SYNOVUS FINANCIAL CORP
Form 10-Q
August 10, 2009

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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, 2009
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
P.O. Box 120
Columbus, Georgia 31902
(Address of principal executive offices)
(706) 649-2311
(Registrants telephone number, including area code)

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

Yes o No þ

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, 2009
Common Stock, $1.00 Par Value	330,372,763 shares

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

(In thousands, except share data)	**June 30, 2009**	December 31, 2008
ASSETS		
Cash and due from banks	$ 442,702	524,327
Interest bearing funds with Federal Reserve Bank	770,220	1,206,168
Interest earning deposits with banks	7,269	10,805
Federal funds sold and securities purchased under resale agreements	170,824	388,197
Trading account assets	20,687	24,513
Mortgage loans held for sale, at fair value	312,620	133,637
Other loans held for sale	34,938	3,527
Investment securities available for sale, at fair value	3,560,192	3,770,022
Loans, net of unearned income	27,585,741	27,920,177
Allowance for loan losses	(918,723)	(598,301)
Loans, net	26,667,018	27,321,876
Premises and equipment, net	596,172	605,019
Goodwill	39,280	39,521
Other intangible assets, net	18,914	21,266
Other assets	1,708,834	1,737,391
Total assets	$ 34,349,670	35,786,269
LIABILITIES AND EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing deposits	$ 3,861,782	3,563,619
Interest bearing deposits ($ and $75,875 at fair value as of June 30, 2009 and December 31, 2008)	23,562,032	25,053,560
Total deposits	27,423,814	28,617,179
Federal funds purchased and other short-term borrowings	1,580,259	725,869
Long-term debt	1,865,491	2,107,173
Other liabilities	424,943	516,541
Total liabilities	31,294,507	31,966,762
Equity:		
Shareholders equity:		
	923,855	919,635

Cumulative perpetual preferred stock no par value. Authorized 100,000,000 shares; outstanding 967,870 at June 30, 2009 and December 31, 2008		
Common stock $1.00 par value. Authorized 600,000,000 shares; issued 336,059,457 in 2009 and 336,010,941 in 2008; outstanding 330,376,784 in 2009 and 330,334,111 in 2008	336,059	336,011
Additional paid-in capital	1,170,639	1,165,875
Treasury stock, at cost 5,682,673 shares in 2009 and 5,676,830 shares in 2008	(114,146)	(114,117)
Accumulated other comprehensive income	105,520	129,253
Retained earnings	596,434	1,350,501
Total shareholders equity	3,018,361	3,787,158
Noncontrolling interest in subsidiaries	36,802	32,349
Total equity	3,055,163	3,819,507
Total liabilities and equity	$ 34,349,670	35,786,269

See accompanying notes to consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(In thousands, except per share data)	**Six Months Ended June 30, 2009**	Six Months Ended June 30, 2008	**Three Months Ended June 30, 2009**	Three Months Ended June 30, 2008
Interest income:				
Loans, including fees	$ 672,181	863,959	335,952	408,653
Investment securities available for sale	89,853	91,042	44,341	45,886
Trading account assets	611	1,022	277	388
Mortgage loans held for sale	6,704	3,997	3,322	2,301
Federal funds sold and securities purchased under resale agreements	239	1,875	41	855
Interest on Federal Reserve balances	989		509	
Interest earning deposits with banks	308	125	49	57
Total interest income	770,885	962,020	384,491	458,140
Interest expense:				
Deposits	249,009	342,726	116,715	155,546
Federal funds purchased and other short-term borrowings	1,887	29,480	1,046	11,650
Long-term debt	20,141	37,744	10,122	17,523
Total interest expense	271,037	409,950	127,883	184,719
Net interest income	499,848	552,070	256,608	273,421
Provision for losses on loans	921,963	184,665	631,526	93,616
Net interest income (expense) after provision for losses on loans	(422,115)	367,405	(374,918)	179,805
Non-interest income:				
Service charges on deposit accounts	58,401	54,461	29,702	26,070
Fiduciary and asset management fees	21,471	25,519	10,657	12,898
Brokerage and investment banking income	14,393	17,693	7,521	9,206
Mortgage banking income	23,912	13,847	14,590	5,686
Bankcard fees	26,436	26,417	13,755	14,198
Other fee income	16,412	21,266	8,722	10,081
Increase in fair value of private equity investments, net	8,090	4,946	8,090	
Proceeds from sale of MasterCard shares	8,351	16,186	8,351	16,186
Proceeds from redemption of Visa shares		38,542		
Other non-interest income	19,122	28,798	6,450	13,373
Total non-interest income	196,588	247,675	107,838	107,698

