

SYNOVUS FINANCIAL CORP  
Form 10-Q  
November 06, 2013  
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 September 30, 2013  
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	(Zip Code)
(Address of principal executive offices)	
Registrant's telephone number, including area code: (706) 649-2311	
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par Value	
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: NONE	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)			

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

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

YES  NO

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

Class

October 31, 2013

Common Stock, \$1.00 Par Value

972,255,413

---

Table of Contents

## Table of Contents

	Page
<u>Part I.</u> Financial Information	
Index of Defined Terms	<u>i</u>
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012	<u>1</u>
Consolidated Statements of Income for the Nine and Three Months Ended September 30, 2013 and 2012	<u>2</u>
Consolidated Statements of Comprehensive Income for the Nine and Three Months Ended September 30, 2013 and 2012	<u>3</u>
Consolidated Statements of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2013 and 2012	<u>5</u>
Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012	<u>6</u>
Notes to Unaudited Interim Consolidated Financial Statements	<u>8</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>49</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>83</u>
Item 4. Controls and Procedures	<u>83</u>
<u>Part II.</u> Other Information	
Item 1. Legal Proceedings	<u>84</u>
Item 1A. Risk Factors	<u>84</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>84</u>
Item 3. Defaults Upon Senior Securities	<u>84</u>
Item 4. Mine Safety Disclosures	<u>84</u>
Item 5. Other Information	<u>84</u>
Item 6. Exhibits	<u>85</u>
Signatures	<u>86</u>

Table of Contents

SYNOVUS FINANCIAL CORP.

INDEX OF DEFINED TERMS

2013 Notes – Synovus' 4.875% subordinated notes due February 15, 2013

2019 Senior Notes – Synovus' outstanding 7.875% senior notes due February 15, 2019

ALCO – Synovus' Asset Liability Management Committee

ALL – allowance for loan losses

ASC – Accounting Standards Codification

ASU – Accounting Standards Update

Atlanta Fed – the Federal Reserve Bank of Atlanta

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

BOV – broker's opinion of value

bp – basis point (bps - basis points)

C&D – residential construction and development loans

C&I – commercial and industrial loans

CB&T – Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly-owned subsidiary of Synovus Financial Corp.

CCC – central clearing counterparty

CMO – Collateralized Mortgage Obligation

Common Stock – Common Stock, par value \$1.00 per share, of Synovus Financial Corp.

Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise

Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members

CPP – U.S. Department of the Treasury Capital Purchase Program

CRE – Commercial Real Estate

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

DRR – dual risk rating

DTA – deferred tax asset

EL – expected loss

EPS – earnings per share

Exchange Act – Securities Exchange Act of 1934, as amended

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

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.

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

Table of Contents

FFIEC – Federal Financial Institutions Examination Council  
GA DBF – Georgia Department of Banking and Finance  
GAAP – Generally Accepted Accounting Principles in the United States of America  
Georgia Commissioner – Banking Commissioner of the State of Georgia  
GSE – government sponsored enterprise  
HAP – Home Affordability Program  
HELOC – home equity line of credit  
IRC – Internal Revenue Code of 1986, as amended  
IRS – Internal Revenue Service  
LIBOR – London Interbank Offered Rate  
LTV – loan-to-collateral value ratio  
MBS – mortgage-backed securities  
MOU – Memorandum of Understanding  
MSA – Metropolitan Statistical Area  
nm – not meaningful  
NOL – net operating loss  
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.  
POS – point-of-sale  
Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended  
SCM – State, county, and municipal  
SEC – U.S. Securities and Exchange Commission  
Securities Act – Securities Act of 1933, as amended  
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value  
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, \$25 liquidation preference  
Synovus – Synovus Financial Corp.  
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations  
Synovus Bank MOU – MOU entered into by and among Synovus Bank, the FDIC and the GA DBF  
Synovus' 2012 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2012  
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank  
Synovus MOU – MOU entered into by and among Synovus, the Atlanta Fed and the GA DBF  
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank  
TAGP – Transaction Account Guarantee Program

Table of Contents

TARP – Troubled Assets Relief Program

TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)

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

Tender Offer – Offer by Synovus to purchase, for cash, all of its outstanding 2013 Notes, which commenced on February 7, 2012 and expired on March 6, 2012

Treasury – United States Department of the Treasury

tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note

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 15,510,737 shares of Synovus Common Stock at a per share exercise price of \$9.36 expiring on December 19, 2018

