SYNOVUS FINANCIAL CORP
Form 10-Q
August 03, 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 June 30, 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 Suite 500, Columbus, Georgia	31901
(Address of principal executive offices)	(Zip Code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	New York Stock Exchange
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

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

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

Class	July 31, 2016
Common Stock, $1.00 Par Value	122,932,237

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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, 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)	June 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$377,334	367,092
Interest bearing funds with Federal Reserve Bank	904,406	829,887
Interest earning deposits with banks	24,541	17,387
Federal funds sold and securities purchased under resale agreements	77,685	69,819
Trading account assets, at fair value	1,001	5,097
Mortgage loans held for sale, at fair value	87,824	59,275
Investment securities available for sale, at fair value	3,580,359	3,587,818
Loans, net of deferred fees and costs	23,060,908	22,429,565
Allowance for loan losses	(255,076)	(252,496)
Loans, net	$22,805,832	22,177,069
Premises and equipment, net	424,967	445,155
Goodwill	24,431	24,431
Other real estate	33,289	47,030
Deferred tax asset, net	425,160	511,948
Other assets	692,862	650,645
Total assets	$29,459,691	28,792,653
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$6,934,443	6,732,970
Interest bearing deposits, excluding brokered deposits	15,495,318	15,434,171
Brokered deposits	1,496,161	1,075,520
Total deposits	23,925,922	23,242,661
Federal funds purchased and securities sold under repurchase agreements	247,179	177,025
Long-term debt	2,135,892	2,186,893
Other liabilities	199,039	185,878
Total liabilities	$26,508,032	25,792,457
Shareholders' Equity		
Series C Preferred Stock – no par value. Authorized 100,000,000 shares; 5,200,000 shares issued and outstanding at June 30, 2016 and December 31, 2015	125,980	125,980
Common stock - $1.00 par value. Authorized 342,857,143 shares; 141,007,636 issued at June 30, 2016 and 140,592,409 issued at December 31, 2015; 124,047,659 outstanding at June 30, 2016 and 129,547,032 outstanding at December 31, 2015	141,008	140,592
Additional paid-in capital	2,993,985	2,989,981
Treasury stock, at cost – 16,959,977 shares at June 30, 2016 and 11,045,377 shares at December 31, 2015	(573,058)	(401,511)
Accumulated other comprehensive gain (loss)	11,005	(29,819)
Retained earnings	252,739	174,973
Total shareholders’ equity	2,951,659	3,000,196
Total liabilities and shareholders' equity	$29,459,691	28,792,653

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2016	2015	2016	2015
Interest income:				
Loans, including fees	$462,892	432,026	$232,974	216,756
Investment securities available for sale	33,655	28,117	16,685	14,175
Trading account assets	34	224	12	117
Mortgage loans held for sale	1,238	1,397	650	766
Federal Reserve Bank balances	2,019	1,592	1,020	947
Other earning assets	1,878	1,698	1,052	893
Total interest income	501,716	465,054	252,393	233,654
Interest expense:				
Deposits	32,214	31,631	16,200	16,813
Federal funds purchased and securities sold under repurchase agreements	96	89	51	46
Long-term debt	29,763	26,427	14,693	13,151
Total interest expense	62,073	58,147	30,944	30,010
Net interest income	439,643	406,907	221,449	203,644
Provision for loan losses	16,070	11,034	6,693	6,636
Net interest income after provision for loan losses	423,573	395,873	214,756	197,008
Non-interest income:				
Service charges on deposit accounts	39,950	38,928	20,240	19,795
Fiduciary and asset management fees	22,854	23,414	11,580	11,843
Brokerage revenue	13,821	14,032	7,338	6,782
Mortgage banking income	11,425	13,995	5,941	7,511
Bankcard fees	16,718	16,576	8,346	8,499
Investment securities gains, net	67	2,710	—	1,985
Other fee income	10,084	9,851	5,280	4,605
Other non-interest income	16,114	15,181	9,161	7,812
Total non-interest income	131,033	134,687	67,886	68,832
Non-interest expense:				
Salaries and other personnel expense	198,419	191,054	97,061	94,565
Net occupancy and equipment expense	53,360	52,713	26,783	26,541
Third-party processing expense	22,814	21,015	11,698	10,672
FDIC insurance and other regulatory fees	13,344	13,725	6,625	6,767
Professional fees	13,307	12,011	6,938	6,417
Advertising expense	9,761	6,309	7,351	2,865
Foreclosed real estate expense, net	7,272	13,847	4,588	4,351
Loss on early extinguishment of debt	4,735	—	—	—
Restructuring charges, net	6,981	(102)	5,841	5
Other operating expenses	46,851	46,141	21,726	25,623
Total non-interest expense	376,844	356,713	188,611	177,806
Income before income taxes	177,762	173,847	94,031	88,034
Income tax expense	64,773	64,091	33,574	32,242
Net income	112,989	109,756	60,457	55,792
Dividends on preferred stock	5,119	5,119	2,559	2,559
Net income available to common shareholders	$107,870	104,637	$57,898	53,233

Net income per common share, basic	$0.85	0.78	$0.46	0.40
Net income per common share, diluted	0.85	0.78	0.46	0.40
Weighted average common shares outstanding, basic	126,164	133,935	125,100	132,947
Weighted average common shares outstanding, diluted	126,778	134,678	125,699	133,625

See accompanying notes to unaudited interim consolidated financial statements.