Non-interest expense:				
Salaries and other personnel expense	221,294	231,806	109,315	109,676
Net occupancy and equipment expense	62,374	61,337	30,727	31,126
FDIC insurance and other regulatory fees	43,060	12,250	30,061	6,172
Foreclosed real estate expense	218,734	21,558	172,404	13,677
Losses on other loans held for sale	1,095	9,944	1,160	9,944
Goodwill impairment		27,000		27,000
Professional fees	17,312	13,394	10,355	8,454
Visa litigation (recovery) expense		(17,430)		
Restructuring charges	6,755	4,251	397	4,251
Other operating expenses	89,050	103,228	41,897	55,664
Total non-interest expense	659,674	467,338	396,316	265,964
Income (loss) before income taxes	(885,201)	147,742	(663,396)	21,539
Income tax expense (benefit)	(164,220)	52,952	(79,143)	9,302
Net income (loss)	(720,981)	94,790	(584,253)	12,237
Net income attributable to non-controlling interest	2,620	1,697	2,677	138
Net income (loss) attributable to controlling interest	(723,601)	93,093	(586,930)	12,099
Dividends and accretion of discount on preferred stock	28,417		14,225	
Net income (loss) available to common shareholders	$ (752,018)	93,093	(601,155)	12,099
Net income (loss) per share available to common shareholders:				
Basic	$ (2.28)	0.28	(1.82)	0.04
Diluted	(2.28)	0.28	(1.82)	0.04
Weighted average shares outstanding:				
Basic	329,818	329,071	329,850	329,173
Diluted	329,818	331,568	329,850	331,418
Dividends declared per share	$ 0.02	0.34	0.01	0.17

See accompanying notes to consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(unaudited)

(in thousands, except per share data)	**Preferred Stock**	**Common Stock**	**Additional Paid-In Capital**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Non-Controlling Interest**	**Total**
Balance at December 31, 2007	$	335,529	1,101,209	(113,944)	31,439	2,087,357		3,441,590
Cumulative effect of adoption of EITF Issue No. 06-4						(2,248)		(2,248)
Cumulative effect of adoption of SFAS No. 159						58		58
Net Income						93,093	1,697	94,790
Other comprehensive income (loss), net of tax:								
Net unrealized gain on cash flow hedges					475			475
Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment					(1,816)			(1,816)
Amortization of postretirement unfunded health benefit					92			92
Other comprehensive income					(1,249)			(1,249)
Comprehensive income								93,541
Cash dividends declared $0.34 per share						(112,245)		(112,245)
Treasury shares purchased				(131)				(131)
Issuance of non-vested stock, net of forfeitures		(10)	10					
Share-based compensation expense			7,675					7,675
Stock options exercised		307	1,342					1,649
Share-based compensation tax benefit			399					399
Change in ownership at majority-owned subsidiary							22,395	22,395
Balance at June 30, 2008	$	335,826	1,110,635	(114,075)	30,190	2,066,015	24.092	3,452,683
Balance at December 31, 2008	$ 919,635	336,011	1,165,875	(114,117)	129,253	1,350,501	32,349	3,819,507
Net income (loss)						(723,601)	2,620	(720,981)
Other comprehensive income (loss), net of tax:								

Net unrealized loss on cash flow hedges					(11,689)			(11,689)
Change in unrealized gains/losses on investment securities available for sale, net of reclassification adjustment					(12,136)			(12,136)
Amortization of postretirement unfunded health benefit					92			92
Other comprehensive loss					(23,733)			(23,733)
Comprehensive loss								(744,714)
Cash dividends declared on common stock $0.02 per share						(6,620)		(6,620)
Cash dividends paid on preferred stock $20.28 per share						(19,626)		(19,626)
Accretion of discount on preferred stock	4,220					(4,220)		
Treasury shares purchased				(29)				(29)
Issuance of non-vested stock, net of forfeitures		(26)	26					
Vesting of restricted share units		38	(38)					
Share-based compensation expense			5,124					5,124
Stock options exercised		36	217					253
Share-based compensation tax deficiency			(765)					(765)
Change in ownership at majority-owned subsidiary			200				1,833	2,033
Balance at June 30, 2009	$ 923,855	336,059	1,170,639	(114,146)	105,520	596,434	36,802	3,055,163

