SYNOVUS FINANCIAL CORP
Form 10-Q
August 09, 2012
Table of Contents

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

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2012
Commission file number 1-10312

SYNOVUS FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Bay Avenue Suite 500, Columbus, Georgia	31901
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (706) 649-2311
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	New York Stock Exchange
Tangible Equity Units	New York Stock Exchange
Series B Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO ¨

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ¨ NO x

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

Class	July 31, 2012
Common Stock, $1.00 Par Value	786,575,516 shares

Table of Contents

Table of Contents

Table of Contents

SYNOVUS FINANCIAL CORP.
INDEX OF DEFINED TERMS

2013 Senior Notes – Synovus' outstanding 4.875% Senior Notes due February 15, 2013
2019 Senior Notes – Synovus' outstanding 7.875% Senior Notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
ALL – Allowance for Loan Losses
AMT – Alternative Minimum Tax
ARRA – American Recovery and Reinvestment Act of 2009
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
AUM – Assets under management
BAM – Broadway Asset Management, Inc., a wholly-owned subsidiary of Synovus Financial Corp.
Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision
BCBS – Basel Committee on Banking Supervision
BSA/AML – Bank Secrecy Act / Anti-Money Laundering
BOV – broker’s opinion of value
b.p. – basis point (b.p.s - basis points)
CD – certificate of deposit
C&D – residential construction and development loans
C&I – commercial and industrial loans
CB&T – Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly-owned subsidiary of Synovus Financial Corp.
CAMELS Rating System – A term defined by bank supervisory authorities, referring to Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk
CEO – Chief Executive Officer
CFO – Chief Financial Officer
CFPB – Consumer Finance Protection Bureau
Charter Consolidation – Synovus’ consolidation of its 30 banking subsidiaries into a single bank charter in 2010
CMO – collateralized mortgage obligation
Code – Internal Revenue Code of 1986, as amended
Common Stock – Common Stock, par value $1.00 per share, of Synovus Financial Corp.
Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise
Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members
CPP – U.S. Department of the Treasury Capital Purchase Program
CRE – commercial real estate
CROA – Credit Repair Organization Act
DIF – Deposit Insurance Fund
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
DRR – Designated Reserve Ratio

Table of Contents

DTA – deferred tax asset
EBITDA – earnings before interest, depreciation and amortization
EESA – Emergency Economic Stabilization Act of 2008
EITF – Emerging Issues Task Force
EL – expected loss
EPS – earnings per share
Exchange Act – Securities Exchange Act of 1934, as amended
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FINRA – Financial Industry Regulatory Authority
FFIEC – Federal Financial Institutions Examination Council
FHLB – Federal Home Loan Bank
FICO – Fair Isaac Corporation
GA DBF – Georgia Department of Banking and Finance
GAAP – Accounting Principles Generally Accepted in the United States of America
GDP – gross domestic product
Georgia Commissioner – Banking Commissioner of the State of Georgia
GSE – government sponsored enterprise
HELOC – home equity line of credit
IASB – International Accounting Standards Board
IFRS – International Financial Reporting Standards
IOLTA – Interest on Lawyer Trust Account
IPO – Initial Public Offering
IRC – Internal Revenue Code of 1986, as amended
IRS – Internal Revenue Service
LGD – loss given default
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
LTV – loan-to-collateral value ratio
MAD – Managed Assets Division, a division of Synovus Bank
MBS – mortgage-backed securities
MOU – Memorandum of Understanding
NBER – National Bureau of Economic Research
nm – not meaningful
NPA – non-performing assets
NPL – non-performing loans
NPR – notice of proposed rulemaking
NSF – non-sufficient funds
NYSE – New York Stock Exchange

Table of Contents

OCI – Other Comprehensive Income
OFAC – Office of Foreign Assets Control
ORE – other real estate
ORM – Operational Risk Management
OTTI – other-than-temporary impairment
Parent Company – Synovus Financial Corp.
PD – probability of default
POS – point-of-sale
RCSA – Risk Control Self-Assessment
SAB – SEC Staff Accounting Bulletin
SBA – Small Business Administration
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value
Shared Deposit – Prior to the Charter Consolidation, Synovus offered this deposit product which gave its customers the opportunity to access up to $7.5 million in FDIC insurance by spreading deposits across its 30 separately-chartered banks.
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus' 2011 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2011
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank
TAGP – Transaction Account Guarantee Program
TARP – Troubled Assets Relief Program
TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)
TDR – troubled debt restructuring (as defined in ASC 310-40)
Tender Offer – Offer by Synovus to purchase, for cash, all of its outstanding 2013 Notes, which commenced on February 7, 2012 and expired on March 6, 2012
tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note
TSYS – Total System Services, Inc.
UCL – Unfair Competition Law
USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
VIE – variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A. Inc. card association or its affiliates, collectively
Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled
Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Visa IPO – The initial public offering of shares of Class A Common Stock by Visa, Inc. on March 25, 2008

Table of Contents

PART I. FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS
SYNOVUS FINANCIAL CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except share and per share data)	June 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$523,302	510,423
Interest bearing funds with Federal Reserve Bank	1,301,244	1,567,006
Interest earning deposits with banks	16,003	13,590
Federal funds sold and securities purchased under resale agreements	118,098	158,916
Trading account assets, at fair value	12,331	16,866
Mortgage loans held for sale, at fair value	120,007	161,509
Other loans held for sale	32,601	30,156
Investment securities available for sale, at fair value	3,570,346	3,690,125
Loans, net of deferred fees and costs	19,680,127	20,079,813
Allowance for loan losses	(453,325)	(536,494)
Loans, net	19,226,802	19,543,319
Premises and equipment, net	475,944	486,923
Goodwill	24,431	24,431
Other intangible assets, net	6,693	8,525
Other real estate	174,941	204,232
Other assets	691,367	746,824
Total assets	$26,294,110	27,162,845
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$5,607,680	5,366,868
Interest bearing deposits, excluding brokered deposits	14,808,493	15,261,710
Brokered deposits	1,148,892	1,783,174
Total deposits	21,565,065	22,411,752
Federal funds purchased and securities sold under repurchase agreements	351,173	313,757
Long-term debt	1,301,616	1,364,727
Other liabilities	222,867	245,157
Total liabilities	23,440,721	24,335,393
Shareholders' Equity:		
Series A Preferred Stock – no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at June 30, 2012 and December 31, 2011	952,093	947,017
Common stock - $1.00 par value. Authorized 1,200,000,000 shares; issued 792,268,968 at June 30, 2012 and 790,988,880 at December 31, 2011; outstanding 786,575,516 at June 30, 2012 and 785,295,428 at December 31, 2011	792,269	790,989
Additional paid-in capital	2,215,201	2,241,171
Treasury stock, at cost – 5,693,452 shares at both June 30, 2012 and December 31, 2011	(114,176)	(114,176)
Accumulated other comprehensive income	7,003	21,093
Accumulated deficit	(999,001)	(1,058,642)

Total shareholders’ equity	2,853,389	2,827,452
Total liabilities and shareholders' equity	$26,294,110	27,162,845

See accompanying notes to unaudited interim consolidated financial statements

1

Table of Contents

SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2012	2011	2012	2011
Interest income:				
Loans, including fees	$470,805	521,634	232,283	256,597
Investment securities available for sale	40,472	57,350	19,089	27,925
Trading account assets	515	478	236	222
Mortgage loans held for sale	2,496	3,034	1,129	1,223
Federal Reserve Bank balances	2,009	3,524	958	1,742
Other earning assets	167	464	114	343
Total interest income	516,464	586,484	253,809	288,052
Interest expense:				
Deposits	56,385	95,432	25,898	45,869
Federal funds purchased and securities sold under repurchase agreements	350	594	170	297
Long-term debt	25,413	22,063	14,385	10,925
Total interest expense	82,148	118,089	40,453	57,091
Net interest income	434,316	468,395	213,356	230,961
Provision for loan losses	110,271	261,905	44,222	120,159
Net interest income after provision for loan losses	324,045	206,490	169,134	110,802
Non-interest income:				
Service charges on deposit accounts	36,915	39,556	18,684	19,238
Fiduciary and asset management fees	21,627	23,416	10,792	11,879
Brokerage revenue	12,942	12,511	6,295	6,291
Mortgage banking income	13,986	8,042	7,983	5,547
Bankcard fees	16,072	22,782	8,493	12,125
Investment securities gains, net	24,253	1,797	4,170	377
Other fee income	9,651	10,220	4,951	5,289
Increase (decrease) in fair value of private equity investments, net	7,372	(169)	7,279	(301)
Other non-interest income	17,798	13,858	7,830	7,404
Total non-interest income	160,616	132,013	76,477	67,849
Non-interest expense:				
Salaries and other personnel expense	187,795	184,849	95,173	91,749
Net occupancy and equipment expense	52,865	58,717	26,159	28,883
FDIC insurance and other regulatory fees	27,966	30,362	13,302	15,956
Foreclosed real estate expense, net	43,680	64,609	20,708	39,872
(Gains) losses on other loans held for sale, net	(99)	(1,746)	(1,058)	480
Professional fees	19,196	20,129	9,929	10,893
Data processing expense	16,735	18,201	8,712	9,251
Visa indemnification charges	4,713	96	1,734	92
Restructuring charges	2,252	27,439	1,393	3,106
Other operating expenses	56,296	59,475	32,212	22,133
Total non-interest expense	411,399	462,131	208,264	222,415
Income (loss) before income taxes	73,262	(123,628)	37,347	(43,764)
Income tax benefit	(2,182)	(5,220)	(2,105)	(4,764)

