph D. Hinkel, Robert J. Mylod, Jr. and Russell B. Newton, III, and their term will expire at the annual meeting of stockholders to be held in 2013;

the Class II directors will be Mitchell M. Leidner, William Sanford, Richard P. Schifter, Alok Singh and W. Blake Wilson, and their term will expire at the annual meeting of stockholders to be held in 2014; and

the Class III directors will be Robert M. Clements, Merrick R. Kleeman, W. Radford Lovett, II and Scott M. Stuart, and their term will expire at the annual meeting of stockholders to be held in fiscal year 2015.

At each annual meeting of stockholders, or special meeting in lieu thereof, upon the expiration of the term of a class of directors, the successors to such directors will be elected to serve from the time of election and qualification until the third annual meeting following his or her election and the election and qualification of his or her successor. The number of directors may be changed only by resolution of our Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

**Board Committees**

Our Board of Directors has established standing committees in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Risk Committee. Our Board of Directors also will establish such other committees as it deems appropriate, in accordance with applicable law and regulations, our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws.

***Audit Committee***

The Audit Committee is comprised of Joseph D. Hinkel (Chairman), Mitchell M. Leidner and Charles E. Commander, III. The Audit Committee has responsibility for, among other things:

reviewing the adequacy and effectiveness of our accounting and internal controls and procedures, including the responsibilities, budget, compensation and staffing of our internal audit function;

reviewing with management our administrative, operational and accounting internal controls, including any special audit steps adopted in light of the discovery of material control deficiencies;

reviewing and discussing with our independent auditors and management our compliance with the applicable regulatory requirements;

investigating matters brought to its attention within the scope of its duties and engaging independent counsel and other advisors as the Audit Committee deems necessary;

reviewing our annual and quarterly financial statements prior to their filing and prior to the release of earnings;

reviewing and assessing the adequacy of a formal written charter on an annual basis;

**Table of Contents**

preparing the Audit Committee report required by SEC rules to be included in our annual report;

reviewing and approving all related person transactions for potential conflicts of interest situations on an ongoing basis;

determining compensation of, and reviewing the performance of, the independent auditors, appointing or terminating the independent auditors and considering and approving, in advance, any services proposed to be performed by the independent auditors;

reviewing an annual report from the independent auditors describing (1) the independent auditors' internal quality-control review, (2) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the past five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken to deal with any such issues and (3) all relationships between the independent auditors and us;

establishing procedures for (1) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and (3) the review, and if necessary investigations of material incidents reported through the MySafeWorkplace employee hotline channel; and

handling such other matters that are specifically delegated to the Audit Committee by our Board of Directors from time to time.

Rule 10A-3 promulgated by the SEC under the Exchange Act and Section 303A.07 of the NYSE Listed Company Manual require our Audit Committee to be composed entirely of independent directors upon the effective date of our registration statement. Our Board of Directors has affirmatively determined that each of the members of our Audit Committee will meet the definition of independent directors under Section 303A.02 of the NYSE Listed Company Manual and for purposes of serving on an Audit Committee under applicable SEC rules.

***Compensation Committee***

The Compensation Committee is comprised of Scott M. Stuart (Chairman), Richard P. Schifter and Alok Singh. The Compensation Committee has the responsibility for, among other things:

reviewing and determining the annual compensation of our Chief Executive Officer;

recommending to our Board of Directors the compensation and benefits of our executive officers other than the Chief Executive Officer;

annually monitoring and reviewing our compensation and benefit plans to ensure that they meet our corporate objectives;

administering our stock and other incentive compensation plans and programs and preparing recommendations and periodic reports to our Board of Directors relating to these matters;

reviewing and making recommendations to our Board of Directors with respect to any severance or termination arrangement to be made with any executive officer;

preparing the Compensation Committee report required by SEC rules to be included in our annual report;

reviewing all equity-compensation plans to be submitted for stockholder approval under NYSE listing standards, and to review, and in the Compensation Committee's sole discretion, approve all equity-compensation plans that are exempt from such stockholder approval requirement;

**Table of Contents**

preparing recommendations and periodic reports to our Board of Directors concerning these matters; and

handling such other matters that are specifically delegated to the Compensation Committee by our Board of Directors from time to time.

Our Board of Directors has evaluated the independence of the members of our Compensation Committee and has determined that each of the members of our Compensation Committee is independent under Section 303A.02 of the NYSE Listed Company Manual. The members of the Compensation Committee also qualify as non-employee directors within the meaning of Rule 16b-3 under the Exchange Act and outside directors within the meaning of Section 162(m) of the Code.

***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is comprised of Robert J. Mylod, Jr. (Chairman), Merrick R. Kleeman and William Sanford. The Nominating and Corporate Governance Committee has responsibility for, among other things:

recommending persons to be selected by our Board of Directors as nominees for election as directors and to fill any vacancies on our Board of Directors;

reviewing the size of our Board of Directors and recommending any changes;

reviewing annually the composition of our Board of Directors as a whole and making recommendations;

monitoring the functioning of our standing committees and recommending any changes, including the creation and elimination of any committee;

reviewing and recommending standing committee assignments;

developing, reviewing and monitoring compliance with our corporate governance guidelines;

making recommendations to our Board of Directors regarding corporate governance based upon developments, issues and best practices; and

handling such other matters that are specifically delegated to the Nominating and Corporate Governance Committee by our Board of Directors from time to time.

In selecting director nominees for recommendation to our Board of Directors, the Nominating and Corporate Governance Committee will consider, among other things, the following factors:

the appropriate size and diversity of our Board of Directors;

the knowledge, skills and expertise of nominees, including experience in banking, business, finance, administration and sales, in light of the prevailing business conditions and the knowledge, skills and experience already possessed by other members of our Board of Directors;

experience with accounting rules and practices, and whether such a person qualifies as an audit committee financial expert pursuant to SEC rules;



time availability in light of other commitments, dedication and conflicts of interests; and

other such relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of our Board of Directors.