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

	Six Months Ended June 30,					
	2016			2015		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	177,762	(64,773)	112,989	173,847	(64,091)	109,756
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	337	(130)	207	224	(87)	137
Net unrealized gains (losses) on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(67)	26	(41)	(2,710)	1,043	(1,667)
Net unrealized gains (losses) arising during the period	66,215	(25,493)	40,722	(13,467)	5,188	(8,279)
Net unrealized gains (losses)	66,148	(25,467)	40,681	(16,177)	6,231	(9,946)
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(104)	40	(64)	(84)	32	(52)
Actuarial gains arising during the period	—	—	—	236	(93)	143
Net unrealized (realized) gains	$(104)	40	(64)	152	(61)	91
Other comprehensive income (loss)	$66,381	(25,557)	40,824	(15,801)	6,083	(9,718)
Comprehensive income			$153,813			100,038

See accompanying notes to unaudited interim consolidated financial statements.

	Three Months Ended June 30,					
	2016			2015		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	94,031	(33,574)	60,457	88,034	(32,242)	55,792
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	64	(25)	39	112	(44)	68
Net unrealized gains (losses) on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	—	—	—	(1,985)	764	(1,221)
Net unrealized gains (losses) arising during the period	19,044	(7,332)	11,712	(28,678)	11,042	(17,636)
Net unrealized gains (losses)	19,044	(7,332)	11,712	(30,663)	11,806	(18,857)
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(10)	4	(6)	(42)	16	(26)
Actuarial gains arising during the period	—	—	—	236	(93)	143

Net unrealized (realized) gains	$(10)	4	(6)	194	(77)	117
Other comprehensive income (loss)	$19,098	(7,353)	11,745	(30,357)	11,685	(18,672)
Comprehensive income			$72,202			37,120

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	—	—	—	—	—	109,756	109,756
Other comprehensive loss, net of income taxes	—	—	—	—	(9,718)	—	(9,718)
Cash dividends declared on common stock -$0.20 per share	—	—	—	—	—	(26,664)	(26,664)
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(5,119)	(5,119)
Repurchases and completion of ASR agreement to repurchase shares of common stock	—	—	14,515	(124,085)	—	—	(109,570)
Restricted share unit activity	—	278	(4,314)	—	—	(367)	(4,403)
Stock options exercised	—	197	3,074	—	—	—	3,271
Share-based compensation net tax benefit	—	—	1,063	—	—	—	1,063
Share-based compensation expense	—	—	6,271	—	—	—	6,271
Balance at June 30, 2015	$125,980	140,425	2,981,434	(311,859)	(22,323)	92,500	3,006,157
Balance at December 31, 2015	$125,980	140,592	2,989,981	(401,511)	(29,819)	174,973	3,000,196
Net income	—	—	—	—	—	112,989	112,989
Other comprehensive income, net of income taxes	—	—	—	—	40,824	—	40,824
Cash dividends declared on common stock - $0.24 per share	—	—	—	—	—	(30,015)	(30,015)
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(5,119)	(5,119)
Repurchases of common stock	—	—	—	(171,547)	—	—	(171,547)
Restricted share unit activity	—	298	(4,814)	—	—	(89)	(4,605)
Stock options exercised	—	118	1,917	—	—	—	2,035
Share-based compensation net tax benefit	—	—	52	—	—	—	52
Share-based compensation expense	—	—	6,849	—	—	—	6,849
Balance at June 30, 2016	$125,980	$141,008	2,993,985	(573,058)	11,005	252,739	2,951,659

See accompanying notes to unaudited interim consolidated financial statements.