Net income (loss)	75,444	(118,408)	39,452	(39,000)
Net loss attributable to non-controlling interest	—	(220)	—	—
Net income (loss) available to controlling interest	75,444	(118,188)	39,452	(39,000)
Dividends and accretion of discount on preferred stock	29,272	28,970	14,649	14,504
Net income (loss) available to common shareholders	$46,172	(147,158)	24,803	(53,504)
Earnings per common share:				
Net income (loss) available to common shareholders, basic	$0.06	(0.19)	0.03	(0.07)
Net income (loss) available to common shareholders, diluted	0.05	(0.19)	0.03	(0.07)
Weighted average common shares outstanding, basic	786,355	785,260	786,576	785,277
Weighted average common shares outstanding, diluted	909,542	785,260	909,761	785,277

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

	Six Months Ended June 30, 2012			Six Months Ended June 30, 2011			Three Months Ended June 30, 2012			Three Months Ended Ju 30, 2011		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net o Tax Amo
Net income (loss)	$73,262	2,182	75,444	(123,628)	5,220	(118,408)	37,347	2,105	39,452	(43,764)	4,764	(39,0
Net unrealized gains (losses) on cash flow hedges:												
Net unrealized gains (losses) arising during the period	(1,555)	608	(947)	(6,974)	2,614	(4,360)	(420)	171	(249)	(3,069)	1,305	(1,76
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	(608)	(608)	—	—	—	—	(171)	(171)	—	1,309	1,30
Net unrealized gains (losses)	(1,555)	—	(1,555)	(6,974)	2,614	(4,360)	(420)	—	(420)	(3,069)	2,614	(455
Net unrealized gains (losses) on investment securities available for sale:												
Net unrealized gains (losses) arising during the period	11,076	(4,263)	6,813	22,462	(8,250)	14,212	13,146	(5,062)	8,084	34,146	(12,799)	21,3
Reclassification adjustment for (gains) losses realized in net income	(24,253)	9,338	(14,915)	(1,797)	692	(1,105)	(4,170)	1,605	(2,565)	(377)	145	(232
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	(5,075)	(5,075)	—	—	—	—	3,457	3,457	—	5,096	5,09

Net unrealized gains (losses)	(13,177)	—	(13,177)	20,665	(7,558)	13,107	8,976	—	8,976	33,769	(7,558)	26,2
Amortization of post-retirement unfunded health benefit:												
Amortization arising during the period	642	(247)	395	—	—	—	642	(247)	395	—	—	—
Valuation allowance for the change in deferred taxes arising from amortization	—	247	247	—	—	—	—	247	247	—	—	—
Net amortization	642	—	642	—	—	—	642	—	642	—	—	—
Other comprehensive income (loss)	(14,090)	—	(14,090)	13,691	(4,944)	8,747	9,198	—	9,198	30,700	(4,944)	25,7
Less: comprehensive loss attributable to non-controlling interest	—	—	—	(220)	—	(220)	—	—	—	—	—	—
Comprehensive income (loss)	$59,172	2,182	61,354	(109,717)	276	(109,441)	46,545	2,105	48,650	(13,064)	(180)	(13,2

(1) In accordance with ASC 740-20-45-11(b), the deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss). See accompanying notes to unaudited interim consolidated financial statements.

3

Table of Contents

SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

(in thousands, except per share data)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total
Balance at December 31, 2010	$937,323	790,956	2,293,263	(114,176)	57,158	(966,606)	26,629	3,024,547
Net loss	—	—	—	—	—	(118,188)	(220)	(118,408)
Other comprehensive income, net of taxes	—	—	—	—	8,747	—	—	8,747
Cash dividends declared on common stock - $0.02 per share	—	—	—	—	—	(15,705)	—	(15,705)
Cash dividends paid on preferred stock	—	—	(24,197)	—	—	—	—	(24,197)
Accretion of discount on preferred stock	4,773	—	(4,773)	—	—	—	—	—
Restricted share unit activity	—	17	(17)	—	—	—	—	—
Share-based compensation expense	—	—	2,363	—	—	—	—	2,363
Change in ownership at majority-owned subsidiary	—	—	—	—	—	—	(26,409)	(26,409)
Balance at June 30, 2011	$942,096	790,973	2,266,639	(114,176)	65,905	(1,100,499)	—	2,850,938
Balance at December 31, 2011	$947,017	790,989	2,241,171	(114,176)	21,093	(1,058,642)	—	2,827,452
Net Income	—	—	—	—	—	75,444	—	75,444
Other comprehensive loss, net of taxes	—	—	—	—	(14,090)	—	—	(14,090)
Cash dividends declared on common stock - $0.02 per share	—	—	—	—	—	(15,730)	—	(15,730)
Cash dividends paid on preferred stock	—	—	(24,197)	—	—	—	—	(24,197)
	5,076	—	(5,076)	—	—	—	—	—

Accretion of discount on preferred stock								
Restricted share unit activity	—	1,280	(1,207)	—	—	(73)	—	—
Share-based compensation expense	—	—	4,510	—	—	—	—	4,510
Balance at June 30, 2012	$952,093	792,269	2,215,201	(114,176)	7,003	(999,001)	—	2,853,389

See accompanying notes to unaudited interim consolidated financial statements.

4

Table of Contents

SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30,	
(in thousands)	2012	2011
Operating Activities		
Net income (loss)	$75,444	(118,408)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	110,271	261,905
Depreciation, amortization, and accretion, net	28,234	23,412
Deferred income tax expense (benefit)	153	(5,304)
Decrease in interest receivable	8,006	10,950
Decrease in interest payable	(2,511)	(10,248)
Decrease in trading account assets	4,535	6,164
Originations of mortgage loans held for sale	(512,192)	(392,707)
Proceeds from sales of mortgage loans held for sale	552,708	542,665
(Gains) losses on sale of mortgage loans held for sale, net	(2,526)	296
Decrease in prepaid and other assets	52,713	55,864
Decrease in accrued salaries and benefits	(4,544)	(6,388)
Decrease in other liabilities	(15,235)	(3,687)
Investment securities gains, net	(24,253)	(1,797)
Gains on sales of other loans held for sale, net	(99)	(1,746)
Losses on other real estate, net	33,859	54,543
(Increase) decrease in fair value of private equity investments, net	(7,372)	169
Gains on sales of other assets held for sale, net	(164)	(261)
Write downs on other loans held for sale	2,806	11,313
Write downs on other assets held for sale	1,228	5,698
Share-based compensation	4,510	2,363
Other, net	(438)	(7,732)
Net cash provided by operating activities	305,133	427,064
Investing Activities		
Net increase in interest earning deposits with banks	(2,413)	(7,687)
Net decrease in federal funds sold and securities purchased under repurchase agreements	40,818	32,922
Net decrease in interest bearing funds with Federal Reserve Bank	265,762	258,619
Proceeds from maturities and principal collections of investment securities available for sale	584,914	573,759
Proceeds from sales of investment securities available for sale	733,621	17,044
Purchases of investment securities available for sale	(1,202,234)	(389,724)
Proceeds from sales of other loans held for sale	177,510	194,220
Proceeds from sale of other real estate	70,496	88,003
Principal payments on other loans held for sale	4,133	28,305
Net (increase) decrease in loans	(53,111)	425,919
Purchases of premises and equipment	(9,263)	(9,014)
Proceeds from disposals of premises and equipment	3,005	2,014
Proceeds from sales of other assets held for sale	1,740	492
Net cash provided by investing activities	614,978	1,214,872
Financing Activities		

Net increase (decrease) in demand and savings deposits	281,637	(347,750)
Net (decrease) in certificates of deposit	(1,128,324)	(1,277,537)
Net increase (decrease) in federal funds purchased and other short-term borrowings	37,416	(46,760)
Principal repayments on long-term debt	(351,331)	(74,706)
Proceeds from issuance of long-term debt	293,370	165,000
Dividends paid to common shareholders	(15,803)	(15,705)
Dividends paid to preferred shareholders	(24,197)	(24,197)

Table of Contents

Net cash used in financing activities	(907,232)	(1,621,655)
Increase in cash and cash equivalents	12,879	20,281
Cash and cash equivalents at beginning of period	510,423	389,021
Cash and cash equivalents at end of period	$523,302	409,302
Supplemental Cash Flow Information		
Cash (received) paid during the period for:		
Income tax (refunds) payments, net	$(8,339)	225
Interest paid	61,555	104,760
Non-cash Activities:		
(Decrease) increase in net unrealized gains on investment securities available for sale[1]	(13,177)	20,665
Decrease in net unrealized gains on hedging instruments[1]	(1,555)	(6,974)
Mortgage loans held for sale transferred to loans at fair value	1,542	6,377
Loans foreclosed and transferred to other real estate at fair value	71,928	125,356
Loans transferred to other loans held for sale, at fair value	189,029	289,587
Other loans held for sale foreclosed and transferred to other real estate at fair value	3,136	8,137
Premises and equipment transferred to other assets held for sale	2,402	28,048
Impairment loss on investment securities available for sale	(450)	—

[1] Changes in net unrealized gains on investment securities available for sale, fair value hedges, and cash flow hedges have not been adjusted for the impact of deferred taxes.
See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus include the accounts of the Parent Company and its consolidated subsidiaries. Synovus provides integrated financial services, including commercial and retail banking, financial management, insurance, and mortgage services to its customers through 30 locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, and other offices in Georgia, Alabama, South Carolina, Florida, and Tennessee.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2011 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2011 Form 10-K.