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. - FINANCIAL STATEMENTS

## SYNOVUS FINANCIAL CORP.

## CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except share and per share data)

	September 30, 2013	December 31, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 514,694	614,630
Interest bearing funds with Federal Reserve Bank	966,435	1,498,390
Interest earning deposits with banks	14,060	23,442
Federal funds sold and securities purchased under resale agreements	80,177	113,517
Trading account assets, at fair value	17,363	11,102
Mortgage loans held for sale, at fair value	61,232	212,663
Other loans held for sale	9,351	10,690
Investment securities available for sale, at fair value	3,151,344	2,981,112
Loans, net of deferred fees and costs	19,711,610	19,541,690
Allowance for loan losses	(318,612)	(373,405)
Loans, net	\$ 19,392,998	19,168,285
Premises and equipment, net	476,088	479,546
Goodwill	24,431	24,431
Other intangible assets, net	3,783	5,149
Other real estate	126,640	150,271
Deferred tax asset, net	763,050	806,406
Other assets	616,714	660,378
Total assets	\$ 26,218,360	26,760,012
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Non-interest bearing deposits	\$ 5,358,659	5,665,527
Interest bearing deposits, excluding brokered deposits	14,339,997	14,298,768
Brokered deposits	1,275,200	1,092,749
Total deposits	20,973,856	21,057,044
Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	194,613	201,243
Long-term debt	1,885,057	1,726,455
Other liabilities	232,974	205,839
Total liabilities	\$ 23,286,500	23,190,581
<b>Shareholders' Equity</b>		
Series A Preferred Stock – no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at December 31, 2012	\$—	957,327
Series C Preferred Stock – no par value. 5,200,000 shares outstanding at September 30, 2013	125,400	—
Common stock - \$1.00 par value. Authorized 1,200,000,000 shares; 977,923,690 issued at September 30, 2013 and 792,272,692 issued at December 31, 2012; 972,230,238 outstanding at September 30, 2013 and 786,579,240 outstanding at December 31, 2012	977,924	792,273
Additional paid-in capital	2,138,593	2,189,874
Treasury stock, at cost – 5,693,452 shares	(114,176)	(114,176)

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Accumulated other comprehensive (loss) income	(29,514	) 4,101	
Accumulated deficit	(166,367	) (259,968	)
Total shareholders' equity	2,931,860	3,569,431	
Total liabilities and shareholders' equity	\$26,218,360	26,760,012	

See accompanying notes to unaudited interim consolidated financial statements.

1

---



Table of ContentsSYNOVUS FINANCIAL CORP.  
CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

	Nine Months Ended September		Three Months Ended September	
	30,		30,	
(in thousands, except per share data)	2013	2012	2013	2012
Interest income:				
Loans, including fees	\$650,192	700,620	217,982	229,814
Investment securities available for sale	37,302	54,690	13,584	14,791
Trading account assets	433	770	155	255
Mortgage loans held for sale	3,987	4,260	869	1,764
Federal Reserve Bank balances	2,498	2,697	814	688
Other earning assets	1,343	1,103	448	364
Total interest income	\$695,755	764,140	233,852	247,676
Interest expense:				
Deposits	48,964	77,529	16,354	21,144
Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	242	505	72	155
Long-term debt	40,688	39,445	13,456	14,032
Total interest expense	\$89,894	117,479	29,882	35,331
Net interest income	605,861	646,661	203,970	212,345
Provision for loan losses	55,534	173,843	6,761	63,572
Net interest income after provision for loan losses	\$550,327	472,818	197,209	148,773
Non-interest income:				
Service charges on deposit accounts	58,142	57,319	19,426	20,404
Fiduciary and asset management fees	32,471	31,966	10,389	10,340
Brokerage revenue	21,231	19,786	6,636	6,844
Mortgage banking income	19,569	23,247	5,314	9,261
Bankcard fees	22,662	23,938	7,760	7,866
Investment securities gains, net	2,571	30,909	1,124	6,656
Other fee income	16,461	14,927	5,199	5,276
(Decrease) increase in fair value of private equity investments, net	(856	) 6,428	284	(944
Other non-interest income	21,139	25,329	7,446	7,530
Total non-interest income	\$193,390	233,849	63,578	73,233
Non-interest expense:				
Salaries and other personnel expense	276,190	280,972	92,794	93,177
Net occupancy and equipment expense	77,025	79,512	26,475	26,647
FDIC insurance and other regulatory fees	24,059	37,171	7,639	9,205
Foreclosed real estate expense, net	28,800	55,677	10,359	11,997
Losses on other loans held for sale, net	487	4,005	408	4,104
Professional fees	28,922	29,270	11,410	10,074
Third-party services	30,446	28,466	10,151	9,429
Visa indemnification charges	801	5,546	—	833
Restructuring charges	7,295	3,444	687	1,192
Other operating expenses	76,774	78,827	27,405	24,834
Total non-interest expense	\$550,799	602,890	187,328	191,492

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Income before income taxes	192,918	103,777	73,459	30,514
Income tax expense (benefit)	72,114	(2,393	) 27,765	(211 )
Net income	120,804	106,170	45,694	30,725
Dividends and accretion of discount on Series A Preferred Stock	38,100	43,968	8,506	14,695
Net income available to common shareholders	\$82,704	62,202	37,188	16,030
Net income per common share, basic	0.10	0.08	0.04	0.02
Net income per common share, diluted	\$0.09	0.07	0.04	0.02
Weighted average common shares outstanding, basic	865,565	786,429	956,694	786,576
Weighted average common shares outstanding, diluted	927,329	909,717	959,680	910,396

See accompanying notes to unaudited interim consolidated financial statements.

Table of ContentsSYNOVUS FINANCIAL CORP.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(unaudited)

(in thousands)	Nine Months Ended September 30,					
	2013			2012		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$192,918	(72,114 )	120,804	103,777	2,393	106,170
Net unrealized gains (losses) on cash flow hedges:						
Reclassification adjustment for losses (gains) realized in net income	336	(131 )	205	(1,155 )	441	(714 )
Net unrealized losses arising during the period	—	—	—	(337 )	134	(203 )
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses <sup>(1)</sup>	—	—	—	—	(575 )	(575 )
Net unrealized gains (losses)	336	(131 )	205	(1,492 )	—	(1,492 )
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for gains realized in net income	(2,571 )	990	(1,581 )	(30,909 )	11,900	(19,009 )
Net unrealized (losses) gains arising during the period	(53,166 )	20,468	(32,698 )	26,848	(10,333 )	16,515
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses <sup>(1)</sup>	—	—	—	—	(1,567 )	(1,567 )
Net unrealized losses	(55,737 )	21,458	(34,279 )	(4,061 )	—	(4,061 )
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(98 )	38	(60 )	(62 )	24	(38 )
Amortization arising during the period	830	(311 )	519	678	(261 )	417
Valuation allowance for the change in deferred taxes arising from amortization <sup>(1)</sup>	—	—	—	—	237	237
Net unrealized gains	732	(273 )	459	616	—	616
Other comprehensive loss	\$(54,669 )	21,054	(33,615 )	(4,937 )	—	(4,937 )
Comprehensive income			\$87,189			101,233

