

SYNOVUS FINANCIAL CORP  
Form 10-Q  
August 09, 2011  
Table of Contents

**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, 2011**

Commission File Number 1-10312

**SYNOVUS FINANCIAL CORP.**

(Exact name of registrant as specified in its charter)

**GEORGIA**  
(State or other jurisdiction of  
incorporation or organization)

**58-1134883**  
(I.R.S. Employer Identification No.)

**1111 Bay Avenue, Suite # 500**

**P.O. Box 120**

**Columbus, Georgia 31902**

(Address of principal executive offices)

**(706) 649-2311**

(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  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 during the preceding 12 months (or for such shorter period that the

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registrant was required to submit and post such files).

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

(Do not check if a 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

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

Class  
Common Stock, \$1.00 Par Value

July 31, 2011  
790,972,646 shares

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**Table of Contents**

**SYNOVUS FINANCIAL CORP.**

**INDEX**

|                 |   |    |
|-----------------|---|----|
| <b>Part I.</b>  | <b><u>Financial Information</u></b>   |    |
| <b>Item 1.</b>  | <b><u>Unaudited Financial Statements</u></b>  |    |
|                 | <u>Consolidated Statements of Financial Position as of June 30, 2011 and December 31, 2010</u>                                      | 3  |
|                 | <u>Consolidated Statements of Operations for the Six and Three Months Ended June 30, 2011 and 2010</u>                              | 4  |
|                 | <u>Consolidated Statements of Changes in Equity and Comprehensive Income (Loss) for the Six Months Ended June 30, 2011 and 2010</u> | 5  |
|                 | <u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2011 and 2010</u>  | 6  |
|                 | <u>Notes to Consolidated Financial Statements</u>   | 7  |
| <b>Item 2.</b>  | <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>                                 | 39 |
| <b>Item 3.</b>  | <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>  | 74 |
| <b>Item 4.</b>  | <b><u>Controls and Procedures</u></b>   | 75 |
| <b>Part II.</b> | <b><u>Other Information</u></b>   |    |
| <b>Item 1.</b>  | <b><u>Legal Proceedings</u></b>   | 76 |
| <b>Item 1A.</b> | <b><u>Risk Factors</u></b>  | 79 |
| <b>Item 2.</b>  | <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>   | 81 |
| <b>Item 6.</b>  | <b><u>Exhibits</u></b>  | 82 |
|                 | <u>Signatures</u>   | 83 |
|                 | <u>Index to Exhibits</u>  | 84 |

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1 - FINANCIAL STATEMENTS****SYNOVUS FINANCIAL CORP.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(unaudited)**

| <i>(in thousands, except share data)</i>                            | <b>June 30,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|---|--------------------------|------------------------------|
| <b>ASSETS</b>   |                          |                              |
| Cash and cash equivalents   | \$ 409,302               | 389,021                      |
| Interest bearing funds with Federal Reserve Bank                    | 2,845,277                | 3,103,896                    |
| Interest earning deposits with banks                                | 24,133                   | 16,446                       |
| Federal funds sold and securities purchased under resale agreements | 127,580                  | 160,502                      |
| Trading account assets, at fair value                               | 16,130                   | 22,294                       |
| Mortgage loans held for sale, at fair value                         | 78,752                   | 232,839                      |
| Other loans held for sale   | 89,139                   | 127,365                      |
| Investment securities available for sale, at fair value             | 3,259,254                | 3,440,268                    |
| Loans, net of deferred fees and costs                               | 20,504,810               | 21,585,763                   |
| Allowance for loan losses   | (631,401)                | (703,547)                    |
| Loans, net  | 19,873,409               | 20,882,216                   |
| Premises and equipment, net   | 493,638                  | 544,971                      |
| Goodwill  | 24,431                   | 24,431                       |
| Other intangible assets, net  | 10,449                   | 12,434                       |
| Other real estate   | 244,313                  | 261,305                      |
| Other assets  | 818,103                  | 875,160                      |
| Total assets  | \$ 28,313,910            | 30,093,148                   |
| <b>LIABILITIES AND EQUITY</b>                                       |                          |                              |
| <b>Liabilities</b>  |                          |                              |
| Deposits:   |                          |                              |
| Non-interest bearing deposits                                       | \$ 4,877,267             | 4,298,372                    |
| Interest bearing deposits   | 17,997,750               | 20,201,932                   |
| Total deposits  | 22,875,017               | 24,500,304                   |
| Federal funds purchased and other short-term borrowings             | 452,466                  | 499,226                      |
| Long-term debt  | 1,894,901                | 1,808,161                    |
| Other liabilities   | 240,588                  | 260,910                      |
| Total liabilities   | 25,462,972               | 27,068,601                   |
| <b>Equity</b>   |                          |                              |
| Shareholders' equity:   |                          |                              |

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|   |                      |             |
|---|----------------------|-------------|
| Cumulative perpetual preferred stock no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding at June 30, 2011 and December 31, 2010   | <b>942,096</b>       | 937,323     |
| Common stock - \$1.00 par value. Authorized 1,200,000,000 shares; issued 790,972,646 at June 30, 2011 and 790,956,289 at December 31, 2010; outstanding 785,279,194 at June 30, 2011 and 785,262,837 at December 31, 2010 | <b>790,973</b>       | 790,956     |
| Additional paid-in capital  | <b>2,353,854</b>     | 2,351,508   |
| Treasury stock, at cost - 5,693,452 shares in 2011 and 2010   | <b>(114,176)</b>     | (114,176)   |
| Accumulated other comprehensive income  | <b>65,905</b>        | 57,158      |
| Accumulated deficit   | <b>(1,187,714)</b>   | (1,024,851) |
| <b>Total shareholders equity</b>  | <b>2,850,938</b>     | 2,997,918   |
| Non-controlling interest in subsidiaries  |                      | 26,629      |
| <b>Total equity</b>   | <b>2,850,938</b>     | 3,024,547   |
| Total liabilities and equity  | <b>\$ 28,313,910</b> | 30,093,148  |

See accompanying notes to consolidated financial statements.