Our Board of Directors has evaluated the independence of the members of our Nominating and Corporate Governance Committee and has determined that each of the members of our Nominating and Corporate Governance Committee is independent under Section 303A.02 of the NYSE Listed Company Manual.

## **Table of Contents**

We have no formal policy regarding the diversity of our Board of Directors. Our Nominating and Corporate Governance Committee and Board of Directors may therefore consider a broad range of factors relating to the qualifications and background of nominees, which may include personal characteristics. Our Nominating and Corporate Governance Committee's and Board of Directors' priority in selecting board members is identification of persons who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members and professional and personal experiences and expertise relevant to our growth strategy.

### ***Risk Committee***

The Risk Committee is comprised of Charles E. Commander (Chairman), W. Radford Lovett, II, Gerald S. Armstrong and Russell B. Newton, III. Its purpose is to assist our Board of Directors in overseeing and reviewing our enterprise risk management framework, including the significant policies, procedures, and practices employed to manage various types of risk factors we face, including, but not limited to:

credit risk arising from an obligor's failure to meet the terms of any contract with us or otherwise perform as agreed;

liquidity risk related to our ability to meet our obligations when they come due without incurring unacceptable losses;

pricing risk arising from changes in the value of either trading portfolios or other obligations that are entered into as part of distributing risk;

interest rate and related market risk;

legal and compliance risk;

operational risk arising from inadequate or failed internal processes or systems, the misconduct or errors of employees and/or third parties and adverse external events;

reputation risk arising from negative public opinion; and

strategic risk arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes.

Our Risk Committee coordinates and shares information with other committees of our Board of Directors in order to carry out its duties, and reports to our Board of Directors periodically on its activities, findings and recommendations for our risk management policies.

### **Risk Oversight**

Our Board of Directors oversees a company-wide approach to risk management, carried out by management. Our Board of Directors and its Risk Committee determines the appropriate risk for us generally, assesses the specific risks faced by us and reviews the steps taken by management to manage those risks.

While our Board of Directors maintains the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements, and the

incentives created by the compensation awards it administers. Our Audit Committee oversees management of enterprise risks and financial risks, as well as potential conflicts of interests. Our Nominating and Corporate Governance Committee is responsible for overseeing the management of risks associated with the independence of our Board of Directors. Our Risk Committee oversees and evaluates our risk management framework and coordinates all actions of the other Committees of our Board of Directors in this regard. Pursuant to our Board of Directors instruction, management regularly reports on applicable risks to the relevant

**Table of Contents**

committee or the Board of Directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by our Board of Directors and its committees.

**Compensation Committee Interlocks and Insider Participation**

None of the members of our Compensation Committee will be or has ever been an officer or employee of us. None of our executive officers serves or has served as a member of the board of directors, compensation committee or other board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our directors or on our Compensation Committee.

**Code of Business Conduct and Ethics**

We will adopt a code of business conduct and ethics that applies to all of our officers and employees and a code of conduct for our directors. The code of business conduct and ethics for our officers and employees and the code of conduct for directors, upon the consummation of this offering, will be available on our website at [www.everbank.com](http://www.everbank.com). We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

**Code of Ethics for Principal Executive and Senior Financial Officers**

We will adopt a code of ethics that applies to our principal executive and senior financial officers. The code of ethics for our principal executive and our senior financial officers, upon the consummation of this offering will be available on our website at [www.everbank.com](http://www.everbank.com). We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

**Corporate Governance Guidelines**

We will adopt corporate governance guidelines to assist our Board of Directors in the exercise of its fiduciary duties and responsibilities to us and to promote the effective functioning of our Board of Directors and its committees. Our corporate governance guidelines, upon the consummation of this offering, will be available on our website at [www.everbank.com](http://www.everbank.com). We expect that any amendments to the guidelines will be disclosed on our website.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion & Analysis**

***Overview of Executive Compensation Program***

In the paragraphs that follow, we provide an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our executives, and the material factors that we considered in making those decisions. Following this Compensation Discussion and Analysis, you will find a series of tables containing specific data about the compensation earned or paid in 2011 to the following individuals, to whom we refer as our Named Executive Officers :

Robert M. Clements, Chairman of the Board and Chief Executive Officer;

W. Blake Wilson, President and Chief Operating Officer (Mr. Wilson served as our President and Chief Financial Officer until April 2011, when he became our President and Chief Operating Officer);

Steven J. Fischer, Executive Vice President and Chief Financial Officer (Mr. Fischer became our Executive Vice President and Chief Financial Officer in April 2011);

Thomas L. Wind, Executive Vice President (Mr. Wind became our Executive Vice President in April 2011);

Gary A. Meeks, Vice-Chairman and Chief Risk Officer;

Michael C. Koster, Executive Vice President; and

John S. Surface, Executive Vice President. (Mr. Surface would have been identified as one of our Named Executive Officers but for the grant of option awards to Mr. Wind in connection with his compensation package to join our company).

**Table of Contents**

Base salary, annual cash bonuses and long-term incentive stock awards comprise the total annual compensation for our Named Executive Officers. The table below provides a summary of the components of total annual compensation.

| <b>Compensation Element</b>  | <b>What the Element Rewards</b>   | <b>Purpose and Key Features</b>  | <b>Performance Based?</b>              |
|--|---|--|--|
| Base Salary  | Scope of leadership responsibilities<br><br>Expected future performance   | Provide a steady source of income to the executives  | No                                     |
| Annual Cash Bonuses  | Achievement of target return on equity, or ROE (in 2011, 11.5% ROE to achieve 100% of target annual cash bonus)<br><br>Achievement of individual performance objectives (in the case of Messrs. Wind, Koster and Surface) | Encourage and reward achievement of short-term performance objectives<br><br>Bonuses for Messrs. Clements, Wilson, Fischer and Meeks are based solely on corporate performance (achievement of ROE thresholds)<br><br>Bonuses for Messrs. Wind, Koster and Surface are based on corporate performance and individual performance | Yes, tied to our operating performance |
| Long-Term Equity Incentive Awards (primarily stock options and, to a much lesser extent, restricted stock units) | Appreciation in the value of our common stock   | Align executives' interests with those of stockholder<br><br>Promote executive retention   | Yes, tied to our stock price           |