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
(In thousands)	**2009**	2008
Operating activities:		
Net income (loss)	$ **(720,981)**	94,790
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for losses on loans	**921,963**	184,665
Depreciation, amortization and accretion, net	**30,028**	27,715
Goodwill impairment		27,000
Equity in loss of equity method investments		(1,412)
Deferred tax (benefit) expense	**135,039**	1,125
Decrease in interest receivable	**25,972**	59,348
Decrease in interest payable	**(10,965)**	(33,283)
Decrease (increase) in trading account assets	**3,826**	(2,401)
Originations and purchase of mortgage loans held for sale	**(1,276,341)**	(625,996)
Proceeds from sales of mortgage loans held for sale	**1,101,446**	597,445
Gain on sale of mortgage loans held for sale	**(9,934)**	(5,831)
(Increase) Decrease in prepaid and other assets	**(159,268)**	12,005
(Decrease) in accrued salaries and benefits	**(15,587)**	(20,676)
Decrease (Increase) in other liabilities	**(48,531)**	35,846
Loss on sale of other loans held for sale	**1,095**	9,944
Loss on other real estate	**205,469**	7,558
Increase in fair value of private equity investments, net	**(8,090)**	(4,946)
(Gain) loss on sale of MasterCard shares	**(8,351)**	(16,186)
(Gain) loss on redemption of Visa shares		(38,542)
Decrease in liability for Visa litigation		(17,430)
Share-based compensation	**5,122**	7,732
Excess tax benefit from share-based payment arrangements		(357)
Other, net	**(2,240)**	(2,534)
Net cash provided by operating activities	**169,672**	295,579
Investing activities:		
Net increase (decrease) in interest earning deposits with banks	**3,536**	(6,387)
Net decrease (increase) in federal funds sold and securities purchased under resale agreements	**217,373**	(76,091)
Proceeds from maturities and principal collections of investment securities available for sale	**470,295**	669,286
Net decrease in interest bearing funds with Federal Reserve Bank	**435,948**	
Proceeds from sales of investment securities available for sale		3,309
Purchases of investment securities available for sale	**(277,042)**	(817,795)
Proceeds from sale of loans	**120,284**	

Proceeds from sale of other loans held for sale	**11,964**	10,669
Proceeds from sale of other real estate	**164,493**	62,552
Net increase in loans	**(773,837)**	(1,290,126)
Purchases of premises and equipment	**(21,837)**	(63,012)
Proceeds from disposals of premises and equipment	**2,671**	2,115
Proceeds from sale of MasterCard shares	**8,351**	16,186
Proceeds from redemption of Visa shares		38,542
Net cash provided (used) by investing activities	**362,199**	(1,450,752)
Financing activities:		
Net increase in demand and savings deposits	**73,536**	230,526
Net (decrease) increase in certificates of deposit	**(1,266,901)**	838,010
Net increase (decrease) in federal funds purchased and other short-term borrowings	**854,390**	(31,502)
Principal repayments on long-term debt	**(756,987)**	(38,041)
Proceeds from issuance of long-term debt	**525,000**	270,300
Treasury shares purchased	**(29)**	(131)
Excess tax benefit from share-based payment arrangements		357
Dividends paid to common shareholders	**(23,132)**	(123,744)
Dividends paid to preferred shareholders	**(19,626)**	
Proceeds from issuance of common stock	**253**	1,649
Net cash (used) provided by financing activities	**(613,496)**	1,147,424
Decrease in cash and due from banks	**(81,625)**	(7,749)
Cash and due from banks at beginning of period	**524,327**	682,583
Cash and due from banks at end of period	**$ 442,702**	674,834

See accompanying notes to consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by this report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Synovus Financial Corp. (Synovus) consolidated financial statements and related notes appearing in Synovus 2008 Annual Report on Form 10-K previously filed with the U.S. Securities and Exchange Commission (SEC).

In preparing the consolidated financial statements, 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 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 fair value of investments; the allowance for loan losses; the valuation of other real estate; the valuation of long-lived assets and other intangible assets; the valuation of deferred tax assets; and the disclosures of contingent assets and 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 for properties collateralizing impaired loans. For valuation of impaired loans and other real estate, 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 values 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 collectibility of a substantial portion of Synovus loan portfolio is susceptible to changes in market conditions in these areas. 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 and ability of borrowers to repay their loans. 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 about information available to them at the time of their examination.

Certain prior year amounts have been reclassified to conform to the presentation adopted in 2009.