**Table of Contents****SYNOVUS FINANCIAL CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

| <i>(in thousands, except per share data)</i>                         | <b>Six Months Ended</b> |                | <b>Three Months Ended</b> |                |
|--|-------------------------|----------------|---------------------------|----------------|
|  | <b>June 30,</b>         | <b>2010</b>    | <b>June 30,</b>           | <b>2010</b>    |
|  | <b>2011</b>             |                | <b>2011</b>               | <b>2010</b>    |
| Interest income:   |                         |                |                           |                |
| Loans, including fees  | \$ 521,634              | 603,801        | 256,597                   | 299,035        |
| Investment securities available for sale                             | 57,350                  | 69,482         | 27,925                    | 34,413         |
| Trading account assets   | 478                     | 422            | 222                       | 228            |
| Mortgage loans held for sale   | 3,034                   | 3,148          | 1,223                     | 1,824          |
| Other loans held for sale  | 297                     | 21             | 236                       | 6              |
| Federal funds sold and securities purchased under resale agreements  | 71                      | 102            | 25                        | 61             |
| Interest on Federal Reserve Bank balances                            | 3,524                   | 3,547          | 1,742                     | 2,168          |
| Interest earning deposits with banks                                 | 96                      | 11             | 82                        | 4              |
| <b>Total interest income</b>   | <b>586,484</b>          | <b>680,534</b> | <b>288,052</b>            | <b>337,739</b> |
| Interest expense:  |                         |                |                           |                |
| Deposits   | 95,432                  | 159,772        | 45,869                    | 76,065         |
| Federal funds purchased and other short-term borrowings              | 594                     | 1,087          | 297                       | 544            |
| Long-term debt   | 22,063                  | 20,770         | 10,925                    | 11,091         |
| <b>Total interest expense</b>  | <b>118,089</b>          | <b>181,629</b> | <b>57,091</b>             | <b>87,700</b>  |
| Net interest income  | 468,395                 | 498,905        | 230,961                   | 250,039        |
| Provision for losses on loans  | 261,905                 | 639,851        | 120,159                   | 298,904        |
| Net interest income (expense) after provision for losses on loans    | 206,490                 | (140,946)      | 110,802                   | (48,865)       |
| Non-interest income:   |                         |                |                           |                |
| Service charges on deposit accounts                                  | 39,556                  | 54,155         | 19,238                    | 27,876         |
| Fiduciary and asset management fees                                  | 23,416                  | 22,695         | 11,879                    | 11,357         |
| Brokerage revenue  | 12,511                  | 12,699         | 6,291                     | 6,768          |
| Mortgage revenue, net  | 8,042                   | 12,132         | 5,547                     | 6,318          |
| Bankcard fees  | 22,782                  | 19,315         | 12,125                    | 9,800          |
| Investment securities gains (losses), net                            | 1,797                   | (431)          | 377                       | 17             |
| Other fee income   | 10,220                  | 10,932         | 5,289                     | 5,402          |
| (Decrease) increase in fair value of private equity investments, net | (169)                   | 2,181          | (301)                     | 1,283          |
| Other non-interest income  | 13,858                  | 10,013         | 7,404                     | 5,174          |
| <b>Total non-interest income</b>                                     | <b>132,013</b>          | <b>143,691</b> | <b>67,849</b>             | <b>73,995</b>  |
| Non-interest expense:  |                         |                |                           |                |
| Salaries and other personnel expense                                 | 184,849                 | 207,951        | 91,749                    | 103,929        |
| Net occupancy and equipment expense                                  | 58,717                  | 60,565         | 28,883                    | 30,588         |
| FDIC insurance and other regulatory fees                             | 30,362                  | 36,615         | 15,956                    | 18,970         |
| Foreclosed real estate expense, net                                  | 64,609                  | 91,948         | 39,872                    | 46,440         |
| (Gains) losses on other loans held for sale, net                     | (1,746)                 | 73             | 480                       | 12             |
| Professional fees  | 20,129                  | 20,976         | 10,893                    | 11,595         |
| Data processing expense  | 18,201                  | 22,007         | 9,251                     | 11,323         |
| Restructuring charges  | 27,439                  |                | 3,106                     |                |

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|  |                     |           |                 |           |
|--|---------------------|-----------|-----------------|-----------|
| Loss on curtailment of post-retirement defined benefit plan                            | <b>398</b>          |           |                 |           |
| Other operating expenses   | <b>59,173</b>       | 71,424    | <b>22,225</b>   | 35,905    |
| <b>Total non-interest expense</b>  | <b>462,131</b>      | 511,559   | <b>222,415</b>  | 258,762   |
| Loss from continuing operations before income taxes                                    | <b>(123,628)</b>    | (508,814) | <b>(43,764)</b> | (233,632) |
| Income tax benefit   | <b>(5,220)</b>      | (21,395)  | <b>(4,764)</b>  | (5,057)   |
| Loss from continuing operations  | <b>(118,408)</b>    | (487,419) | <b>(39,000)</b> | (228,575) |
| Income from discontinued operations, net of income taxes and non- controlling interest |                     | 43,162    |                 |           |
| Net loss   | <b>(118,408)</b>    | (444,257) | <b>(39,000)</b> | (228,575) |
| Net loss attributable to non-controlling interest                                      | <b>(220)</b>        | (590)     |                 | (381)     |
| Net loss attributable to controlling interest  | <b>(118,188)</b>    | (443,667) | <b>(39,000)</b> | (228,194) |
| Dividends and accretion of discount on preferred stock                                 | <b>28,970</b>       | 28,685    | <b>14,504</b>   | 14,360    |
| Net loss attributable to common shareholders   | <b>\$ (147,158)</b> | (472,352) | <b>(53,504)</b> | (242,554) |
| Net loss per common share, basic and diluted:  |                     |           |                 |           |
| Net loss from continuing operations attributable to common shareholders                | <b>\$ (0.19)</b>    | (0.88)    | <b>(0.07)</b>   | (0.36)    |
| Net loss attributable to common shareholders   | <b>(0.19)</b>       | (0.81)    | <b>(0.07)</b>   | (0.36)    |
| Weighted average common shares outstanding, basic and diluted                          | <b>785,260</b>      | 583,697   | <b>785,277</b>  | 676,753   |

See accompanying notes to consolidated financial statements.

