EverBank

EverBank's Company-Run Capital Stress Test Results

Results of EverBank's Capital Stress Test for the Period October 1, 2014 through December 31, 2016 under the Hypothetical Severely Adverse Economic Scenario

June 29, 2015

EXECUTIVE SUMMARY

About EverBank

EverBank ("the Bank", "we", "our", or "management") is a federally chartered thrift institution headquartered in Jacksonville, Florida and represents the banking subsidiary of EverBank Financial Corp ("the Company"), a unitary savings and loan holding company incorporated in Delaware. EverBank is a diversified financial services company that provides a wide range of financial products and services to individuals as well as small and mid-size business clients nationwide through scalable, low-cost distribution channels that are connected by technology-driven, centralized platforms which provide operating leverage throughout our business. We market and distribute our banking products and services primarily through our integrated online and mobile financial portal, high-volume financial centers in targeted Florida markets and other national business relationships. The Bank has a suite of asset origination and fee income businesses that individually generate attractive financial returns and collectively leverage our core deposit franchise and client base. We originate, invest in, sell and service residential mortgage loans, equipment loans and leases, and various other consumer and commercial loans, as market conditions warrant. Our deposit franchise fosters strong relationships with a large number of financially sophisticated clients and provides us with a stable and flexible source of low all-in cost funding.

General Background of Stress Testing Requirements

As a federally chartered thrift institution with total consolidated assets of more than $10 billion, EverBank is required to conduct an annual stress test, pursuant to Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act” or "DFAST"), using scenarios (baseline, adverse and severely adverse) provided by its primary regulator the Office of the Comptroller of the Currency ("OCC"). The OCC published, in the Federal Register on October 9, 2012, a final rule (“Stress Test Rule”) implementing the requirements and setting out definitions and rules for scope of application, scenarios, reporting, and disclosure.

In accordance with the aforementioned regulation, EverBank filed, on March 30, 2015, its annual company-run stress test results. This narrative included financial projections for EverBank over the nine quarter test horizon within each of the three economic scenarios provided by the OCC, a description of the types of risks included as part of the stress test and a discussion on the key methodologies and assumptions used within the stress tests. Under the same regulation, EverBank is also required to make public certain results of these stress tests and provide detail on the types of risks included in the stress tests as well as documentation of key methodologies and assumptions. Results within this disclosure provide the financial projections of the Bank (revenues, losses, capital ratios, etc.) for the severely adverse economic scenario. Unless specifically noted, the income statement results herein are aggregated over the nine quarter test horizon beginning October 1, 2014 and ending December 31, 2016; while the balance sheet results are as of December 31, 2016.

Considerations

When reading through the Bank's stress testing results, certain considerations should be taken into account when comparing these stress test results to the Bank's own internally developed forecasts and other peer stress testing results.

- The Dodd-Frank Act states that covered institutions should use capital actions consistent with the specific economic scenarios presented and their current internal business practices. As such, for stress testing purposes, the Bank used its January 2015, Board of Directors approved dividend plan as its base in each stress testing scenario. Specific dividend payments are discussed in more detail later in this document. In the event a severely adverse economic environment comes to fruition, our capital actions could be different than those assumed for this analysis.
- Results may not be comparable between institutions as differences in the frameworks, processes and methodologies utilized by each institution, as well as differences in product and service offerings and general business strategies, may differ widely.
- The supervisory scenario presented herein does not represent anticipated forecasts of future economic performance and the resulting pro forma results do not represent expected revenues, losses, or capital ratios of the Bank. Rather, as described by the OCC, the stress tests represent "hypothetical scenarios designed to assess the strength and resilience of financial institutions" under various economic environments. The Bank's internally developed capital planning and forecasting process yields significantly different results than those estimated within the severely adverse scenario.
- As required by the Dodd-Frank Act, the stress tests were conducted using financial statement data as of September 30, 2014. Any events or transactions occurring after September 30, 2014 were not included within the stress testing results herein.
- The loan portfolio disclosure herein follows the Bank's internally developed definitions. These definitions may vary from the regulatory defined classifications presented within the Bank's Consolidated Reports of Condition and Income (the “Call Report”) and DFAST submission.

