

SYNOVUS FINANCIAL CORP  
Form 10-Q  
May 05, 2016  
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 March 31, 2016  
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 31901  
Suite 500, Columbus, Georgia  
(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	
Series B Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
	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 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

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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, 2016
Common Stock, \$1.00 Par Value	125,500,300

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SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

ALCO – Synovus' Asset Liability Management Committee

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

BOLI – Bank-Owned Life Insurance

BOV – Broker's opinion of value

bp – Basis point (bps - basis points)

C&I – Commercial and industrial loans

CCC – Central clearing counterparty

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

CMO – Collateralized Mortgage Obligation

Code – Internal Revenue Code of 1986, as amended

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

DIF – Deposit Insurance Fund

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

EVE – economic value of equity

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

HELOC – Home equity line of credit

LIBOR – London Interbank Offered Rate

LTV – Loan-to-collateral value ratio

NAICS – North American Industry Classification System

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nm – not meaningful

NPA – Non-performing assets

NPL – Non-performing loans

NSF – Non-sufficient funds

OCI – Other comprehensive income

ORE – Other real estate

OTTI – Other-than-temporary impairment

Parent Company – Synovus Financial Corp.

Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended

SBA – Small Business Administration

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 and wholly-owned subsidiary of Synovus through which Synovus conducts its banking operations

Synovus' 2015 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2015

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

Synovus Trust – 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, as was issued by Synovus to Treasury in 2008 in connection with the Capital Purchase Program, promulgated under the Emergency Stabilization Act of 2008

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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, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$352,060	367,092
Interest bearing funds with Federal Reserve Bank	908,527	829,887
Interest earning deposits with banks	21,686	17,387
Federal funds sold and securities purchased under resale agreements	76,300	69,819
Trading account assets, at fair value	4,801	5,097
Mortgage loans held for sale, at fair value	62,867	59,275
Investment securities available for sale, at fair value	3,582,244	3,587,818
Loans, net of deferred fees and costs	22,758,203	22,429,565
Allowance for loan losses	(254,516 )	(252,496 )
Loans, net	\$22,503,687	22,177,069
Premises and equipment, net	439,122	445,155
Goodwill	24,431	24,431
Other real estate	38,462	47,030
Deferred tax asset, net	464,242	511,948
Other assets	692,828	650,645
Total assets	\$29,171,257	28,792,653
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Non-interest bearing deposits	\$6,896,547	6,732,970
Interest bearing deposits, excluding brokered deposits	15,348,864	15,434,171
Brokered deposits	1,204,517	1,075,520
Total deposits	23,449,928	23,242,661
Federal funds purchased and securities sold under repurchase agreements	203,979	177,025
Long-term debt	2,360,865	2,186,893
Other liabilities	203,217	185,878
Total liabilities	\$26,217,989	25,792,457
<b>Shareholders' Equity</b>		
Series C Preferred Stock – no par value. Authorized 100,000,000 shares; 5,200,000 shares issued and outstanding at March 31, 2016 and December 31, 2015	125,980	125,980
Common stock - \$1.00 par value. Authorized 342,857,143 shares; 140,793,916 issued at March 31, 2016 and 140,592,409 issued at December 31, 2015; 125,849,939 outstanding at March 31, 2016 and 129,547,032 outstanding at December 31, 2015	140,794	140,592
Additional paid-in capital	2,989,854	2,989,981
Treasury stock, at cost – 14,943,977 shares at March 31, 2016 and 11,045,377 shares at December 31, 2015	(512,496 )	(401,511 )
Accumulated other comprehensive loss, net	(740 )	(29,819 )
Retained earnings	209,876	174,973
Total shareholders' equity	2,953,268	3,000,196
Total liabilities and shareholders' equity	\$29,171,257	28,792,653

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

(in thousands, except per share data)	Three Months	
	Ended March 31, 2016	2015
Interest income:		
Loans, including fees	\$229,917	215,269
Investment securities available for sale	16,972	13,943
Trading account assets	22	107
Mortgage loans held for sale	588	632
Federal Reserve Bank balances	999	645
Other earning assets	825	805
Total interest income	249,323	231,401
Interest expense:		
Deposits	16,015	14,819
Federal funds purchased and securities sold under repurchase agreements	45	43
Long-term debt	15,070	13,276
Total interest expense	31,130	28,138
Net interest income	218,193	203,263
Provision for loan losses	9,377	4,397
Net interest income after provision for loan losses	208,816	198,866
Non-interest income:		
Service charges on deposit accounts	19,710	19,133
Fiduciary and asset management fees	11,274	11,571
Brokerage revenue	6,483	7,251
Mortgage banking income	5,484	6,484
Bankcard fees	8,372	8,077
Investment securities gains, net	67	725
Other fee income	4,804	5,246
Other non-interest income	6,953	7,367
Total non-interest income	63,147	65,854
Non-interest expense:		
Salaries and other personnel expense	101,358	96,488
Net occupancy and equipment expense	26,577	26,172
Third-party processing expense	11,116	10,343
FDIC insurance and other regulatory fees	6,719	6,957
Professional fees	6,369	5,594
Advertising expense	2,410	3,443
Foreclosed real estate expense, net	2,684	9,496
Loss on early extinguishment of debt	4,735	—
Restructuring charges, net	1,140	(107 )
Other operating expenses	25,125	20,522
Total non-interest expense	188,233	178,908
Income before income taxes	83,730	85,812
Income tax expense	31,199	31,849
Net income	52,531	53,963
Dividends on preferred stock	2,559	2,559
Net income available to common shareholders	\$49,972	51,404

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Net income per common share, basic	\$0.39	0.38
Net income per common share, diluted	0.39	0.38
Weighted average common shares outstanding, basic	127,227	134,933
Weighted average common shares outstanding, diluted	127,857	135,744

See accompanying notes to unaudited interim consolidated financial statements.