***Objectives of Our Compensation Program***

The objectives of our compensation program for our executive officers parallel the objectives of our compensation program for all employees – that is, to acquire and retain executive officers of the caliber and experience necessary to ensure our success, and to provide a strong link between performance and pay. More specifically, our program is designed to:

attract and retain qualified talent;

maintain compensation levels that are competitive with our peers;

provide compensation according to (1) achievement of financial goals established and attained by us for the applicable performance period and/or (2) individual performance within a range that correlates to the position's value to us as a whole;



## **Table of Contents**

control and monitor compensation costs in a manner consistent with our business model and the interests of our stockholders; and

promote stock ownership of our executive officers.

We believe that compensation should be set for the Named Executive Officers in line with our performance on both a short-term and long-term basis. It is our practice to provide a balanced mix of cash and equity-based compensation in order to align the interests of the Named Executive Officers with those of our stockholders and to encourage the Named Executive Officers to act as equity owners of the Company.

### ***How We Set Compensation***

The Compensation Committee of our Board of Directors determines the compensation for our Named Executive Officers, as do Messrs. Clements and Wilson who play a role in setting the compensation for those Named Executive Officers who report to them.

#### *Compensation Committee*

The Compensation Committee sets and determines the compensation for the top level of our management, whom we refer to as Executive Management. Each Named Executive Officer is a member of Executive Management. The Compensation Committee is composed entirely of independent, non-management directors. The Compensation Committee reviews and recommends approval of all aspects of the compensation program for Executive Management, administers our stock incentive plans and reviews and makes recommendations to our Board of Directors with respect to incentive compensation and equity plans. In setting compensation, the Compensation Committee does not seek to allocate long-term and current compensation, or cash and non-cash compensation, in specified percentages. The Compensation Committee instead reviews each element of compensation independently and determines the appropriate amount for each element, as discussed below. However, the Compensation Committee traditionally places more emphasis on variable compensation, including annual cash bonuses and long-term equity awards, than on base salary.

The Compensation Committee also approves the performance goals for all Executive Management compensation programs that incorporate performance metrics and evaluates performance at the end of each performance period. The Compensation Committee approves our aggregate annual cash bonus award opportunities, stock option awards and restricted stock unit awards for Executive Management. The Compensation Committee also sets the level and components of the compensation for Mr. Clements and, after consultation with Mr. Clements, reviews and approves the compensation for Mr. Wilson. After consultation with Messrs. Clements and Wilson, the Compensation Committee also reviews and approves the compensation for the remaining Named Executive Officers and other members of Executive Management.

In making decisions regarding the compensation for the Named Executive Officers, the Compensation Committee focuses primarily on our overall performance and the executive officer's individual performance. The Compensation Committee also considers the general business environment.

#### *Executive Officers*

Decisions about individual compensation elements and total compensation, including those related to Mr. Clements, are ultimately made by the Compensation Committee. However, we believe that Messrs. Clements and Wilson are in the best possible position to assess the performance of the other members of Executive Management and, accordingly,



they also play an important role in the compensation-setting process for executives other than themselves. Messrs. Clements and Wilson discuss Executive Management compensation (including compensation for each of the other Named

**Table of Contents**

Executive Officers) with the Compensation Committee and make recommendations on base salary and the other compensation elements.

*Role of the Compensation Consultant*

The Compensation Committee retained the services of Compensation Advisory Partners, LLC, or the Compensation Consultant, to provide independent compensation consulting advice. The Compensation Consultant advises the Compensation Committee on all matters related to the compensation of the Named Executive Officers. Specifically, the Compensation Committee requested the Compensation Consultant provide it with the following assistance in 2011:

Comprehensive review of the competitiveness and effectiveness of our executive compensation program relative to market practices and business goals;

Evaluate pay levels and categories of executive compensation and recommended changes to such compensation, as appropriate;

Provide feedback to the Compensation Committee regarding market trends and practices;

Assist in the annual risk assessment of incentive compensation plans (as described in detail in Additional Information Regarding Executive Compensation Compensation Risk Assessment ); and

Comprehensive review of our executive perquisite and benefits program.

*2011 Components of Executive Compensation*

In 2011, the key elements of compensation for our Named Executive Officers generally consisted of base salary and annual cash bonuses. In addition, we maintain employment agreements with each Named Executive Officer, other than Mr. Wind, that provide certain benefits as described below.

*Annual Base Salaries*

We believe that the Named Executive Officers' compensation should be variable and based largely on our performance. We also believe that base salaries should be reflective of our Named Executive Officers' roles and responsibilities. The Compensation Committee reviews salaries for the Named Executive Officers on an annual basis, as well as at the time of a promotion or other change in responsibilities. In general, the Compensation Committee increases base salary based upon its subjective evaluation of such factors as prevailing changes in market rates for equivalent executive positions in similarly-situated companies, the individual's level of responsibility, tenure with us and overall contribution to us. The Compensation Committee also takes into account Mr. Clements' recommendations regarding salary increases for the other Named Executive Officers. Based on that review, for 2011, the Compensation Committee approved base salary increases for select Named Executive Officers as described in the table below. The base salary increases for Messrs. Clements, Wilson and Meeks were effective as of January 1, 2011 and for Messrs. Koster and Surface were effective as of February 16,