Description of the Severely Adverse Economic Scenario

The severely adverse scenario published by the OCC is characterized by a substantial weakening in global economic activity across all of the major economies, including a severe recession in the United States. Both residential and commercial real estate values declined throughout the course of the nine quarter test horizon. The stock market declines sharply at the beginning of the horizon cutting the overall index level exhibited at Q3 2014 in half by Q2 2015 before reversing the trend beginning in Q1 2016. Market volatility is commensurate with these stock price declines, with the market volatility index sharply increasing in Q1 2015 to its highest level before exhibiting a slow decline throughout the remainder of the nine quarter test horizon but never returning to levels exhibited at Q3 2014.

The adverse effects felt through asset price degradation are exacerbated by a rapid jump in the unemployment rate. In the severely adverse scenario, unemployment rates increase by 4 percentage points between Q3 2014 and Q2 2016 reaching a peak of 10.1% at that time. Despite near zero interest rates, inflation climbs dramatically in Q4 2014 to 4.3% from 1.1% in Q3 2014 before gradually declining throughout the test horizon to a low of 1.1% in Q4 2015, before increasing to 1.9% in Q4 2016. Both real and nominal gross domestic product ("GDP") and real and nominal disposable income exhibit negative growth through the end of 2015 as a result of the recession, but all indicators recover to levels similar to those noted in Q3 2014 by the end of the test horizon.

With regards to interest rates in the severely adverse scenario, the yield on the 3-Month Treasury remains near zero through 2016, while the yield on the 10-Year Treasury falls sharply in early 2015 before steadily increasing over the remaining course of the test horizon to a maximum of 1.9% at the end of 2016. Mortgage rates over the test horizon develop more gradually climbing almost a full percentage point to 5% at Q3 2015 before slowly declining to 4.7% by the end of the test horizon. This rate environment results in net interest spreads that narrow sharply early in 2015 and recover slowly over the time horizon.

STRESS TESTING METHODOLOGY

EverBank understands that stress testing is an important risk management practice that supports a forward-looking assessment of the Bank's risks and helps to ensure that the Bank has sufficient capital to support its operations through periods of stress, but stress testing alone does not capture the full range of risks, exposures, activities and vulnerabilities to its capital adequacy. As such, a strong framework of internal governance surrounds the Bank's overall capital assessment and adequacy process, including the stress testing framework, and encompasses the Board of Directors, Executive Management, front line Business Unit leadership, and its infrastructure of risk committees. Internal policies and procedures guide the range of capital planning and risk management activities at the Bank.

The Bank's stress test results are estimates of the Bank's performance in the economic environments provided by the OCC. In executing its stress testing process, EverBank utilized a subset of the 16 domestic variables published by the OCC and expanded the scenario economic factors, where necessary, to include more pertinent variables to EverBank's operations. These variables were then converted into estimates utilizing independently validated and back-tested financial models in order to project the interest-earning assets and interest-bearing liability balances for each quarter of the nine quarter test horizon within each of the three scenarios provided by the OCC as well as estimated pre-provision net revenue ("PPNR") (net interest income plus noninterest income less noninterest expense) and credit losses across the nine quarter test horizon. In limited cases where model results were inconsistent with management's expectations for a given scenario, further evaluations were performed to ensure the reasonableness of the stress test results. When such further evaluations indicated the need for adjustment of the estimates derived, the Bank implemented management overlays or adjustments to adapt assumptions or model results to fit more in line with internal benchmarks or management expectations. For the minority of the Bank's assets and liabilities that could not be modeled, management used outputs from the Bank's internal planning and forecast process making qualitative assessments to those outputs as necessary to correlate to the specific economic scenarios. Utilizing the collective results of these dynamic models, estimates could then be made regarding our capital levels and performance over the nine quarter test horizon. Throughout the process, any expansion of key variables or overlay performed on modeled results was subject to review through EverBank's internal governance structure. The output of this methodology provides the basis for the "Results" section of this disclosure.