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

	Six Months Ended June 30,	
(in thousands)	2016	2015
Operating Activities		
Net income	112,989	109,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	16,070	11,034
Depreciation, amortization, and accretion, net	28,506	28,169
Deferred income tax expense	61,283	58,302
Decrease in trading account assets	4,096	1,891
Originations of mortgage loans held for sale	(320,304)	(454,708)
Proceeds from sales of mortgage loans held for sale	299,186	426,430
Gain on sales of mortgage loans held for sale, net	(6,946)	(8,988)
Increase in other assets	(32,874)	(36,398)
Increase (decrease) in other liabilities	13,162	(34,914)
Investment securities gains, net	(67)	(2,710)
Losses and write-downs on other real estate, net	6,089	11,066
Losses and write-downs on other assets held for sale, net	7,902	—
Loss on early extinguishment of debt	4,735	—
Share-based compensation expense	6,849	6,271
Net cash provided by operating activities	$200,676	115,201
Investing Activities		
Net increase in interest earning deposits with banks	(7,154)	(6,884)
Net (increase) decrease in federal funds sold and securities purchased under resale agreements	(7,866)	623
Net increase in interest bearing funds with Federal Reserve Bank	(74,519)	(567,843)
Proceeds from maturities and principal collections of investment securities available for sale	443,128	314,239
Proceeds from sales of investment securities available for sale	243,609	82,156
Purchases of investment securities available for sale	(623,046)	(686,074)
Proceeds from sales of loans and principal repayments on other loans held for sale	7,739	21,866
Proceeds from sales of other real estate	16,282	19,348
Net increase in loans	(660,778)	(445,124)
Net increase in premises and equipment	(16,769)	(8,805)
Proceeds from sales of other assets held for sale	296	351
Net cash used in investing activities	$(679,078)	(1,276,147)
Financing Activities		
Net increase in demand and savings deposits	595,342	1,039,670
Net increase in certificates of deposit	87,466	77,813
Net increase in federal funds purchased and securities sold under repurchase agreements	70,154	61,369
Repayments on long-term debt	(1,455,067)	(425,078)
Proceeds from issuance of long-term debt	1,400,000	425,000
Dividends paid to common shareholders	(30,015)	(26,664)
Dividends paid to preferred shareholders	(5,119)	(5,119)
Stock options exercised	2,035	3,271
Repurchases of common stock	(171,547)	(109,570)

Restricted stock activity	(4,605)	(4,403)
Net cash provided by financing activities	$488,644	1,036,289
Increase (decrease) in cash and cash equivalents	10,242	(124,657)
Cash and cash equivalents at beginning of period	367,092	485,489
Cash and cash equivalents at end of period	$377,334	360,832

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Supplemental Cash Flow Information		
Cash paid during the period for:		
Income tax payments, net	5,849	8,751
Interest paid	64,424	55,747
Non-cash Activities		
Premises and equipment transferred to other assets held for sale	18,677	939
Loans foreclosed and transferred to other real estate	8,631	11,391
Loans transferred to other loans held for sale at fair value	7,314	19,459
Securities purchased during the period but settled after period-end	—	47,159

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. Through its 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 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 253 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 fair value of investment securities, the fair value of private equity investments, and contingent liabilities related to legal matters.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At June 30, 2016, there were no cash and cash equivalents restricted as to withdrawal. At December 31, 2015, $100 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 June 30, 2016 and December 31, 2015, interest bearing funds with the Federal Reserve Bank included $132.5 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 June 30, 2016 and December 31, 2015, respectively, which are pledged as collateral in connection with certain letters of credit. Federal funds sold include $75.2 million and $65.9 million at June 30, 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 June 30, 2016, Synovus had repurchased a total of $208.5 million or 7.1 million shares under the $300 million share repurchase program. Share repurchases under the program by quarter are as follows: second quarter of 2016 - $60.5 million (2.0 million shares), first quarter of 2016 - $110.9 million (3.9 million shares), and fourth quarter of 2015 - $37.1 million (1.2 million shares). At June 30, 2016, the remaining authorization under this program was $91.5 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 June 30, 2016 and December 31, 2015 are summarized below.

	June 30, 2016			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$73,741	1,082	—	74,823
U.S. Government agency securities	13,006	443	—	13,449
Securities issued by U.S. Government sponsored enterprises	50,063	54	—	50,117
Mortgage-backed securities issued by U.S. Government agencies	189,281	3,583	(81)	192,783
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,544,204	37,817	(352)	2,581,669
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	625,458	10,298	(142)	635,614
State and municipal securities	3,000	47	(1)	3,046
Equity securities	3,228	5,503	—	8,731
Other investments	20,210	333	(416)	20,127
Total investment securities available for sale	$3,522,191	59,160	(992)	3,580,359

	December 31, 2015			
(in thousands)	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 June 30, 2016 and December 31, 2015, investment securities with a carrying value of $2.19 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 June 30, 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 June 30, 2016, Synovus had five investment securities in a loss position for less than twelve months and eight 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 June 30, 2016 and December 31, 2015, are presented below.

	June 30, 2016					
	Less than 12 Months		12 Months or Longer		Total	
(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	—	—	9,785	81	9,785	81
Mortgage-backed securities issued by U.S. Government sponsored enterprises	170,365	352	—	—	170,365	352
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	27,827	142	27,827	142
State and municipal securities	—	—	53	1	53	1
Other investments	—	—	4,794	416	4,794	416
Total	$170,365	352	42,459	640	212,824	992

	December 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	
(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	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 June 30, 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.