In preparing the unaudited interim consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of other real estate; the valuation of impaired and other loans held for sale; the fair value of investment securities; the fair value of private equity investments, the valuation of long-lived assets, goodwill, and other intangible assets; the valuation of deferred tax assets; the valuation of the Visa indemnification liability; and other contingent liabilities. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. In making this determination, management also considers other factors or recent developments, such as changes in absorption rates or market conditions at the time of valuation and anticipated sales prices based on management’s plans for disposition.

A substantial portion of Synovus’ loans are secured by real estate in five Southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial portion of Synovus’ loan portfolio is susceptible to changes in market conditions in these areas. Total commercial real estate loans represent approximately 35% of the total loan portfolio at June 30, 2012. Due to declines in real estate values over the past four years, the commercial real estate portfolio loans may have a greater risk of non-collection than other loans. Based on available information, management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, the ability of borrowers to repay their loans, and management’s plans for disposition. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Synovus’ allowance for loan losses. Such agencies may require Synovus to make changes to the allowance for loan losses based on their judgment of information available to them at the time of their examination.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At June 30, 2012 and December 31, 2011, cash and cash equivalents included $78.2 million and $73.3 million, respectively, on deposit to meet Federal Reserve Bank requirements. At June 30, 2012 and December 31, 2011, $15.6 million of the due from banks balance was restricted as to withdrawal, including $15.0 million on deposit pursuant to a payment network arrangement.

Short-term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include $11.2 million at June 30, 2012 and $10.4 million at December 31, 2011, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include $113.6 million at June 30, 2012, and $141.0 million at December 31, 2011, which is pledged to collateralize certain derivative instruments in a net liability position. Federal funds sold and securities purchased under resale agreements, federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

Recently Adopted Accounting Standards Updates

Effective January 1, 2012, Synovus adopted the provisions of the following ASUs:

Table of Contents

ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 was the result of a joint project with the IASB and FASB, and amends the guidance in ASC 220, Comprehensive Income, by eliminating the option to present components of OCI in the statement of changes in shareholders' equity. Instead, the new guidance now requires entities to present all non-owner changes in shareholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements. Synovus elected the two separate statement approach. In addition, certain provisions of ASU 2011-05 were temporarily amended by ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05. One of the provisions of ASU 2011-05 requires entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements). This requirement is indefinitely deferred by ASU 2011-12, and will be further deliberated by the FASB at a future date. During the deferral period, Synovus will comply with all existing requirements for reclassification adjustments in ASC 220, which states that "(a)n entity may display reclassification adjustments on the face of the financial statement in which comprehensive income is reported, or it may disclose reclassification adjustments in the notes to the financial statements."

ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure in U.S. GAAP and IFRS. This ASU amends Topic 820 to add both additional clarifications to existing fair value measurement and disclosure requirements. Clarifications were made to the relevancy of the highest and best use valuation concept, measurement of an instrument classified in an entity's shareholders' equity and disclosure of quantitative information about the unobservable inputs for Level 3 fair value measurements. Required changes to the fair value disclosures can be found in Note 7.

ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. This ASU focuses the transferor's assessment of effective control on its contractual rights and obligations by removing the requirements to assess its ability to exercise those rights or honor those obligations. Synovus does not currently access wholesale funding markets through sales of securities with agreements to repurchase. Repurchase agreements are offered through a commercial banking sweep product as a short-term investment opportunity for customers. All such arrangements are common in the banking industry and are accounted for as borrowings at Synovus. There was no impact to Synovus' unaudited interim consolidated financial statements upon adoption of this standard.

ASU 2011-08, Testing Goodwill for Impairment. Under the provisions of this update to the accounting standards, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step goodwill impairment test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then resume performing the qualitative assessment in any subsequent period. Synovus completed its annual goodwill impairment testing effective June 30, 2012. Synovus did not apply the qualitative assessment provisions of this ASU. See Management's Discussion and Analysis for additional information regarding Synovus' annual goodwill impairment tests.

Recently Issued Accounting Standards Updates

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The ASU requires additional disclosures about financial instruments and derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. This ASU is effective for the interim reporting period ending March 31, 2013, with retrospective disclosure for all comparative periods presented. At this time, Synovus does not have any financial instruments that would be subject to the new requirements of ASU 2011-11; therefore, the ASU is not expected to impact Synovus' financial position, results of operations, or cash flows.

Reclassifications

Prior periods' consolidated financial statements are reclassified whenever necessary to conform to the current periods' presentation.

Subsequent Events

Synovus has evaluated, for consideration or disclosure, all transactions, events, and circumstances subsequent to the date of the consolidated balance sheet and through the date the accompanying unaudited interim consolidated financial statements were issued, and has reflected or disclosed those items within the unaudited interim consolidated financial statements and related footnotes as deemed appropriate, if any.

Table of Contents

Note 2 - Investment Securities

The following table summarizes Synovus' available for sale investment securities as of June 30, 2012 and December 31, 2011.

	June 30, 2012				
(in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
U.S. Treasury securities	$307	—	—		307
U.S. Government agency securities	37,238	2,442	—		39,680
Securities issued by U.S. Government sponsored enterprises	559,306	5,248	(28	)	564,526
Mortgage-backed securities issued by U.S. Government agencies	272,813	7,303	(71	)	280,045
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,006,398	50,229	—		2,056,627
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	602,109	2,785	(4,728	)	600,166
State and municipal securities	20,378	739	(20	)	21,097
Equity securities	3,647	39	—		3,686
Other investments	5,000	2	(790	)	4,212
Total	$3,507,196	68,787	(5,637	)	3,570,346

	December 31, 2011				
(in thousands)	Amortized Cost(1)	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
U.S. Treasury securities	$426	—	—		426
U.S. Government agency securities	37,489	3,004	—		40,493
Securities issued by U.S. Government sponsored enterprises	667,707	8,333	(619	)	675,421
Mortgage-backed securities issued by U.S. Government agencies	266,682	19,071	—		285,753
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,955,988	46,275	(257	)	2,002,006
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	651,379	1,646	(1,525	)	651,500
State and municipal securities	24,530	808	(20	)	25,318
Equity securities	4,147	—	(388	)	3,759
Other investments	5,449	—	—		5,449
Total	$3,613,797	79,137	(2,809	)	3,690,125

(1) Amortized cost is adjusted for other-than-temporary impairment charges in 2012 and 2011, which have been recognized on the consolidated statements of operations in the applicable period, and were considered inconsequential.

At June 30, 2012 and December 31, 2011, investment securities with a market value of $2.16 billion and $2.48 billion, respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, and payment network arrangements as required by law and contractual agreements.

Synovus has reviewed investment securities that are in an unrealized loss position as of June 30, 2012 and December 31, 2011 for OTTI and does not consider any securities in an unrealized loss position to be other-than-temporarily impaired. If Synovus intended to sell a security in an unrealized loss position, the entire unrealized loss would be reflected in income. Synovus does not intend to sell any of these investment securities prior to the recovery of the unrealized loss, which may be until maturity; and has the ability and intent to hold those securities for that period of time. Additionally, Synovus is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position.

Declines in the fair value of available-for-sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest

Table of Contents

rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent other-than-temporary impairment. These factors include length of time that the security has been in a loss position, the extent that the fair value has been below amortized cost, and the credit standing of the issuer.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2012 and December 31, 2011 are presented below.

	June 30, 2012								
	Less than 12 Months			12 Months or Longer			Total Fair Value		
(in thousands)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
Securities issued by U.S. Government sponsored enterprises	2	$56,641	(28)	—	$—	—	2	$56,641	(28)
Mortgage-backed securities issued by U.S. Government agencies	6	14,227	(71)	—	—	—	6	14,227	(71)
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	5	319,735	(4,728)	—	—	—	5	319,735	(4,728)
State and municipal securities	1	34	(2)	1	883	(18)	2	917	(20)
Other investments	2	2,210	(790)	—	—	—	2	2,210	(790)
Total	16	$392,847	(5,619)	1	$883	(18)	17	$393,730	(5,637)

	December 31, 2011								
	Less than 12 Months			12 Months or Longer			Total Fair Value		
(in thousands)	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
Securities issued by U.S. Government sponsored enterprises	5	$349,370	(619)	—	$—	—	5	$349,370	(619)
Mortgage-backed securities issued by U.S. Government sponsored enterprises	3	148,283	(257)	—	—	—	3	148,283	(257)
Collateralized mortgage obligations issued	5	337,060	(1,521)	1	297	(4)	6	337,357	(1,525)

by U.S. Government sponsored enterprises												
State and municipal securities.	1	32	(3	)	1	883	(17	)	2	915	(20	)
Equity securities	2	2,367	(388	)	—	—	—		2	2,367	(388	)
Total	16	$837,112	(2,788	)	2	$1,180	(21	)	18	$838,292	(2,809	)

The amortized cost and fair value by contractual maturity of investment securities available for sale at June 30, 2012 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

Table of Contents

(in thousands)	Distribution of Maturities at June 30, 2012 Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	Total
Amortized Cost						
U.S. Treasury securities	$200	107	—	—	—	307
U.S. Government agency securities	—	272	29,969	6,997	—	37,238
Securities issued by U.S. Government sponsored enterprises	37,444	521,862	—	—	—	559,306
Mortgage-backed securities issued by U.S. Government agencies	—	198	182	272,433	—	272,813
Mortgage-backed securities issued by U.S. Government sponsored enterprises	643	14,551	1,089,339	901,865	—	2,006,398
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	53	—	602,056	—	602,109
State and municipal securities	2,800	8,739	4,526	4,313	—	20,378
Other investments	1,000	—	—	4,000	—	5,000
Securities with no stated maturity (equity securities)	—	—	—	—	3,647	3,647
Total	$42,087	545,782	1,124,016	1,791,664	3,647	3,507,196
Fair Value						
U.S. Treasury securities	$200	107	—	—	—	307
U.S. Government agency securities	—	272	31,504	7,904	—	39,680
Securities issued by U.S. Government sponsored enterprises	39,206	525,320	—	—	—	564,526
Mortgage-backed securities issued by U.S. Government agencies	—	208	195	279,642	—	280,045
Mortgage-backed securities issued by U.S. Government sponsored enterprises	676	15,180	1,100,429	940,342	—	2,056,627
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	53	—	600,113	—	600,166
State and municipal securities	2,833	9,025	4,665	4,574	—	21,097
Other investments	1,002	—	—	3,210	—	4,212
Securities with no stated maturity (equity securities)	—	—	—	—	3,686	3,686
Total	$43,917	550,165	1,136,793	1,835,785	3,686	3,570,346

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale during the six and three months ended June 30, 2012 and 2011 are presented below.