As part of its DFAST submission, the Bank projects dividend payments from the Bank to the Company ("Subsidiary Dividends") in order for the Company to make its necessary dividend payments to holders of the Company's preferred stock, common stock and trust preferred securities. Dividends declared by the Bank and the Company are declared by the Bank's Board of Directors and shall always take into consideration EverBank's goal of maintaining a strong capital and liquidity position throughout the economic cycle. These Subsidiary Dividends are principally paid through the operating earnings of the Bank, which is the Company's principal operating subsidiary. In determining its projected Subsidiary Dividends, the Bank notes regulatory guidance does not prescribe capital actions in the stress test rules for banks and thrifts. As such, for stress testing purposes, the Bank used its January 2015 Board of Directors approved dividend plan as its base in each stress testing scenario, which the Bank believes is a more conservative and realistic measurement regarding the Bank's capital performance and related capital actions in the severely adverse scenario. Although no adjustment to these projected dividends was made in the DFAST submission, adjustments to this projected dividend stream would have been necessary had the Bank's capital and liquidity not been sufficient to support such distributions. See the "Results" section for more information regarding the Bank's key capital ratios and dividend performance.

GENERAL RISK OVERVIEW

When analyzing the types of risks and exposures captured in the stress test scenarios, EverBank classified these risks and exposures in accordance with its internal policies and procedures as detailed below, which uses the OCC's eight categories of risk for bank supervision purposes. Our primary risks are:

- Strategic Risk: Strategic risk arises from adverse business decisions, improper implementations of decisions or lack of responsiveness to industry changes.

- Reputation Risk: Reputation risk occurs from negative public opinion, including, but not limited to, shareholder say on pay votes. An event negatively affecting the Bank's reputation can undermine customer loyalty, employee engagement, public perception, business partner relationships and regulator confidence.
- Credit Risk: Credit risk arises from an obligor's failure to satisfy terms of credit and other contracts with a counterparty. Management believes that determining a transaction's credit risk is based on all relevant factors including deal structure, underlying collateral, credit enhancements, counterparty strength and any premium or discount pricing. These factors collectively result in a net credit risk profile for the Bank's assets.
- Interest Rate Risk: Interest rate risk occurs from movements in interest rates. Interest rate risk can be mitigated through proper asset/liability duration matching. Forms of interest rate risk include:
    - Repricing risk: differences in timing of rate changes and timing of cash flows;
    - Basis risk: changing rate relationships among different yield curves affecting bank activities;
    - Yield curve risk: changing rate relationships across the spectrum of maturities; and
    - Options risk: interest-related options embedded in bank products.
- Liquidity Risk: Liquidity risk arises from an entity's inability to meet its obligations when they come due without incurring unacceptable losses. Management must maintain a variety of cost effective ways to ensure sufficient liquidity is available for both foreseeable and unforeseeable scenarios. Examples of liquidity risk include the failure to manage unplanned decreases/changes in funding sources, and the failure to address market changes, which may affect an entity's ability to liquidate assets quickly with minimal loss in value.
- Price Risk: Price risk typically arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, commodities, and credit markets. These events present a risk to fluctuations in current or anticipated earnings, fluctuations in capital arising from changes in the value of trading portfolios, or other obligations that are entered into as part of distributing risk. EverBank's portfolios are typically subject to daily price movements and are accounted for primarily on a mark-to-market basis.
- Operational Risk: Operational risk arises from inadequate/failed internal processes/systems, employee misconduct/errors, and adverse external events. This risk also includes losses resulting from fraud, employment practices, client/product/business practices, business disruption, system failures, and execution, delivery and process management.
- Compliance Risk: Compliance risk is the risk arising from violation/non-compliance with laws, rules and regulations, internal policies and contracts.

These risks are assessed and controlled by management through various decisions and actions in accordance with the Bank's risk appetite. The Bank's risk appetite provides management with guidance for both managing and maintaining the Bank's risk exposure in various economic situations. The risk appetite is integral to the Bank's risk philosophy and influences the Bank's risk management culture. Management places the utmost importance on integrity and ethical values, which is demonstrated when balancing risks and financial rewards as part of the strategic planning process.

RESULTS FOR THE SEVERELY ADVERSE SCENARIO

EverBank's stress test results section provides information on how the Bank would perform in the most severely adverse of economic environments. Management believes this forward-looking assessment is consistent with the Bank's performance during the recent financial crisis and reflective of the Bank's sound business model, loan and lease underwriting guidelines, and risk management structure.