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

| <i>(in thousands, except per share data)</i>  | <b>Preferred<br/>Stock</b> | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Treasury<br/>Stock</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income<br/>(Loss)</b> | <b>(Accumulated<br/>Deficit)</b> | <b>Non-<br/>Controlling<br/>Interest</b> | <b>Total</b>     |
|---|----------------------------|-------------------------|---|---------------------------|--|----------------------------------|--|------------------|
| Balance at December 31, 2009  | \$ 928,207                 | 495,514                 | 1,605,097                                 | (114,155)                 | 84,806   | (148,428)                        | 20,460                                   | 2,871,501        |
| Net loss  |                            |                         |   |                           |  | (443,667)                        | (590)                                    | (444,257)        |
| Other comprehensive income, net of tax:   |                            |                         |   |                           |  |                                  |  |                  |
| Change in net unrealized gain on cash flow hedges   |                            |                         |   |                           | (6,580)  |                                  |  | (6,580)          |
| Change in net unrealized gains and losses on investment securities available for sale, net of reclassification adjustment |                            |                         |   |                           | 23,575   |                                  |  | 23,575           |
| Amortization of post-retirement unfunded health benefit   |                            |                         |   |                           | (728)  |                                  |  | (728)            |
| Other comprehensive income  |                            |                         |   |                           | 16,267   |                                  |  | 16,267           |
| Comprehensive loss  |                            |                         |   |                           |  |                                  |  | (427,990)        |
| Cash dividends declared on common stock \$0.02 per share  |                            |                         |   |                           |  | (12,749)                         |  | (12,749)         |
| Cash dividends paid on preferred stock  |                            |                         |   |                           |  | (24,197)                         |  | (24,197)         |
| Accretion of discount on preferred stock  | 4,488                      |                         |   |                           |  | (4,488)                          |  |                  |
| Issuance of common stock, net of issuance costs   |                            | 293,250                 | 475,761                                   |                           |  |                                  |  | 769,011          |
| Issuance of prepaid common stock purchase contracts   |                            |                         | 265,503                                   |                           |  |                                  |  | 265,503          |
| Settlement of prepaid common stock purchase contracts   |                            | 1,959                   | (1,959)                                   |                           |  |                                  |  |                  |
| Treasury shares purchased   |                            |                         |   | (19)                      |  |                                  |  | (19)             |
| Issuance of non-vested stock, net of forfeitures  |                            | (6)                     | 6   |                           |  |                                  |  |                  |
| Restricted share unit activity  |                            | 31                      | (31)                                      |                           |  |                                  |  |                  |
| Share-based compensation expense  |                            |                         | 4,296                                     |                           |  |                                  |  | 4,296            |
| Stock options exercised   |                            | 1                       |   |                           |  |                                  |  | 1                |
| Share-based compensation tax deficiency   |                            |                         | (1,772)                                   |                           |  |                                  |  | (1,772)          |
| Change in ownership at majority-owned subsidiary  |                            |                         |   |                           |  | 217                              | 2,432                                    | 2,649            |
| Balance at June 30, 2010  | \$ 932,695                 | 790,749                 | 2,346,901                                 | (114,174)                 | 101,073  | (633,312)                        | 22,302                                   | 3,446,234        |
| Balance at December 31, 2010  | \$ 937,323                 | 790,956                 | 2,351,508                                 | (114,176)                 | 57,158   | (1,024,851)                      | 26,629                                   | 3,024,547        |
| <b>Net loss</b>   |                            |                         |   |                           |  | <b>(118,188)</b>                 | <b>(220)</b>                             | <b>(118,408)</b> |
| <b>Other comprehensive income, net of tax:</b>  |                            |                         |   |                           |  |                                  |  |                  |
| <b>Change in net unrealized gains and losses on cash flow hedges</b>  |                            |                         |   |                           | <b>(4,360)</b>   |                                  |  | <b>(4,360)</b>   |



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|   |                   |                |                  |                  |               |                    |                  |
|---|-------------------|----------------|------------------|------------------|---------------|--------------------|------------------|
| Change in net unrealized gains and losses on investment securities available for sale, net of reclassification adjustment |                   |                |                  |                  | 13,107        |                    | 13,107           |
| Other comprehensive income  |                   |                |                  |                  | 8,747         |                    | 8,747            |
| <b>Comprehensive loss</b>   |                   |                |                  |                  |               |                    | <b>(109,661)</b> |
| Cash dividends declared on common stock \$0.02 per share  |                   |                |                  |                  | (15,705)      |                    | (15,705)         |
| Cash dividends paid on preferred stock  |                   |                |                  |                  | (24,197)      |                    | (24,197)         |
| Accretion of discount on preferred stock  | 4,773             |                |                  |                  | (4,773)       |                    |                  |
| Restricted share unit activity  |                   | 17             |                  | (17)             |               |                    |                  |
| Share-based compensation expense  |                   |                |                  | 2,363            |               |                    | 2,363            |
| Change in ownership at majority-owned subsidiary  |                   |                |                  |                  |               | (26,409)           | (26,409)         |
| <b>Balance at June 30, 2011</b>   | <b>\$ 942,096</b> | <b>790,973</b> | <b>2,353,854</b> | <b>(114,176)</b> | <b>65,905</b> | <b>(1,187,714)</b> | <b>2,850,938</b> |

See accompanying notes to consolidated financial statements.