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2012	2011	2012	2011
Proceeds	$733,621	17,044	258,846	9,001
Gross realized gains	24,703	1,801	4,170	381
Gross realized losses	(450)	(4)	—	(4)
Investment securities gains, net	$24,253	1,797	4,170	377

11

Note 3 - Restructuring Charges

For the six and three months ended June 30, 2012 and 2011 total restructuring charges are as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2012	2011	2012	2011
Severance charges	$1,032	16,310	826	1,698
Lease termination charges	26	3,107	52	(2,290)
Asset impairment charges	1,064	5,437	451	1,954
Professional fees and other charges	130	2,585	64	1,744
Total restructuring charges	$2,252	27,439	1,393	3,106

In January 2011, Synovus announced efficiency and growth initiatives intended to streamline operations, boost productivity, reduce expenses, and increase revenue. During the six months ended June 30, 2011, Synovus implemented most of the components of the initiatives, which resulted in restructuring charges of $27.4 million. During the six and three months ended June 30, 2012, Synovus recognized restructuring charges of $2.3 million and $1.4 million, respectively, associated with these ongoing efficiency initiatives. As part of these efficiency initiatives, during the six and three months ended June 30, 2012, Synovus transferred premises and equipment with a carrying value of $3.8 million and $2.1 million, respectively, immediately preceding the transfer to other assets held for sale, a component of other assets on the consolidated balance sheet. For the six and three months ended June 30, 2012, Synovus recognized impairment charges of $1.1 million and $451 thousand, respectively, related to these assets, and received proceeds of $1.7 million and $454 thousand, respectively, from sales of these assets. The carrying value of the remaining held for sale assets was $7.9 million at June 30, 2012. The liability for restructuring activities was $914 thousand at June 30, 2012, and consists primarily of lease termination payments and estimated severance payments.

Note 4 - Other Loans Held for Sale

Loans are transferred to other loans held for sale at fair value when Synovus makes the determination to sell specifically identified loans. The fair value of the loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated market prices of similar assets less estimated costs to sell. At the time of transfer, if the fair value is less than the carrying amount, the difference is recorded as a charge-off against the allowance for loan losses. Decreases in the fair value subsequent to the transfer, as well as gains/losses realized from sale of these loans, are recognized as (gains) losses on other loans held for sale, net, a component of non-interest expense on the consolidated statements of operations.

During six months ended June 30, 2012, Synovus transferred loans with a carrying value immediately preceding the transfer totaling $263.9 million to other loans held for sale. Synovus recognized charge-offs upon transfer of these loans totaling $74.9 million which resulted in a new cost basis of $189.0 million and were based on the fair value, less estimated costs to sell, of the loans at the time of transfer.

During the six months ended June 30, 2011, Synovus transferred loans with a carrying value immediately preceding the transfer totaling $398.5 million to other loans held for sale. Synovus recognized charge-offs upon transfer on these loans totaling $108.9 million for the six months ended June 30, 2011. These charge-offs which resulted in a new cost basis of $289.6 million for the loans transferred during the six months ended June 30, 2011 were based on the fair value, less estimated costs to sell, of the loans at the time of transfer.

Table of Contents

Note 5 – Loans and Allowance for Loan Losses

The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of June 30, 2012 and December 31, 2011.

Current, Accruing Past Due, and Non-accrual Loans (1)

	June 30, 2012						
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total	
Investment properties	$4,320,314	8,990	98	9,088	87,208	4,416,610	
1-4 family properties	1,319,628	11,174	324	11,498	152,698	1,483,824	
Land acquisition	766,057	4,149	116	4,265	213,521	983,843	
Total commercial real estate	6,405,999	24,313	538	24,851	453,427	6,884,277	
Commercial and industrial	8,635,844	28,845	1,607	30,452	218,337	8,884,633	
Home equity lines	1,570,844	8,787	97	8,884	24,177	1,603,905	
Consumer mortgages	1,313,575	16,908	1,649	18,557	51,783	1,383,915	
Credit cards	258,289	2,288	1,825	4,113	—	262,402	
Other retail loans	661,771	4,958	147	5,105	7,437	674,313	
Total retail	3,804,479	32,941	3,718	36,659	83,397	3,924,535	
Total loans	$18,846,322	86,099	5,863	91,962	755,161	19,693,445	(2)

	December 31, 2011						
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total	
Investment properties	$4,450,627	10,866	54	10,920	95,766	4,557,313	
1-4 family properties	1,396,778	23,480	642	24,122	197,584	1,618,484	
Land acquisition	855,021	5,299	350	5,649	234,151	1,094,821	
Total commercial real estate	6,702,426	39,645	1,046	40,691	527,501	7,270,618	
Commercial and industrial	8,618,813	49,826	5,035	54,861	267,600	8,941,274	
Home equity lines	1,581,469	12,893	664	13,557	24,559	1,619,585	
Consumer mortgages	1,326,411	23,213	5,130	28,343	56,995	1,411,749	
Credit cards	267,511	3,113	2,474	5,587	—	273,098	
Other retail loans	562,706	6,232	171	6,403	6,366	575,475	
Total retail	3,738,097	45,451	8,439	53,890	87,920	3,879,907	
Total loans	$19,059,336	134,922	14,520	149,442	883,021	20,091,799	(3)

(1) Loan balances in each category expressed as a component of total loans, excluding deferred fees and costs.
(2)Total excludes $13.3 million in net deferred fees and costs
(3)Total excludes $12.0 million in net deferred fees and costs

A substantial portion of the loan portfolio is secured by real estate in markets located throughout Georgia, Alabama, Tennessee, South Carolina, and Florida. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in market conditions in these areas.

The credit quality of the loan portfolio is summarized no less frequently than quarterly using the standard asset classification system utilized by the federal banking agencies. These classifications are divided into three groups – Not Classified (Pass), Special Mention, and Classified or Adverse rating (Substandard, Doubtful, and Loss) and are defined as follows:

Pass - loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.
Special Mention - loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.
Substandard - loans which are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Table of Contents

Doubtful - loans which have all the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.
Loss - loans which are considered by management to be uncollectible and of such little value that its continuance on the institution's books as an asset, without establishment of a specific valuation allowance or charge-off is not warranted.
In the following tables, retail loans are classified as Pass except when they reach 90 days past due, or are downgraded to Substandard. Upon reaching 120 days past due, retail loans are generally downgraded to Loss and charged off, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.
Loan Portfolio Credit Exposure by Risk Grade (4)

	June 30, 2012							
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss[2]		Total	
Investment properties	$3,506,978	563,124	335,175	11,333	—		4,416,610	
1-4 family properties	945,776	235,318	289,345	13,385	—		1,483,824	
Land acquisition	464,484	118,489	388,775	12,095	—		983,843	
Total commercial real estate	4,917,238	916,931	1,013,295	36,813	—		6,884,277	
Commercial and industrial	7,480,129	734,989	648,594	20,857	64	(3)	8,884,633	
Home equity lines	1,566,529	—	35,841	—	1,535	(3)	1,603,905	
Consumer mortgages	1,334,087	—	49,132	—	696	(3)	1,383,915	
Credit cards	260,576	—	621	—	1,205	(3)	262,402	
Other retail loans	660,408	—	12,598	—	1,307	(3)	674,313	
Total retail	3,821,600	—	98,192	—	4,743		3,924,535	
Total loans	$16,218,967	1,651,920	1,760,081	57,670	4,807		19,693,445	(5)

	December 31, 2011							
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss[2]		Total	
Investment properties	$3,443,363	778,009	328,402	7,539	—		4,557,313	
1-4 family properties	977,083	269,152	361,210	11,039	—		1,618,484	
Land acquisition	500,359	132,799	456,010	5,653	—		1,094,821	
Total commercial real estate	4,920,805	1,179,960	1,145,622	24,231	—		7,270,618	
Commercial and industrial	7,265,761	909,255	754,934	11,324	—		8,941,274	
Home equity lines	1,578,938	—	39,811	—	836	(3)	1,619,585	
Consumer mortgages	1,344,648	—	66,478	—	623	(3)	1,411,749	
Credit cards	270,624	—	948	—	1,526	(3)	273,098	
Other retail loans	562,623	—	12,349	—	503	(3)	575,475	
Total retail	3,756,833	—	119,586	—	3,488		3,879,907	
Total loans	$15,943,399	2,089,215	2,020,142	35,555	3,488		20,091,799	(6)

(1) Includes $692.7 million and $844.0 million of non-accrual substandard loans at June 30, 2012 and December 31, 2011, respectively.
(2) The loans within these risk grades are on non-accrual status.
(3) Represent amounts that were 120 days past due. These credits are downgraded to the loss category with an allowance for loan losses equal to the full loan amount and are charged off in the subsequent quarter.