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

(in thousands)	Three Months Ended March 31,					
	2016			2015		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$83,730	(31,199 )	52,531	85,812	(31,849 )	53,963
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	273	(105 )	168	112	(43 )	69
Net unrealized gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(67 )	26	(41 )	(725 )	281	(444 )
Net unrealized gains arising during the period	47,172	(18,162 )	29,010	15,211	(5,856 )	9,355
Net unrealized gains	47,105	(18,136 )	28,969	14,486	(5,575 )	8,911
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(94 )	36	(58 )	(42 )	16	(26 )
Net unrealized gains	\$(94 )	36	(58 )	(42 )	16	(26 )
Other comprehensive income	\$47,284	(18,205 )	29,079	14,556	(5,602 )	8,954
Comprehensive income			\$81,610			62,917

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	Total
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
Balance at December 31, 2015	\$ 125,980	140,592	2,989,981	(401,511)	(29,819 )	174,973	3,000,196
Net income	—	—	—	—	—	52,531	52,531
Other comprehensive income, net of income taxes	—	—	—	—	29,079	—	29,079
Cash dividends declared on common stock - \$0.12 per share	—	—	—	—	—	(15,069 )	(15,069 )
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(2,559 )	(2,559 )
Repurchases of common stock	—	—	—	(110,985)	—	—	(110,985 )
Restricted share unit activity	—	175	(2,993 )	—	—	—	(2,818 )
Stock options exercised	—	27	429	—	—	—	456
Share-based compensation net tax deficiency	—	—	(900 )	—	—	—	(900 )
Share-based compensation expense	—	—	3,337	—	—	—	3,337
Balance at March 31, 2016	\$ 125,980	140,794	2,989,854	(512,496)	(740 )	209,876	2,953,268

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, 2016	2015
Operating Activities		
Net income	52,531	53,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,377	4,397
Depreciation, amortization, and accretion, net	13,785	13,799
Deferred income tax expense	28,601	28,718
Decrease (increase) in trading account assets	296	(6,139 )
Originations of mortgage loans held for sale	(138,695 )	(207,530)
Proceeds from sales of mortgage loans held for sale	138,677	184,712
Gain on sales of mortgage loans held for sale, net	(3,424 )	(4,202 )
(Increase) in other assets	(39,363 )	(6,103 )
Increase (decrease) in other liabilities	17,341	(30,818 )
Investment securities gains, net	(67 )	(725 )
Losses and write-downs on other real estate, net	2,098	7,275
Losses and write-downs on other assets held for sale, net	1,270	—
Loss on early extinguishment of debt	4,735	—
Share-based compensation expense	3,337	3,234
Net cash provided by operating activities	\$90,499	40,581
Investing Activities		
Net (increase) decrease in interest earning deposits with banks	(4,299 )	4,939
Net increase in federal funds sold and securities purchased under resale agreements	(6,481 )	(7,661 )
Net increase in interest bearing funds with Federal Reserve Bank	(78,640 )	(542,524)
Proceeds from maturities and principal collections of investment securities available for sale	168,039	155,005
Proceeds from sales of investment securities available for sale	243,609	32,419
Purchases of investment securities available for sale	(363,788 )	(265,707)
Proceeds from sales of loans and principal repayments on other loans held for sale	4,259	12,507
Proceeds from sales of other real estate	10,798	8,785
Net increase in loans	(344,159 )	(36,336 )
Net increase in premises and equipment	(7,830 )	(5,221 )
Proceeds from sales of other assets held for sale	—	351
Net cash used in investing activities	\$(378,492)	(643,443)
Financing Activities		
Net increase in demand and savings deposits	110,837	411,991
Net increase in certificates of deposit	96,212	164,184
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	26,954	(1,593 )
Repayments on long-term debt	(830,067 )	(375,039)
Proceeds from issuance of long-term debt	1,000,000	425,000
Dividends paid to common shareholders	(15,069 )	(13,434 )
Dividends paid to preferred shareholders	(2,559 )	(2,559 )
Stock options exercised	456	1,692
Repurchases of common stock	(110,985 )	(59,113 )

Restricted stock activity	(2,818	) (4,418	)
Net cash provided by financing activities	\$272,961	546,711	
Decrease in cash and cash equivalents	(15,032	) (56,151	)
Cash and cash equivalents at beginning of period	367,092	485,489	
Cash and cash equivalents at end of period	\$352,060	429,338	

Supplemental Cash Flow Information

Cash paid (received) during the period for:

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Income tax payments (refunds), net	Ø656	338
Interest paid	32,141	27,875
Non-cash Activities		
Premises and equipment transferred to other assets held for sale	4,828	—
Loans foreclosed and transferred to other real estate	4,328	5,378
Loans transferred to other loans held for sale at fair value	3,834	10,100

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 Financial Corp. include the accounts of the Parent Company and its consolidated subsidiaries. Synovus Financial Corp. is a financial services company based in Columbus, Georgia, with approximately \$29 billion in assets. Through our wholly-owned subsidiary, Synovus Bank, member FDIC, the company provides commercial and retail banking in addition to a full suite of specialized products and services including private banking, treasury management, wealth management, and international banking. Synovus also provides mortgage services, financial planning, and investment advisory services through its wholly-owned subsidiaries, Synovus Mortgage, Synovus Trust, and Synovus Securities, as well as its GLOBALT and Creative Financial Group divisions. These specialized offerings, combined with our traditional banking products and services, make Synovus Bank a great choice for retail and commercial customers. Synovus Bank's 28 locally-branded bank divisions are positioned in some of the best markets in the Southeast, with 257 branches and 335 ATMs 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, 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' 2015 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2015 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, 2016 and December 31, 2015, \$88 thousand and \$100 thousand, respectively, 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, 2016 and December 31, 2015, interest bearing funds with the Federal Reserve Bank included \$130.2 million and \$117.3 million, respectively, on deposit to meet Federal Reserve Bank requirements. Interest earning deposits with banks include \$5.5 million and \$2.2 million at March 31, 2016 and December 31, 2015, respectively, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$74.0 million and \$65.9 million at March 31, 2016 and December 31, 2015, respectively, which are pledged to collateralize certain derivative financial 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 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which became effective for Synovus on January 1, 2016. ASU 2015-02 was issued by the FASB to modify the analysis that companies must



perform in order to determine whether a legal entity should be consolidated. ASU 2015-02 simplifies current consolidation rules by reducing the number of consolidation models; placing more emphasis on risk of loss when determining a controlling financial interest; reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE; and changing consolidation conclusions for public and private companies in several industries that typically make use of limited partnerships or VIEs. Adoption of ASU 2015-02 did not have an impact on Synovus' consolidated financial statements.

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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

During the third quarter of 2015, Synovus' Board of Directors authorized a \$300 million share repurchase program to be completed over the next 15 months. As of March 31, 2016, Synovus had repurchased a total of \$148.0 million or 5.1 million shares under the \$300 million share repurchase program. During the first quarter of 2016, Synovus repurchased \$110.9 million or 3.9 million shares and during the fourth quarter of 2015, Synovus repurchased \$37.1 million or 1.2 million shares under the \$300 million share repurchase program. At March 31, 2016, the remaining authorization under this program was \$152.0 million.

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## Note 3 - Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at March 31, 2016 and December 31, 2015 are summarized below.

(in thousands)	March 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$43,147	559	—	43,706
U.S. Government agency securities	13,016	534	—	13,550
Securities issued by U.S. Government sponsored enterprises	126,305	297	—	126,602
Mortgage-backed securities issued by U.S. Government agencies	191,386	2,653	(143)	193,896
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,599,118	24,787	(1,771)	2,622,134
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	542,761	7,687	(393)	550,055
State and municipal securities	3,964	76	(1)	4,039
Equity securities	3,228	4,976	—	8,204
Other investments	20,194	286	(422)	20,058
Total investment securities available for sale	\$3,543,119	41,855	(2,730)	3,582,244

  

(in thousands)	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$43,125	232	—	43,357
U.S. Government agency securities	13,087	536	—	13,623
Securities issued by U.S. Government sponsored enterprises	126,520	389	—	126,909
Mortgage-backed securities issued by U.S. Government agencies	209,785	1,340	(1,121)	210,004
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,645,107	7,874	(22,562)	2,630,419
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	530,426	2,396	(3,225)	529,597
State and municipal securities	4,343	92	(1)	4,434
Equity securities	3,228	6,444	—	9,672
Other investments	20,177	—	(374)	19,803
Total investment securities available for sale	\$3,595,798	19,303	(27,283)	3,587,818

At March 31, 2016 and December 31, 2015, investment securities with a carrying value of \$2.27 billion and \$2.43 billion respectively, were pledged to secure certain deposits and securities sold under repurchase agreements as required by law and contractual agreements.

Synovus has reviewed investment securities that are in an unrealized loss position as of March 31, 2016 and December 31, 2015 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

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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, 2016, Synovus had twenty-two investment securities in a loss position for less than twelve months and twelve 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, 2016 and December 31, 2015, are presented below.