Table of Contents

(in thousands)	Three Months Ended September 30,					
	2013			2012		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$73,459	(27,765 )	45,694	30,514	211	30,725
Net unrealized gains (losses) on cash flow hedges:						
Reclassification adjustment for losses realized in net income	112	(43 )	69	63	(33 )	30
Net unrealized losses arising during the period	—	—	—	—	—	—
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses <sup>(1)</sup>	—	—	—	—	33	33
Net unrealized gains	112	(43 )	69	63	—	63
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for gains realized in net income	(1,124 )	433	(691 )	(6,656 )	2,563	(4,093 )
Net unrealized gains arising during the period	6,849	(2,637 )	4,212	15,772	(6,069 )	9,703
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses <sup>(1)</sup>	—	—	—	—	3,506	3,506
Net unrealized gains	5,725	(2,204 )	3,521	9,116	—	9,116
Post-retirement unfunded health benefit:						
Reclassification adjustments for gains realized in net income	(72 )	28	(44 )	(26 )	10	(16 )
Amortization arising during the period	—	—	—	—	—	—
Valuation allowance for the change in deferred taxes arising from amortization <sup>(1)</sup>	—	—	—	—	(10 )	(10 )
Net unrealized gains	(72 )	28	(44 )	(26 )	—	(26 )
Other comprehensive income	\$5,765	(2,219 )	3,546	9,153	—	9,153
Comprehensive income			\$49,240			39,878

<sup>(1)</sup> 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). See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

## SYNOVUS FINANCIAL CORP.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(in thousands, except per share data)	Series A Preferred Stock	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2011	\$947,017	—	790,989	2,241,171	(114,176)	21,093	(1,058,642 )	2,827,452
Net income	—	—	—	—	—	—	106,170	106,170
Other comprehensive loss, net of income taxes	—	—	—	—	—	(4,937 )	—	(4,937 )
Cash dividends declared on Common Stock - \$0.03 per share	—	—	—	—	—	—	(23,597 )	(23,597 )
Cash dividends paid on Series A Preferred Stock	—	—	—	(36,295 )	—	—	—	(36,295 )
Accretion of discount on Series A Preferred Stock	7,673	—	—	(7,673 )	—	—	—	—
Restricted share unit activity	—	—	1,280	(1,207 )	—	—	(73 )	—
Share-based compensation expense	—	—	—	6,907	—	—	—	6,907
Balance at September 30, 2012	\$954,690	—	792,269	2,202,903	(114,176)	16,156	(976,142 )	2,875,700
Balance at December 31, 2012	\$957,327	—	792,273	2,189,874	(114,176)	4,101	(259,968 )	3,569,431
Net income	—	—	—	—	—	—	120,804	120,804
Other comprehensive loss, net of income taxes	—	—	—	—	—	(33,615 )	—	(33,615 )
Cash dividends declared on Common Stock - \$0.03 per share	—	—	—	—	—	—	(26,703 )	(26,703 )
Cash dividends paid on Series A Preferred Stock	—	—	—	(33,741 )	—	—	—	(33,741 )

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Accretion of discount on Series A Preferred Stock	10,543	—	—	(10,543 )	—	—	—	—
Redemption of Series A Preferred Stock	(967,870 )	—	—	—	—	—	—	(967,870 )
Issuance of Series C Preferred Stock, net of issuance costs	—	125,400	—	—	—	—	—	125,400
Settlement of prepaid Common Stock purchase contracts	—	—	122,848	(122,848 )	—	—	—	—
Issuance of Common Stock, net of issuance costs	—	—	59,871	114,893	—	—	—	174,764
Restricted share unit activity	—	—	2,603	(5,644 )	—	—	(500 )	(3,541 )
Stock options exercised	—	—	329	460	—	—	—	789
Share-based compensation tax benefit	—	—	—	371	—	—	—	371
Share-based compensation expense	—	—	—	5,771	—	—	—	5,771
Balance at September 30, 2013	\$—	125,400	977,924	2,138,593	(114,176)	(29,514 )	(166,367 )	2,931,860

See accompanying notes to unaudited interim consolidated financial statements.

Table of ContentsSYNOVUS FINANCIAL CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