**Table of Contents**

2011. Messrs. Fischer and Wind began employment with us in April 2011, and thus did not receive a salary adjustment.

| <b>Name</b>  | <b>2010<br/>Base Salary</b> | <b>\$ Amount<br/>of Increase</b> | <b>% Amount of<br/>Increase</b> | <b>2011<br/>Base Salary</b> |
|--------------|-----------------------------|----------------------------------|---------------------------------|-----------------------------|
| Mr. Clements | \$635,000                   | \$57,150                         | 9.0 %                           | \$692,150                   |
| Mr. Wilson   | \$550,000                   | \$49,500                         | 9.0 %                           | \$599,500                   |
| Mr. Fischer  |                             |                                  |                                 | \$325,000                   |
| Mr. Wind     |                             |                                  |                                 | \$320,000                   |
| Mr. Meeks    | \$350,000                   | \$20,000                         | 5.71 %                          | \$370,000                   |
| Mr. Koster   | \$335,000                   | \$20,000                         | 5.97 %                          | \$355,000                   |
| Mr. Surface  | \$310,000                   | \$24,998                         | 8.06 %                          | \$334,998                   |

*Annual Cash Bonuses*

Annual cash bonuses reward the Named Executive Officers for achieving short-term (annual) financial objectives. The Named Executive Officers participate in an annual cash bonus program maintained by us called the Senior Management Incentive Plan, or SMIP, pursuant to which participants may earn cash awards based on either (1) the achievement of corporate performance goals established annually by the Compensation Committee or (2) a combination of corporate performance goals and the Compensation Committee's subjective assessment of individual performance. Messrs. Clements, Wilson, Fischer and Meeks earn cash bonuses based solely on corporate performance goals. Messrs. Wind, Koster and Surface earn cash bonuses based on a combination of corporate performance and individual performance (designated percentages of the basis for achievement of awards are indicated below) to account for the performance of the specific business areas they oversee. The Compensation Committee establishes a target annual cash bonus expressed as a percentage of base salary for each Named Executive Officer. These target percentages are set forth below.

**Performance Criteria for Annual Cash Bonuses.** The 2011 annual bonus opportunity for each of Messrs. Clements, Wilson, Fischer and Meeks under the SMIP was based on our achievement of return on common equity, or ROE, targets. The Compensation Committee has the discretion to adjust for certain specified items that are included in ROE, resulting in an adjusted ROE. After determining the results based on adjusted ROE, the Compensation Committee may exercise its discretion to consider a variety of other factors when determining annual bonus payments, including our overall performance relative to similarly-situated financial institutions and market conditions.

The Compensation Committee believes such adjusted ROE is an appropriate performance goal for annual cash bonuses because this performance metric has meaningful bearing on long-term increases in stockholder value and the fundamental risk level and financial soundness of our business. In addition, the Compensation Committee believes that emphasizing adjusted ROE in 2011 was appropriate because, in light of the economic uncertainty that was expected for 2011 and the increased costs associated with the sweeping regulatory changes affecting us in 2011, the achievement of superior performance would be more meaningful than in past years.

In order to align incentive payments with our overall goals, the Compensation Committee established the following target ranges for adjusted ROE, subject to the exercise of discretion by the Compensation Committee as noted above:

The first range was set below 7.5%, which would result in the executive earning 0% of his respective target bonus award.

The second range was set between 7.5% and 11.5%, which, if achieved, would result in the executive earning between 20% and 100% of his respective target bonus award. For each 0.1% increment in performance, the executive would earn an additional 2.0% of his target

**Table of Contents**

award. For example, achievement of 8.6% would result in a bonus of 42% of the executive's target award and achievement of 8.7% would result in a bonus of 44% of such award.

The third range was set between 11.5% and 14.5%, which, if achieved, would result in the executive earning between 100% and 135% of his target bonus award. For each 0.1% increment in performance, the executive would earn an additional 1.167% of his target award. For example, achievement of 11.5% would result in a bonus of 100% of the executive's target award and achievement of 11.6% would result in a bonus of 101.167% of such award.

The 2011 annual bonus opportunity for each of Messrs. Wind, Koster and Surface was based, in part, on our achievement of adjusted ROE targets and, in part, on the executive's individual performance. To determine the payout based in part on individual performance, the Compensation Committee subjectively assessed the individual performance of Messrs. Wind, Koster and Surface after receiving input from Messrs. Clements and Wilson, as appropriate. The portion of bonus tied to individual performance metrics is capped at 100% of target. The performance consideration is non-formulaic and is not based upon pre-established objectives. Rather, the Compensation Committee considered a variety of factors, including key achievements, financial contributions and leadership of Messrs. Wind, Koster and Surface.

**Performance Criteria Applicable to Named Executive Officers**

| Name         | Target Percentage of Base Salary Based on     |                        |  |
|--------------|---|------------------------|--|
|              | Target Percentage of Base Salary Based on ROE | Individual Performance | Total Target (Percentage of Base Salary) |
| Mr. Clements | 140%  | 0%                     | 140%                                     |
| Mr. Wilson   | 130%  | 0%                     | 130%                                     |
| Mr. Fischer  | 70%   | 0%                     | 70%                                      |
| Mr. Wind     | 50%   | 20%                    | 70%                                      |
| Mr. Meeks    | 100%  | 0%                     | 100%                                     |
| Mr. Koster   | 45%   | 25%                    | 70%                                      |
| Mr. Surface  | 50%   | 20%                    | 70%                                      |

**Determination of 2011 Annual Cash Bonuses.** In 2010, we achieved an adjusted ROE of 10.7%. Such ROE performance entitled Messrs. Clements, Wilson, Meeks and Fischer to bonuses of 84% of their target awards pursuant to the ROE goals described above. In addition, the Compensation Committee determined based on the individual performance assessment described above that Messrs. Wind, Koster and Surface earned 100% of their target payout under the individual component of the SMIP.