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Note 2 Supplemental Cash Flow Information

For the six months ended June 30, 2009, Synovus received tax refunds of approximately $62.2 million (net of taxes paid) and for the six months ended June 30, 2008, Synovus paid income taxes (net of refunds received) of approximately $56.4 million. A tax refund of $66.0 million received during the six months ended June 30, 2009 resulted from tax prepayments during the first half of 2008, which were more than offset by the tax benefit from operating losses during the second half of 2008. The tax amount for the six months ended June 30, 2008 was impacted by tax overpayment credits from 2007 that were applied towards the 2008 income tax liability.

For the six months ended June 30, 2009 and 2008, Synovus paid interest of $256.0 million and $372.9 million, respectively.

Non-cash investing activities consisted of loans of approximately $337.5 million and $171.3 million, which were foreclosed and transferred to other real estate during the six months ended June 30, 2009 and 2008, respectively, other loans of approximately $47.3 million and $42.3 million, which were transferred to other loans held for sale during the six months ended June 30, 2009 and 2008, respectively, and other loans held for sale of approximately $1.7 million, which were foreclosed and transferred to other real estate during the six months ended June 30, 2009.

Note 3 Comprehensive Income

Other comprehensive income (loss) consists of the change in net unrealized gains (losses) on cash flow hedges, the change in net unrealized gains (losses) on investment securities available for sale, and the amortization of the post-retirement unfunded health benefit. Comprehensive income (loss) consists of net income (loss) plus other comprehensive income (loss).

Comprehensive income (loss) for the six and three months ended June 30, 2009 and 2008 is presented below:

	Six Months Ended June 30,		**Three Months Ended June 30,**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Net income (loss)	**$ (720,981)**	94,790	**(584,253)**	12,237
Other comprehensive income (loss), net of tax:				
Change in net unrealized gains (losses) on cash flow hedges	**(11,689)**	475	**(7,658)**	(11,825)
Change in net unrealized losses on investment securities available for sale, net of reclassification adjustment	**(12,136)**	(1,816)	**(11,881)**	(50,107)
Amortization of postretirement unfunded health benefit	**92**	92	**46**	46
Other comprehensive loss	**(23,733)**	(1,249)	**(19,493)**	(61,886)
Comprehensive income (loss)	**$ (744,714)**	93,541	**(603,746)**	(49,649)

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Note 4 Investment Securities

The following tables summarize Synovus available for sale investment securities as of June 30, 2009 and December 31, 2008:

	June 30, 2009			
(in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	**$ 1,079**			**1,079**
Other U.S. Government agency securities	**1,463,391**	**51,456**	**(1,490)**	**1,513,357**
Government agency issued mortgage-backed securities	**1,743,716**	**72,956**	**(259)**	**1,816,413**
Government agency issued collateralized mortgage obligations	**100,867**	**2,739**		**103,606**
State and municipal securities	**104,502**	**2,262**	**(366)**	**106,398**
Equity securities	**9,205**	**2,041**		**11,246**
Other investments	**7,939**	**154**		**8,093**
Total	**$ 3,430,699**	**131,608**	**(2,115)**	**3,560,192**

	December 31, 2008			
(in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	$ 4,576	2		4,578
Other U.S. Government agency securities	1,474,409	78,227		1,552,636
Government agency issued mortgage-backed securities	1,888,128	68,411	(568)	1,955,971
Government agency issued collateralized mortgage obligations	114,727	1,877	(162)	116,442
State and municipal securities	120,552	3,046	(317)	123,281
Equity securities	9,455		(1,288)	8,167
Other investments	9,021		(74)	8,947
Total	$ 3,620,868	151,563	(2,409)	3,770,022

At June 30, 2009 and December 31, 2008, investment securities with a carrying value of $2.5 billion and $3.1 billion, respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, and Federal Home Loan Bank (FHLB) advances, as required by law and contractual agreements.

At June 30, 2009, Synovus has reviewed investment securities that are in an unrealized loss position in accordance with its accounting policy for other-than-temporary impairment and, other than noted below, does not consider them other-than-temporarily impaired. Subsequent to June 30, 2009, as part of an investment portfolio reallocation strategy, management has been reviewing specific securities within the available for sale portfolio for potential sale. Based upon the securities under sale consideration, any amount of loss recognized would be inconsequential. With the exception of this small group of securities under review, Synovus does not intend to sell its debt securities and it is more likely than not that Synovus will not be required to sell the securities prior to recovery. Additionally, the decline in value is not attributable to credit losses.