(in thousands)	Nine Months Ended September 30,	
	2013	2012
Operating Activities		
Net income	\$ 120,804	106,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	55,534	173,843
Depreciation, amortization, and accretion, net	46,513	46,940
Deferred income tax expense	64,101	153
Decrease in interest receivable	8,229	9,029
Decrease in interest payable	(3,207	) (8,406
(Increase) decrease in trading account assets	(6,261	) 10,913
Originations of mortgage loans held for sale	(749,437	) (892,573
Proceeds from sales of mortgage loans held for sale	893,348	819,635
Gain on sales of mortgage loans held for sale, net	(10,789	) (10,809
Decrease (increase) in other assets	38,663	(116,519
(Decrease) increase in accrued salaries and benefits	(4,584	) 5,697
Decrease in other liabilities	(468	) (25,928
Investment securities gains, net	(2,571	) (30,909
Losses on sales of other loans held for sale, net	487	4,005
Losses and write-downs on other real estate, net	22,714	42,695
Decrease (increase) in fair value of private equity investments, net	856	(6,428
Increase in accrual for Visa indemnification	801	5,546
Share-based compensation expense	5,771	6,907
Other, net	457	1,002
Net cash provided by operating activities	\$ 480,961	140,963
Investing Activities		
Net cash received in acquisition	56,328	—
Net decrease (increase) in interest earning deposits with banks	9,382	(13,625
Net decrease in federal funds sold and securities purchased under resale agreements	33,340	42,598
Net decrease in interest bearing funds with Federal Reserve Bank	531,955	751,850
Proceeds from maturities and principal collections of investment securities available for sale	584,810	1,063,512
Proceeds from sales of investment securities available for sale	403,792	909,485
Purchases of investment securities available for sale	(1,197,122	) (1,510,566
Proceeds from sales of loans	75,359	176,241
Proceeds from sales of other real estate	77,168	94,463
Principal repayments by borrowers on other loans held for sale	3,966	4,466
Net increase in loans	(423,252	) (231,243
Purchases of premises and equipment	(24,971	) (17,405
Proceeds from disposals of premises and equipment	3,172	3,179
Proceeds from sales of other assets held for sale	1,085	6,732
Net cash provided by investing activities	\$ 135,012	1,279,687
Financing Activities		
Net (decrease) increase in demand and savings deposits	(281,267	) 73,630
Net increase (decrease) in certificates of deposit	141,252	(1,638,551

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Net increase in Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	(6,630	) (147,893	)
Principal repayments on long-term debt	(301,431	) (364,339	)
Proceeds from issuance of long-term debt	462,500	660,000	)
Dividends paid to common shareholders	(26,703	) (23,597	)
Dividends paid to preferred shareholders	(33,741	) (36,295	)

6

---



Table of Contents

Stock options exercised	789	—	
Proceeds from issuance of Series C Preferred Stock	125,400	—	
Redemption of Series A Preferred Stock	(967,870	) —	
Proceeds from issuance of common stock	174,764	—	
Excess tax benefit from share-based compensation	569	—	
Restricted stock activity	(3,541	) —	
Net cash used in financing activities	\$ (715,909	) (1,477,045	)
Decrease in cash and cash equivalents	(99,936	) (56,395	)
Cash and cash equivalents at beginning of period	614,630	510,423	
Cash and cash equivalents at end of period	\$ 514,694	454,028	
Supplemental Cash Flow Information			
Cash paid (received) paid during the period for:			
Income tax payments (refunds), net	\$ 1,669	(7,804	)
Interest paid	85,332	107,201	
Non-cash Activities			
Decrease in net unrealized gains on available for sale securities, net of income taxes	(34,279	) (4,061	)
Decrease (increase) in net unrealized losses on hedging instruments, net of income taxes	205	(1,492	)
Mortgage loans held for sale transferred to loans at fair value	14,471	1,542	
Loans foreclosed and transferred to other real estate	72,854	113,966	
Loans transferred to other loans held for sale at fair value	117,806	256,232	
Other loans held for sale transferred to loans at fair value	1,235	8,142	
Other loans held for sale foreclosed and transferred to other real estate at fair value	3,246	58	
Premises and equipment transferred to other assets held for sale at fair value	490	2,402	
Accretion of discount on Series A Preferred Stock	10,543	7,673	
Amortization of post-retirement unfunded health benefit, net of income taxes	459	616	
Settlement of prepaid common stock purchase contracts	122,848	—	
Securities purchased (sold) during the period but settled after period-end	35,160	(178,267	)
Acquisition:			
Fair value of non-cash assets acquired	536	—	
Fair value of liabilities assumed	56,864	—	

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

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

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

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2012 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2012 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; and the valuation of deferred tax assets. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. In making this determination, management also considers other factors or recent developments, such as changes in absorption rates or market conditions at the time of valuation and anticipated sales values based on management's plans for disposition.

Allowance for Loan Losses - Commercial Loans

During the three months ended September 30, 2013, Synovus began implementation of a Dual Risk Rating (DRR) methodology for certain components of its commercial loan portfolio. The DRR includes sixteen probabilities of default grade categories and nine grade categories for estimating losses given an event of default. The result is an expected loss (EL) rate established for each borrower. The DRR results were utilized to determine the allowance for loan losses for selected components of the loan portfolio effective September 30, 2013, as it is considered to be a more refined estimate of loss. The DRR was primarily applied to commercial and industrial loans with outstanding balances greater than \$1.0 million and total relationships above \$2.5 million, which comprises approximately \$2.4 billion of the total loan portfolio at September 30, 2013. The remaining commercial loan portfolio continues to have the single rating system applied and during 2014, the scope of DRR will expand to include C&I loans from \$500 thousand to \$1.0 million with total relationships above \$2.5 million and Income Producing Real Estate (IPRE) loans initially

above \$2.5 million, with no relationship threshold, and expanding to include loans above \$1.0 million later in the year. Implementation of the DRR methodology during the three months ended September 30, 2013 resulted in a reduction to the total allowance for loan losses of approximately \$2.5 million, which was not significant and was due to the more refined estimates of losses, as well as positive migration due to updated financial data resulting from improvements in the economy, which was not related to the DRR implementation. The initial phase of IPRE will be implemented during the first quarter of 2014 and will consist of loans above \$2.5 million, which comprises approximately \$2.0 billion of the total loan portfolio at September 30, 2013. Based on information currently available, the impact to the total allowance for loan losses from the IPRE implementation during the first quarter of 2014 is not expected to be material.