The Compensation Committee paid the following annual cash bonuses to the Named Executive Officers:

| Name         | 2011 Target Annual Cash Bonuses | Actual 2011 Annual Cash Bonuses | Actual 2011 Bonuses as % Of Base Salary |
|--------------|---------------------------------|---------------------------------|---|
| Mr. Clements | 969,010                         | 813,969                         | 117.6%                                  |
| Mr. Wilson   | 779,350                         | 654,654                         | 109.2%                                  |

Edgar Filing: EverBank Financial Corp - Form S-1/A

|             |         |         |       |
|-------------|---------|---------|-------|
| Mr. Fischer | 227,500 | 191,100 | 58.8% |
| Mr. Wind    | 224,000 | 198,400 | 62.0% |
| Mr. Meeks   | 370,000 | 310,800 | 84.0% |
| Mr. Koster  | 248,500 | 222,940 | 62.8% |
| Mr. Surface | 234,499 | 207,700 | 62.0% |

**Table of Contents**

The 2011 annual cash bonuses received by our Named Executive Officers are also shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

*Long-Term Equity Incentives*

We place great importance on equity as a form of compensation, and stock ownership is a key objective of the compensation program. As of December 31, 2011, our employees, including our Named Executive Officers, collectively owned approximately 5,810,775 shares (6.24%) of our common stock, on an as-converted and non-diluted basis. Historically, equity awards have constituted a significant portion of the Named Executive Officers compensation, primarily in the form of stock options so as to tie compensation to stock price appreciation. There is no set program for the award of equity grants, and the Compensation Committee retains discretion to grant equity awards at any time, including in connection with the promotion of an executive, to reward an executive, for retention purposes or in other circumstances recommended by Messrs. Clements or Wilson. The Compensation Committee expects it will grant equity awards on an annual basis, although annual grants to Messrs. Fischer and Wind may be delayed in light of the substantial equity awards granted to them in 2011 in connection with the commencement of their employment, as discussed below.

***Stock Ownership Guidelines.*** Following the consummation of this offering, we will require our Named Executive Officers and all other Executive Vice Presidents of the Company to own meaningful equity stakes in the Company to further align their economic interests with those of our shareholders. Our Stock Ownership Guidelines will require that (1) our Chief Executive Officer own shares of Company stock in an amount not less than five times his base salary, (2) all other Named Executive Officers own shares of Company stock in an amount not less than three times their respective base salaries, and (3) all other Executive Vice Presidents own shares of Company stock in an amount not less than two times their respective base salaries. Each person subject to the Stock Ownership Guidelines will be required to hold shares until the Stock Ownership Guidelines are achieved. Currently, each of the Named Executive Officers, other than Messrs. Fischer and Wind, owns the requisite number of shares.

***Stock Options.*** The Compensation Committee believes that stock options effectively align the interests of the recipients with those of our stockholders because stock options only have value if the price of a share of our common stock as of the exercise date increases relative to the price of a share of our common stock on the date of the award. In general, stock options vest ratably over a period of years, or cliff-vest at the end of a multi-year period. The Compensation Committee believes that the multi-year vesting period encourages executives to focus on the long-term maximization of stockholder value. In addition, the longer vesting period acts as a retention tool. Stock options may also have additional performance criteria required for vesting, as decided by the Compensation Committee from time to time. The exercise price for each stock option is no less than the fair market value of our common stock as of the date of grant, as calculated in accordance with the methodology described below under Determining Fair Market Value of Our Common Stock. The award of options granted to the Named Executive Officers is determined based on relative contributions by the Named Executive Officers and the equity awards received in prior years. The number of options generally is calculated by dividing the target amount of compensation to be delivered through the award by the estimated fair market value of each grant of options.

***Restricted Stock Units.*** From time to time we also grant restricted stock units to the Named Executive Officers and other eligible employees. Restricted stock units represent the holder's right to receive a stated number of shares of our common stock, which right is subject to certain restrictions and to risk of forfeiture. In general, restricted stock units granted to the Named Executive Officers vest as to 100% of the underlying shares on the third or fifth anniversary of the date of grant, provided that the executives remain employed by us on such date. The Compensation Committee believes that this vesting schedule promotes the retention of these highly-valued executives. No dividends are paid on the shares underlying the restricted stock units until the shares are issued. The award of restricted stock units are granted to the Named Executive Officers based on their relative contributions and the





## **Table of Contents**

awards received in prior years. The number of restricted stock units granted to Named Executive Officers generally is determined by dividing the target amount of compensation to be delivered through the award by the estimated fair market value of each grant of restricted stock units. No restricted stock units were granted to the Named Executive Officers in 2011.

**2011 Awards.** In 2011, Messrs. Clements, Wilson, Meeks, Koster and Surface did not receive any equity awards because such executives were granted substantial awards of nonqualified stock options on October 31, 2008 under the terms of their employment agreements in consideration of the non-competition provisions. A portion of these awards contained additional performance criteria based on stock price appreciation above specified levels. See footnote 2 to the Outstanding Equity Awards at 2011 Fiscal Year-End table in this prospectus for additional information regarding the 2008 option grants. In 2011, as part of their respective compensation packages for joining us, each of Mr. Fischer and Mr. Wind received a grant of nonqualified stock options to purchase 150,000 shares of our common stock. The foregoing options will vest in the manner described below in footnote 2 to the 2011 Grants of Plan-Based Awards table in this prospectus.

**Clawback Policy.** The Compensation Committee will continue to monitor the regulatory developments related to clawbacks and expects to adopt a policy once final rules are issued.

**Determining Fair Market Value of Our Common Stock.** The Compensation Committee uses the methodology described below to estimate the fair market value of our common stock for purposes of determining the exercise price of stock options and the value of restricted stock units. The fair market value of our common stock is based upon valuation multiples, including price-to-earnings and price-to-tangible book ratios of a peer group of publicly traded companies with comparable characteristics to us. The fair market value of our common stock used for these purposes has historically included a private security liquidity discount.

### *Other Benefits*

Our Named Executive Officers participate in various health, life and disability plans that are generally made available to all salaried employees. These plans consist of the following:

- our 401(k) Savings Plan, which in 2011 permitted employees to contribute up to 18% of their pre-tax compensation, with company matching contributions of up to 4% of the employees' eligible compensation contributions;

- Profit Sharing under the 401(k) Savings Plan;

- a health care plan that provides medical and dental coverage for all eligible employees; and

- certain other welfare benefits (such as sick leave, vacation, etc.).