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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, 2009 and December 31, 2008, were as follows:

	June 30, 2009					
	Less than 12 Months		12 Months or Longer		Total Fair Value	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities	**$**					
Other U.S. Government agency securities	**88,145**	**(1,490)**			**88,145**	**(1,490)**
Government agency issued mortgage-backed securities	**63,271**	**(259)**	**42**		**63,313**	**(259)**
Government agency issued collateralized mortgage obligations			**61**		**61**	
State and municipal securities	**10,726**	**(334)**	**2,123**	**(32)**	**12,849**	**(366)**
Equity securities						
Other investments						
Total	**$ 162,142**	**(2,083)**	**2,226**	**(32)**	**164,368**	**(2,115)**

	December 31, 2008					
	Less than 12 Months		12 Months or Longer		Total Fair Value	
(in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities	$					
Other U.S. Government agency securities						
Government agency issued mortgage-backed securities	120,428	(437)	18,480	(131)	138,908	(568)
Government agency issued collateralized mortgage obligations	19,410	(98)	9,104	(64)	28,514	(162)
State and municipal securities	4,724	(142)	2,246	(175)	6,970	(317)
Equity securities	4,012	(1,288)			4,012	(1,288)
Other investments			926	(74)	926	(74)
Total	$ 148,574	(1,965)	30,756	(444)	179,330	(2,409)

Synovus holds two debt securities, classified as other investments within its portfolio of available for sale investment securities, for which the fair value is other-than-temporarily impaired. These securities were fully impaired and had no carrying value at June 30, 2009. At December 31, 2008, the carrying value of these securities was approximately $819 thousand. During the six and three months ended June 30, 2009, Synovus recorded impairment charges of $819 thousand and $380 thousand, respectively, for other-than-temporary impairment. These charges are fully credit related, and have been recognized as a component of non-interest income.

During the three months ended June 30, 2009, Synovus adopted the Financial Accounting Standard Board (FASB) Staff Position (FSP) No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments. FSP No. FAS 115-2 and FAS 124-2 are intended to bring greater consistency to the timing of impairment recognition, and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. The impact to Synovus was insignificant.

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The amortized cost and estimated fair value by contractual maturity of investment securities available for sale at June 30, 2009 are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without a call or prepayment penalties.

	June 30, 2009	
(in thousands)	**Amortized Cost**	**Estimated Fair Value**
U.S. Treasury securities:		
Within 1 year	$ 199	199
1 to 5 years	880	880
5 to 10 years		
More than 10 years		
Total U.S. Treasury securities	$ 1,079	1,079
U.S. Government agency securities:		
Within 1 year	$ 285,386	290,964
1 to 5 years	485,461	505,474
5 to 10 years	505,813	523,032
More than 10 years	186,731	193,887
Total U.S. Government agency securities	$ 1,463,391	1,513,357
State and municipal securities:		
Within 1 year	$ 11,817	11,924
1 to 5 years	46,591	47,747
5 to 10 years	35,541	36,298
More than 10 years	10,553	10,429
Total state and municipal securities	$ 104,502	106,398
Other investments:		
Within 1 year	$	
1 to 5 years	997	997
5 to 10 years	1,800	1,800
More than 10 years	5,142	5,296
Total other investments	$ 7,939	8,093
Equity securities	$ 9,205	11,246
Government agency issued mortgage-backed securities	1,743,716	1,816,413
Government agency issued collateralized mortgage obligations	100,867	103,606
Total investment securities	$ 3,430,699	3,560,192

Within 1 year	$ 297,402	303,087
1 to 5 years	533,929	555,098
5 to 10 years	543,154	561,130
More than 10 years	202,426	209,612
Equity securities	9,205	11,246
Government agency issued mortgage-backed securities	1,743,716	1,816,413
Government agency issued collateralized mortgage obligations	100,867	103,606
Total	$ 3,430,699	3,560,192

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Note 5 Restructuring Charges

Restructuring charges represent severance and other project related costs incurred in conjunction with the implementation of Project Optimus (an initiative focused on operating efficiency gains and enhanced revenue growth) as well as severance costs associated with additional job function and position eliminations identified during the first quarter of 2009 as part of a continued effort to manage a leaner organization. Synovus expects to incur approximately $25.0 million in restructuring costs related to these efficiency efforts, of which $16.1 million was recorded through December 31, 2008. Synovus recorded $6.8 million and $397 thousand in restructuring (severance) charges during the six and three months ended June 30, 2009. Synovus has recorded cumulative restructuring charges through June 30, 2009 of $22.9 million. At June 30, 2009, Synovus had an accrued liability of $3.5 million related to restructuring charges.

