

SYNOVUS FINANCIAL CORP  
Form 10-Q  
May 06, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2015  
Commission file number 1-10312

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

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Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Bay Avenue	31901
Suite 500, Columbus, Georgia	(Zip Code)
(Address of principal executive offices)	
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	
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	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 (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

YES  NO

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

Class

April 30, 2015

Common Stock, \$1.00 Par Value

133,203,469

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SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

ALCO – Synovus' Asset Liability Management Committee

Annual Meeting - Synovus' 2014 Annual Shareholders' Meeting

ASC – Accounting Standards Codification

ASR – accelerated share repurchase

ASU – Accounting Standards Update

Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision

BOV – broker's opinion of value

bp – basis point (bps - basis points)

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.

CCC – central clearing counterparty

CET1 – Common Equity Tier 1 Capital defined by Basel III capital rules

CMO – Collateralized Mortgage Obligation

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

CRE – Commercial Real Estate

Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act

DRR – dual risk rating

Exchange Act – Securities Exchange Act of 1934, as amended

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.

Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System establishes monetary policy (interest rates, credit, etc.) and monitors the economic health of the country. Its members are appointed by the President, subject to Senate confirmation, and serve 14-year terms.

Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.

FFIEC – Federal Financial Institutions Examination Council

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

GA DBF – Georgia Department of Banking and Finance

GAAP – Generally Accepted Accounting Principles in the United States of America

GSE – government sponsored enterprise

HELOC – home equity line of credit

IASB – International Accounting Standards Board

IRC – Internal Revenue Code of 1986, as amended

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LIBOR – London Interbank Offered Rate

LTV – loan-to-collateral value ratio

NAICS – North American Industry Classification System

NPA – non-performing assets

NPL – non-performing loans

NSF – non-sufficient funds

NYSE – New York Stock Exchange

OCI – other comprehensive income

ORE – other real estate

OTTI – other-than-temporary impairment

Parent Company – Synovus Financial Corp.

SCM – state, county, and municipal

SEC – U.S. Securities and Exchange Commission

Securities Act – Securities Act of 1933, as amended

Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, \$25 liquidation preference

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' 2014 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2014

Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank

Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank

TDR – troubled debt restructuring (as defined in ASC 310-40)

Treasury – United States Department of the Treasury

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

Warrant – A warrant issued to the Treasury by Synovus to purchase up to 2,215,820 shares of Synovus common stock at a per share exercise price of \$65.52 expiring on December 19, 2018

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

(in thousands, except share and per share data)	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$429,338	485,489
Interest bearing funds with Federal Reserve Bank	1,263,886	721,362
Interest earning deposits with banks	6,871	11,810
Federal funds sold and securities purchased under resale agreements	80,772	73,111
Trading account assets, at fair value	20,002	13,863
Mortgage loans held for sale, at fair value	89,245	63,328
Investment securities available for sale, at fair value	3,130,041	3,041,406
Loans, net of deferred fees and costs	21,106,213	21,097,699
Allowance for loan losses	(253,371	) (261,317
Loans, net	\$20,852,842	20,836,382
Premises and equipment, net	451,843	455,235
Goodwill	24,431	24,431
Other real estate	74,791	85,472
Deferred tax asset, net	589,190	622,464
Other assets	620,532	616,878
Total assets	\$27,633,784	27,051,231
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Non-interest bearing deposits	\$6,251,393	6,228,472
Interest bearing deposits, excluding brokered deposits	14,251,510	13,660,830
Brokered deposits	1,604,946	1,642,398
Total deposits	22,107,849	21,531,700
Federal funds purchased and securities sold under repurchase agreements	125,323	126,916
Long-term debt	2,189,769	2,140,319
Other liabilities	180,208	211,026
Total liabilities	\$24,603,149	24,009,961
<b>Shareholders' Equity</b>		
Series C Preferred Stock – no par value. 5,200,000 shares outstanding at March 31, 2015 and December 31, 2014	125,980	125,980
Common stock - \$1.00 par value. Authorized 342,857,143 shares; 140,328,807 issued at March 31, 2015 and 139,950,422 issued at December 31, 2014; 133,929,630 outstanding at March 31, 2015 and 136,122,843 outstanding at December 31, 2014	140,329	139,950
Additional paid-in capital	2,976,882	2,960,825
Treasury stock, at cost – 6,399,177 shares at March 31, 2015 and 3,827,579 shares at December 31, 2014	(261,402	) (187,774
Accumulated other comprehensive loss, net	(3,651	) (12,605
Retained earnings	52,497	14,894
Total shareholders' equity	3,030,635	3,041,270