(4) Loan balances in each category expressed as a component of total loans, excluding deferred fees and costs.
(5)Total excludes $13.3 million in net deferred fees and costs
(6)Total excludes $12.0 million in net deferred fees and costs

Table of Contents

The following table details the changes in the allowance for loan losses by loan segment for the six months ended June 30, 2012 and 2011.

Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Six Months Ended June 30, 2012				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$249,094	184,888	54,514	47,998	536,494
Charge-offs	(112,919)	(75,240)	(27,819)	—	(215,978)
Recoveries	10,611	7,551	4,376	—	22,538
Provision for loan losses	63,422	36,026	20,821	(9,998)	110,271
Ending balance	$210,208	153,225	51,892	38,000	453,325
Ending balance: individually evaluated for impairment	$57,474	36,623	852	—	94,949
Ending balance: collectively evaluated for impairment	$152,734	116,602	51,040	38,000	358,376
Loans:					
Ending balance: total loans	$6,884,277	8,884,633	3,924,535	—	19,693,445 (1)
Ending balance: individually evaluated for impairment	$791,924	365,487	60,083	—	1,217,494
Ending balance: collectively evaluated for impairment	$6,092,353	8,519,146	3,864,452	—	18,475,951

	As Of and For The Six Months Ended June 30, 2011				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$353,923	222,058	43,478	84,088	703,547
Charge-offs	(214,328)	(104,275)	(43,814)	—	(362,417)
Recoveries	15,415	7,570	5,381	—	28,366
Provision for loan losses	190,347	71,938	35,745	(36,125)	261,905
Ending balance	$345,357	197,291	40,790	47,963	631,401
Ending balance: individually evaluated for impairment	$62,631	29,842	447	—	92,920
Ending balance: collectively evaluated for impairment	$282,726	167,449	40,343	47,963	538,481
Loans:					
Ending balance: total loans	$7,795,352	8,846,592	3,871,653	—	20,513,597 (2)
Ending balance: individually evaluated for impairment	$849,172	302,309	32,358	—	1,183,839
Ending balance: collectively evaluated for impairment	$6,946,180	8,544,283	3,839,295	—	19,329,758

(1)Total excludes $13.3 million in net deferred fees and costs

(2)Total excludes $8.8 million in net deferred fees and costs

Table of Contents

The following table details the changes in the allowance for loan losses by loan segment for the three months ended June 30, 2012 and 2011.
Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Three Months Ended June 30, 2012				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$239,974	178,200	51,620	38,000	507,794
Charge-offs	(60,457)	(37,814)	(12,218)	—	(110,489)
Recoveries	6,106	3,929	1,763	—	11,798
Provision for loan losses	24,585	8,910	10,727	—	44,222
Ending balance	$210,208	153,225	51,892	38,000	453,325
Ending balance: individually evaluated for impairment	$57,474	36,623	852	—	94,949
Ending balance: collectively evaluated for impairment	$152,734	116,602	51,040	38,000	358,376
Loans:					
Ending balance: total loans	$6,884,277	8,884,633	3,924,535	—	19,693,445 (1)
Ending balance: individually evaluated for impairment	$791,924	365,487	60,083	—	1,217,494
Ending balance: collectively evaluated for impairment	$6,092,353	8,519,146	3,864,452	—	18,475,951

	As Of and For The Three Months Ended June 30, 2011				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$337,130	216,363	43,042	81,891	678,426
Charge-offs	(99,215)	(61,874)	(20,553)	—	(181,642)
Recoveries	8,462	3,499	2,497	—	14,458
Provision for loan losses	98,980	39,303	15,804	(33,928)	120,159
Ending balance	$345,357	197,291	40,790	47,963	631,401
Ending balance: individually evaluated for impairment	$62,631	29,842	447	—	92,920
Ending balance: collectively evaluated for impairment	$282,726	167,449	40,343	47,963	538,481
Loans:					
Ending balance: total loans	$7,795,352	8,846,592	3,871,653	—	20,513,597 (2)
Ending balance: individually evaluated for impairment	$849,172	302,309	32,358	—	1,183,839
Ending balance: collectively evaluated for impairment	$6,946,180	8,544,283	3,839,295	—	19,329,758

(1)Total excludes $13.3 million in net deferred fees and costs
(2)Total excludes $8.8 million in net deferred fees and costs

Table of Contents

The tables below summarize impaired loans (including accruing TDRs) as of June 30, 2012 and December 31, 2011.
Impaired Loans (including accruing TDRs)

	June 30, 2012			Six Months Ended June 30, 2012		Three Months Ended June 30, 2012	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded							
Investment properties	$37,114	69,998	—	49,786	—	45,404	—
1-4 family properties	108,315	240,896	—	118,010	—	113,371	—
Land acquisition	188,801	298,465	—	192,873	—	191,222	—
Total commercial real estate	334,230	609,359	—	360,669	—	349,997	—
Commercial and industrial	83,212	142,072	—	71,641	—	76,212	—
Home equity lines	3,420	4,553	—	3,721	—	3,734	—
Consumer mortgages	3,255	4,878	—	4,420	—	3,353	—
Other retail loans	3	3	—	247	—	—	—
Total retail	6,678	9,434	—	8,388	—	7,087	—
Total	$424,120	760,865	—	440,698	—	433,296	—
With allowance recorded							
Investment properties	$250,580	251,099	31,154	223,545	3,292	233,726	1,387
1-4 family properties	135,915	136,356	14,388	152,073	2,493	146,377	1,228
Land acquisition	71,199	72,723	11,932	94,713	1,026	86,177	405
Total commercial real estate	457,694	460,178	57,474	470,331	6,811	466,280	3,020
Commercial and industrial	282,275	286,077	36,623	313,204	4,158	305,251	1,941
Home equity lines	6,769	6,769	76	7,054	118	6,827	62
Consumer mortgages	41,160	41,160	683	31,912	464	33,712	195
Other retail loans	5,476	5,476	93	3,100	75	3,811	61
Total retail	53,405	53,405	852	42,066	657	44,350	318
Total	$793,374	799,660	94,949	825,601	11,626	815,881	5,279
Total							
Investment properties	$287,694	321,097	31,154	273,331	3,292	279,130	1,387
1-4 family properties	244,230	377,252	14,388	270,083	2,493	259,748	1,228
Land acquisition	260,000	371,188	11,932	287,586	1,026	277,399	405
Total commercial real estate	791,924	1,069,537	57,474	831,000	6,811	816,277	3,020
Commercial and industrial	365,487	428,149	36,623	384,845	4,158	381,463	1,941
Home equity lines	10,189	11,322	76	10,775	118	10,561	62
Consumer mortgages	44,415	46,038	683	36,332	464	37,065	195
Other retail loans	5,479	5,479	93	3,347	75	3,811	61

Total retail	60,083	62,839	852	50,454	657	51,437	318
Total impaired loans	$1,217,494	1,560,525	94,949	1,266,299	11,626	1,249,177	5,279

Table of Contents

Impaired Loans (including accruing TDRs)	December 31, 2011			Year Ended December 31, 2011	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$59,930	96,238	—	67,324	—
1-4 family properties	118,756	274,959	—	158,763	—
Land acquisition	196,823	295,562	—	174,590	—
Total commercial real estate	375,509	666,759	—	400,677	—
Commercial and industrial	65,357	117,468	—	74,995	—
Home equity lines	3,948	5,394	—	4,450	—
Consumer mortgages	4,970	6,293	—	3,907	—
Other retail loans	736	738	—	68	—
Total retail	9,654	12,425	—	8,425	—
Total	$450,520	796,652	—	484,097	—
With allowance recorded					
Investment properties	$227,045	227,510	23,384	232,717	6,773
1-4 family properties	164,756	168,315	23,499	121,107	2,859
Land acquisition	102,847	118,868	17,564	97,054	2,136
Total commercial real estate	494,648	514,693	64,447	450,878	11,768
Commercial and industrial	318,942	324,623	42,596	244,801	5,888
Home equity lines	6,995	6,995	93	2,112	17
Consumer mortgages	34,766	34,804	2,306	20,331	660
Other retail loans	1,701	1,701	42	6,399	31
Total retail	43,462	43,500	2,441	28,842	708
Total	$857,052	882,816	109,484	724,521	18,364
Total					
Investment properties	$286,975	323,748	23,384	300,041	6,773
1-4 family properties	283,512	443,274	23,499	279,870	2,859
Land acquisition	299,670	414,430	17,564	271,644	2,136
Total commercial real estate	870,157	1,181,452	64,447	851,555	11,768
Commercial and industrial	384,299	442,091	42,596	319,796	5,888
Home equity lines	10,943	12,389	93	6,562	17
Consumer mortgages	39,736	41,097	2,306	24,238	660
Other retail loans	2,437	2,439	42	6,467	31
Total retail	53,116	55,925	2,441	37,267	708
Total impaired loans	$1,307,572	1,679,468	109,484	1,208,618	18,364

The following tables represent loans modified or renewed during the six and three months ended June 30, 2012 and 2011 that were reported as accruing or non-accruing TDRs as of June 30, 2012 and June 30, 2011, respectively.