	Distribution of Maturities at June 30, 2016					
(in thousands)	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	Total
Amortized Cost						
U.S. Treasury securities	$18,758	54,983	—	—	—	73,741
U.S. Government agency securities	—	6,613	6,393	—	—	13,006
Securities issued by U.S. Government sponsored enterprises	50,063	—	—	—	—	50,063
Mortgage-backed securities issued by U.S. Government agencies	—	—	16,261	173,020	—	189,281
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	454	1,254,247	1,289,503	—	2,544,204
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	625,458	—	625,458
State and municipal securities	184	350	—	2,466	—	3,000
Equity securities	—	—	—	—	3,228	3,228
Other investments	—	—	15,000	2,000	3,210	20,210
Total amortized cost	$69,005	62,400	1,291,901	2,092,447	6,438	3,522,191
Fair Value						
U.S. Treasury securities	$18,758	56,065	—	—	—	74,823
U.S. Government agency securities	—	6,800	6,649	—	—	13,449
Securities issued by U.S. Government sponsored enterprises	50,117	—	—	—	—	50,117
Mortgage-backed securities issued by U.S. Government agencies	—	—	16,653	176,130	—	192,783
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	469	1,269,397	1,311,803	—	2,581,669
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	635,614	—	635,614
State and municipal securities	184	350	—	2,512	—	3,046
Equity securities	—	—	—	—	8,731	8,731
Other investments	—	—	15,333	1,625	3,169	20,127
Total fair value	$69,059	63,684	1,308,032	2,127,684	11,900	3,580,359

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the six and three months ended June 30, 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.

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2016	2015	2016	2015

Proceeds from sales of investment securities available for sale	$243,609	82,156	$—	49,737
Gross realized gains	954	2,710	—	1,985
Gross realized losses	(887)	—	—	—
Investment securities gains, net	$67	2,710	$—	1,985

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Note 4 - Restructuring Charges

For the six and three months ended June 30, 2016 and 2015, total restructuring charges consist of the following components:

(in thousands)	Six Months Ended June 30, 2016	2015	Three Months Ended June 30, 2016	2015
Lease termination charges	$31	(4)	$(13)	(4)
Asset impairment charges	6,866	—	5,821	—
Loss (gain) on sale of assets held for sale, net	13	(157)	13	—
Professional fees and other charges	71	59	20	9
Total restructuring charges, net	$6,981	(102)	$5,841	5

For the three months ended June 30, 2016, Synovus recorded restructuring charges of $5.8 million with $4.8 million of these charges related to Synovus' continued corporate real estate optimization activities. Synovus continues to evaluate its branch network while deploying additional digital and on-line capabilities to increase convenience for customers while lowering transaction costs, and identified during the second quarter three branch closures to be completed by year-end, which will be in addition to the four branches closed earlier this year. Restructuring charges associated with branch closures identified during 2016 totaled $1.0 million and $1.1 million during the second and first quarter of 2016, respectively. After these closures, the branch network will consist of 250 locations by year-end, which will represent a 22.6% reduction from year-end 2010.

During the six months ended June 30, 2015, Synovus recorded net gains of $157 thousand on the sale of certain branch locations.

The following tables present aggregate activity within the accrual for restructuring charges for the six and three months ended June 30, 2016 and 2015:

(in thousands)	Severance Charges	Lease Termination Charges	Total
Balance at December 31, 2015	$ 1,930	4,687	6,617
Accruals for efficiency initiatives	—	31	31
Payments	(1,337)	(343)	(1,680)
Balance at June 30, 2016	$ 593	4,375	4,968
Balance at April 1, 2016	1,533	4,545	6,078
Accruals for efficiency initiatives	—	(13)	(13)
Payments	(940)	(157)	(1,097)
Balance at June 30, 2016	$ 593	4,375	4,968

(in thousands)	Severance Charges	Lease Termination Charges	Total
Balance at December 31, 2014	$ 3,291	5,539	8,830
Accruals for efficiency initiatives	—	(4)	(4)
Payments	(1,038)	(411)	(1,449)
Balance at June 30, 2015	$ 2,253	5,124	7,377
Balance at April 1, 2015	2,770	5,318	8,088
Accruals for efficiency initiatives	—	(4)	(4)
Payments	(517)	(190)	(707)

Balance at June 30, 2015	$ 2,253	5,124	7,377

All professional fees and other charges were paid in the quarters 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 June 30, 2016 and December 31, 2015.
Current, Accruing Past Due, and Non-accrual Loans

	June 30, 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	$5,901,061	5,451	—	5,451	14,149	5,920,661
1-4 family properties	1,106,507	3,270	134	3,404	17,869	1,127,780
Land acquisition	448,740	2,698	206	2,904	7,610	459,254
Total commercial real estate	7,456,308	11,419	340	11,759	39,628	7,507,695
Commercial, financial and agricultural	6,526,947	10,025	4,042	14,067	55,821	6,596,835
Owner-occupied	4,331,804	9,673	—	9,673	17,118	4,358,595
Total commercial and industrial	10,858,751	19,698	4,042	23,740	72,939	10,955,430
Home equity lines	1,633,322	6,604	271	6,875	16,912	1,657,109
Consumer mortgages	2,103,106	7,113	—	7,113	21,895	2,132,114
Credit cards	233,118	1,610	1,306	2,916	—	236,034
Other retail loans	594,142	3,308	5	3,313	2,698	600,153
Total retail	4,563,688	18,635	1,582	20,217	41,505	4,625,410
Total loans	$22,878,747	49,752	5,964	55,716	154,072	23,088,535(1)