Total liabilities and shareholders' equity	\$27,633,784	27,051,231
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See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

	Three Months Ended March	
	31,	
(in thousands, except per share data)	2015	2014
Interest income:		
Loans, including fees	\$215,269	211,343
Investment securities available for sale	13,943	15,257
Trading account assets	107	161
Mortgage loans held for sale	632	402
Federal Reserve Bank balances	645	527
Other earning assets	805	692
Total interest income	231,401	228,382
Interest expense:		
Deposits	14,819	14,221
Federal funds purchased and securities sold under repurchase agreements	43	77
Long-term debt	13,276	13,570
Total interest expense	28,138	27,868
Net interest income	203,263	200,514
Provision for loan losses	4,397	9,511
Net interest income after provision for loan losses	198,866	191,003
Non-interest income:		
Service charges on deposit accounts	19,133	19,214
Fiduciary and asset management fees	11,571	11,033
Brokerage revenue	7,251	6,213
Mortgage banking income	6,484	3,511
Bankcard fees	8,077	7,518
Investment securities gains, net	725	1,331
Other fee income	5,246	4,863
Gain on sale of Memphis branches, net	—	5,789
Other non-interest income	7,367	10,710
Total non-interest income	65,854	70,182
Non-interest expense:		
Salaries and other personnel expense	96,488	93,445
Net occupancy and equipment expense	26,172	26,056
Third-party processing expense	10,343	10,097
FDIC insurance and other regulatory fees	6,957	9,645
Professional fees	5,594	7,677
Advertising expense	3,443	2,477
Foreclosed real estate expense, net	9,496	5,681
Visa indemnification charges	375	396
Restructuring charges, net	(107	) 8,577
Other operating expenses	20,147	20,110
Total non-interest expense	178,908	184,161
Income before income taxes	85,812	77,024
Income tax expense	31,849	28,608
Net income	53,963	48,416
Dividends on preferred stock	2,559	2,559



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Net income available to common shareholders	\$51,404	45,857
Net income per common share, basic	0.38	0.33
Net income per common share, diluted	0.38	0.33
Weighted average common shares outstanding, basic	134,933	138,932
Weighted average common shares outstanding, diluted	135,744	139,504

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(unaudited)

(in thousands)	Three Months Ended March 31,					
	2015			2014		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$85,812	(31,849 )	53,963	77,024	(28,608 )	48,416
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	112	(43 )	69	112	(43 )	69
Net unrealized gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(725 )	281	(444 )	(1,331 )	513	(818 )
Net unrealized gains arising during the period	15,211	(5,856 )	9,355	18,843	(7,255 )	11,588
Net unrealized gains	14,486	(5,575 )	8,911	17,512	(6,742 )	10,770
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(42 )	16	(26 )	(72 )	28	(44 )
Other comprehensive income	\$ 14,556	(5,602 )	8,954	17,552	(6,757 )	10,795
Comprehensive income			\$62,917			59,211

See accompanying notes to unaudited interim consolidated financial statements.

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## SYNOVUS FINANCIAL CORP.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(in thousands, except per share data)	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
Balance at December 31, 2013	\$ 125,862	139,721	2,976,348	(114,176)	(41,258 )	(137,512 )	2,948,985
Net income	—	—	—	—	—	48,416	48,416
Other comprehensive income, net of income taxes	—	—	—	—	10,795	—	10,795
Cash dividends declared on common stock - \$0.07 per share	—	—	—	—	—	(9,728 )	(9,728 )
Cash dividends paid on Series C Preferred Stock	—	—	(2,559 )	—	—	—	(2,559 )
Series C Preferred Stock-adjustment to issuance costs	118	—	—	—	—	—	118
Restricted share unit activity	—	33	(501 )	—	—	—	(468 )
Stock options exercised	—	32	507	—	—	—	539
Share-based compensation net tax benefit	—	—	170	—	—	—	170
Share-based compensation expense	—	—	2,228	—	—	—	2,228
Balance at March 31, 2014	\$ 125,980	139,786	2,976,193	(114,176)	(30,463 )	(98,824 )	2,998,496
Balance at December 31, 2014	\$ 125,980	139,950	2,960,825	(187,774)	(12,605 )	14,894	3,041,270
Net income	—	—	—	—	—	53,963	53,963
Other comprehensive income, net of income taxes	—	—	—	—	8,954	—	8,954
Cash dividends declared on common stock - \$0.10 per share	—	—	—	—	—	(13,434 )	(13,434 )
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(2,559 )	(2,559 )
Repurchases and completion of ASR agreement to repurchase shares of common stock	—	—	14,515	(73,628 )	—	—	(59,113 )
Restricted share unit activity	—	274	(4,325 )	—	—	(367 )	(4,418 )
Stock options exercised	—	105	1,587	—	—	—	1,692
Share-based compensation net tax benefit	—	—	1,046	—	—	—	1,046
Share-based compensation expense	—	—	3,234	—	—	—	3,234
Balance at March 31, 2015	\$ 125,980	140,329	2,976,882	(261,402)	(3,651 )	52,497	3,030,635