**Table of Contents**

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

| <i>(in thousands)</i>  | <b>Six Months Ended<br/>June 30,</b> |               |
|--|--------------------------------------|---------------|
|  | <b>2011</b>                          | <b>2010</b>   |
| <b>Operating activities</b>  |                                      |               |
| Net loss   | \$ (118,408)                         | (444,257)     |
| Adjustments to reconcile net loss to net cash provided by operating activities:                |                                      |               |
| Provision for losses on loans  | 261,905                              | 639,851       |
| Depreciation, amortization, and accretion, net   | 23,412                               | 21,772        |
| Deferred income tax benefit  | (5,304)                              | (6,315)       |
| Decrease in interest receivable  | 10,950                               | 16,506        |
| Decrease in interest payable   | (10,248)                             | (6,663)       |
| Decrease (increase) in trading account assets  | 6,164                                | (5,639)       |
| Originations of mortgage loans held for sale   | (392,707)                            | (543,309)     |
| Proceeds from sales of mortgage loans held for sale  | 542,665                              | 544,965       |
| Loss (gain) on sale of mortgage loans held for sale  | 296                                  | (4,818)       |
| Decrease in prepaid and other assets   | 61,301                               | 347,292       |
| (Decrease) increase in accrued salaries and benefits   | (6,388)                              | 2,328         |
| (Decrease) increase in other liabilities   | (3,687)                              | 27,035        |
| Investment securities (gains) losses, net  | (1,797)                              | 431           |
| (Gain) loss on sale of other loans held for sale   | (1,746)                              | 73            |
| Loss on other real estate  | 54,543                               | 79,302        |
| Decrease (increase) in fair value of private equity investments, net                           | 169                                  | (2,181)       |
| Gain on sale of merchant services business   |                                      | (69,466)      |
| Loss on curtailment of post-retirement health benefit plan                                     | 398                                  |               |
| Share-based compensation   | 2,363                                | 4,296         |
| Other, net   | 3,675                                | (1,445)       |
| <br>Net cash provided by (used in) operating activities  | <br>427,556                          | <br>599,758   |
| <b>Investing activities</b>  |                                      |               |
| Net (increase) decrease in interest earning deposits with banks                                | (7,687)                              | 1,926         |
| Net decrease in federal funds sold and securities purchased under resale agreements            | 32,922                               | 43,966        |
| Net decrease (increase) in interest bearing funds with Federal Reserve Bank                    | 258,619                              | (1,755,701)   |
| Proceeds from maturities and principal collections of investment securities available for sale | 573,759                              | 488,612       |
| Proceeds from sales of investment securities available for sale                                | 17,044                               | 244           |
| Purchases of investment securities available for sale  | (389,724)                            | (589,495)     |
| Proceeds from sale of loans  | 194,220                              | 194,141       |
| Principal repayments by borrowers on other loans held for sale                                 | 28,305                               |               |
| Proceeds from sale of other real estate  | 88,003                               | 142,006       |
| Net decrease in loans  | 425,919                              | 884,766       |
| Purchases of premises and equipment  | (9,014)                              | (11,193)      |
| Proceeds from disposals of premises and equipment  | 2,014                                | 1,630         |
| Proceeds from sale of merchant services business   |                                      | 69,466        |
| <br>Net cash provided by (used in) investing activities  | <br>1,214,380                        | <br>(529,632) |
| <b>Financing activities</b>  |                                      |               |
| Net decrease in demand and savings deposits  | (347,750)                            | (71,122)      |
| Net decrease in certificates of deposit  | (1,277,537)                          | (1,104,848)   |

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|  |                    |                 |
|--|--------------------|-----------------|
| Net (decrease) increase in federal funds purchased and other short-term borrowings | (46,760)           | 1,536           |
| Principal repayments on long-term debt   | (74,706)           | (91,866)        |
| Proceeds from issuance of long-term debt   | 165,000            | 220,355         |
| Treasury shares purchased  |                    | (19)            |
| Dividends paid to common shareholders  | (15,705)           | (9,803)         |
| Dividends paid to preferred shareholders   | (24,197)           | (24,197)        |
| Proceeds from the issuance of prepaid common stock purchase contracts              |                    | 265,503         |
| Proceeds from issuance of common stock   |                    | 769,011         |
| <b>Net cash used in financing activities</b>                                       | <b>(1,621,655)</b> | <b>(45,450)</b> |
| Increase in cash and cash equivalents  | 20,281             | 24,676          |
| Cash and due from banks at beginning of period                                     | 389,021            | 564,482         |
| Cash and due from banks at end of period   | \$ 409,302         | 589,158         |

See accompanying notes to consolidated financial statements.

## **Table of Contents**

### **Notes to Consolidated Financial Statements (Unaudited)**

#### **Note 1 - Significant Accounting Policies**

##### **Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles ( GAAP ). All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by this report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Synovus Financial Corp. ( Synovus ) consolidated financial statements and related notes appearing in Synovus' annual report on Form 10-K/A for the year ended December 31, 2010 ( Synovus' 2010 10-K ) filed with the U.S. Securities and Exchange Commission ( SEC ). There have been no significant changes to the accounting policies as disclosed in Synovus' 2010 10-K.

In preparing the 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 balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of investments; the allowance for loan losses; the valuation of other real estate; the valuation of impaired and other loans held for sale; the valuation of long-lived assets, and other intangible assets; the valuation of deferred tax assets; and the disclosures of contingent assets and liabilities. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. For valuation of impaired loans and other real estate, management also considers other factors or recent developments such as changes in absorption rates or market conditions at the time of valuation and anticipated sales values based on management's plans for disposition.

A substantial portion of Synovus' loans are secured by real estate in five southeastern states (Georgia, Alabama, Florida, South Carolina, and Tennessee). Accordingly, the ultimate collectability of a substantial portion of Synovus' loan portfolio is susceptible to changes in market conditions in these areas. Total commercial real estate loans represent 38.0% of the total loan portfolio at June 30, 2011. Due to declines in economic indicators and real estate values, the loans in the commercial real estate portfolio may have a greater risk of non-collection than other loans. Based on available information, management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, the ability of borrowers to repay their loans, and management's plans for disposition. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Synovus' allowance for loan losses. Such agencies may require Synovus to make changes to the allowance for loan losses based on their judgment of information available to them at the time of their examination.

Goodwill is tested for impairment on an annual basis and as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Synovus completed its 2011 annual review as of June 30, 2011 and concluded there was no impairment of goodwill as of this date.