In general, company-provided benefits are designed to provide a safety net of protection against the financial catastrophes that can result from illness, disability or death, and to provide a reasonable level of retirement income based on years of service with us. These benefits help us to be competitive in attracting and retaining employees. Benefits also help to keep employees focused without distractions related to health care costs, adequate savings for retirement and similar issues. The Compensation Committee concluded that these employee benefit plans are consistent with industry standards. In 2011, we did not offer any additional retirement or deferred compensation plans or any perquisite benefits to our Named Executive Officers.

## **Employment and Severance Arrangements**

Employment agreements secure the services of key talent within the highly competitive financial services industry in which we operate. Generally, the employment agreements are entered into with high performing and long-term potential senior employees and are structured to carefully balance the individual financial goals of the executives relative to our needs and those of our stockholders. All the Named Executive Officers other than Mr. Wind have entered into employment agreements with us.

## **Table of Contents**

The employment agreements define compensation and benefits payable in certain termination scenarios, giving the executives some certainty regarding their individual outcomes under these circumstances. Each employment agreement includes provisions that (1) prohibit the executive from competing against us (or working for a competitor) during a specified period after the executive leaves us, and (2) provide severance payments upon the executive's termination of employment by us for other than cause or by the executive for good reason. We believe the employment agreements are a necessary component of the compensation package provided to Messrs. Clements, Wilson, Fischer, Meeks, Koster and Surface because: (1) the noncompetition provisions protect us from a competitive disadvantage if one of the executives leaves us; and (2) the severance provisions serve as an effective recruiting and retention tool. The Compensation Committee approves the initial employment agreements and then reviews the agreements on an as-needed basis, based on market trends or on changes in our business environment.

The specific terms of these employment arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, are described in detail in [Additional Information Regarding Executive Compensation Potential Payments Upon a Change in Control](#) and [Additional Information Regarding Executive Compensation Potential Payments Upon Termination of Employment](#).

### **Other Policies Related to our Compensation Program**

#### ***Tax Treatment of Various Forms of Compensation***

Section 162(m) of the Code places a limit of \$1 million on the amount of compensation that public companies may deduct in any one year with respect to its Named Executive Officers. In fiscal 2011, as a privately-held company, Section 162(m) of the Code did not apply to us. To the extent that we compensate our Named Executive Officers in excess of the \$1 million limit in the future, we have designed the new 2011 Omnibus Equity Incentive Plan and 2011 Executive Incentive Plan to comply with the qualified performance-based requirements. However, to maintain flexibility in compensating our executives, including taking advantage of transitional rules that delay the applicability of Section 162(m) to newly public companies, the Compensation Committee will reserve the right to use its judgment to authorize compensation payments that may exceed the limit when the Compensation Committee believes that such payments are appropriate.

### **Additional Information Regarding Executive Compensation**

#### ***Compensation Risk Assessment***

In 2011, representatives of our legal department along with our Compensation Consultants and outside legal advisors conducted (and presented to the Compensation Committee) a risk assessment of our compensation plans and programs to determine whether incentive compensation programs are reasonably likely to have a material adverse effect on the Company. This risk assessment consisted of a review of cash and equity compensation provided to our employees, with a focus on incentive compensation plans which provide variable compensation to employees based upon our performance and that of the individual. The incentive plans are designed to provide a strong link between performance and pay. In the study, we found that our compensation programs include some of the following risk-mitigating characteristics:

Balance of short- and long-term incentive opportunities of fixed and variable compensation features;

Plans include multiple qualitative and quantitative metrics;

Compensation programs have strong governance and oversight with multi-level reviews to help mitigate the opportunity for individuals to receive short-term payouts for risky performance behaviors;

**Table of Contents**

Comprehensive review of pay mix and levels for senior executives with line of sight; and

The Compensation Committee approves performance awards for executive officers based on corporate and/or individual performance.

In light of the review, the Company concluded that the compensation programs are designed with the appropriate balance of risk and reward in relation to our overall business strategy and do not create risk that is reasonably likely to have a material adverse effect on us and that risks can be effectively monitored and managed. The Compensation Committee agreed with the process undertaken and the findings associated with this risk assessment and will continue to consider compensation risk implications during its deliberations on designing our compensation programs.

**Summary Compensation**

The following table sets forth the cash and other compensation that we paid to our Named Executive Officers, or that was otherwise earned by our Named Executive Officers, for their services in all capacities during the last fiscal year.

**Summary Compensation Table**

| <b>Name and Principal Position</b>                                     | <b>Year</b> | <b>Salary (\$)<sup>(1)</sup></b> | <b>Bonus (\$)</b>      | <b>Option Awards (\$)<sup>(3)</sup></b> | <b>Non-Equity Incentive Plan Compensation (\$)</b> | <b>All Other Compensation (\$)<sup>(7)</sup></b> | <b>Total (\$)</b> |
|--|-------------|----------------------------------|------------------------|---|--|--|-------------------|
| <b>Robert M. Clements</b>  | 2011        | 692,150                          |                        |   | 813,969 <sup>(4)</sup>                             | 25,916   | 1,532,035         |
| Chairman of the Board and Chief Executive Officer                      | 2010        | 634,967                          |                        |   | 1,111,250 <sup>(5)</sup>                           | 27,894   | 1,774,111         |
|  | 2009        | 556,500                          | 765,188 <sup>(2)</sup> |   | 612,150 <sup>(6)</sup>                             | 25,549   | 1,959,387         |
| <b>W. Blake Wilson</b>   | 2011        | 599,500                          |                        |   | 654,654 <sup>(4)</sup>                             | 27,833   | 1,281,987         |
| President, Chief Operating Officer and former Chief Financial Officer* | 2010        | 549,982                          |                        | 396,344                                 | 893,750 <sup>(5)</sup>                             | 28,811   | 1,868,887         |
|  | 2009        | 472,500                          | 590,625 <sup>(2)</sup> | 241,976                                 | 472,500 <sup>(6)</sup>                             | 25,549   | 1,803,150         |
| <b>Steven J. Fischer</b>   | 2011        | 235,208                          |                        | 615,750                                 | 191,100 <sup>(4)</sup>                             | 65,989   | 1,108,047         |
| Executive Vice President and Chief Financial Officer*                  | 2011        | 240,000                          |                        | 615,750                                 | 198,400 <sup>(4)</sup>                             | 157,954  | 1,212,104         |
| <b>Thomas Wind</b>   | 2011        | 370,000                          |                        |   | 310,800 <sup>(4)</sup>                             | 25,127   | 705,927           |
| Executive Vice President   | 2010        | 349,924                          |                        |   | 437,500 <sup>(5)</sup>                             | 25,048   | 812,472           |
| <b>Gary A. Meeks</b>   | 2009        | 330,750                          | 152,093 <sup>(2)</sup> |   | 330,750 <sup>(6)</sup>                             | 25,556   | 839,149           |
| Vice Chairman and Chief Risk Officer                                   | 2011        | 352,500                          |                        |   | 222,940 <sup>(4)</sup>                             | 26,637   | 602,077           |