## Table of Contents

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At September 30, 2013 and December 31, 2012, cash and cash equivalents included \$94.4 million and \$68.4 million, respectively, on deposit to meet Federal Reserve Bank requirements. At September 30, 2013 and December 31, 2012, \$15.4 million and \$15.5 million, respectively, of the due from banks balance was restricted as to withdrawal, including \$15.0 million at those dates on deposit pursuant to a payment network arrangement.

### Short-term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and Federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include \$12.1 million at September 30, 2013 and \$14.2 million at December 31, 2012, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$76.6 million at September 30, 2013, and \$110.0 million at December 31, 2012, which are pledged to collateralize certain derivative instruments. Federal funds sold and securities purchased under resale agreements, and Federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

### Recently Adopted Accounting Standards Updates

During 2013, Synovus adopted the provisions of the following ASUs:

ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This ASU relates to testing intangibles other than goodwill for impairment, and was adopted on January 1, 2013. If certain conditions are met, the ASU provides for a qualitative impairment assessment instead of a quantitative assessment. For Synovus, the ASU primarily applies to core deposit intangibles, which have a carrying value of \$2.8 million at September 30, 2013. The ASU did not have an impact on Synovus' unaudited interim consolidated financial statements.

ASU 2011-11, Disclosures about Offsetting Assets and Liabilities and ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires additional disclosures about financial instruments and derivative instruments that are offset or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 clarifies that the disclosure requirements of ASU 2011-11 do not apply to trade receivables. The ASU also clarifies that the disclosure requirements in ASU 2011-11 apply to repurchase and reverse repurchase agreements, securities borrowing and lending agreements that are either offset on the balance sheet or subject to an enforceable master netting arrangement or similar agreement, and derivatives accounted for in accordance with ASC 815-Derivatives and Hedging. Synovus adopted the provisions of ASU 2013-02 effective January 1, 2013 and does not have financial instruments that are subject to the new requirements of ASU 2011-11; therefore, the clarifying ASU did not affect Synovus' unaudited interim consolidated financial statements.

ASU 2013-02, Reporting of Amount Reclassified Out of Accumulated Other Comprehensive Income. The FASB issued this ASU to improve the transparency of reporting reclassifications out of accumulated other comprehensive income by requiring entities to present in one place information about significant amounts reclassified and, in some cases, to provide cross-references to related footnote disclosures. ASU 2013-02 does not amend existing requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 requires an entity to disaggregate the total change of each component of other comprehensive income and separately present reclassification adjustments and current period other comprehensive income. The provisions of ASU 2013-02 also require that entities present either in a single footnote or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line item affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, entities would instead cross reference to the related footnote to the financial statements for additional information. Synovus adopted the provisions of ASU 2013-02 effective January 1, 2013. See "Note 8 - Other Comprehensive Income" to the unaudited interim consolidated financial statements for the disclosures required by ASU 2013-02.

ASU 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. This ASU permits the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes under FASB Topic 815, in addition to interest rates on direct Treasury obligations of

the U.S. government and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The final guidance, issued on July 17, 2013, was effective immediately. Synovus will consider the provisions of this new guidance when developing new hedging strategies.

Reclassifications

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

Table of Contents

## 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 - Acquisition

On May 10, 2013, Synovus Bank entered into a purchase and assumption agreement with the FDIC, as receiver of Sunrise Bank, an affiliate of Capitol Bancorp Limited, to assume \$56.8 million in deposits, including all uninsured deposits. As part of this transaction, Synovus Bank also acquired \$0.5 million in loans. Other assets and liabilities acquired in connection with this transaction were insignificant. Sunrise Bank operated in three locations, including Valdosta, Jeffersonville, and Atlanta, Georgia. Acquisitions are accounted for under the acquisition method of accounting in accordance with FASB ASC 805, "Business Combinations". Both the purchased assets and assumed liabilities are recorded at their respective acquisition date fair values.

## Note 3 - Investment Securities

The following table summarizes Synovus' investment securities available for sale as of September 30, 2013 and December 31, 2012.

(in thousands)	September 30, 2013			
	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$17,357	—	—	17,357
U.S. Government agency securities	33,493	1,293	(175)	34,611
Securities issued by U.S. Government sponsored enterprises	112,559	1,566	—	114,125
Mortgage-backed securities issued by U.S. Government agencies	208,223	2,948	(2,260)	208,911
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,400,366	16,813	(22,855)	2,394,324
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	367,057	593	(5,971)	361,679
State and municipal securities	9,357	226	(2)	9,581
Equity securities	4,120	1,987	—	6,107
Other investments	5,067	—	(418)	4,649
Total investment securities available for sale	\$3,157,599	25,426	(31,681)	3,151,344
	December 31, 2012			
(in thousands)	Amortized Cost <sup>(1)</sup>	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$356	—	—	356
U.S. Government agency securities	35,791	2,255	—	38,046
Securities issued by U.S. Government sponsored enterprises	289,523	3,787	—	293,310
Mortgage-backed securities issued by U.S. Government agencies	238,381	7,220	(8)	245,593
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,832,076	37,646	(2,229)	1,867,493
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	513,637	2,534	(1,682)	514,489

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

State and municipal securities	15,218	582	(2	) 15,798
Equity securities	3,648	92	—	3,740
Other investments	3,000	—	(713	) 2,287
Total investment securities available for sale	\$2,931,630	54,116	(4,634	) 2,981,112

<sup>(1)</sup> Amortized cost is adjusted for other-than-temporary impairment charges, which have been recognized in the consolidated statements of income.