See accompanying notes to unaudited interim consolidated financial statements.



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CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

(in thousands)	Three Months Ended March 31,	
	2015	2014
<b>Operating Activities</b>		
Net income	\$53,963	48,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,397	9,511
Depreciation, amortization, and accretion, net	13,799	12,312
Deferred income tax expense	28,718	25,757
Increase in trading account assets	(6,139	) (11,695
Originations of mortgage loans held for sale	(207,530	) (129,160
Proceeds from sales of mortgage loans held for sale	184,712	126,688
Gain on sales of mortgage loans held for sale, net	(3,100	) (1,898
Increase in other assets	(6,947	) (8,019
(Decrease) increase in other liabilities	(30,818	) 19,554
Investment securities gains, net	(725	) (1,331
Losses and write-downs on other real estate, net	7,275	4,752
Share-based compensation expense	3,234	2,228
Gain on sale of Memphis branches, net	—	(5,789
Gain on sale of branch property	—	(3,116
Other, net	(2,052	) (940
Net cash provided by operating activities	\$38,787	87,270
<b>Investing Activities</b>		
Net cash used in dispositions	—	(90,571
Net decrease in interest earning deposits with banks	4,939	15,186
Net (increase) decrease in federal funds sold and securities purchased under resale agreements	(7,661	) 4,878
Net increase in interest bearing funds with Federal Reserve Bank	(542,524	) (240,215
Proceeds from maturities and principal collections of investment securities available for sale	155,005	117,867
Proceeds from sales of investment securities available for sale	32,419	20,815
Purchases of investment securities available for sale	(265,707	) (57,709
Proceeds from sales of loans and principal repayments on other loans held for sale	12,507	29,804
Proceeds from sales of other real estate	8,785	10,000
Net increase in loans	(36,336	) (243,267
Net increase in premises and equipment	(5,221	) (7,955
Proceeds from sales of other assets held for sale	351	241
Net cash used in investing activities	\$(643,443	) (440,926
<b>Financing Activities</b>		
Net increase in demand and savings deposits	411,991	251,914
Net increase in certificates of deposit	164,184	13,561
Net (decrease) increase in federal funds purchased and securities sold under repurchase agreements	(1,593	) 16,814
Principal repayments on long-term debt	(375,039	) (325,615
Proceeds from issuance of long-term debt	425,000	400,000
Dividends paid to common shareholders	(13,434	) (9,728

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Dividends paid to preferred shareholders	(2,559	) (2,559	)
Stock options exercised	1,692	539	
Repurchases of common stock	(59,113	) —	
Excess tax benefit from share-based compensation	1,794	186	
Restricted stock activity	(4,418	) (468	)
Net cash provided by financing activities	\$548,505	344,644	
Decrease in cash and cash equivalents	(56,151	) (9,012	)
Cash and cash equivalents at beginning of period	485,489	469,630	

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Cash and cash equivalents at end of period	\$429,338	460,618	
Supplemental Cash Flow Information			
Cash paid during the period for:			
Income tax payments (refunds), net	338	(12	)
Interest paid	27,875	29,503	
Non-cash Activities			
Loans foreclosed and transferred to other real estate	5,378	12,881	
Loans transferred to other loans held for sale at fair value	10,100	24,505	
Securities purchased during the period but settled after period-end	—	10,227	
Dispositions:			
Fair value of non-cash assets sold	—	(100,982	)
Fair value of liabilities sold	—	(191,553	)

See accompanying notes to unaudited interim consolidated financial statements.

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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 locally-branded divisions of its wholly-owned subsidiary bank, Synovus Bank, in offices located throughout Georgia, Alabama, South Carolina, Florida, and Tennessee.