18

Table of Contents

(in thousands, except contract data)	Accruing TDRs With Modifications or Renewals Completed During the Six Months Ended June 30, 2012			Three Months Ended June 30, 2012		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	37	$ 78,348	78,348	23	$ 63,674	63,674
1-4 family properties	56	34,142	33,722	29	18,027	17,607
Land acquisition	26	20,612	20,612	10	6,089	6,089
Total commercial real estate	119	133,102	132,682	62	87,790	87,370
Commercial and industrial	91	60,435	60,435	53	35,716	35,716
Home equity lines	3	364	364	2	34	34
Consumer mortgages	188	18,179	18,179	168	15,890	15,890
Credit cards	—	—	—	—	—	—
Other retail loans	50	4,304	4,304	39	2,583	2,583
Total retail	241	22,847	22,847	209	18,507	18,507
Total loans	451	$ 216,384	215,964	324	$ 142,013	141,593

(in thousands, except contract data)	Accruing TDRs With Modifications or Renewals Completed During the Six Months Ended June 30, 2011			Three Months Ended June 30, 2011		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	30	$ 88,991	88,991	12	$ 22,456	22,456
1-4 family properties	37	54,887	54,887	24	15,664	15,664
Land acquisition	12	21,824	21,824	10	19,916	19,916
Total commercial real estate	79	165,702	165,702	46	58,036	58,036
Commercial and industrial	39	58,361	58,320	17	39,100	39,100
Home equity lines	7	279	279	—	—	—
Consumer mortgages	187	22,605	22,605	48	6,739	6,739
Credit cards	—	—	—	—	—	—
Other retail loans	18	952	952	3	200	200
Total retail	212	23,836	23,836	51	6,939	6,939
Total loans	330	$ 247,899	247,858	114	$ 104,075	104,075

Table of Contents

(in thousands, except contract data)	Non-accruing TDRs With Modifications or Renewals Completed During the Six Months Ended June 30, 2012			Three Months Ended June 30, 2012		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	3	$ 6,755	6,755	3	$ 6,755	6,755
1-4 family properties	4	6,259	6,229	3	136	136
Land acquisition	12	20,864	16,921	11	20,510	16,609
Total commercial real estate	19	33,878	29,905	17	27,401	23,500
Commercial and industrial	15	12,952	12,202	6	3,020	3,019
Home equity lines	—	—	—	—	—	—
Consumer mortgages	6	1,348	1,304	6	1,348	1,304
Credit cards	—	—	—	—	—	—
Other retail loans	4	348	348	1	26	26
Total retail	10	1,696	1,652	7	1,374	1,330
Total loans	44	$ 48,526	43,759	30	$ 31,795	27,849

(in thousands, except contract data)	Non-accruing TDRs With Modifications or Renewals Completed During the Six Months Ended June 30, 2011			Three Months Ended June 30, 2011		
	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance	Number of Contracts	Pre-modification Recorded Balance	Post-modification Recorded Balance
Investment properties	3	$ 15,146	14,784	1	$ 6,500	6,138
1-4 family properties	9	5,995	4,344	4	1,797	1,253
Land acquisition	6	3,078	2,610	4	220	220
Total commercial real estate	18	24,219	21,738	9	8,517	7,611
Commercial and industrial	16	6,445	5,426	5	1,167	1,117
Home equity lines	2	1,875	1,326	1	1,840	1,287
Consumer mortgages	10	1,479	1,425	4	836	836
Credit cards	—	—	—	—	—	—
Other retail loans	—	—	—	—	—	—
Total retail	12	3,354	2,751	5	2,676	2,123
Total loans	46	$ 34,018	29,915	19	$ 12,360	10,851

Concessions provided in a TDR are primarily in the form of providing a below market interest rate given the borrower's credit risk, a period of time generally less than one year with a reduction of required principal and/or interest payments (e.g., interest only for a period of time), or extension of the maturity of the loan generally for less than one year. Insignificant periods of reduction of principal and/or interest payments, or one time deferrals of 3 months or less, are generally not considered to be financial concessions.

Table of Contents

The following tables present TDRs entered into within the previous twelve months that subsequently defaulted during the periods indicated.

	Troubled Debt Restructurings Entered Within the Previous Twelve Months that have Subsequently Defaulted[1] During			
	Six Months Ended June 30, 2012[2]		Three Months Ended June 30, 2012[3]	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	4	$4,166	2	$1,519
1-4 family properties	7	5,306	6	3,317
Land acquisition	10	26,061	6	10,241
Total commercial real estate	21	35,533	14	15,077
Commercial and industrial	14	11,753	10	5,637
Home equity lines	—	—	—	—
Consumer mortgages	4	1,573	1	1,009
Credit cards	—	—	—	—
Other retail loans	—	—	—	—
Total retail	4	1,573	1	1,009
Total loans	39	$48,859	25	$21,723

[1] Subsequently defaulted is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.
[2] For the six months ended June 30, 2012, this represents defaults on loans that were modified between the periods April 1, 2011 and June 30, 2012.
[3] For the three months ended June 30, 2012, this represents defaults on loans that were modified between the periods July 1, 2011 and June 30, 2012.

	Troubled Debt Restructurings Entered Within the Previous Twelve Months that have Subsequently Defaulted[1] During			
	Six Months Ended June 30, 2011[2]		Three Months Ended June 30, 2011[3]	
(in thousands, except contract data)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Investment properties	8	$15,718	2	$7,968
1-4 family properties	13	17,434	9	13,717
Land acquisition	27	20,672	23	15,181
Total commercial real estate	48	53,824	34	36,866
Commercial and industrial	15	18,293	13	16,556
Home equity lines	3	1,742	3	1,742
Consumer mortgages	2	292	1	261
Credit cards	—	—	—	—
Other retail loans	3	208	3	208
Total retail	8	2,242	7	2,211
Total loans	71	$74,359	54	$55,633

[1] Subsequently defaulted is defined as the earlier of the troubled debt restructuring being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments.
[2] For the six months ended June 30, 2011, this represents defaults on loans that were modified between the periods April 1, 2010 and June 30, 2011.
[3] For the three months ended June 30, 2011, this represents defaults on loans that were modified between the periods July 1, 2010 and June 30, 2011.

If at the time that a loan was designated as a TDR the loan was not already impaired, the measurement of impairment resulting from the TDR designation changes from a general pool-level reserve to a specific loan measurement of impairment in accordance with ASC 310-10-35. Generally, the change in the allowance for loan losses resulting from such TDR designation is not significant. At June 30, 2012, the allowance for loan losses allocated to accruing TDRs totaling $687.4 million was $56.4 million compared to accruing TDRs of $668.5 million with an allocated allowance for loan losses of $60.7 million at December 31, 2011. Nonaccrual non-homogeneous loans (commercial-type impaired loans greater than $1 million) that are designated as TDRs are individually measured for the amount of impairment, if any, both before and after the TDR designation.

Table of Contents

Note 6 - Other Real Estate

ORE consists of properties obtained through a foreclosure proceeding or through an in-substance foreclosure in satisfaction of loans. In accordance with provisions of ASC 310-10-35 regarding subsequent measurement of loans for impairment and ASC 310-40-15 regarding accounting for troubled debt restructurings by a creditor, a loan is classified as an in-substance foreclosure when Synovus has taken possession of the collateral regardless of whether formal foreclosure proceedings have taken place.

ORE is reported at the lower of cost or fair value determined on the basis of current appraisals, comparable sales, and other estimates of fair value obtained principally from independent sources, adjusted for estimated selling costs. Management also considers other factors or recent developments such as changes in absorption rates or market conditions from the time of valuation and anticipated sales values considering management’s plans for disposition, which could result in adjustment to lower the collateral value estimates indicated in the appraisals. At the time of foreclosure or initial possession of collateral, any excess of the loan balance over the fair value of the real estate held as collateral, less costs to sell, is recorded as a charge against the allowance for loan losses. Revenue and expenses from ORE operations as well as gains or losses on sales and any subsequent declines in fair value are recorded as foreclosed real estate expense, net, a component of non-interest expense on the consolidated statements of operations. The carrying value of ORE was $174.9 million and $204.2 million at June 30, 2012 and December 31, 2011, respectively. During the six months ended June 30, 2012 and 2011, $75.1 million and $133.5 million respectively, of loans and other loans held for sale were foreclosed and transferred to other real estate at fair value. During the six months ended June 30, 2012 and 2011, Synovus recognized foreclosed real estate expense, net, of $43.7 million and $64.6 million, respectively. Synovus recognized foreclosed real estate expenses of $20.7 million and $39.9 million during the three months ended June 30, 2012 and 2011, respectively. These expenses included write-downs for declines in fair value of ORE subsequent to the date of foreclosure and net realized gains or losses resulting from sales transactions totaling $33.9 million and $54.5 million, for the six months ended June 30, 2012 and 2011, respectively, and $16.5 million and $35.9 million for the three months ended June 30, 2012 and 2011, respectively.

Note 7 - Fair Value Accounting

Synovus carries various assets and liabilities at fair value based on the fair value accounting guidance under ASC 820 and ASC 825. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an “exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Synovus has implemented controls and processes for the determination of the fair value of financial instruments. A process has been designed to ensure there is an independent review and validation of fair values by a function independent of those entering into the transaction. This includes specific controls to ensure consistent pricing policies and procedures that incorporate verification for both market and derivative transactions. For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilized. Where the market for a financial instrument is not active, fair value is determined using a valuation technique or pricing model. These valuation techniques and models involve a degree of estimation, the extent of which depends on the instruments' complexity and the availability of market-based data.