(in thousands)	March 31, 2016					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities issued by U.S. Government agencies	—	—	11,938	143	11,938	143
Mortgage-backed securities issued by U.S. Government sponsored enterprises	559,661	1,602	29,281	169	588,942	1,771
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	71,875	393	71,875	393
State and municipal securities	—	—	51	1	51	1
Other investments	—	—	4,771	422	4,771	422
Total	\$559,661	1,602	117,916	1,128	677,577	2,730
	December 31, 2015					
(in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Mortgage-backed securities issued by U.S. Government agencies	122,626	639	18,435	482	141,061	1,121
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,656,194	12,874	489,971	9,688	2,146,165	22,562
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	196,811	963	72,366	2,262	269,177	3,225
State and municipal securities	—	—	50	1	50	1
Other investments	14,985	15	4,818	359	19,803	374
Total	\$1,990,616	14,491	585,640	12,792	2,576,256	27,283

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The amortized cost and fair value by contractual maturity of investment securities available for sale at March 31, 2016 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, 2016					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	\$18,256	24,891	—	—	—	43,147
U.S. Government agency securities	—	6,614	6,402	—	—	13,016
Securities issued by U.S. Government sponsored enterprises	80,240	46,065	—	—	—	126,305
Mortgage-backed securities issued by U.S. Government agencies	—	—	17,447	173,939	—	191,386
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	566	1,333,864	1,264,688	—	2,599,118
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	542,761	—	542,761
State and municipal securities	1,037	350	—	2,577	—	3,964
Equity securities	—	—	—	—	3,228	3,228
Other investments	—	—	15,000	2,000	3,194	20,194
<b>Total amortized cost</b>	<b>\$99,533</b>	<b>78,486</b>	<b>1,372,713</b>	<b>1,985,965</b>	<b>6,422</b>	<b>3,543,119</b>
<b>Fair Value</b>						
U.S. Treasury securities	\$18,256	25,450	—	—	—	43,706
U.S. Government agency securities	—	6,849	6,701	—	—	13,550
Securities issued by U.S. Government sponsored enterprises	80,398	46,204	—	—	—	126,602
Mortgage-backed securities issued by U.S. Government agencies	—	—	17,810	176,086	—	193,896
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	588	1,341,168	1,280,378	—	2,622,134
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	550,055	—	550,055
State and municipal securities	1,049	352	—	2,638	—	4,039
Equity securities	—	—	—	—	8,204	8,204
Other investments	—	—	15,287	1,638	3,133	20,058
<b>Total fair value</b>	<b>\$99,703</b>	<b>79,443</b>	<b>1,380,966</b>	<b>2,010,795</b>	<b>11,337</b>	<b>3,582,244</b>

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the three months ended March 31, 2016 and 2015 are presented below. 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,	
	2016	2015
Proceeds from sales of investment securities available for sale	\$243,609	32,419
Gross realized gains	954	725

Gross realized losses	(887	) —
Investment securities gains, net	\$67	725

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## Note 4 - Restructuring Charges

For the three months ended March 31, 2016 and 2015, total restructuring charges consist of the following components:

	Three Months Ended March 31,	
(in thousands)	2016	2015
Lease termination charges	\$44	—
Asset impairment charges	1,045	—
Gain on sale of assets held for sale, net	—	(157)
Professional fees and other charges	51	50
Total restructuring charges, net	\$1,140	(107)

For the three months ended March 31, 2016, Synovus recorded restructuring charges of \$1.1 million following the decision during the first quarter of 2016 to close four branches. During 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 branch closings that occurred during 2014.

The following table presents aggregate activity associated with accruals that resulted from restructuring charges during the three months ended March 31, 2016 and 2015:

(in thousands)	Severance Charges	Lease Termination Charges	Total
Balance at December 31, 2015	\$ 1,930	4,687	6,617
Accruals for lease terminations	—	44	44
Payments	(397 )	(186 )	(583 )
Balance at March 31, 2016	\$ 1,533	4,545	6,078

(in thousands)	Severance Charges	Lease Termination Charges	Total
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 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 March 31, 2016 and December 31, 2015.

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

March 31, 2016						
(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	\$5,954,011	9,484	—	9,484	23,749	5,987,244
1-4 family properties	1,113,140	3,860	234	4,094	17,358	1,134,592
Land acquisition	453,042	2,424	—	2,424	14,416	469,882
Total commercial real estate	7,520,193	15,768	234	16,002	55,523	7,591,718
Commercial, financial and agricultural	6,477,031	18,403	425	18,828	63,312	6,559,171
Owner-occupied	4,246,794	6,581	261	6,842	18,582	4,272,218
Total commercial and industrial	10,723,825	24,984	686	25,670	81,894	10,831,389
Home equity lines	1,647,483	5,321	170	5,491	16,432	1,669,406
Consumer mortgages	1,937,378	10,415	644	11,059	21,756	1,970,193
Credit cards	229,613	1,470	1,471	2,941	—	232,554
Other retail loans	487,023	2,680	9	2,689	2,562	492,274
Total retail	4,301,497	19,886	2,294	22,180	40,750	4,364,427
Total loans	\$22,545,515	60,638	3,214	63,852	178,167	22,787,534 <sup>(1)</sup>
December 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	\$5,726,307	2,284	—	2,284	23,040	5,751,631
1-4 family properties	1,086,612	6,300	103	6,403	16,839	1,109,854
Land acquisition	495,542	639	32	671	17,768	513,981
Total commercial real estate	7,308,461	9,223	135	9,358	57,647	7,375,466
Commercial, financial and agricultural	6,410,338	12,222	785	13,007	49,137	6,472,482
Owner-occupied	4,293,308	5,254	95	5,349	20,293	4,318,950
Total commercial and industrial	10,703,646	17,476	880	18,356	69,430	10,791,432
Home equity lines	1,667,552	5,882	—	5,882	16,480	1,689,914
Consumer mortgages	1,907,644	8,657	134	8,791	22,248	1,938,683
Credit cards	237,742	1,663	1,446	3,109	—	240,851
Other retail loans	418,337	2,390	26	2,416	2,565	423,318
Total retail	4,231,275	18,592	1,606	20,198	41,293	4,292,766
Total loans	\$22,243,382	45,291	2,621	47,912	168,370	22,459,664 <sup>(2)</sup>

<sup>(1)</sup> Total before net deferred fees and costs of \$29.3 million.