At September 30, 2013 and December 31, 2012, investment securities with a fair value of \$2.30 billion and \$2.28 billion respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, and payment network arrangements as required by law and contractual agreements.

Table of Contents

Synovus has reviewed investment securities that are in an unrealized loss position as of September 30, 2013 and December 31, 2012 for OTTI and does not consider any securities in an unrealized loss position to be other-than-temporarily impaired. If Synovus intended to sell a security in an unrealized loss position, the entire unrealized loss would be reflected in income. Synovus does not intend to sell any of these investment securities prior to the recovery of the unrealized loss, which may be until maturity, and has the ability and intent to hold those securities for that period of time. Additionally, Synovus is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position.

Declines in the fair value of available for sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent OTTI. These factors include the length of time the security has been in a loss position, the extent that the fair value is below amortized cost, and the credit standing of the issuer. As of September 30, 2013 there were 66 securities in a loss position for less than twelve months and 3 securities in a loss position for more than 12 months. 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 September 30, 2013 and December 31, 2012, are presented below.



Table of Contents

(in thousands)	September 30, 2013					
	Less than 12 Months		12 Months or Longer		Total	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
U.S. Treasury securities	\$—	—	—	—	—	—
U.S. Government agency securities	14,905	175	—	—	14,905	175
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—
Mortgage-backed securities issued by U.S. Government agencies	123,551	2,260	—	—	123,551	2,260
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,393,981	22,855	—	—	1,393,981	22,855
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	231,994	5,971	—	—	231,994	5,971
State and municipal securities	—	—	39	2	39	2
Equity securities	—	—	—	—	—	—
Other investments	1,962	105	2,687	313	4,649	418
<b>Total</b>	<b>\$1,766,393</b>	<b>31,366</b>	<b>2,726</b>	<b>315</b>	<b>1,769,119</b>	<b>31,681</b>
(in thousands)	December 31, 2012					
	Less than 12 Months		12 Months or Longer		Total	Gross Unrealized Losses
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
U.S. Treasury securities	\$—	—	—	—	—	—
U.S. Government agency securities	—	—	—	—	—	—
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Mortgage-backed securities issued by U.S. Government agencies	3,314	8	2	—	3,316	8
Mortgage-backed securities issued by U.S. Government sponsored enterprises	286,452	2,229	—	—	286,452	2,229
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	42,036	325	168,906	1,357	210,942	1,682
State and municipal securities	—	—	35	2	35	2
Equity securities	—	—	—	—	—	—
Other investments	2,287	713	—	—	2,287	713
Total	\$334,089	3,275	168,943	1,359	503,032	4,634

Table of Contents

The amortized cost and fair value by contractual maturity of investment securities available for sale at September 30, 2013 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 September 30, 2013					Total
	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	
Amortized Cost						
U.S. Treasury securities	\$17,357	—	—	—	—	17,357
U.S. Government agency securities	114	9,157	24,222	—	—	33,493
Securities issued by U.S. Government sponsored enterprises	30,148	82,411	—	—	—	112,559
Mortgage-backed securities issued by U.S. Government agencies	56	105	693	207,369	—	208,223
Mortgage-backed securities issued by U.S. Government sponsored enterprises	889	4,732	2,003,593	391,152	—	2,400,366
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	153	366,904	—	367,057
State and municipal securities	2,309	3,893	289	2,866	—	9,357
Equity securities	—	—	—	—	4,120	4,120
Other investments	—	—	—	3,000	2,067	5,067
Total amortized cost	\$50,873	100,298	2,028,950	971,291	6,187	3,157,599
Fair Value						
U.S. Treasury securities	\$17,357	—	—	—	—	17,357
U.S. Government agency securities	115	9,475	25,021	—	—	34,611
Securities issued by U.S. Government sponsored enterprises	30,876	83,249	—	—	—	114,125
Mortgage-backed securities issued by U.S. Government agencies	57	110	717	208,027	—	208,911
Mortgage-backed securities issued by U.S. Government sponsored enterprises	942	5,044	1,989,871	398,467	—	2,394,324
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	154	361,525	—	361,679
State and municipal securities	2,330	3,945	314	2,992	—	9,581
Equity securities	—	—	—	—	6,107	6,107
Other investments	—	—	—	2,687	1,962	4,649

Edgar Filing: SYNOVUS FINANCIAL CORP - Form 10-Q

Total fair value	\$51,677	101,823	2,016,077	973,698	8,069	3,151,344
------------------	----------	---------	-----------	---------	-------	-----------

Proceeds from sales, gross gains, and gross losses on sales of securities available for sale during the nine and three months ended September 30, 2013 and 2012 are presented below.