Edgar Filing: EverBank Financial Corp - Form S-1/A

|                          |      |         |                        |                        |        |         |
|--------------------------|------|---------|------------------------|------------------------|--------|---------|
| Executive Vice President | 2010 | 333,750 |                        | 272,188 <sup>(5)</sup> | 24,481 | 630,419 |
|                          | 2009 | 318,750 | 67,640 <sup>(2)</sup>  | 192,000 <sup>(6)</sup> | 24,951 | 603,341 |
| <b>John S. Surface</b>   | 2011 | 331,875 |                        | 207,700 <sup>(4)</sup> | 26,663 | 542,238 |
| Executive Vice President | 2010 | 308,135 |                        | 255,750 <sup>(5)</sup> | 22,692 | 586,577 |
|                          | 2009 | 285,417 | 215,625 <sup>(2)</sup> | 172,500 <sup>(6)</sup> | 21,940 | 695,482 |

\* In April 2011, Mr. Wilson became our Chief Operating Officer and Mr. Fischer became our Chief Financial Officer.

Messrs. Fischer and Wind began employment with us in April 2011.

(1) We maintain an employment agreement with each of our Named Executive Officers other than Mr. Wind. The employment agreements outline the terms of our compensation arrangement with each executive, including base salaries, bonuses and benefits. Base salary plays a relatively modest role in overall compensation because we believe compensation should be based largely on our performance. The terms of post-employment compensation and benefits under the employment agreements are described in further detail below in Potential Payments Upon Termination of Employment.

**Table of Contents**

The base salaries identified for Messrs. Fischer and Wind are pro-rated because each began employment with us in April 2011.

- (2) Reflects the SMIP award granted by the Compensation Committee in 2010, to the extent exceeding the amounts earned by meeting the target performance measure under the 2009 SMIP.
- (3) Reflects the dollar amount of the aggregate grant date fair value of stock awards and option awards granted. These amounts were computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718 (formerly FAS 123R).
- (4) Reflects the dollar amount of non-equity incentive compensation amounts earned in 2011 under the SMIP and paid in 2012. For more information regarding the SMIP, see Compensation Discussion and Analysis.
- (5) Reflects the dollar amount of non-equity incentive compensation amounts earned in 2010 under the SMIP and paid in 2011. For more information regarding the SMIP, see Compensation Discussion and Analysis.
- (6) Reflects the dollar amount of non-equity incentive compensation amounts earned in 2009 under the SMIP and paid in 2010. For more information regarding the SMIP, see Compensation Discussion and Analysis.
- (7) See the All Other Compensation table below.

**All Other Compensation**

|              | Year | Company                           |   |                         |                                     |                   |                |                       | Total   |
|--------------|------|-----------------------------------|---|-------------------------|-------------------------------------|-------------------|----------------|-----------------------|---------|
|              |      | Profit Sharing Contributions (\$) | 401(k) Matching Contributions (\$) <sup>(b)</sup> | Paid Life Premiums (\$) | Relocation and Moving Expenses (\$) | Tax Payments (\$) | Club Dues (\$) | Football Tickets (\$) |         |
| Mr. Clements | 2011 | 12,385                            | 9,800   | 726                     |                                     |                   | 2,400          | 605                   | 25,916  |
|              | 2010 | 12,356                            | 9,800   | 619                     |                                     |                   | 2,400          | 2,719                 | 27,894  |
|              | 2009 | 12,881                            | 9,800   | 468                     |                                     |                   | 2,400          |                       | 25,549  |
| Mr. Wilson   | 2011 | 12,385                            | 9,800   | 726                     |                                     |                   | 2,400          | 2,522                 | 27,833  |
|              | 2010 | 12,356                            | 9,800   | 619                     |                                     |                   | 2,400          | 3,636                 | 28,811  |
|              | 2009 | 12,881                            | 9,800   | 468                     |                                     |                   | 2,400          |                       | 25,549  |
| Mr. Fischer  | 2011 | 7,052                             | 4,583   | 315                     | 53,253                              |                   |                | 786                   | 65,989  |
| Mr. Wind     | 2011 | 6,891                             | 8,633   | 348                     | 142,082                             |                   |                |                       | 157,954 |
| Mr. Meeks    | 2011 | 12,385                            | 9,800   | 533                     |                                     | 9                 | 2,400          |                       | 25,127  |
|              | 2010 | 12,356                            | 9,800   | 492                     |                                     |                   | 2,400          |                       | 25,048  |
|              | 2009 | 12,881                            | 9,805   | 468                     |                                     | 2                 | 2,400          |                       | 25,556  |
| Mr. Koster   | 2011 | 12,385                            | 9,800   | 511                     |                                     |                   | 1,800          | 2,141                 | 26,637  |
|              | 2010 | 12,356                            | 9,800   | 479                     |                                     |                   | 1,800          | 46                    | 24,481  |
|              | 2009 | 12,881                            | 9,800   | 468                     |                                     | 2                 | 1,800          |                       | 24,951  |
| Mr. Surface  | 2011 | 12,385                            | 9,800   | 481                     |                                     |                   |                | 3,997                 | 26,663  |
|              | 2010 | 12,356                            | 9,800   | 457                     |                                     |                   |                | 79                    | 22,692  |
|              | 2009 | 12,881                            | 8,613   | 446                     |                                     |                   |                |                       | 21,940  |

(a) Contribution amounts are vested.