In addition to our banking operations, we also provide various other financial services to our customers through direct and indirect wholly-owned non-bank subsidiaries, including: Synovus Securities, Inc., headquartered in Columbus, Georgia, which specializes in professional portfolio management for fixed-income securities, investment banking, the execution of securities transactions as a broker/dealer and the provision of individual investment advice on equity and other securities; Synovus Trust Company, N.A., headquartered in Columbus, Georgia, which provides trust, asset management and financial planning services; and Synovus Mortgage Corp., headquartered in Birmingham, Alabama, which offers mortgage services.

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, comprehensive income, 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' 2014 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2014 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 fair value of investment securities; the fair value of private equity investments; contingent liabilities related to legal matters; and the deferred tax assets valuation allowance.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At March 31, 2015 and December 31, 2014, \$125 thousand of the due from banks balance was restricted as to withdrawal.

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. At March 31, 2015 and December 31, 2014, interest bearing funds with the Federal Reserve Bank included \$81.5 million and \$89.7 million, respectively, on deposit to meet Federal Reserve Bank requirements. Interest earning deposits with banks include \$7.0 million and \$7.1 million at March 31, 2015 and December 31, 2014, respectively, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$67.5 million at March 31, 2015 and December 31, 2014, which are pledged to collateralize certain derivative instruments. Federal funds sold and securities purchased under resale agreements, and Federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

Recently Adopted Accounting Standards Updates



During 2014, the FASB issued the following ASUs, all of which became effective January 1, 2015:

ASU 2014-01, Investments-Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued amended guidance which permits Synovus to make an accounting policy election to account for its investments in qualified affordable housing projects using a proportional amortization method, if certain conditions are met, and to present the amortization as a component of income tax expense. The amended guidance would

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be applied retrospectively to all periods presented and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Regardless of the policy election, the amended guidance, where disclosed, enables the users of the financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of the investments in qualified affordable housing projects and the related tax credits on Synovus' financial position and results of operations.

Synovus adopted the amended guidance on January 1, 2015, and did not make an accounting policy election to apply the proportional amortization method for its investments in qualified affordable housing projects because the impact to the consolidated financial statements was insignificant. Therefore, the adoption did not have an impact on Synovus' consolidated financial statements. At March 31, 2015, the aggregate carrying value of Synovus' investments in LIHTC partnerships was \$8.7 million. See Note 18 "Variable Interest Entities" to the consolidated financial statements of Synovus' 2014 Form 10-K for additional information regarding these investments.

Additionally, adoption of the following standards effective January 1, 2015 did not have a significant impact on Synovus' consolidated financial statements.

ASU 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure

ASU 2014-12, Accounting for Share-Based Payments when the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period

ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40), Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

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 deemed appropriate within the unaudited interim consolidated financial statements.

Note 2 - Share Repurchase Program

On October 21, 2014, Synovus announced a \$250 million share repurchase program, which will expire on October 23, 2015. As of March 31, 2015, Synovus had repurchased a total of \$147.2 million or 5.6 million shares of common stock under the share repurchase program through a combination of share repurchases under the accelerated share repurchase (ASR) agreement described below and open market transactions.

During October 2014, Synovus entered into an ASR agreement to purchase \$75.0 million of Synovus common stock under the share repurchase program. As of December 31, 2014, Synovus had repurchased 2,510,460 shares under the ASR agreement. During January 2015, Synovus repurchased 391,612 shares upon completion of the ASR agreement. Additionally, since October 2014 through March 31, 2015, Synovus has repurchased \$72.2 million or 2,683,755 shares of common stock through open market transactions including \$59.1 million or 2,179,986 shares of common stock repurchased during the first quarter of 2015.

Note 3 - Reverse Stock Split and Increase in Number of Authorized Common Shares

On April 24, 2014, at Synovus' 2014 Annual Shareholders' Meeting ("Annual Meeting"), Synovus' shareholders approved a proposal authorizing Synovus' Board of Directors to effect a one-for-seven reverse stock split of Synovus' common stock. Following the Annual Meeting, Synovus' Board of Directors authorized the one-for-seven reverse stock split. The reverse stock split became effective on May 16, 2014, and Synovus' shares of common stock began trading on a post-split basis on the New York Stock Exchange (NYSE) at the opening of trading on May 19, 2014. All prior periods presented in this Report have been adjusted to reflect the one-for-seven reverse stock split. Financial

information updated by this capital change includes earnings per common share, dividends per common share, stock price per common share, weighted average common shares, outstanding common shares, treasury shares, common stock, additional paid-in capital, and share-based compensation.