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)****Supplemental Cash Flow Information**

Supplemental cash flow information for the six months ended June 30, 2011 and 2010 is presented in the table below.

| <i>(in thousands)</i>   | <b>Six Months Ended June 30,</b> |             |
|---|----------------------------------|-------------|
|   | <b>2011</b>                      | <b>2010</b> |
| <b>Cash Paid (Received) During the Period for:</b>                              |                                  |             |
| Income tax refunds, net of taxes paid   | \$ 225                           | 324,963     |
| Interest paid   | <b>104,760</b>                   | 170,490     |
| <b>Non-Cash Investing Activities (at Fair Value):</b>                           |                                  |             |
| Increase in net unrealized gain on available for sale securities <sup>(1)</sup> | <b>20,666</b>                    | 38,581      |
| Decrease in unrealized gain on cash flow hedges <sup>(1)</sup>                  | <b>2,008</b>                     | 20,882      |
| Mortgage loans held for sale transferred to loans                               | <b>6,377</b>                     | 2,068       |
| Loans foreclosed and transferred to other real estate                           | <b>125,356</b>                   | 192,509     |
| Loans transferred to other loans held for sale                                  | <b>289,587</b>                   | 274,188     |
| Other loans held for sale transferred to loans                                  | <b>3,644</b>                     |             |
| Other loans held for sale foreclosed and transferred to other real estate       | <b>8,137</b>                     |             |
| Premises and equipment transferred to other assets held for sale <sup>(1)</sup> | <b>28,048</b>                    |             |

- (1) Changes in unrealized gains on available for sale securities and cash flow hedges have not been adjusted for the impact of deferred taxes.  
(2) Amounts transferred include \$16.3 million related to branch closures discussed further in Note 2 Restructuring Charges herein and \$11.8 million of vacant properties, primarily land held for future branch development. Amounts presented are net of impairment charges incurred to record the transferred assets at the lower of their cost or fair value consistent with ASC 360.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and due from banks. At June 30, 2011 and December 31, 2010, cash and cash equivalents include \$51.6 million and \$66.6 million, respectively, on deposit to meet Federal Reserve Bank requirements, and include \$15.6 million at June 30, 2011 which is restricted as to withdrawal. There were no cash and cash equivalents restricted as to withdrawal at December 31, 2010.

**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 \$12.9 million at June 30, 2011 and \$11.3 million at December 31, 2010, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$125.4 million at June 30, 2011 and \$154.6 million at December 31, 2010, which is pledged to collateralize derivative instruments in a net liability position.

**Recently Adopted Accounting Standards Updates**

Effective January 1, 2010, Synovus adopted certain of the new disclosure requirements of Accounting Standards Update ( ASU ) No. 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820-10, Fair Value Measurements and Disclosures Overall, to add a new requirement to disclose details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers. The ASU clarifies that fair value disclosure of assets and liabilities should be by class rather than major category, and further clarifies

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that reporting entities must disclose the valuation techniques and inputs used in determining the fair value of each class of assets and liabilities. This clarifies that the existing disclosure requirement of ASC 820 applies to Level 2 as well as Level 3 measurements. Further, for recurring measurements, it clarifies that disclosure of the inputs used is required. On January 1, 2011, Synovus adopted the remaining disclosure requirement of ASU 2010-06, which requires the gross presentation of activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements. The impact of adoption for Synovus was the inclusion of additional disclosures in Synovus consolidated financial statements.

Effective December 31, 2010, Synovus adopted certain of the key provisions of ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, ( ASU 2010-20 ). ASU 2010-20 amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for loan losses. The objective of enhancing these disclosures is to improve financial statement users' understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for loan losses as well as changes in the allowance and reasons for those changes. Most of the new and amended disclosures in the ASU were effective December 31, 2010; however, the disclosures that include information for activity that occurs during a reporting period became effective January 1, 2011. Those disclosures include (1) the activity in the

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## **Table of Contents**

### **Notes to Consolidated Financial Statements (Unaudited)**

allowance for loan losses for each period and (2) disclosures about modifications of financing receivables. The impact of adoption for Synovus was the inclusion of additional disclosures in Synovus' consolidated financial statements.

Effective January 1, 2011, Synovus adopted ASU No. 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the Financial Accounting Standards Board (FASB) Emerging Issues Task Force), (ASU 2010-28). Under ASC 350-20, step 1 of the goodwill impairment test requires companies to compare a reporting unit's fair value to its carrying amount. If the reporting unit's carrying amount exceeds its fair value, companies must perform Step 2 of the test and measure the amount of goodwill impairment, if any. When a reporting unit's carrying amount is zero or negative, current guidance does not allow a company to proceed to Step 2, even though other factors may indicate that the goodwill was impaired. The EITF reached a final consensus with ASU 2010-28 that requires entities with reporting units with a zero or negative carrying value to assess, considering qualitative factors such as those listed in ASC 350-20-35-30 (these factors are not all-inclusive), whether it is more likely than not that goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. Synovus goodwill balance is associated with two financial management services reporting units, both of which had positive carrying amounts as of June 30, 2011. Therefore, Synovus does not expect that the adoption of the provisions of ASU 2010-28, will have a material impact on its financial position, results of operations, or cash flows.

Effective January 1, 2011, Synovus adopted ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force), (ASU 2010-29). ASU 2010-29 addresses differences in the ways entities have interpreted ASC 805's requirements for disclosures about pro forma revenue and earnings in a business combination. ASU 2010-29 requires that if an entity presents comparable financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. In addition, ASU 2010-29 expands the supplemental pro forma disclosures under ASC 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The impact of adoption will be inclusion of additional disclosures in Synovus' consolidated financial statements in connection with any future business combinations.

### **Recently Issued Accounting Standards Updates**

In January 2011, the FASB issued ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The amendments in this Update were effective upon issuance, as it provided a temporary delay in the effective date of the disclosures about troubled debt restructurings in Update 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, for public entities. The delay was intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring (TDR), as presented in a proposed ASU, Clarifications to Accounting for Troubled Debt Restructurings by Creditors. Under the existing effective date in Update 2010-20, public-entity creditors would have provided disclosures about TDRs for periods beginning on or after December 15, 2010. The amendments in this Update temporarily deferred that effective date enabling public-entity creditors to provide those disclosures after the Board clarified the guidance for determining what constitutes a TDR. The deferral in this Update will result in more consistent disclosures about TDRs. This amendment does not defer the effective date of the other disclosure requirements in Update 2010-20.