<sup>(2)</sup> Total before net deferred fees and costs of \$30.1 million.



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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 Criticized (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 in a timely manner, of any underlying collateral.

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.

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 their 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 generally assigned a risk grade similar to the classifications described above; however, upon reaching 90 days and 120 days past due, they are generally downgraded to Substandard and Loss, respectively, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy. Additionally, in accordance with the Interagency Supervisory Guidance on Allowance for Loan and Lease Losses Estimation Practices for Loans and Lines of Credit Secured by Junior Liens on 1-4 Family Residential Properties, the risk grade classifications of retail loans (home equity lines and consumer mortgages) secured by junior liens on 1-4 family residential properties also consider available information on the payment status of the associated senior lien with other financial institutions.

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## Loan Portfolio Credit Exposure by Risk Grade

March 31, 2016						
(in thousands)	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful <sup>(2)</sup>	Loss	Total
Investment properties	\$5,810,969	104,404	71,871	—	—	5,987,244
1-4 family properties	1,011,558	56,557	59,284	7,193	—	1,134,592
Land acquisition	397,821	44,868	26,857	336	—	469,882
Total commercial real estate	7,220,348	205,829	158,012	7,529	—	7,591,718
Commercial, financial and agricultural	6,301,436	131,577	107,164	18,155	839 <sup>(3)</sup>	6,559,171
Owner-occupied	4,083,220	72,771	114,341	1,427	459 <sup>(3)</sup>	4,272,218
Total commercial and industrial	10,384,656	204,348	221,505	19,582	1,298	10,831,389
Home equity lines	1,645,741	—	20,906	1,109	1,650 <sup>(3)</sup>	1,669,406
Consumer mortgages	1,941,082	—	27,167	1,697	247 <sup>(3)</sup>	1,970,193
Credit cards	231,083	—	603	—	868 <sup>(4)</sup>	232,554
Other retail loans	487,912	—	4,278	—	84 <sup>(3)</sup>	492,274
Total retail	4,305,818	—	52,954	2,806	2,849	4,364,427
Total loans	21,910,822	410,177	432,471	29,917	4,147	22,787,534 <sup>(5)</sup>
December 31, 2015						
(in thousands)	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful <sup>(2)</sup>	Loss	Total
Investment properties	\$5,560,595	114,705	76,331	—	—	5,751,631
1-4 family properties	976,601	64,325	61,726	7,202	—	1,109,854
Land acquisition	436,835	46,208	30,574	364	—	513,981
Total commercial real estate	6,974,031	225,238	168,631	7,566	—	7,375,466
Commercial, financial and agricultural	6,203,481	152,189	100,658	13,330	2,824 <sup>(3)</sup>	6,472,482
Owner-occupied	4,118,631	78,490	121,272	98	459 <sup>(3)</sup>	4,318,950
Total commercial and industrial	10,322,112	230,679	221,930	13,428	3,283	10,791,432
Home equity lines	1,666,586	—	20,456	1,206	1,666 <sup>(3)</sup>	1,689,914
Consumer mortgages	1,910,649	—	26,041	1,700	293 <sup>(3)</sup>	1,938,683
Credit cards	239,405	—	480	—	966 <sup>(4)</sup>	240,851
Other retail loans	418,929	—	4,315	—	74 <sup>(3)</sup>	423,318
Total retail	4,235,569	—	51,292	2,906	2,999	4,292,766
Total loans	21,531,712	455,917	441,853	23,900	6,282	22,459,664 <sup>(6)</sup>

<sup>(1)</sup> Includes \$288.4 million and \$303.7 million of Substandard accruing loans at March 31, 2016 and December 31, 2015, respectively.

<sup>(2)</sup> The loans within this risk grade are on non-accrual status. Commercial loans generally have an allowance for loan losses in accordance with ASC 310, and retail loans generally have an allowance for loan losses equal to 50% of the loan amount.

<sup>(3)</sup> The loans within this risk grade are on non-accrual status and have an allowance for loan losses equal to the full loan amount.

<sup>(4)</sup> 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 generally charged off upon reaching 181 days past due in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.

<sup>(5)</sup> Total before net deferred fees and costs of \$29.3 million.

<sup>(6)</sup> Total before net deferred fees and costs of \$30.1 million.



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The following table details the changes in the allowance for loan losses by loan segment for the three months ended March 31, 2016 and 2015.