The most frequently applied pricing model and valuation technique utilized by Synovus is the discounted cash flow model. Discounted cash flows determine the value by estimating the expected future cash flows from assets or liabilities discounted to their present value. Synovus may also use a relative value model to determine the fair value of a financial instrument based on the market prices of similar assets or liabilities or an option pricing model such as binomial pricing that includes probability-based techniques. Assumptions and inputs used in valuation techniques and models include benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, price volatilities and correlations, prepayment rates, probability of default, and loss severity upon default.

Synovus refines and modifies its valuation techniques as markets develop and as pricing for individual financial instruments become more or less readily available. While Synovus believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in different estimates of fair value at the balance sheet date. In order to determine fair value, where appropriate, management applies valuation adjustments to the pricing information. These adjustments reflect managements' assessment of factors that market participants would consider in setting a price, to the extent that these factors have not already been included in the pricing information. Furthermore, on an ongoing basis, management assesses the appropriateness of any model used. To the extent that the price provided by internal models does not represent the fair value of the financial instrument, management makes adjustments to the model valuation to calibrate to other available pricing sources. Where unobservable inputs are used, management may determine a range of possible valuations based upon differing stress scenarios to determine the sensitivity associated with the valuation. As a final step, management considers the need for further adjustments to the modeled price to reflect how market participants would price the financial instrument.

Fair Value Hierarchy

Synovus determines the fair value of its financial instruments based on the fair value hierarchy established under ASC 820-10, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the financial instrument's fair value measurement in its entirety. There are three levels of inputs that may be used to measure fair value. The three levels of inputs of the valuation hierarchy are defined below.

Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities for the instrument or security to be valued. Level 1 assets include marketable equity securities as well as U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
Level 2	Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or model-based valuation techniques for which all significant assumptions are derived principally from or corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined by using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. U.S. Government sponsored agency securities, mortgage-backed securities issued by U.S. Government sponsored enterprises and agencies, obligations of states and municipalities, collateralized mortgage obligations issued by U.S. Government sponsored enterprises, and mortgage loans held-for-sale are generally included in this category. Certain private equity investments that hold mutual fund investments that invest in publicly traded companies are also considered a Level 2 asset.
Level 3	Unobservable inputs that are supported by little if any market activity for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using option pricing models, discounted cash flow models and similar techniques, and may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability. These methods of valuation may result in a significant portion of the fair value being derived from unobservable assumptions that reflect Synovus' own estimates for assumptions that market participants would use in pricing the asset or liability. This category primarily includes collateral-dependent impaired loans, other real estate, certain equity investments, and certain private equity investments.

Fair Value Option

Synovus has elected the fair value option for mortgage loans held for sale primarily to ease the operational burdens required to maintain hedge accounting for these loans. Synovus is still able to achieve effective economic hedges on mortgage loans held for sale without the operational time and expense needed to manage a hedge accounting program.

Valuation Methodology by Product

Following is a description of the valuation methodologies used for the major categories of financial assets and liabilities measured at fair value.

Trading Securities and Investment Securities Available-for-Sale

The fair values of trading securities and investment securities available-for-sale are primarily based on actively traded markets where prices are based on either quoted market prices or observed transactions. Management employs independent third-party pricing services to provide fair value estimates for Synovus' investment securities available for sale and trading securities. Fair values for fixed income investment securities are typically determined based upon quoted market prices, broker/dealer quotations for identical or similar securities, and/or inputs that are observable in the market, either directly or indirectly, for substantially similar securities. Level 1 securities are typically exchange quoted prices and include financial instruments such as U.S. Treasury securities and equity securities. Level 2 securities are typically matrix priced by the third-party pricing service to calculate the fair value. Such fair value measurements consider observable data such as relevant broker/dealer quotes, market spreads, cash flows, yield curves, live trading levels, trade execution data, market consensus prepayments speeds, credit information, and the respective terms and conditions for debt instruments. The types of securities classified as Level 2 within the valuation hierarchy primarily consist of collateralized mortgage obligations, mortgage-backed securities, debt securities of U.S. Government-sponsored enterprises and agencies, corporate debt, and state and municipal securities.

When there is limited activity or less transparency around inputs to valuation, Synovus develops valuations based on assumptions that are not readily observable in the marketplace; these securities are classified as Level 3 within the valuation hierarchy. The majority of the balance of Level 3 investment securities available-for-sale consists of trust preferred securities issued by financial institutions. Synovus also carries non-marketable common equity securities and corporate bonds of small

Table of Contents

financial institutions within this category. Synovus accounts for the non-marketable common equity securities in accordance with ASC 325-20, which requires these investments to be carried at cost. To determine the fair value of the corporate bonds and trust preferred securities, management uses a measurement technique to reflect one that utilizes credit spreads and/or credit indices available from a third-party pricing service. In addition, for each corporate bond and trust preferred security, management projects non-credit adjusted cash flows, and discounts those cash flows to net present value incorporating a relevant credit spread in the discount rate. Other inputs to calculating fair value include potential discounts for lack of marketability.

Management uses various validation procedures to confirm the prices received from pricing services and quotations received from dealers are reasonable. Such validation procedures include reference to relevant broker/dealer quotes or other market quotes and a review of valuations and trade activity of comparable securities. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by the third-party pricing service. Further, management also employs the services of an additional independent pricing firm as a means to verify and confirm the fair values of the primary independent pricing firms.

Mortgage Loans Held for Sale

Synovus elected to apply the fair value option for mortgage loans originated with the intent to sell to investors. When quoted market prices are not available, fair value is derived from a hypothetical-securitization model used to estimate the exit price of the loans in securitization. The bid pricing convention is used for loan pricing for similar assets. The valuation model is based upon forward settlements of a pool of loans of identical coupon, maturity, product, and credit attributes. The inputs to the model are continuously updated with available market and historical data. As the loans are sold in the secondary market and predominantly used as collateral for securitizations, the valuation model represents the highest and best use of the loans in Synovus’ principal market. Mortgage loans held for sale are classified within Level 2 of the valuation hierarchy.

Private Equity Investments

Private equity investments consist primarily of equity method investments in venture capital funds which are primarily classified as Level 3 within the valuation hierarchy. The valuation of these investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such assets. Based on these factors, the ultimate realizable value of these investments could differ significantly from the value reflected in the accompanying consolidated financial statements. For ownership in publicly traded companies held in the funds, valuation is based on the closing market price at the balance sheet date, and the valuation of marketable securities that have market restrictions is discounted until the securities can be freely traded. The private equity investments in which Synovus holds a limited partner interest consist of funds that invest in privately held companies. For privately held companies in the funds, the general partner estimates the fair market value of the company in accordance with GAAP as clarified by ASC 820 and guidance specific to investment companies. The estimated fair market value of the company is the estimated fair value as an exit price the fund would receive if it were to sell the company in the marketplace. The fair value of the fund's underlying investments is estimated through the use of valuation models such as option pricing or a discounted cash flow model. Valuation factors such as a company's operational performance against budget or milestones, last price paid by investors, with consideration given on whether financing is provided by insiders or unrelated new investors, public market comparables, liquidity of the market, industry and economic trends, and change of management or key personnel, are used in the determination of fair value.

Also, Synovus holds an interest in an investment fund that invests in publicly traded financial services companies. Although the fund holds investments in publicly traded entities, the fair value of this investment is classified as Level 2 in the valuation hierarchy because there is no actively traded market for the fund itself, and the value of the investment is based on the aggregate market value of the publicly traded companies that are held in the fund for investment.

Investments Held in Rabbi Trusts

The investments held in Rabbi Trusts primarily include mutual funds that invest in equity and fixed income securities. Shares of mutual funds are valued based on quoted market prices, and are therefore classified within Level 1 of the fair value hierarchy.

Derivative Assets and Liabilities

As part of its overall interest rate risk management activities, Synovus utilizes derivative instruments to manage its exposure to various types of interest rate risk. With the exception of one derivative contract discussed herein, Synovus' derivative financial instruments are all Level 2 financial instruments. The majority of derivatives entered into by Synovus are executed over-the-counter and consist of interest rate swaps. The fair values of these derivative instruments are determined based on an internally developed model that uses readily observable market data, as quoted market prices are not available for these instruments. The valuation models and inputs depend on the type of derivative and the nature of the underlying instrument, and include interest rates, prices and indices to generate continuous yield or pricing curves, volatility factors, and customer credit related adjustments. The principal techniques used to model the value of these instruments are an income approach, discounted cash flows, Black-Scholes or binomial pricing models. The sale of TBA mortgage-backed securities for current month delivery or in the future and the purchase of option contracts of similar duration are derivatives utilized by Synovus’ mortgage banking subsidiary, and are