**Table of Contents*****Grants of Plan-Based Awards***

The following table sets forth the target cash bonuses for each of our Named Executive Officers in 2011 and the grants of equity awards made to each of our Named Executive Officers during 2011.

**2011 Grants of Plan-Based Awards**

| Name         | Grant Date | Estimated Future Payouts |                |                 | All Other<br>Option<br>Awards:   | Exercise<br>or<br>Base<br>Price<br>of Option<br>Awards<br>(\$/Sh) <sup>(3)</sup> | Grant Date<br>Fair Value                                   |
|--------------|------------|--------------------------|----------------|-----------------|--|--|--|
|              |            | Threshold<br>(\$)        | Target<br>(\$) | Maximum<br>(\$) | Number of<br>Securities<br>Underlying<br>Options<br>(#) <sup>(2)</sup> |  | of Stock<br>and<br>Option<br>Awards<br>(\$) <sup>(4)</sup> |
| Mr. Clements | N/A        |                          | 969,010        | 1,308,164       |  |  |  |
| Mr. Wilson   | N/A        |                          | 779,350        | 1,052,123       |  |  |  |
| Mr. Fischer  | N/A        |                          | 227,500        | 307,125         |  |  |  |
|              | 6/6/2011   |                          |                |                 | 150,000  | 15.90  | 615,750  |
| Mr. Wind     | N/A        |                          | 224,000        | 280,000         |  |  |  |
|              | 6/6/2011   |                          |                |                 | 150,000  | 15.90  | 615,750  |
| Mr. Meeks    | N/A        |                          | 370,000        | 499,500         |  |  |  |
| Mr. Koster   | N/A        |                          | 248,500        | 304,413         |  |  |  |
| Mr. Surface  | N/A        |                          | 234,499        | 293,123         |  |  |  |

(1) Reflects threshold, target and maximum bonus opportunities for each of our Named Executive Officers under the SMIP. For additional information regarding the SMIP, see Compensation Discussion and Analysis.

(2) Reflects options granted by the Compensation Committee on June 6, 2011, under the First Amended and Restated 2005 Equity Incentive Plan, or the 2005 Plan. One-half of the options are subject to five-year cliff vesting; the remainder of the options vest on the second, third, fourth and fifth anniversaries of April 13, 2011, respectively, with the percentage of options that vest on such dates dependent upon whether the fair market value of our common stock has appreciated from April 13, 2011 by more than 200% or 300%, as the case may be.

(3) Determined pursuant to ASC Topic 718, Compensation – Stock Compensation.

(4) A description of the process used in determining the fair market value of our common stock is described above under Long-Term Equity Incentives – Determining Fair Market Value of Our Common Stock.

**Table of Contents****Outstanding Equity Awards at Fiscal Year End**

The following table provides information concerning unexercised options and stock awards outstanding as of December 31, 2011 for each of our Named Executive Officers.

**Outstanding Equity Awards at 2011 Fiscal Year-End**

| Name         | Option Awards   |   |                            |                        | Stock Awards  |  |
|--------------|---|---|----------------------------|------------------------|---|--|
|              | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(17)</sup> |
| Mr. Clements | 225,000 <sup>(1)</sup>  |   | 5.33                       | 2/1/2015               |   |  |
|              | 1,125,000 <sup>(2)</sup>  | 750,000 <sup>(2)</sup>  | (2)                        | (2)                    |   |  |
| Mr. Wilson   | 150,000 <sup>(3)</sup>  |   | 4.10                       | 1/1/2013               | 112,500 <sup>(15)</sup>                                     | 1,555,875  |
|              | 142,500 <sup>(4)</sup>  | 45,000 <sup>(4)</sup>   | 5.33                       | 1/2/2017               |   |  |
|              | 75,000 <sup>(5)</sup>   |   | 6.09                       | 1/2/2016               |   |  |
|              | 75,000 <sup>(6)</sup>   |   | 7.20                       | 1/2/2017               |   |  |
|              | 75,000 <sup>(7)</sup>   |   | 7.88                       | 1/2/2018               |   |  |
|              | 49,995 <sup>(8)</sup>   | 25,005 <sup>(8)</sup>   | 7.92                       | 1/2/2019               |   |  |
|              | 25,005 <sup>(9)</sup>   | 49,995 <sup>(9)</sup>   | 10.63                      | 1/2/2020               |   |  |
|              | 1,035,000 <sup>(2)</sup>  | 690,000 <sup>(2)</sup>  | (2)                        | (2)                    |   |  |
| Mr. Fischer  |   | 150,000 <sup>(10)</sup>   | 15.90                      | 6/6/2021               |   |  |
| Mr. Wind     |   | 150,000 <sup>(10)</sup>   | 15.90                      | 6/6/2021               |   |  |
| Mr. Meeks    | 225,000 <sup>(2)</sup>  | 150,000 <sup>(2)</sup>  | (2)                        | (2)                    |   |  |
| Mr. Koster   | 15,000 <sup>(11)</sup>  |   | 6.09                       | 2/1/2016               |   |  |
|              | 405,000 <sup>(2)</sup>  | 270,000 <sup>(2)</sup>  | (2)                        | (2)                    |   |  |
| Mr. Surface  | 59,250 <sup>(12)</sup>  |   | 3.78                       | 7/15/2012              | 90,000 <sup>(16)</sup>                                      | 1,244,700  |
|              | 75,000 <sup>(13)</sup>  |   | 5.00                       | 6/30/2014              |   |  |
|              | 37,500  |   |                            |                        |   |  |