	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	1,105,914	6,300	103	6,403	16,839	1,129,156
Land acquisition	495,542	639	32	671	17,768	513,981
Total commercial real estate	7,327,763	9,223	135	9,358	57,647	7,394,768
Commercial, financial and agricultural	6,391,036	12,222	785	13,007	49,137	6,453,180
Owner-occupied	4,293,308	5,254	95	5,349	20,293	4,318,950
Total commercial and industrial	10,684,344	17,476	880	18,356	69,430	10,772,130
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(2)

(1) Total before net deferred fees and costs of $27.6 million.
(2) 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

	June 30, 2016					
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss	Total
Investment properties	$5,788,229	86,101	46,331	—	—	5,920,661
1-4 family properties	1,009,820	51,938	58,789	7,233	—	1,127,780
Land acquisition	387,082	52,062	19,784	326	—	459,254
Total commercial real estate	7,185,131	190,101	124,904	7,559	—	7,507,695
Commercial, financial and agricultural	6,317,597	163,494	105,107	10,400	237 [3]	6,596,835
Owner-occupied	4,160,662	81,636	114,409	1,420	468 [3]	4,358,595
Total commercial and industrial	10,478,259	245,130	219,516	11,820	705	10,955,430
Home equity lines	1,632,841	—	21,808	1,201	1,259 [3]	1,657,109
Consumer mortgages	2,102,767	—	27,808	1,372	167 [3]	2,132,114
Credit cards	234,728	—	533	—	773 [4]	236,034
Other retail loans	595,455	—	4,620	—	78 [3]	600,153
Total retail	4,565,791	—	54,769	2,573	2,277	4,625,410
Total loans	$22,229,181	435,231	399,189	21,952	2,982	23,088,535 [5]

	December 31, 2015					
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss	Total
Investment properties	$5,560,595	114,705	76,331	—	—	5,751,631
1-4 family properties	995,903	64,325	61,726	7,202	—	1,129,156
Land acquisition	436,835	46,208	30,574	364	—	513,981
Total commercial real estate	6,993,333	225,238	168,631	7,566	—	7,394,768
Commercial, financial and agricultural	6,184,179	152,189	100,658	13,330	2,824 [3]	6,453,180
Owner-occupied	4,118,631	78,490	121,272	98	459 [3]	4,318,950
Total commercial and industrial	10,302,810	230,679	221,930	13,428	3,283	10,772,130
Home equity lines	1,666,586	—	20,456	1,206	1,666 [3]	1,689,914
Consumer mortgages	1,910,649	—	26,041	1,700	293 [3]	1,938,683
Credit cards	239,405	—	480	—	966 [4]	240,851
Other retail loans	418,929	—	4,315	—	74 [3]	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 [6]

[1] Includes $270.1 million and $303.7 million of Substandard accruing loans at June 30, 2016 and December 31, 2015, respectively.
[2] 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.
[3] The loans within this risk grade are on non-accrual status and have an allowance for loan losses equal to the full loan amount.
[4] 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.
[5] Total before net deferred fees and costs of $27.6 million.
[6] 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 six and three months ended June 30, 2016 and 2015.
Allowance for Loan Losses and Recorded Investment in Loans

	As of and For The Six Months Ended June 30, 2016			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	$87,133	122,989	42,374	252,496
Charge-offs	(9,277)	(10,661)	(7,148)	(27,086)
Recoveries	6,690	4,342	2,564	13,596
Provision for loan losses	(5,187)	12,963	8,294	16,070
Ending balance[1]	$79,359	129,633	46,084	255,076
Ending balance: individually evaluated for impairment	12,515	14,221	1,691	28,427
Ending balance: collectively evaluated for impairment	$66,844	115,412	44,393	226,649
Loans:				
Ending balance: total loans[1][2]	$7,507,695	10,955,430	4,625,410	23,088,535
Ending balance: individually evaluated for impairment	112,954	119,805	37,788	270,547
Ending balance: collectively evaluated for impairment	$7,394,741	10,835,625	4,587,622	22,817,988

	As of and For The Six Months Ended June 30, 2015			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	$101,471	118,110	41,736	261,317
Charge-offs	(10,397)	(9,074)	(11,757)	(31,228)
Recoveries	6,481	3,570	3,528	13,579
Provision for loan losses	(6,864)	10,444	7,454	11,034
Ending balance[1]	$90,691	123,050	40,961	254,702
Ending balance: individually evaluated for impairment	17,197	10,292	1,092	28,581
Ending balance: collectively evaluated for impairment	$73,494	112,758	39,869	226,121
Loans:				
Ending balance: total loans[1][3]	$7,071,595	10,404,527	4,047,868	21,523,990
Ending balance: individually evaluated for impairment	193,230	112,491	41,013	346,734
Ending balance: collectively evaluated for impairment	$6,878,365	10,292,036	4,006,855	21,177,256

[1] As of and for the six months ended June 30, 2016 and 2015, there were no purchased credit-impaired loans and no allowance for loan losses for purchased credit-impaired loans.
[2] Total before net deferred fees and costs of $27.6 million.
[3] Total before net deferred fees and costs of $29.1 million.