Effective April 2011, the FASB issued ASU 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. The ASU provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a TDR by providing clarification to existing guidance on whether (1) the creditor has granted a concession and (2) whether the debtor is experiencing financial difficulties, which are the two criteria used to determine whether a modification or restructuring is a TDR. Specifically, the ASU provides additional guidance on determining whether a creditor has granted a concession, including guidance on collection of all amounts due, receipt of additional collateral or guarantees from the debtor, and restructuring the debt at a below-market interest rate; includes factors and examples for creditors to determine whether an insignificant delay in payment is considered a concession; prohibits creditors from using the borrower's

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

effective rate test in ASC 470-50, Debt, Modifications and Extinguishment, to evaluate whether a concession has been granted to the borrower; adds factors for creditors to use to determine whether the debtor is experiencing financial difficulties; and ends the FASB's deferral of the additional disclosures about TDR activities required by ASU 2010-20. This ASU is effective for the first interim or annual period beginning on or after June 15, 2011. Early adoption is permitted. Synovus will be required to apply the ASU retrospectively for all modifications and restructuring activities that have occurred from the beginning of the annual period of adoption. For receivables that are newly considered impaired under the guidance, Synovus should measure the impairment of those receivables prospectively in the first period of adoption and disclose the total recorded investment in those receivables and the related allowance for credit losses as of the end of the period of adoption. In addition, Synovus must begin providing the new disclosures about TDR activities required by ASU 2010-20 in the period of adoption of ASU 2011-02. Synovus is currently evaluating the impact of adopting ASU 2011-02 on its financial position, results of operations, and disclosures. Synovus currently expects that the adoption of ASU 2011-02 will result in an increase in the number of loan modifications and renewals that will be reported as TDRs due mainly to the broader criteria for what constitutes a below-market rate. Additionally, Synovus does not expect a material impact to the allowance for loan losses, charge-offs, or provision for losses on loans upon implementation of ASU 2011-02 during the three months ending September 30, 2011.

On April 29, 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The ASU modifies the criteria for determining when repurchase agreements and other similar agreements would be accounted for as financings (secured borrowings/lending agreements) as opposed to sales (purchases) with commitments to repurchase (resell). In addition, ASU 2011-03 removes from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in default by the transferee, which makes the level of cash collateral received by the transferor in a repossession or other similar agreement irrelevant in determining if it should be accounted for as a sale. As a result, more agreements will be accounted for as financings. The FASB believes that contractual rights and obligations determine effective control, and there does not need to be a requirement to assess the ability to exercise those rights. The guidance in this ASU is effective prospectively for new transfers and existing transactions that are modified in the first interim or annual period beginning on or after December 15, 2011. Early adoption is not permitted. Synovus is currently evaluating the impact of adopting ASU 2011-03 on its financial position and results of operations but has not yet completed its assessment.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). This guidance improves and aligns fair value measurement and disclosure requirements under U.S. GAAP and IFRS. ASU 2011-04 requires premiums and discounts, such as control premiums or non-controlling interest discounts, to be applied in a fair value measurement categorized within Level 2 or Level 3 of the fair value hierarchy if market participants would use such factors when pricing the asset or liability. However, blockage factors related to the size of a holding are not permitted in a fair value measurement because a fair value measurement reflects the value of the asset or liability to a market participant for a particular unit of account and is not necessarily representative of the value of the entire holding. This ASU also expands disclosure requirements about fair value measurements including information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and the categorization by level of the fair value hierarchy for items that are not measured at fair value in the Consolidate Balance Sheets, but for which the fair value of such items is required to be disclosed. ASU 2011-04 is effective for the first interim or annual period beginning on or after December 15, 2011. Early adoption is not permitted. Synovus is currently evaluating the impact of adopting ASU 2011-04 on its financial position and results of operations but has not yet completed its assessment.

Effective June 16, 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The main provisions of this ASU provide the option to present comprehensive income in either one or two consecutive financial statements. A single statement presentation must include the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. In a two-statement approach, the components of net income and total net income are presented in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity has been eliminated. The amendments of this ASU will be applied retrospectively by Synovus and are



**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

effective for the first interim period beginning on or after December 31, 2011. Early adoption is permitted. The impact of adoption for Synovus will be a change in the format of presentation of comprehensive income. Synovus has not yet determined whether it will use a single statement or a two statement approach.

**Reclassifications**

Prior period 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 balance sheet date and through the date the accompanying unaudited consolidated financial statements were issued, and has reflected or disclosed those items within the consolidated financial statements and related footnotes as deemed appropriate.

**Note 2 - Restructuring Charges**

In January 2011, Synovus announced efficiency and growth initiatives intended to streamline operations, boost productivity, reduce expenses and increase revenue. During the first quarter of 2011, Synovus recognized restructuring charges of \$24.3 million associated with these initiatives. During the second quarter of 2011, Synovus incurred additional restructuring charges of \$3.1 million (\$1.7 million of severance charges and \$1.4 million of professional fees and other charges). For the six months ended June 30, 2011, total restructuring charges are as follows:

*(in thousands)*

|                                     |                  |
|-------------------------------------|------------------|
| Severance charges                   | <b>\$ 16,310</b> |
| Lease termination charges           | <b>3,107</b>     |
| Asset impairment charges            | <b>5,437</b>     |
| Professional fees and other charges | <b>2,585</b>     |
| <b>Total restructuring charges</b>  | <b>\$ 27,439</b> |

As part of these efficiency and growth initiatives, Synovus closed 31 branches during the six months ended June 30, 2011 and transferred \$16.3 million of premises and equipment, net of asset impairment charges, to other assets held for sale, a component of other assets on the consolidated statements of financial position. During the six months ended June 30, 2011, Synovus recognized impairment charges of \$5.4 million upon transfer to other assets held for sale.

The liability for restructuring activities was \$6.3 million at June 30, 2011, which includes estimated severance payments and lease termination payments. Cash payments associated with this liability are expected to occur over the next six months.