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Additionally, on April 24, 2014, Synovus' shareholders also approved an amendment to Synovus' articles of incorporation to increase the number of authorized shares of Synovus' common stock from 1.2 billion shares to 2.4 billion shares. Synovus effected the increase in the number of authorized shares on April 24, 2014. Upon the reverse stock split effective date, the number of Synovus' authorized shares of common stock was proportionately reduced from 2.4 billion shares to 342.9 million shares.

#### Note 4 - Sale of Branches

On January 17, 2014, Synovus completed the sale of certain loans, premises, deposits, and other assets and liabilities of the Memphis, Tennessee branches of Trust One Bank, a division of Synovus Bank. The sale included \$89.6 million in total loans and \$191.3 million in total deposits. Results for the three months ended March 31, 2014 reflect a pre-tax gain, net of associated costs, of \$5.8 million relating to this transaction.

#### Note 5 - Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at March 31, 2015 and December 31, 2014 are summarized below.

(in thousands)	March 31, 2015			
	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$43,139	479	—	43,618
U.S. Government agency securities	24,515	980	—	25,495
Securities issued by U.S. Government sponsored enterprises	81,115	664	—	81,779
Mortgage-backed securities issued by U.S. Government agencies	169,098	3,112	(345)	) 171,865
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,186,379	27,536	(6,246)	) 2,207,669
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	563,513	6,086	(1,028)	) 568,571
State and municipal securities	4,941	168	(1)	) 5,108
Equity securities	3,228	3,945	—	7,173
Other investments	19,132	37	(406)	) 18,763
Total investment securities available for sale	\$3,095,060	43,007	(8,026)	) 3,130,041
	December 31, 2014			
(in thousands)	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$42,636	190	—	42,826
U.S. Government agency securities	26,426	898	—	27,324
Securities issued by U.S. Government sponsored enterprises	81,332	710	—	82,042
Mortgage-backed securities issued by U.S. Government agencies	177,678	2,578	(440)	) 179,816
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,250,897	19,915	(9,131)	) 2,261,681
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	414,562	4,856	(2,342)	) 417,076
State and municipal securities	5,024	183	(1)	) 5,206
Equity securities	3,228	3,520	—	6,748
Other investments	19,121	7	(441)	) 18,687
Total investment securities available for sale	\$3,020,904	32,857	(12,355)	) 3,041,406

(1) Amortized cost is adjusted for other-than-temporary impairment charges in 2014, which have been recognized in the consolidated statements of income and were considered inconsequential.

At March 31, 2015 and December 31, 2014, investment securities with a carrying value of \$2.05 billion and \$2.12 billion respectively, were pledged to secure certain deposits and securities sold under repurchase agreements as required by law and contractual agreements.

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Synovus has reviewed investment securities that are in an unrealized loss position as of March 31, 2015 and December 31, 2014 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 investment securities in an unrealized loss position 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 prior to the respective securities recovery of all such unrealized losses.

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 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 OTTI. These factors include the length of time the security has been in a loss position, the extent that the fair value is below amortized cost, and the credit standing of the issuer. As of March 31, 2015, Synovus had one investment security in a loss position for less than twelve months and thirty-five investment securities in a loss position for twelve months or longer.

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 March 31, 2015 and December 31, 2014, are presented below.

(in thousands)	March 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
Mortgage-backed securities issued by U.S. Government agencies	4,473	11	20,678	334	25,151	345
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	—	732,387	6,246	732,387	6,246
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	82,318	1,028	82,318	1,028
State and municipal securities	—	—	46	1	46	1
Other investments	—	—	3,726	406	3,726	406
Total	\$4,473	11	839,155	8,015	843,628	8,026
	December 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	

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(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities issued by U.S. Government agencies	—	—	21,488	440	21,488	440
Mortgage-backed securities issued by U.S. Government sponsored enterprises	251,134	763	798,282	8,368	1,049,416	9,131
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	20,338	61	119,172	2,281	139,510	2,342
State and municipal securities	—	—	45	1	45	1
Other investments	—	—	3,680	441	3,680	441
Total	\$271,472	824	942,667	11,531	1,214,139	12,355

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The amortized cost and fair value by contractual maturity of investment securities available for sale at March 31, 2015 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.