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Allowance for Loan Losses and Recorded Investment in Loans

	As of and For The Three Months Ended June 30, 2016			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	$84,557	124,878	45,081	254,516
Charge-offs	(7,455)	(5,136)	(3,180)	(15,771)
Recoveries	5,397	3,078	1,163	9,638
Provision for loan losses	(3,140)	6,813	3,020	6,693
Ending balance[1]	$79,359	129,633	46,084	255,076
Ending balance: individually evaluated for impairment	12,515	14,221	1,691	28,427
Ending balance: collectively evaluated for impairment	$66,844	115,412	44,393	226,649
Loans:				
Ending balance: total loans[1][2]	$7,507,695	10,955,430	4,625,410	23,088,535
Ending balance: individually evaluated for impairment	112,954	119,805	37,788	270,547
Ending balance: collectively evaluated for impairment	$7,394,741	10,835,625	4,587,622	22,817,988

	As of and For The Three Months Ended June 30, 2015			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Total
Allowance for loan losses:				
Beginning balance	$94,208	117,806	41,357	253,371
Charge-offs	(2,957)	(3,802)	(3,845)	(10,604)
Recoveries	2,540	1,305	1,454	5,299
Provision for loan losses	(3,100)	7,741	1,995	6,636
Ending balance[1]	$90,691	123,050	40,961	254,702
Ending balance: individually evaluated for impairment	17,197	10,292	1,092	28,581
Ending balance: collectively evaluated for impairment	$73,494	112,758	39,869	226,121
Loans:				
Ending balance: total loans[1][3]	7,071,595	10,404,527	4,047,868	21,523,990
Ending balance: individually evaluated for impairment	193,230	112,491	41,013	346,734
Ending balance: collectively evaluated for impairment	$6,878,365	10,292,036	4,006,855	21,177,256

(1) As of and for the three months ended June 30, 2016 and 2015, there were no purchased credit-impaired loans and no allowance for loan losses for purchased credit-impaired loans.
(2) Total before net deferred fees and costs of $27.6 million.
(3) Total before net deferred fees and costs of $29.1 million.

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The tables below summarize impaired loans (including accruing TDRs) as of June 30, 2016 and December 31, 2015.
Impaired Loans (including accruing TDRs)

	June 30, 2016			Six Months Ended June 30, 2016		Three Months Ended June 30, 2016	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded							
Investment properties	$4,249	4,275	—	8,772	—	8,185	—
1-4 family properties	1,219	5,243	—	1,417	—	1,329	—
Land acquisition	2,650	7,109	—	4,431	—	2,857	—
Total commercial real estate	8,118	16,627	—	14,620	—	12,371	—
Commercial, financial and agricultural	5,434	7,585	—	5,738	—	5,761	—
Owner-occupied	8,023	9,019	—	8,661	—	8,753	—
Total commercial and industrial	13,457	16,604	—	14,399	—	14,514	—
Home equity lines	1,043	1,043	—	1,039	—	1,043	—
Consumer mortgages	814	2,065	—	814	—	814	—
Credit cards	—	—	—	—	—	—	—
Other retail loans	—	—	—	—	—	—	—
Total retail	1,857	3,108	—	1,853	—	1,857	—
Total impaired loans with no related allowance recorded	$23,432	36,339	—	30,872	—	28,742	—
With allowance recorded							
Investment properties	$39,590	39,593	4,356	49,244	1,022	40,474	366
1-4 family properties	50,946	50,985	7,466	49,705	461	49,975	344
Land acquisition	14,300	14,301	693	19,715	223	16,342	95
Total commercial real estate	104,836	104,879	12,515	118,664	1,706	106,791	805
Commercial, financial and agricultural	53,621	55,850	12,634	54,517	517	59,487	328
Owner-occupied	52,727	52,948	1,587	50,379	927	51,355	483
Total commercial and industrial	106,348	108,798	14,221	104,896	1,444	110,842	811
Home equity lines	9,019	9,019	134	9,410	512	9,201	250
Consumer mortgages	20,939	20,939	1,179	21,480	224	21,138	109
Credit cards	—	—	—	—	—	—	—
Other retail loans	5,973	5,975	378	4,935	143	5,190	71
Total retail	35,931	35,933	1,691	35,825	879	35,529	430
Total impaired loans with allowance recorded	$247,115	249,610	28,427	259,385	4,029	253,162	2,046
Total impaired loans							
Investment properties	$43,839	43,868	4,356	58,016	1,022	48,659	366
1-4 family properties	52,165	56,228	7,466	51,122	461	51,304	344
Land acquisition	16,950	21,410	693	24,146	223	19,199	95
Total commercial real estate	112,954	121,506	12,515	133,284	1,706	119,162	805
Commercial, financial and agricultural	59,055	63,435	12,634	60,255	517	65,248	328
Owner-occupied	60,750	61,967	1,587	59,040	927	60,108	483
Total commercial and industrial	119,805	125,402	14,221	119,295	1,444	125,356	811
Home equity lines	10,062	10,062	134	10,449	512	10,244	250
Consumer mortgages	21,753	23,004	1,179	22,294	224	21,952	109
Credit cards	—	—	—	—	—	—	—
Other retail loans	5,973	5,975	378	4,935	143	5,190	71