The liability for severance charges was recognized in accordance with the one-time employee termination benefit provisions of ASC 420-10-25 upon management's commitment to a plan identifying the number of employees to be terminated, the terms of the benefit arrangement, and upon communication of this information to the employees to be terminated. While recognition of restructuring charges is triggered by communication of the plan and benefit information to affected employees, the timing of recognition depends on whether an employee is required to render further service in order to receive the termination benefits. For employees who are not required to render further service in order to receive termination benefits, or who are not required to render service beyond a minimum retention period of 60 days, a liability is recognized on the

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date of communication to affected employees. For employees who are required to work beyond the minimum retention period in order to receive termination benefits, the fair value of termination benefits at the communication date is recognized ratably over the future service period.

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

Restructuring charges resulting from the impairment of long-lived assets were recognized in accordance with ASC 360-10-35 upon a significant adverse change in the extent or manner in which a long-lived asset is being used (removed from service), or upon management's commitment to a plan to sell an asset, and the asset is available for immediate sale, an active program to locate a buyer has been identified, the sale is probable, the asset is being marketed for a price that is reasonable in relation to its current fair value, and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Restructuring charges resulting from lease termination expenses were recognized in accordance with ASC 840-20 and ASC 840-30 upon notifying the lessor of Synovus' intent to terminate a lease.

**Note 3 Comprehensive Income (Loss)**

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

Comprehensive income (loss) for the six and three months ended June 30, 2011 and 2010 is presented below.

| <i>(in thousands)</i>   | <b>Six Months Ended June 30,</b> |             | <b>Three Months Ended June 30,</b> |             |
|---|----------------------------------|-------------|------------------------------------|-------------|
|   | <b>2011</b>                      | <b>2010</b> | <b>2011</b>                        | <b>2010</b> |
| Net loss  | <b>\$ (118,408)</b>              | (444,257)   | <b>(39,000)</b>                    | (228,575)   |
| Other comprehensive income or loss, net of tax:   |                                  |             |                                    |             |
| Change in net unrealized gains/losses on cash flow hedges   | <b>(4,360)</b>                   | (6,580)     | <b>(455)</b>                       | (1,661)     |
| Change in net unrealized gains/losses on investment securities available for sale, net of reclassification adjustment | <b>13,107</b>                    | 23,575      | <b>26,211</b>                      | 22,786      |
| Amortization of post-retirement unfunded health benefit   |                                  | (728)       |                                    | (774)       |
| Other comprehensive income  | <b>8,747</b>                     | 16,267      | <b>25,756</b>                      | 20,351      |
| Comprehensive loss  | <b>\$ (109,661)</b>              | (427,990)   | <b>(13,244)</b>                    | (208,224)   |

**Note 4 Investment Securities**

The following table summarizes Synovus' available for sale investment securities as of June 30, 2011 and December 31, 2010.

| <i>(in thousands)</i>                                      | <b>June 30, 2011</b>      |                                       |  |                       |
|--|---------------------------|---------------------------------------|--|-----------------------|
|  | <b>Amortized<br/>Cost</b> | <b>Gross<br/>Unrealized<br/>Gains</b> | <b>Gross<br/>Unrealized<br/>Losses</b> | <b>Fair<br/>Value</b> |
| U.S. Treasury securities                                   | <b>\$ 268,798</b>         | <b>6,632</b>                          |  | <b>275,430</b>        |
| U.S. Government agency securities                          | <b>47,947</b>             | <b>3,454</b>                          |  | <b>51,401</b>         |
| Securities issued by U.S. Government sponsored enterprises | <b>636,004</b>            | <b>18,462</b>                         | <b>(379)</b>                           | <b>654,087</b>        |

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|   |                     |                |                |                  |
|---|---------------------|----------------|----------------|------------------|
| Mortgage-backed securities issued by U.S. Government agencies                       | <b>408,871</b>      | <b>18,446</b>  |                | <b>427,317</b>   |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises          | <b>1,631,830</b>    | <b>73,170</b>  | <b>(840)</b>   | <b>1,704,160</b> |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | <b>16,888</b>       | <b>519</b>     | <b>(2)</b>     | <b>17,405</b>    |
| State and municipal securities  | <b>28,603</b>       | <b>707</b>     | <b>(23)</b>    | <b>29,287</b>    |
| Equity securities   | <b>12,783</b>       | <b>2,006</b>   | <b>(1,583)</b> | <b>13,206</b>    |
| Other investments   | <b>85,787</b>       | <b>1,174</b>   |                | <b>86,961</b>    |
| <b>Total</b>  | <b>\$ 3,137,511</b> | <b>124,570</b> | <b>(2,827)</b> | <b>3,259,254</b> |

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

|   | <b>December 31, 2010</b> |                               |                                | <b>Fair Value</b> |
|---|--------------------------|-------------------------------|--------------------------------|-------------------|
|   | <b>Amortized Cost</b>    | <b>Gross Unrealized Gains</b> | <b>Gross Unrealized Losses</b> |                   |
| U.S. Treasury securities  | \$ 251,842               | 5,830                         |                                | 257,672           |
| U.S. Government agency securities   | 48,107                   | 3,685                         | (1)                            | 51,791            |
| Securities issued by U.S. Government sponsored enterprises                          | 846,536                  | 18,845                        | (3,061)                        | 862,320           |
| Mortgage-backed securities issued by U.S. Government agencies                       | 447,502                  | 12,706                        | (370)                          | 459,838           |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises          | 1,569,955                | 65,421                        | (5,931)                        | 1,629,445         |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 28,985                   | 1,011                         | (2)                            | 29,994            |
| State and municipal securities  | 49,385                   | 1,066                         | (108)                          | 50,343            |
| Equity securities   | 11,970                   | 836                           |                                | 12,806            |
| Other investments   | 84,909                   | 1,150                         |                                | 86,059            |
| <b>Total</b>  | <b>\$ 3,339,191</b>      | <b>110,550</b>                | <b>(9,473)</b>                 | <b>3,440,268</b>  |

At June 30, 2011 and December 31, 2010, investment securities with a carrying value of \$2.51 billion and \$2.63 billion, respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, payment network arrangements, and Federal Home Loan Bank ( FHLB ) advances as required by law and contractual agreements.