## Allowance for Loan Losses and Recorded Investment in Loans

(in thousands)	As Of and For The Three Months Ended March 31, 2016			
	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	\$87,133	122,989	42,374	252,496
Charge-offs	(1,822 )	(5,525 )	(3,968 )	(11,315 )
Recoveries	1,293	1,264	1,401	3,958
Provision for loan losses	(2,047 )	6,150	5,274	9,377
Ending balance <sup>(1)</sup>	\$84,557	124,878	45,081	254,516
Ending balance: individually evaluated for impairment	17,603	14,033	1,337	32,973
Ending balance: collectively evaluated for impairment	\$66,954	110,845	43,744	221,543
Loans:				
Ending balance: total loans <sup>(1)(2)</sup>	\$7,591,718	10,831,389	4,364,427	22,787,534
Ending balance: individually evaluated for impairment	136,826	123,557	37,402	297,785
Ending balance: collectively evaluated for impairment	\$7,454,892	10,707,832	4,327,025	22,489,749

(in thousands)	As Of and For The Three Months Ended March 31, 2015			
	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	\$101,471	118,110	41,736	261,317
Charge-offs	(7,440 )	(5,272 )	(7,912 )	(20,624 )
Recoveries	3,941	2,266	2,074	8,281
Provision for loan losses	(3,764 )	2,702	5,459	4,397
Ending balance <sup>(1)</sup>	\$94,208	\$ 117,806	\$41,357	\$253,371
Ending balance: individually evaluated for impairment	18,558	9,411	1,037	29,006
Ending balance: collectively evaluated for impairment	\$75,650	108,395	40,320	224,365
Loans:				
Ending balance: total loans <sup>(1)(3)</sup>	6,898,159	10,316,689	3,920,733	21,135,581
Ending balance: individually evaluated for impairment	237,167	130,197	41,321	408,685
Ending balance: collectively evaluated for impairment	\$6,660,992	10,186,492	3,879,412	20,726,896

<sup>(1)</sup> As of and for the three months ended March 31, 2016 and 2015, there were no purchased credit-impaired loans and no allowance for loan losses for purchased credit-impaired loans.

<sup>(2)</sup> Total before net deferred fees and costs of \$29.3 million.

<sup>(3)</sup> Total before net deferred fees and costs of \$29.4 million.

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The tables below summarize impaired loans (including accruing TDRs) as of March 31, 2016 and December 31, 2015.

## Impaired Loans (including accruing TDRs)

(in thousands)	March 31, 2016			Three Months Ended March 31, 2016	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Interest Recorded Investment	Income Recognized
With no related allowance recorded					
Investment properties	\$8,557	11,192	—	9,359	—
1-4 family properties	1,504	5,525	—	1,505	—
Land acquisition	3,991	10,554	—	6,005	—
Total commercial real estate	14,052	27,271	—	16,869	—
Commercial, financial and agricultural	6,185	8,585	—	5,715	—
Owner-occupied	9,492	11,033	—	8,570	—
Total commercial and industrial	15,677	19,618	—	14,285	—
Home equity lines	1,044	1,044	—	1,035	—
Consumer mortgages	814	2,065	—	814	—
Credit cards	—	—	—	—	—
Other retail loans	—	—	—	—	—
Total retail	1,858	3,109	—	1,849	—
Total impaired loans with no related allowance recorded	\$31,587	49,998	—	33,003	—
With allowance recorded					
Investment properties	\$53,449	53,475	9,158	58,015	656
1-4 family properties	49,048	49,048	5,899	49,434	117
Land acquisition	20,277	23,094	2,546	23,088	128
Total commercial real estate	122,774	125,617	17,603	130,537	901
Commercial, financial and agricultural	58,312	61,865	12,399	49,547	189
Owner-occupied	49,568	49,760	1,634	49,404	444
Total commercial and industrial	107,880	111,625	14,033	98,951	633
Home equity lines	9,772	9,772	165	9,618	116
Consumer mortgages	21,224	21,224	1,029	21,821	262
Credit cards	—	—	—	—	—
Other retail loans	4,548	4,548	143	4,679	72
Total retail	35,544	35,544	1,337	36,118	450
Total impaired loans with allowance recorded	\$266,198	272,786	32,973	265,606	1,984
Total impaired loans					
Investment properties	\$62,006	64,667	9,158	67,374	656
1-4 family properties	50,552	54,573	5,899	50,939	117
Land acquisition	24,268	33,648	2,546	29,093	128
Total commercial real estate	136,826	152,888	17,603	147,406	901
Commercial, financial and agricultural	64,497	70,450	12,399	55,262	189
Owner-occupied	59,060	60,793	1,634	57,974	444
Total commercial and industrial	123,557	131,243	14,033	113,236	633
Home equity lines	10,816	10,816	165	10,653	116
Consumer mortgages	22,038	23,289	1,029	22,635	262
Credit cards	—	—	—	—	—
Other retail loans	4,548	4,548	143	4,679	72

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Total retail	37,402	38,653	1,337	37,967	450
Total impaired loans	\$297,785	322,784	32,973	298,609	1,984

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## Impaired Loans (including accruing TDRs)