Table of Contents

valued by obtaining prices directly from dealers in the form of quotes for identical securities or options using a bid pricing convention with a spread between bid and offer quotations. Interest rate swaps, floors, caps and collars, and TBA mortgage-backed securities are classified as Level 2 within the valuation hierarchy.
Synovus' mortgage banking subsidiary enters into interest rate lock commitments to fund residential mortgage loans at specified times in the future. Interest rate lock commitments that relate to the origination of mortgage loans that will be held-for-sale are considered derivative instruments under applicable accounting guidance. As such, Synovus records its interest rate lock commitments and forward loan sales commitments at fair value, determined as the amount that would be required to settle each of these derivative financial instruments at the balance sheet date. In the normal course of business, the mortgage subsidiary enters into contractual interest rate lock commitments to extend credit, if approved, at a fixed interest rate and with fixed expiration dates. The commitments become effective when the borrowers "lock-in" a specified interest rate within the time frames established by the mortgage banking subsidiary Market risk arises if interest rates move adversely between the time of the interest rate lock by the borrower and the sale date of the loan to an investor. To mitigate the effect of the interest rate risk inherent in providing interest rate lock commitments to borrowers, the mortgage banking subsidiary enters into best efforts forward sales contracts with third party investors. The forward sales contracts lock in an interest rate and price for the sale of loans similar to the specific interest rate lock commitments. Both the interest rate lock commitments to the borrowers and the forward sales contracts to the investors that extend through to the date the loan may close are derivatives, and accordingly, are marked to fair value through earnings. In estimating the fair value of an interest rate lock commitment, Synovus assigns a probability to the interest rate lock commitment based on an expectation that it will be exercised and the loan will be funded. The fair value of the interest rate lock commitments is derived from the fair value of related mortgage loans which is based on observable market data and includes the expected net future cash flows related to servicing of the loans. The fair value of the interest rate lock commitment is also derived from inputs that include guarantee fees negotiated with the agencies and private investors, buy-up and buy-down values provided by the agencies and private investors, and interest rate spreads for the difference between retail and wholesale mortgage rates. Management also applies fall-out ratio assumptions for those interest rate lock commitments for which we do not close a mortgage loan. The fall-out ratio assumptions are based on the mortgage subsidiary's historical experience, conversion ratios for similar loan commitments, and market conditions. While fall-out tendencies are not exact predictions of which loans will or will not close, historical performance review of loan-level data provides the basis for determining the appropriate hedge ratios. In addition, on a periodic basis, the mortgage banking subsidiary performs analysis of actual rate lock fall-out experience to determine the sensitivity of the mortgage pipeline to interest rate changes from the date of the commitment through loan origination, and then period end, using applicable published mortgage-backed investment security prices. The expected fall-out ratios (or conversely the "pull-through" percentages) are applied to the determined fair value of the unclosed mortgage pipeline in accordance with GAAP. Changes to the fair value of interest rate lock commitments are recognized based on interest rate changes, changes in the probability that the commitment will be exercised, and the passage of time. The fair value of the forward sales contracts to investors considers the market price movement of the same type of security between the trade date and the balance sheet date. These instruments are defined as Level 2 within the valuation hierarchy.
In November 2009, Synovus sold certain Visa Class B shares to another Visa USA member financial institution. The sales price was based on the Visa stock conversion ratio in effect at the time for conversion of Visa Class B shares to Visa Class A unrestricted shares at a future date. In conjunction with the sale, Synovus entered into a derivative contract with the purchaser (the Visa derivative) which provides for settlements between the parties based upon a change in the ratio for conversion of Visa Class B shares to Visa Class A shares. The fair value of the Visa derivative is measured using an internal model that includes the use of probability weighted scenarios for estimates of Visa’s aggregate exposure to Covered Litigation matters, with consideration of amounts funded by Visa into its escrow account for the Covered Litigation matters. The internal model also includes estimated future fees payable to the derivative counterparty. Since this estimation process requires application of judgment in developing significant unobservable inputs used to determine the possible outcomes and the probability weighting assigned to each scenario, this derivative has been classified as Level 3 within the valuation hierarchy. See Note 11 for additional discussion on the Visa derivative and related litigation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents all financial instruments measured at fair value on a recurring basis, as of June 30, 2012 and December 31, 2011, according to the valuation hierarchy included in ASC 820-10. For equity and debt securities, class was determined based on the nature and risks of the investments. Transfers between Levels 1 and 2 for the six months ended June 30, 2012 and the year ended December 31, 2011 were inconsequential.

Table of Contents

	June 30, 2012			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	$—	786	—	786
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	3,613	—	3,613
State and municipal securities	—	461	—	461
All other residential mortgage-backed securities	—	7,346	—	7,346
Other investments	—	125	—	125
Total trading securities	—	12,331	—	12,331
Mortgage loans held for sale	—	120,007	—	120,007
Investment securities available for sale:				
U.S. Treasury securities	307	—	—	307
U.S. Government agency securities	—	39,680	—	39,680
Securities issued by U.S. Government sponsored enterprises	—	564,526	—	564,526
Mortgage-backed securities issued by U.S. Government agencies	—	280,045	—	280,045
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,056,627	—	2,056,627
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	600,166	—	600,166
State and municipal securities	—	21,097	—	21,097
Equity securities	2,795	—	891	3,686
Other investments[1]	—	—	4,212	4,212
Total investment securities available for sale	3,102	3,562,141	5,103	3,570,346
Private equity investments	—	861	29,847	30,708
Mutual funds held in Rabbi Trusts	10,114	—	—	10,114
Derivative assets:				
Interest rate contracts	—	74,471	—	74,471
Mortgage derivatives	—	3,887	—	3,887
Total derivative assets	—	78,358	—	78,358
Liabilities				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	—	766	—	766
Total trading securities	—	766	—	766
Derivative liabilities:				
Interest rate contracts	—	75,761	—	75,761
Mortgage derivatives	—	2,095	—	2,095
Visa derivative	—	—	3,050	3,050
Total derivative liabilities	$—	77,856	3,050	80,906

Table of Contents

	December 31, 2011			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	$—	33	—	33
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	4,040	—	4,040
State and municipal securities	—	10	—	10
All other residential mortgage-backed securities	—	11,748	—	11,748
Other investments	—	1,035	—	1,035
Total trading securities	—	16,866	—	16,866
Mortgage loans held for sale	—	161,509	—	161,509
Investment securities available for sale:				
U.S. Treasury securities	426	—	—	426
U.S. Government agency securities	—	40,493	—	40,493
Securities issued by U.S. Government sponsored enterprises	—	675,421	—	675,421
Mortgage-backed securities issued by U.S. Government agencies	—	285,753	—	285,753
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,002,006	—	2,002,006
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	651,500	—	651,500
State and municipal securities	—	25,318	—	25,318
Equity securities	2,366	—	1,393	3,759
Other investments[1]	—	—	5,449	5,449
Total investment securities available for sale	2,792	3,680,491	6,842	3,690,125
Private equity investments	—	597	21,418	22,015
Mutual funds held in Rabbi Trusts	10,353	—	—	10,353
Derivative assets:				
Interest rate contracts	—	83,072	—	83,072
Mortgage derivatives	—	—	1,851	1,851
Total derivative assets	—	83,072	1,851	84,923
Liabilities				
Derivative liabilities:				
Interest rate contracts	—	85,534	—	85,534
Mortgage derivatives	—	1,947	—	1,947
Visa derivative	—	—	9,093	9,093
Total derivative liabilities	$—	87,481	9,093	96,574

(1) Based on an analysis of the nature and risks of these investments, Synovus has determined that presenting these investments as a single asset class is appropriate.

Fair Value Option

The following table summarizes the difference between the fair value and the unpaid principal balance for mortgage loans held for sale measured at fair value and the changes in fair value of these loans. The table does not reflect the change in fair value attributable to the related economic hedge Synovus uses to mitigate interest rate risk associated with the financial instruments. Changes in fair value were recorded as a component of mortgage banking income and other non-interest income in the consolidated statements of operations, as appropriate. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

Table of Contents

Net gains (losses) from fair value changes

(in thousands)	Six Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011
Mortgage loans held for sale	$(192)	2,883	2,516	(221)

Mortgage Loans Held for Sale

(in thousands)	June 30, 2012	December 31, 2011
Aggregate fair value	$120,007	161,509
Unpaid principal balance	116,006	157,316
Aggregate fair value less aggregate unpaid principal balance	$4,001	4,193

Changes in Level 3 Fair Value Measurements

As noted above, Synovus uses significant unobservable inputs (Level 3) in determining the fair value of assets and liabilities classified as Level 3 in the fair value hierarchy. The table below includes a roll-forward of the amounts on the consolidated balance sheet for the six months ended June 30, 2012 and 2011 (including the change in fair value), for financial instruments of a material nature that are classified by Synovus within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis. Transfers between fair value levels are recognized at the end of the reporting period in which the associated change in inputs occur. During the first quarter of 2012, Synovus transferred the mortgage derivative asset, which consists of interest rate lock commitments totaling $1.9 million, from Level 3 to Level 2 within the fair value hierarchy, reflecting increased transparency of the inputs used to value these financial instruments, which are based on the mortgage banking subsidiary's historical experience, conversion ratios for similar loan commitments, and market conditions instead of previously used external industry data. Additionally, during the first quarter of 2012, Synovus transferred assets totaling $501 thousand that were classified as a Level 3 equity security to other assets to more accurately reflect the financial characteristics of the financial instruments.

	Six Months Ended June 30,					
	2012			2011		
(in thousands)	Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net[4]	Investment Securities Available for Sale	Private Equity Investments	Other Derivative Contracts, Net[4]
Beginning balance, January 1,	$6,842	21,418	(7,242)	10,622	47,357	5,470
Total gains (losses) realized/unrealized:						
Included in earnings[1]	(450)	7,372	(4,713)	1,000	(169)	(2,319)
Unrealized gains (losses) included in other comprehensive income	(788)	—	—	1,776	—	—
Changes from consolidated to equity method investment	—	—	—	—	(27,291)	