Projected Income Statement Results

As shown in the table below, for the nine quarter test horizon the Bank estimated cumulative pro forma losses before taxes in the severely adverse scenario of $220 million.

Projected Key Metrics		
(in millions)		
Net interest income	$	1,299
Noninterest income [1]		419
Noninterest expense		(1,419)
Pre-provision net revenue		299
Provision for loan lease losses		(520)
Net loss before taxes	$	(220)

(1) Non-interest income includes less than $1 million of losses on available for sale ("AFS") and held to maturity ("HTM") investment securities and $25.0 million of impairment on the Bank's mortgage servicing rights ("MSR") portfolio.

Pre-Provision Net Revenue

The Bank's estimated PPNR is a combination of net interest income, noninterest income, and noninterest expense. Net interest income remains flat over the nine quarter test horizon due to the narrowing of net interest spreads. In addition to this challenging rate environment, loan demand was weakened in this scenario by a struggling economy over the first half of the test horizon, which resulted in lower loan balances for commercial and commercial real estate and equipment financing receivables. Due to this lower demand the Bank turned to lower yielding, more risk-averse assets such as loans guaranteed by government agencies which further depressed net interest income. Finally, as a result of high unemployment and increased market volatility, the Bank's outstanding loan portfolio experienced weakened credit quality characterized by increased charge-offs and nonaccrual loans resulting in a reduction of interest income, which further degraded the Bank's modeled net interest income.

Noninterest income falls early in 2015 due to a decline in the gain on sale of loans and mortgage servicing rights. This reduction can be attributed to lower mortgage origination and refinance volumes, which are the product of the scenario specific rate environment and overall weak economic activity prevalent in the severely adverse scenario. In addition, the Bank estimated that the underlying economics of the scenario would lead to higher defaults and delinquencies on the residential loans encompassed in the Bank's servicing portfolio, which would result in greater servicing costs and a higher likelihood of impairment further contributing to the noted volatility. Noninterest expense, however, remains flat from 2015 through the end of the test horizon, as modest increases in fixed expenses are partially offset by lower variable expenses associated with its mortgage production business due to lower origination and refinance volume.

Provision for Loan and Lease Losses

The Bank estimated cumulative provision for loan and lease losses for the nine quarter test horizon under the severely adverse scenario of $520 million.

As shown in the table below, during the test horizon loan losses (net charge-offs) consume a modest portion of the Bank's capital. These losses are due to a substantial weakening in the overall economy and a prolonged recession resulting in dramatic declines in residential asset prices, commercial real estate prices and increases in the unemployment rate. Decreases in asset prices have an inverse relationship to charge-offs as the loan's underlying collateral has reduced in value since loan origination, which increases loss severity upon borrower default. These negative factors contribute to the need for a larger allowance for loan and lease losses balance ("ALLL") resulting in additional provision for loan and lease losses to be taken, which has a negative impact on the Bank's capital.

Projected Charge Offs ("C/O") and Ending ALLL by Type of Loan

(in millions)	9 Qtr C/O Sum	Ending ALLL FY 2016
Residential mortgages	$ 112	$ 101
Commercial and commercial real estate	198	64
Equipment financing receivables	60	19
Other consumer	15	7
Total	$ 385	$ 191

Capital Ratio Results

The Bank's capital estimates were derived from quarterly pro forma financial statements generated through the stress test projection process. The change in equity capital each quarter reflected the after tax net income (loss) estimate for that quarter adjusted for the capital actions assumed to be taken during that quarter. The resulting equity capital balance for each quarter was adjusted for certain regulatory deductions defined by U.S. regulatory capital rules, such as goodwill and other comprehensive income ("OCI"), to arrive at estimated regulatory capital. The pro forma balance sheet was risk weighted from one quarter to the next to account for changes in the overall balance sheet size and mix and for changes in off-balance sheet exposures. The resulting regulatory capital and risk-weighted asset estimates were used to generate pro forma quarterly capital ratios. Beginning in first quarter 2015, the Bank applied the new Basel III standardized capital risk requirements. These requirements introduce, among other things, a new capital measure called "Common Equity Tier 1" ("CET1") capital, expand the scope of the deductions/adjustments from capital and alter current risk weightings within the Bank's risk weighted assets calculation.