(in thousands)	Distribution of Maturities at March 31, 2015					Total
	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	
<b>Amortized Cost</b>						
U.S. Treasury securities	\$18,286	24,853	—	—	—	43,139
U.S. Government agency securities	78	12,001	12,436	—	—	24,515
Securities issued by U.S. Government sponsored enterprises	—	81,115	—	—	—	81,115
Mortgage-backed securities issued by U.S. Government agencies	—	—	—	169,098	—	169,098
Mortgage-backed securities issued by U.S. Government sponsored enterprises	134	1,201	1,792,674	392,370	—	2,186,379
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	563,513	—	563,513
State and municipal securities	165	2,067	—	2,709	—	4,941
Equity securities	—	—	—	—	3,228	3,228
Other investments	—	—	15,000	2,000	2,132	19,132
<b>Total amortized cost</b>	<b>\$18,663</b>	<b>121,237</b>	<b>1,820,110</b>	<b>1,129,690</b>	<b>5,360</b>	<b>3,095,060</b>
<b>Fair Value</b>						
U.S. Treasury securities	\$18,286	25,332	—	—	—	43,618
U.S. Government agency securities	80	12,412	13,003	—	—	25,495
Securities issued by U.S. Government sponsored enterprises	—	81,779	—	—	—	81,779
Mortgage-backed securities issued by U.S. Government agencies	—	—	—	171,865	—	171,865
Mortgage-backed securities issued by U.S. Government sponsored enterprises	140	1,271	1,801,124	405,134	—	2,207,669
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	568,571	—	568,571
State and municipal securities	166	2,106	—	2,836	—	5,108
Equity securities	—	—	—	—	7,173	7,173
Other investments	—	—	15,037	1,653	2,073	18,763



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Total fair value	\$18,672	122,900	1,829,164	1,150,059	9,246	3,130,041
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Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the three months ended March 31, 2015 and 2014 are presented below. Other-than-temporary impairment charges of \$88 thousand are included in gross realized losses for the three months ended March 31, 2014. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

(in thousands)	Three Months Ended March 31,	
	2015	2014
Proceeds from sales of investment securities available for sale	\$32,419	20,815
Gross realized gains	725	1,419
Gross realized losses	—	(88
Investment securities gains, net	\$725	1,331

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## Note 6 - Restructuring Charges

For the three months ended March 31, 2015 and 2014 total restructuring charges consist of the following components:

(in thousands)	Three Months Ended March 31,	
	2015	2014
Severance charges	\$—	8,047
Gain on sale of assets held for sale, net	(157	) —
Professional fees and other charges	50	530
Total restructuring charges, net	\$(107	) 8,577

For the three months ended March 31, 2015, Synovus recorded net gains of \$157 thousand on the sale of certain branch locations and recorded additional expense of \$50 thousand associated with the 2014 branch closings.

Restructuring charges for the three months ended March 31, 2014 related primarily to expense savings initiatives that were approved during 2014 with an expected completion date of mid-2015. The initiatives include the consolidation or closing of certain branch locations as well as workforce reductions. Severance charges for the three months ended March 31, 2014 consisted of estimated involuntary termination benefits for targeted staff reductions identified during 2014. These termination benefits were provided under an ongoing benefit arrangement as defined in ASC 712, Compensation-Nonretirement Postemployment Benefits; accordingly, the charges were recorded pursuant to the liability recognition criteria of ASC 712. Additionally, substantially all of the professional fees and other charges for the three months ended March 31, 2014 consist of professional fees incurred in connection with an organizational restructuring implemented during 2014.

The following table presents aggregate activity associated with accruals that resulted from restructuring charges during the three months ended March 31, 2015 and 2014:

	Severance Charges	Lease Termination Charges	Total
(in thousands)			
Balance at December 31, 2013	\$1,572	1,383	2,955
Accruals for efficiency initiatives	8,047	—	8,047
Payments	(1,931	) (1,289	) (3,220
Balance at March 31, 2014	7,688	94	7,782
Balance at December 31, 2014	3,291	5,539	8,830
Payments	(521	) (221	) (742
Balance at March 31, 2015	\$2,770	5,318	8,088

All professional fees and other charges were paid in the years that they were incurred. No other restructuring charges resulted in payment accruals.

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## Note 7 - 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 March 31, 2015 and December 31, 2014.

## Current, Accruing Past Due, and Non-accrual Loans

March 31, 2015

(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	\$5,201,493	2,579	211	2,790	19,780	5,224,063
1-4 family properties	1,096,543					