(in thousands)	Nine Months Ended September		Three Months Ended September	
	30, 2013	2012	30, 2013	2012
Proceeds from sales of investment securities available for sale	\$403,792	909,485	56,406	176,780
Gross realized gains	3,185	31,359	1,150	6,656
Gross realized losses	(614	) (450	) (26	) —
Investment securities gains, net	\$2,571	30,909	1,124	6,656

Table of Contents

## Note 4 - Restructuring Charges

For the nine and three months ended September 30, 2013 and 2012 total restructuring charges are as follows:

(in thousands)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
Severance charges	\$7,311	2,488	701	1,456
Asset impairment charges	—	1,231	—	3
Gain on sale of assets held for sale, net	(55	) (452	) (30	) (288
Professional fees and other charges	39	177	16	21
Total restructuring charges	\$7,295	3,444	687	1,192

In January 2013, Synovus announced new efficiency initiatives to reduce expenses by approximately \$30 million during 2013. The implementation of these initiatives is underway and on track to be completed during 2013. During the nine and three months ended September 30, 2013, Synovus recognized restructuring charges of \$7.3 million and \$687 thousand, respectively, related to these efficiency initiatives. During the nine and three months ended September 30, 2012, Synovus recognized \$3.4 million and \$1.2 million, respectively, in restructuring charges related to previously announced efficiency initiatives.

The liability for restructuring activities was \$1.8 million at September 30, 2013 and consists primarily of future severance payments. Cash payments associated with this liability are expected to occur over the next three months.

## Note 5 - Other Loans Held for Sale

Loans are transferred to other loans held for sale at fair value when Synovus makes the determination to sell specifically identified loans. The fair value of the loans is primarily determined by analyzing the underlying collateral of the loan and the anticipated market prices of similar assets less estimated costs to sell. At the time of transfer, if the fair value is less than the carrying amount, the difference is recorded as a charge-off against the ALL. Decreases in the fair value subsequent to the transfer, as well as gains/losses realized from sale of these loans, are recognized as (gains) losses on other loans held for sale, net as a component of non-interest expense on the consolidated statements of income. During the nine months ended September 30, 2013 and 2012, Synovus sold loans with carrying values of \$117.8 million and \$256.2 million, respectively.

Table of Contents

## Note 6 - Loans and Allowance for Loan Losses

Small business loans were previously reported as a component of retail loans. Effective September 30, 2013, small business loans are reported as a component of C&I loans. All prior periods presented have been reclassified to conform to the current presentation. As a result of reclassifying small business loans to C&I loans, there are now three loan classes within C&I loans.

The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of September 30, 2013 and December 31, 2012.

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

(in thousands)	September 30, 2013					
	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	\$4,356,447	4,999	83	5,082	79,584	4,441,113
1-4 family properties	1,120,944	5,706	795	6,501	46,800	1,174,245
Land acquisition	575,439	1,785	—	1,785	152,911	730,135
Total commercial real estate	6,052,830	12,490	878	13,368	279,295	6,345,493
Commercial, financial and agricultural	5,335,434	14,012	1,071	15,083	64,907	5,415,424
Owner-occupied	3,754,611	15,347	132	15,479	41,559	3,811,649
Small business	579,360	6,143	399	6,542	5,475	591,377
Total commercial and industrial	9,669,405	35,502	1,602	37,104	111,941	9,818,450
Home equity lines	1,524,665	5,512	409	5,921	18,996	1,549,582
Consumer mortgages	1,426,542	17,124	293	17,417	38,902	1,482,861
Credit cards	250,581	1,690	1,534	3,224	—	253,805
Other retail	282,804	1,850	22	1,872	1,745	286,421
Total retail	3,484,592	26,176	2,258	28,434	59,643	3,572,669
Total loans	\$19,206,827	74,168	4,738	78,906	450,879	19,736,612 <sup>(1)</sup>
	December 31, 2012					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	\$4,278,016	5,436	798	6,234	91,868	4,376,118
1-4 family properties	1,193,433	13,053	41	13,094	72,578	1,279,105
Land acquisition	599,034	3,422	298	3,720	191,475	794,229
Total commercial real estate	6,070,483	21,911	1,137	23,048	355,921	6,449,452
Commercial, financial and agricultural	5,204,972	15,742	845	16,587	79,575	5,301,134
Owner-occupied	3,739,149	17,784	61	17,845	43,386	3,800,380
Small business	505,526	4,935	338	5,273	5,550	516,349
Total commercial and industrial	9,449,647	38,461	1,244	39,705	128,511	9,617,863
Home equity lines	1,515,396	9,555	705	10,260	16,741	1,542,397
Consumer mortgages	1,348,506	22,502	1,288	23,790	39,265	1,411,561
Credit cards	258,698	2,450	2,413	4,863	—	263,561
Other retail	271,175	3,135	24	3,159	2,895	277,229
Total retail	3,393,775	37,642	4,430	42,072	58,901	3,494,748
Total loans	\$18,913,905	98,014	6,811	104,825	543,333	19,562,063 <sup>(2)</sup>

(1) Total before net deferred fees and costs of \$25.0 million.

(2) Total before net deferred fees and costs of \$20.4 million.

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:

Table of Contents

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.



Table of Contents

In the following tables, retail loans and small business loans are classified as Pass except when they reach 90 days past due, or are downgraded to Substandard. Upon reaching 120 days past due, retail loans and small business loans are generally downgraded to Loss and charged off, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy. The risk grade classifications of retail loans 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.