The Regulatory Capital Ratio table below provides information regarding the beginning, ending, and minimum capital ratios observed by EverBank throughout the test horizon under Basel III requirements and compares these ratios to the level defined as "well capitalized" under the Prompt Corrective Action regulations.

Regulatory Capital Ratios

	Actual	Stressed Capital Ratios		Well Capitalized
	3Q'14	4Q'16	Minimum	4Q'16
Common Equity Tier 1 Risk-Based Capital Ratio (1)	13.3%	10.9%	10.6%	6.5%
Tier 1 Risk-Based Capital Ratio	13.6%	10.9%	10.6%	8.0%
Tier 1 Leverage Ratio	8.5%	6.6%	6.5%	5.0%
Total Risk-Based Capital Ratio	14.0%	12.1%	11.9%	10.0%

(1) The calculation of Common Equity Tier 1 Risk-Based Capital Ratio was first required in Q1 2015. The ratio listed for Q3 2014 is an estimate of what our ratio would have been under Basel III rules had they been in effect at that time.

The Bank's regulatory capital ratios, in the severely adverse scenario, remain below levels exhibited at September 30, 2014 throughout the test horizon which can be primarily attributed to the degradation in the Bank's Tier 1 Capital and Total Risk-Based Capital. This degradation of capital is driven by the after tax net losses incurred throughout the test horizon as previously discussed in the "Projected Income Statement Results" section. Risk-weighted assets experienced a similar but less pronounced decline as the impact of the contraction of the balance sheet is lessened by a shift in both asset mix and credit quality impacting the distribution of assets among the various risk weightings.

Despite the declining trend in each of these capital ratios, EverBank never breaches any of its regulatory required minimum capital ratios or its more stringent internal guidelines maintaining the "well capitalized" designation throughout the nine quarter test horizon. As a result of this capital performance, the Bank is able to maintain its projected dividend payments in the modeled scenario without adjustment.

Changes in our capital levels in the severely adverse scenario are primarily driven by PPNR and net charge-offs. The table below provides information on the Bank's sources and uses of capital over the nine quarter testing horizon.

Sources and Uses of Capital

(in millions)		
Tier 1 Capital (9/30/2014)	$ 1,745	13.6%
PPNR	299	2.3%
Net C/O's	(385)	(3.0)%
Change in ALLL	(134)	(1.0)%
Dividends Paid	(105)	(0.8)%
Net Operating Loss ("NOL")/MSR Disallowance	(103)	(0.8)%
Income Taxes/Other	94	0.7%
Change in Risk Weighted Assets	—	(0.1)%
Tier 1 Capital (12/31/2016)	$ 1,411	10.9%

CONCLUSION

EverBank understands that stress testing is an important risk management practice that supports a forward-looking assessment of the Bank's risks and helps to ensure that the Bank has sufficient capital to support its operations through periods of stress. In preparing its stress test, the Bank projected revenue, expenses, provision for loan and lease losses, and capital ratios under the severely adverse scenario using models and methodologies prescribed by the rules or instructions published by the OCC. In each of the scenarios and periods modeled, the Bank was able to maintain capital performance above both regulatory minimum standards as well as more rigorous internal standards. As a result, management believes that the result of these activities is a reasonable representation of how management would operate under the prescribed scenario and exhibits the strength of the Bank's existing capital structure and how this capital structure could support business operations in a range of economic environments.

FORWARD-LOOKING STATEMENTS

This release contains certain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including projections of financial condition, results of operations, plans, objectives, future performance or business under a hypothetical supervisory severely adverse scenario that incorporates a set of assumed economic and financial conditions provided by the OCC. These statements may address issues that involve significant risks, uncertainties, estimates, expectations, and assumptions made by management. The projections are not intended to be a forecast of expected future economic or financial conditions or a forecast of EverBank's expected future financial results or condition and actual results may differ materially from current projections and will be influenced by actual economic and financial conditions and various other factors as described in EverBank's periodic and current reports filed with the Securities and Exchange Commission which are available at www.sec.gov. EverBank undertakes no obligation to revise these statements following the date of this release. The statements contained in this disclosure are based on facts and circumstances as understood by management on the date of this disclosure, which may change in the future. Except as required by law, EverBank disclaims any obligation to update any statements or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events, developments, determinations or understandings.