Synovus has reviewed investment securities that are in an unrealized loss position as of June 30, 2011 and December 31, 2010 for other-than-temporary impairment and does not consider any securities in an unrealized loss position to be other-than-temporarily impaired. Synovus does not intend to sell these investment securities at an unrealized loss position at June 30, 2011, and it is more likely than not that Synovus will not be required to sell these securities prior to recovery or maturity. The unrealized losses are related primarily 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 any unrealized losses are other-than-temporarily impaired. These factors include length of time that the security has been in a loss position, the extent that the fair value has been below amortized cost, and the credit standing of the issuer.

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

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 had been in a continuous unrealized loss position at June 30, 2011 and December 31, 2010 were as follows:

| <i>(in thousands)</i>   | Less than 12 Months |                   | June 30, 2011<br>12 Months or Longer |                   | Total Fair Value |                   |
|---|---------------------|-------------------|--------------------------------------|-------------------|------------------|-------------------|
|   | Fair Value          | Unrealized Losses | Fair Value                           | Unrealized Losses | Fair Value       | Unrealized Losses |
| U.S. Treasury securities  | \$                  |                   |                                      |                   |                  |                   |
| U.S. Government agency securities   |                     |                   |                                      |                   |                  |                   |
| Securities issued by U.S. Government sponsored enterprises                          | 139,876             | (379)             |                                      |                   | 139,876          | (379)             |
| Mortgage-backed securities issued by U.S. Government agencies                       |                     |                   |                                      |                   |                  |                   |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises          | 301,992             | (840)             |                                      |                   | 301,992          | (840)             |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 885                 | (2)               |                                      |                   | 885              | (2)               |
| State and municipal securities  | 2,763               | (1)               | 1,011                                | (22)              | 3,774            | (23)              |
| Equity securities   | 6,840               | (1,583)           |                                      |                   | 6,840            | (1,583)           |
| Other investments   |                     |                   |                                      |                   |                  |                   |
| Total   | \$ 452,356          | (2,805)           | 1,011                                | (22)              | 453,367          | (2,827)           |

| <i>(in thousands)</i>   | Less than 12 Months |                   | December 31, 2010<br>12 Months or Longer |                   | Total Fair Value |                   |
|---|---------------------|-------------------|--|-------------------|------------------|-------------------|
|   | Fair Value          | Unrealized Losses | Fair Value                               | Unrealized Losses | Fair Value       | Unrealized Losses |
| U.S. Treasury securities  | \$                  |                   |  |                   |                  |                   |
| U.S. Government agency securities   | 191                 | (1)               |  |                   | 191              | (1)               |
| Securities issued by U.S. Government sponsored enterprises                          | 181,430             | (3,061)           |  |                   | 181,430          | (3,061)           |
| Mortgage-backed securities issued by U.S. Government agencies                       | 70,577              | (370)             |  |                   | 70,577           | (370)             |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises          | 491,838             | (5,931)           |  |                   | 491,838          | (5,931)           |
| Collateralized mortgage obligations issued by U.S. Government sponsored enterprises | 1,007               | (2)               |  |                   | 1,007            | (2)               |
| State and municipal securities  | 4,643               | (70)              | 1,506                                    | (38)              | 6,149            | (108)             |
| Equity securities   |                     |                   |  |                   |                  |                   |

Other investments

|       |            |         |       |      |         |         |
|-------|------------|---------|-------|------|---------|---------|
| Total | \$ 749,686 | (9,435) | 1,506 | (38) | 751,192 | (9,473) |
|-------|------------|---------|-------|------|---------|---------|

The amortized cost and fair value by contractual maturity of investment securities available for sale at June 30, 2011 are shown below. The expected life of mortgage-backed securities 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, which are not due at a single maturity date, have been classified based on the contractual maturity date.

**Table of Contents****Notes to Consolidated Financial Statements (Unaudited)**

| <i>(in thousands)</i>   | <b>Distribution of Maturities at June 30, 2011</b> |                         |                          |                               |                               | <b>Total</b>     |
|---|--|-------------------------|--------------------------|-------------------------------|-------------------------------|------------------|
|   | <b>Within<br/>One Year</b>                         | <b>1 to 5<br/>Years</b> | <b>5 to 10<br/>Years</b> | <b>More Than<br/>10 Years</b> | <b>No Stated<br/>Maturity</b> |                  |
| <b>Amortized Cost</b>   |  |                         |                          |                               |                               |                  |
| U.S. Treasury securities  | \$ 83,575  | 185,223                 |                          |                               |                               | 268,798          |
| U.S. Government agency securities   |  | 2,391                   | 34,437                   | 11,119                        |                               | 47,947           |
| Securities issued by U.S. Government sponsored enterprises                                | 14,963   | 621,041                 |                          |                               |                               | 636,004          |
| Mortgage-backed securities issued by U.S. Government agencies                             |  | 394                     | 268                      | 408,209                       |                               | 408,871          |
| Mortgage-backed securities issued by U.S. Government sponsored enterprises                | 608  | 33,060                  | 376,547                  | 1,221,615                     |                               | 1,631,830        |
| Collateralized mortgage-backed securities issued by U.S. Government sponsored enterprises |  | 89                      | 529                      | 16,270                        |                               | 16,888           |
| State and municipal securities  | 4,515  | 11,183                  | 7,974                    | 4,931                         |                               | 28,603           |
| Other investments   |  | 81,337                  | 450                      | 4,000                         |                               | 85,787           |
| Securities with no stated maturity (equity securities)                                    |  |                         |                          |                               | 12,783                        | 12,783           |
| <b>Total</b>  | <b>\$ 103,661</b>                                  | <b>934,718</b>          | <b>420,205</b>           | <b>1,666,144</b>              | <b>12,783</b>                 | <b>3,137,511</b> |
| <b>Fair Value</b>   |  |                         |                          |                               |                               |                  |
| U.S. Treasury securities  | \$ 83,689  | 191,741                 |                          |                               |                               | 275,430          |
| U.S. Government agency securities   |  | 2,490                   | 36,887                   | 12,024                        |                               | 51,401           |
| Securities issued by U.S. Government sponsored enterprises                                |  |                         |                          |                               |                               |                  |