## Loan Portfolio Credit Exposure by Risk Grade

September 30, 2013						
(in thousands)	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful <sup>(2)</sup>	Loss	Total
Investment properties	\$3,947,495	284,162	207,720	1,736	—	4,441,113
1-4 family properties	875,055	155,426	134,307	9,457	—	1,174,245
Land acquisition	416,598	122,005	188,851	2,681	—	730,135
Total commercial real estate	5,239,148	561,593	530,878	13,874	—	6,345,493
Commercial, financial and agricultural	4,909,574	264,771	227,454	13,532	93	<sup>(2)(3)</sup> 5,415,424
Owner-occupied	3,437,988	191,353	180,144	2,164	—	3,811,649
Small business	580,394	—	10,130	—	853	<sup>(2)(4)</sup> 591,377
Total commercial and industrial	8,927,956	456,124	417,728	15,696	946	9,818,450
Home equity lines	1,520,034	—	26,008	—	3,540	<sup>(2)(4)</sup> 1,549,582
Consumer mortgages	1,450,122	—	30,632	—	2,107	<sup>(2)(4)</sup> 1,482,861
Credit cards	252,270	—	657	—	878	<sup>(4)</sup> 253,805
Other retail	283,096	—	3,131	—	194	<sup>(2)(4)</sup> 286,421
Total retail	3,505,522	—	60,428	—	6,719	3,572,669
Total loans	\$17,672,626	1,017,717	1,009,034	29,570	7,665	19,736,612 <sup>(5)</sup>
December 31, 2012						
(in thousands)	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful <sup>(2)</sup>	Loss	Total
Investment properties	\$3,659,102	463,532	253,484	—	—	4,376,118
1-4 family properties	903,213	197,148	176,672	1,953	119	<sup>(2)(3)</sup> 1,279,105
Land acquisition	416,822	143,685	227,761	5,961	—	794,229
Total commercial real estate	4,979,137	804,365	657,917	7,914	119	<sup>(2)(3)</sup> 6,449,452
Commercial, financial and agricultural	4,729,473	311,475	249,122	10,964	100	<sup>(2)(3)</sup> 5,301,134
Owner-occupied	3,339,576	261,116	198,833	855	—	3,800,380
Small business	504,503	—	10,563	—	1,283	<sup>(2)(4)</sup> 516,349
Total commercial and industrial	8,573,552	572,591	458,518	11,819	1,383	9,617,863
Home equity lines	1,511,729	—	29,094	—	1,574	<sup>(2)(4)</sup> 1,542,397
Consumer mortgages	1,372,957	—	38,023	—	581	<sup>(2)(4)</sup> 1,411,561
Credit cards	260,194	—	1,776	—	1,591	<sup>(4)</sup> 263,561
Other retail	271,619	—	5,379	—	231	<sup>(2)(4)</sup> 277,229
Total retail	3,416,499	—	74,272	—	3,977	3,494,748
Total loans	\$16,969,188	1,376,956	1,190,707	19,733	5,479	19,562,063 <sup>(6)</sup>

- (1) Includes \$413.6 million and \$518.1 million of non-accrual Substandard loans at September 30, 2013 and December 31, 2012, respectively.
- (2) The loans within these risk grades are on non-accrual status.
- (3) Amount was fully reserved and was charged-off in the subsequent quarter.
- (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 charged off in the subsequent quarter.
- (5) Total before net deferred fees and costs of \$25.0 million.
- (6) Total before net deferred fees and costs of \$20.4 million.

Table of Contents

The following table details the changes in the allowance for loan losses by loan segment for the nine months ended September 30, 2013 and 2012.

## Allowance for Loan Losses and Recorded Investment in Loans

(in thousands)	As Of and For The Nine Months Ended September 30, 2013				
	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	\$167,926	138,495	38,984	28,000	373,405
Charge-offs	(73,825 )	(44,104 )	(27,359 )	—	(145,288 )
Recoveries	11,861	17,266	5,834	—	34,961
Provision for loan losses	31,181	7,502	21,851	(5,000 )	55,534
Ending balance	\$137,143	119,159	39,310	23,000	318,612
Ending balance: individually evaluated for impairment	50,737	25,194	2,120	—	78,051
Ending balance: collectively evaluated for impairment	\$86,406	93,965	37,190	23,000	240,561
Loans:					
Ending balance: total loans <sup>(1)</sup>	\$6,345,493	9,818,450	3,572,669	—	19,736,612
Ending balance: individually evaluated for impairment	568,222	260,670	53,061	—	881,953
Ending balance: collectively evaluated for impairment	\$5,777,271	9,557,780	3,519,608	—	18,854,659
(in thousands)	As Of and For The Nine Months Ended September 30, 2012				
	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	\$249,094	187,409	51,993	47,998	536,494
Charge-offs	(169,557 )	(118,571 )	(38,880 )	—	(327,008 )
Recoveries	16,513	14,221	6,341	—	37,075
Provision for loan losses	104,463	60,999	28,379	(19,998 )	173,843
Ending balance	\$200,513	144,058	47,833	28,000	420,404
Ending balance: individually evaluated for impairment	55,400	32,086	707	—	88,193
Ending balance: collectively evaluated for impairment	\$145,113	111,972	47,126	28,000	332,211
Loans:					
Ending balance: total loans <sup>(2)</sup>	\$6,739,134	9,485,908	3,523,876	—	19,748,918
Ending balance: individually evaluated for impairment	745,510	393,733	60,244	—	1,199,487
Ending balance: collectively evaluated for impairment	\$5,993,624	9,092,175	3,463,632	—	18,549,431

<sup>(1)</sup>Total before net deferred fees and costs of \$25.0 million.

<sup>(2)</sup>Total before net deferred fees and costs of \$17.1 million.



Table of Contents

The following table details the changes in the allowance for loan losses by loan segment for the three months ended September 30, 2013 and 2012.

## Allowance for Loan Losses and Recorded Investment in Loans

(in thousands)	As Of and For The Three Months Ended September 30, 2013				
	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	\$138,329	133,190	40,361	23,000	334,880
Charge-offs	(9,474 )	(13,871 )	(6,908 )	—	(30,253 )
Recoveries	2,766	2,152	2,306		