Note 6 Standby Letters of Credit

Synovus provides credit enhancements in the form of standby letters of credit to assist certain commercial customers in obtaining long-term funding through taxable and tax-exempt bond issues. Under these agreements and under certain conditions, if the bondholder requires the issuer to repurchase the bonds, Synovus is obligated to provide funding under the letter of credit to the issuer to finance the repurchase of the bonds by the issuer. Bondholders (investors) may require the issuer to repurchase the bonds on a weekly basis for reasons including general liquidity needs of the investors, general industry/market considerations, as well as changes in Synovus credit ratings. Synovus maximum exposure to credit loss in the event of nonperformance by the counterparty is represented by the contract amount of those instruments. Synovus applies the same credit policies in entering into commitments and conditional obligations as it does for loans. The maturities and yields of the funded letters of credit are comparable to those for new commercial loans. Synovus has issued approximately $1.37 billion in letters of credit related to these bond issuances. At June 30, 2009, substantially all of these standby letters of credit have been funded and are now reported as a component of total loans.

Note 7 Other Loans Held for Sale

Loans or pools of loans are transferred to the other loans held for sale portfolio when the intent to hold the loans has changed due to portfolio management or risk mitigation strategies, there is a plan to sell the loans within a reasonable period of time, and the individual loans are specifically identified. The value of the loans or pools of loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated external market prices of similar assets. At the time of transfer, if the estimated net realizable value is less than the carrying amount, the difference is recorded as a charge-off against the allowance for loan losses. Decreases in estimated net realizable value subsequent to the transfer as well as losses (gains) from sale of these loans are recognized as a component of non-interest expense. During the six and three months ended June 30, 2009, Synovus transferred loans with a cost basis totaling $97.5 million and $56.7 million to the other loans held for sale portfolio, respectively. Synovus recognized charge-offs on these loans totaling $50.2 million and $30.7 million for the six and three months ended June 30, 2009, respectively. These charge-offs, which resulted in a new cost basis of $47.3 million and $26.0 million for the loans transferred during for the six and nine months ended June 30, 2009, respectively, were based on the estimated sales price of the loans at the time of transfer. Subsequent to their transfer to the other loans held for sale portfolio, Synovus foreclosed on certain other loans held for sale and transferred foreclosed assets of $1.7 million to other real estate during the six months ended June 30, 2009.

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Note 8 Loans, Net of Unearned Income

Loans, net of unearned income, at June 30, 2009 and December 31, 2008 are presented below:

(in thousands)	**June 30, 2009**	**December 31, 2008**
Investment properties	**$ 5,897,025**	5,522,751
1-4 family properties	**4,393,608**	5,177,246
Land acquisition	**1,619,395**	1,620,370
Total commercial real estate loans	**11,910,028**	12,320,367
Commercial and industrial loans	**11,374,893**	11,247,267
Retail loans	**4,329,129**	4,389,926
Total loans	**27,614,050**	27,957,560
Unearned income	**(28,309)**	(37,383)
Loans, net of unearned income	**$ 27,585,741**	27,920,177

Note 9 Allowance for Loan Losses

Activity in the allowance for loan losses for the six and three months ended June 30, 2009 and 2008 is presented below:

	Six Months Ended June 30,		**Three Months Ended June 30,**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Balance, beginning of period	**$ 598,301**	367,613	**642,422**	394,848
Provision for losses on loans	**921,963**	184,665	**631,526**	93,616
Loans charged off, net of recoveries	**(601,541)**	(134,465)	**(355,225)**	(70,651)
Balance, end of period	**$ 918,723**	417,813	**918,723**	417,813

Note 10 Other Real Estate

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 SFAS No. 114, Accounting by Creditors for Impairment of a Loan, and SFAS No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, a loan is classified as an in-substance foreclosure when Synovus has taken possession of 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 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 is recorded as a charge against the allowance for loan losses. Revenue and expenses from ORE operations as well as gains or losses on sale and any subsequent adjustments to the value are recorded as foreclosed real estate expense, a component of non-interest expense.

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The carrying value of ORE was $211.0 million and $246.1 million at June 30, 2009 and December 31, 2008, respectively. During the six months ended June 30, 2009, approximately $337.5 million of loans and $1.7 million of other loans held for sale were foreclosed and transferred to other real estate. During the six months ended June 30, 2009 and 2008, Syno