Total retail	37,788	39,041	1,691	37,678	879	37,386	430
Total impaired loans	$270,547	285,949	28,427	290,257	4,029	281,904	2,046

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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 Recorded Investment	Interest 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 $401.5 million and $375.5 million for the six and three months ended June 30, 2015. Excluding accruing TDRs, there was no interest income recognized for the investment in impaired loans for the six and three months ended June 30, 2015. Interest income recognized for accruing TDRs was $5.1 million and $2.5 million for the six and three months ended June 30, 2015. At June 30, 2016 and December 31, 2015, impaired loans of $65.4 million and $77.9 million, respectively, 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 an 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 six and three months ended June 30, 2016 and 2015 that were reported as accruing or non-accruing TDRs.
TDRs by Concession Type

	Six Months Ended June 30, 2016				
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	3	$ —	1,826	148	1,974
1-4 family properties	19	—	3,490	1,164	4,654
Land acquisition	11	—	—	1,269	1,269
Total commercial real estate	33	—	5,316	2,581	7,897
Commercial, financial and agricultural	45	—	13,948	4,845	18,793
Owner-occupied	6	—	2,667	550	3,217
Total commercial and industrial	51	—	16,615	5,395	22,010
Home equity lines	3	—	224	—	224
Consumer mortgages	6	—	354	51	405
Credit cards	—	—	—	—	—
Other retail loans	17	—	324	1,534	1,858
Total retail	26	—	902	1,585	2,487
Total TDRs	110	$ —	22,833	9,561	32,394 (1)

	Three Months Ended June 30, 2016				
(in thousands, except contract data)	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	1	$ —	1,389	—	1,389
1-4 family properties	12	—	3,095	324	3,419
Land acquisition	5	—	—	734	734
Total commercial real estate	18	—	4,484	1,058	5,542
Commercial, financial and agricultural	15	—	1,934	1,458	3,392
Owner-occupied	2	—	1,132	102	1,234
Total commercial and industrial	17	—	3,066	1,560	4,626
Home equity lines	1	—	28	—	28
Consumer mortgages	3	—	200	51	251
Credit cards	—	—	—	—	—
Other retail loans	10	—	94	1,449	1,543
Total retail	14	—	322	1,500	1,822
Total TDRs	49	$ —	7,872	4,118	11,990 (2)

(1) No net charge-offs were recorded during the six months ended June 30, 2016 upon restructuring of these loans.
(2) No net charge-offs were recorded during the three months ended June 30, 2016 upon restructuring of these loans.

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TDRs by Concession Type

(in thousands, except contract data)	Six Months Ended June 30, 2015				
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	4	$ —	16,932	3,815	20,747
1-4 family properties	21	14,823	3,358	879	19,060
Land acquisition	6	—	604	819	1,423
Total commercial real estate	31	14,823	20,894	5,513	41,230
Commercial, financial and agricultural	49	—	1,580	3,844	5,424
Owner-occupied	3	—	1,739	416	2,155
Total commercial and industrial	52	—	3,319	4,260	7,579
Home equity lines	48	—	2,517	2,148	4,665
Consumer mortgages	12	—	510	786	1,296
Credit cards	—	—	—	—	—
Other retail loans	13	—	257	495	752
Total retail	73	—	3,284	3,429	6,713
Total TDRs	156	$ 14,823	27,497	13,202	55,522 (3)

(in thousands, except contract data)	Three Months Ended June 30, 2015				
	Number of Contracts	Principal Forgiveness	Below Market Interest Rate	Term Extensions and/or Other Concessions	Total
Investment properties	1	$ —	—	211	211
1-4 family properties	8	—	502	729	1,231
Land acquisition	3	—	349	111	460
Total commercial real estate	12	—	851	1,051	1,902
Commercial, financial and agricultural	24	—	565	1,954	2,519
Owner-occupied	1	—	—	416	416
Total commercial and industrial	25	—	565	2,370	2,935
Home equity lines	37	—	1,542	2,013	3,555
Consumer mortgages	1	—	265	—	265
Credit cards	—	—	—	—	—
Other retail loans	7	—	—	431	431
Total retail	45	—	1,807	2,444	4,251
Total TDRs	82	$ —	3,223	5,865	9,088 (4)

(3) Net charge-offs of $4.0 million were recorded during the six months ended June 30, 2015 upon restructuring of these loans.
(4) No net charge-offs were recorded during the three months ended June 30, 2015 upon restructuring of these loans.