(in thousands)	December 31, 2015			Year Ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Interest Recorded Investment	Income Recognized
With no related allowance recorded					
Investment properties	\$10,051	12,946	—	11,625	—
1-4 family properties	1,507	5,526	—	2,546	—
Land acquisition	8,551	39,053	—	13,897	—
Total commercial real estate	20,109	57,525	—	28,068	—
Commercial, financial and agricultural	4,393	7,606	—	5,737	—
Owner-occupied	8,762	11,210	—	14,657	—
Total commercial and industrial	13,155	18,816	—	20,394	—
Home equity lines	1,030	1,030	—	573	—
Consumer mortgages	814	941	—	995	—
Credit cards	—	—	—	—	—
Other retail loans	—	—	—	—	—
Total retail	1,844	1,971	—	1,568	—
Total impaired loans with no related allowance recorded	\$35,108	78,312	—	50,030	—
With allowance recorded					
Investment properties	\$62,305	62,305	10,070	73,211	2,131
1-4 family properties	51,376	51,376	6,184	61,690	1,618
Land acquisition	24,168	24,738	2,715	34,793	936
Total commercial real estate	137,849	138,419	18,969	169,694	4,685
Commercial, financial and agricultural	42,914	44,374	8,339	43,740	1,125
Owner-occupied	49,530	49,688	2,138	55,323	1,814
Total commercial and industrial	92,444	94,062	10,477	99,063	2,939
Home equity lines	9,575	9,575	206	8,318	346
Consumer mortgages	22,173	23,297	651	26,044	1,229
Credit cards	—	—	—	—	—
Other retail loans	4,651	4,651	132	5,105	323
Total retail	36,399	37,523	989	39,467	1,898
Total impaired loans with allowance recorded	\$266,692	270,004	30,435	308,224	9,522
Total impaired loans					
Investment properties	\$72,356	75,251	10,070	84,836	2,131
1-4 family properties	52,883	56,902	6,184	64,236	1,618
Land acquisition	32,719	63,791	2,715	48,690	936
Total commercial real estate	157,958	195,944	18,969	197,762	4,685
Commercial, financial and agricultural	47,307	51,980	8,339	49,477	1,125
Owner-occupied	58,292	60,898	2,138	69,980	1,814
Total commercial and industrial	105,599	112,878	10,477	119,457	2,939
Home equity lines	10,605	10,605	206	8,891	346
Consumer mortgages	22,987	24,238	651	27,039	1,229
Credit cards	—	—	—	—	—
Other retail loans	4,651	4,651	132	5,105	323
Total retail	38,243	39,494	989	41,035	1,898

Total impaired loans	\$301,800	348,316	30,435	358,254	9,522
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The average recorded investment in impaired loans was \$427.4 million for the three months ended March 31, 2015. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the three months ended March 31, 2015. Interest income recognized for accruing TDRs was \$2.6 million for the three months ended March 31, 2015. At March 31, 2016 and December 31, 2015, all impaired loans other than \$209.2 million and \$223.9 million, respectively, of accruing TDRs, were on non-accrual status.

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.

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The following tables represent, by concession type, the post-modification balance for loans modified or renewed during the three months ended March 31, 2016 and 2015 that were reported as accruing or non-accruing TDRs.

(in thousands, except contract data)	Three Months Ended March 31, 2016				Total
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	
Investment properties	2	\$ —	437	148	585
1-4 family properties	7	—	395	840	1,235
Land acquisition	6	—	—	535	535
Total commercial real estate	15	—	832	1,523	2,355
Commercial, financial and agricultural	30	—	12,014	3,387	15,401
Owner-occupied	4	—	1,535	448	1,983
Total commercial and industrial	34	—	13,549	3,835	17,384
Home equity lines	2	—	196	—	196
Consumer mortgages	3	—	154	—	154
Credit cards	—	—	—	—	—
Other retail loans	7	—	230	85	315
Total retail	12	—	580	85	665
Total TDRs	61	\$ —	14,961	5,443	20,404 <sup>(1)</sup>

<sup>(1)</sup> No net charge-offs were recorded during the three months ended March 31, 2016 upon restructuring of these loans.

## TDRs by Concession Type

(in thousands, except contract data)	Three Months Ended March 31, 2015				Total
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	
Investment properties	3	\$ —	16,932	3,604	20,536
1-4 family properties	13	14,823	2,856	150	17,829
Land acquisition	3	—	255	708	963
Total commercial real estate	19	14,823	20,043	4,462	39,328
Commercial, financial and agricultural	25	—	1,015	1,890	2,905
Owner-occupied	2	—	1,739	—	1,739
Total commercial and industrial	27	—	2,754	1,890	4,644
Home equity lines	11	—	975	135	1,110
Consumer mortgages	11	—	245	786	1,031
Credit cards	—	—	—	—	—
Other retail loans	6	—	257	64	321
Total retail	28	—	1,477	985	2,462
Total TDRs	74	\$ 14,823	24,274	7,337	46,434 <sup>(2)</sup>

<sup>(2)</sup> Net charge-offs of \$4.0 million were recorded during the three months ended March 31, 2015 upon restructuring of these loans.



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For the three months ended March 31, 2016, there were no defaults on accruing TDRs restructured during the previous twelve months (defined as the earlier of the TDR being placed on non-accrual status or reaching 90 days past due with respect to principal and/or interest payments) compared to two defaults with a recorded investment of \$115 thousand for the three months ended March 31, 2015.