For both the six and three months ended June 30, 2016, there was one default with a recorded investment of $92 thousand on accruing TDRs restructured during the previous twelve months (defaults are 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 and no defaults, respectively, for the six and three months ended June 30, 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 June 30, 2016, the allowance for loan losses allocated to accruing TDRs totaling $205.2 million was $12.7 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 six and three months ended June 30, 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	—	40,722	—	40,722
Amounts reclassified from accumulated other comprehensive income (loss)	207	(41)	(64)	102
Net current period other comprehensive income	207	40,681	(64)	40,824
Balance as of June 30, 2016	$(12,297)	22,459	843	11,005
Balance as of April 1, 2016	$(12,336)	10,747	849	(740)
Other comprehensive income before reclassifications	—	11,712	—	11,712
Amounts reclassified from accumulated other comprehensive income (loss)	39	—	(6)	33
Net current period other comprehensive income	39	11,712	(6)	11,745
Balance as of June 30, 2016	$(12,297)	22,459	843	11,005

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	—	(8,279)	143	(8,136)
Amounts reclassified from accumulated other comprehensive income (loss)	137	(1,667)	(52)	(1,582)
Net current period other comprehensive income	137	(9,946)	91	(9,718)
Balance as of June 30, 2015	$(12,687)	(10,659)	1,023	(22,323)
Balance as of April 1, 2015	$(12,755)	8,198	906	(3,651)
Other comprehensive income (loss) before reclassifications	—	(17,636)	143	(17,493)
Amounts reclassified from accumulated other comprehensive income (loss)	68	(1,221)	(26)	(1,179)
Net current period other comprehensive income (loss)	68	(18,857)	117	(18,672)
Balance as of June 30, 2015	$(12,687)	(10,659)	1,023	(22,323)

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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 June 30, 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 Six Months Ended June 30, 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	$(140)	(224)	Interest expense
Amortization of deferred losses	(197)	—	Loss on early extinguishment of debt
	130	87	Income tax (expense) benefit
	$(207)	(137)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$67	2,710	Investment securities gains, net
	(26)	(1,043)	Income tax (expense) benefit
	$41	1,667	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$104	84	Salaries and other personnel expense
	(40)	(32)	Income tax (expense) benefit
	$64	52	Reclassifications, net of income taxes

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 June 30, 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	$(64)	(112)	Interest expense
	25	44	Income tax (expense) benefit

	$ (39)	(68)	Reclassifications, net of income taxes
Net unrealized gains (losses) on investment securities available for sale:			
Realized gain on sale of securities	$ —	1,985	Investment securities gains, net
	—	(764)	Income tax (expense) benefit
	$ —	1,221	Reclassifications, net of income taxes
Post-retirement unfunded health benefit:			
Amortization of actuarial gains	$ 10	42	Salaries and other personnel expense
	(4)	(16)	Income tax (expense) benefit
	$ 6	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.
Level 2	Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or model-based valuation techniques for which all significant assumptions are derived principally from or corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined by using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. U.S. Government sponsored agency securities, mortgage-backed securities issued by U.S. Government sponsored enterprises and agencies, obligations of states and municipalities, collateralized mortgage obligations issued by U.S. Government sponsored enterprises, and mortgage loans held-for-sale are generally included in this category. Certain private equity investments that invest in publicly traded companies are also considered Level 2 assets.
Level 3	Unobservable inputs that are supported by little, if any, market activity for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using 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.

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 June 30, 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 six and three months ended June 30, 2016 and year ended December 31, 2015 were inconsequential.

	June 30, 2016			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	—	798	—	798
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	11	—	11
Other U.S. Government agencies		177		177
State and municipal securities	—	15	—	15
Total trading securities	$—	1,001	—	1,001
Mortgage loans held for sale	—	87,824	—	87,824
Investment securities available for sale:				
U.S. Treasury securities	74,823	—	—	74,823
U.S. Government agency securities	—	13,449	—	13,449
Securities issued by U.S. Government sponsored enterprises	—	50,117	—	50,117
Mortgage-backed securities issued by U.S. Government agencies	—	192,783	—	192,783
Mortgage-backed securities issued by U.S. Government sponsored enterprises	—	2,581,669	—	2,581,669
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	635,614	—	635,614
State and municipal securities	—	3,046	—	3,046
Equity securities	8,731	—	—	8,731
Other investments(1)	3,169	15,333	1,625	20,127
Total investment securities available for sale	$86,723	3,492,011	1,625	3,580,359
Private equity investments	—	658	26,866	27,524
Mutual funds held in rabbi trusts	11,141	—	—	11,141
Derivative assets:				
Interest rate contracts	—	36,804	—	36,804
Mortgage derivatives(2)	—	2,541	—	2,541
Total derivative assets	$—	39,345	—	39,345
Liabilities				
Trading account liabilities	—	789	—	789
Derivative liabilities:				
Interest rate contracts	—	37,221	—	37,221
Mortgage derivatives(2)	—	1,467	—	1,467
Visa derivative	—	—	1,415	1,415
Total derivative liabilities	$—	38,688	1,415	40,103

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	December 31, 2015			
(in thousands)	Level 1	Level 2	Level 3	Total Assets and Liabilities at Fair Value
Assets				
Trading securities:				
Mortgage-backed securities issued by U.S. Government agencies	—			