If, at the time a loan was designated as a TDR, the loan was not already impaired, the measurement of impairment that resulted 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 March 31, 2016, the allowance for loan losses allocated to accruing TDRs totaling \$209.2 million was \$12.2 million compared to accruing TDRs of \$223.9 million with an allocated allowance for loan losses of \$12.6 million at December 31, 2015. Non-accrual, 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.

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## Note 6 - Other Comprehensive Income (Loss)

The following tables illustrate activity within the balances in accumulated other comprehensive income (loss) by component for the three months ended March 31, 2016 and 2015.

## Changes in Accumulated Other Comprehensive Income (Loss) by Component (Net of Income Taxes)

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance at December 31, 2015	\$(12,504 )	(18,222 )	907	(29,819)
Other comprehensive income before reclassifications	—	29,010	—	29,010
Amounts reclassified from accumulated other comprehensive income (loss)	168	(41 )	(58 )	69
Net current period other comprehensive income	168	28,969	(58 )	29,079
Balance as of March 31, 2016	\$(12,336 )	10,747	849	(740 )

## Changes in Accumulated Other Comprehensive Income (Loss) by Component (Net of Income Taxes)

(in thousands)	Net unrealized gains (losses) on cash flow hedges	Net unrealized gains (losses) on investment securities available for sale	Post-retirement unfunded health benefit	Total
Balance at December 31, 2014	\$(12,824 )	(713 )	932	(12,605 )
Other comprehensive income before reclassifications	—	9,355	—	9,355
Amounts reclassified from accumulated other comprehensive income (loss)	69	(444 )	(26 )	(401 )
Net current period other comprehensive income	69	8,911	(26 )	8,954
Balance as of March 31, 2015	\$(12,755 )	\$ 8,198	\$ 906	\$(3,651)

In accordance with ASC 740-20-45-11(b), a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss). During the years 2010 and 2011, Synovus recorded a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income directly to other comprehensive income (loss) by applying the portfolio approach for allocation of the valuation allowance. Synovus has consistently applied the portfolio approach which treats derivative financial instruments, equity securities, and debt securities as a single portfolio. As of March 31, 2016, the balance in net unrealized gains (losses) on cash flow hedges and net unrealized gains (losses) on investment securities available for sale includes unrealized losses of \$12.1 million and \$13.3 million, respectively, related to the residual tax effects remaining in OCI due to a previously established deferred tax asset valuation allowance. Under the portfolio approach, these unrealized losses are realized at the time the entire portfolio is sold or disposed.





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Reclassifications out of Accumulated Other Comprehensive Income (Loss)

Details About Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Three Months Ended March 31, 2016	2015	Affected Line Item in the Statement Where Net Income is Presented
Net unrealized gains (losses) on cash flow hedges:			
Amortization of deferred losses	\$(76 )	(112 )	Interest expense
Amortization of deferred losses	(197 )	—	Loss on early extinguishment of debt
	105	43	Income tax (expense) benefit
	\$(168 )	(69 )	Reclassifications, net of income taxes
Net unrealized gains on investment securities available for sale:			
Realized gain on sale of securities	\$67	725	Investment securities gains, net
	(26 )	(281 )	Income tax (expense) benefit
	\$41	444	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	\$94	42	Salaries and other personnel expense
	(36 )	(16 )	Income tax (expense) benefit
	\$58	26	Reclassifications, net of income taxes

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Note 7 - Fair Value Accounting

Synovus carries various assets and liabilities at fair value based on the fair value accounting guidance under ASC 820, Fair Value Measurements, and ASC 825, Financial Instruments. 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.

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, U.S. Treasury securities, and mutual funds. 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 invest in publicly traded companies are also considered Level 2 assets.
- Level 2 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 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 private equity investments.
- Level 3 See Note 14 "Fair Value Accounting" to the consolidated financial statements of Synovus' 2015 Form 10-K for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

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## 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 March 31, 2016 and December 31, 2015, 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 during the three months ended March 31, 2016 and year ended December 31, 2015 were inconsequential.

(in thousands)	March 31, 2016			Total Assets and Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	—	2,727	—	2,727
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	395	—	395
State and municipal securities	—	1,481	—	1,481
Other investments	15	183	—	198
Total trading securities	\$15	4,786	—	4,801
Mortgage loans held for sale	—	62,867	—	62,867
Investment securities available for sale:				
U.S. Treasury securities	43,706	—	—	43,706
U.S. Government agency securities	—	13,550	—	13,550
Securities issued by U.S. Government sponsored enterprises	—	126,602	—	126,602
Mortgage-backed securities issued by U.S. Government agencies	—	193,896	—	193,896
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,622,134	—	2,622,134
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	550,055	—	550,055
State and municipal securities	—	4,039	—	4,039
Equity securities	8,204	—	—	8,204
Other investments <sup>(1)</sup>	3,134	15,286	1,638	20,058
Total investment securities available for sale	\$55,044	3,525,562	1,638	3,582,244
Private equity investments	—	750	26,757	27,507
Mutual funds held in rabbi trusts	11,035	—	—	11,035
Derivative assets:				
Interest rate contracts	—	33,788	—	33,788
Mortgage derivatives <sup>(2)</sup>	—	2,170	—	2,170
Total derivative assets	\$—	35,958	—	35,958
Liabilities				