SYNOVUS FINANCIAL CORP
Form 10-Q
May 07, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2018
Commission file number 1-10312

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

Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1111 Bay Avenue Suite 500, Columbus, Georgia	31901
(Address of principal executive offices)	(Zip Code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 Par Value	New York Stock Exchange
Series B Participating Cumulative Preferred Stock Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 7(a)2(B) of the Securities Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ¨ NO x

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

Class	May 3, 2018
Common Stock, $1.00 Par Value	118,640,312

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SYNOVUS FINANCIAL CORP.
INDEX OF DEFINED TERMS

ALCO – Synovus' Asset Liability Management Committee
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
ATM – Automatic teller machine
Basel III – The third Basel Accord developed by the Basel Committee on Banking Supervision to strengthen existing regulatory capital requirements
BOLI – Bank-owned life insurance
BOV – Broker’s opinion of value
bp(s) – Basis point(s)
C&I – Commercial and industrial loans
CET1 – Common Equity Tier 1 Capital defined by Basel III capital rules
CME – Chicago Mercantile Exchange
CMO – Collateralized Mortgage Obligation
Cabela’s Transaction – The transaction completed on September 25, 2017 whereby Synovus Bank acquired certain assets and assumed certain liabilities of World's Foremost Bank ("WFB") and then immediately thereafter sold WFB’s credit card assets and certain related liabilities to Capital One Bank (USA), National Association. As a part of this transaction, Synovus Bank retained WFB’s $1.10 billion brokered time deposit portfolio and received a $75.0 million fee from Cabela’s Incorporated and Capital One. Throughout this Report, we refer to this transaction as the “Cabela’s Transaction” and the associated $75.0 million fee received from Cabela’s and Capital One as the “Cabela’s Transaction Fee”
Code – Internal Revenue Code of 1986, as amended
Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise
Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members
CRE – Commercial real estate
DIF – Deposit Insurance Fund
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
EVE – Economic value of equity
Exchange Act – Securities Exchange Act of 1934, as amended
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research
Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System, establishes monetary policy (interest rates, credit, etc.), and monitors the economic health of the country. Its members are appointed by the President subject to Senate confirmation, and serve 14-year terms
Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure
Federal Tax Reform – Enactment of H.R. 1, formerly known as the Tax Cuts and Jobs Act, on December 22, 2017, legislation in which a number of changes were made under the Internal Revenue Code, including a reduction of the corporate income tax rate, significant limitations on the deductibility of interest, allowance of the expensing of capital expenditures, limitation on deductibility of FDIC insurance premiums, and limitation of the deductibility of certain performance-based compensation, among others

FFIEC – Federal Financial Institutions Examination Council
FHLB – Federal Home Loan Bank
FICO – Fair Isaac Corporation
FTE – Fully taxable-equivalent
GA DBF – Georgia Department of Banking and Finance
GAAP – Generally Accepted Accounting Principles in the United States of America
GGL – Government guaranteed loans
Global One – Entaire Global Companies, Inc., the parent company of Global One Financial, Inc., as acquired by Synovus on October 1, 2016. Throughout this Report, we refer to this acquisition as "Global One"
GSE – Government sponsored enterprise
HELOC – Home equity line of credit
LTV – Loan-to-collateral value ratio
NAICS – North American Industry Classification System
nm – not meaningful
NPA – Non-performing assets
NPL – Non-performing loans
NSF – Non-sufficient funds
OCI – Other comprehensive income
ORE – Other real estate
OTC– Over-the-counter
OTTI – Other-than-temporary impairment
Parent Company – Synovus Financial Corp.
SBA – Small Business Administration
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, $25 liquidation preference
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus' 2017 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2017
Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus Securities – Synovus Securities, Inc., a wholly-owned subsidiary of Synovus
Synovus Trust – Synovus Trust Company, N.A., a wholly-owned subsidiary of Synovus Bank
TDR – Troubled debt restructuring (as defined in ASC 310-40)
the Treasury – United States Department of the Treasury
VIE – Variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A., Inc. card association or its affiliates, collectively
Visa Class A shares – Class A shares of common stock issued by Visa are publicly traded shares which are not subject to restrictions on sale

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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. Class B shares will be convertible into Visa Class A shares using a then current conversion ratio upon the lifting of restrictions with respect to sale of Visa Class B shares
Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Warrant – A warrant issued to the Treasury by Synovus to purchase up to 2,215,820 shares of Synovus common stock at a per share exercise price of $65.52 expiring on December 19, 2018, as was issued by Synovus to Treasury in 2008 in connection with the Capital Purchase Program, promulgated under the Emergency Stabilization Act of 2008
WFB – World's Foremost Bank, a wholly-owned subsidiary of Cabela's Incorporated

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

(in thousands, except share and per share data)	March 31, 2018	December 31, 2017
ASSETS		
Cash and due from banks	$348,027	$397,848
Interest bearing funds with Federal Reserve Bank	636,947	460,928
Interest earning deposits with banks	16,851	26,311
Federal funds sold and securities purchased under resale agreements	57,192	47,846
Total cash, cash equivalents, restricted cash, and restricted cash equivalents[1]	1,059,017	932,933
Mortgage loans held for sale, at fair value	50,439	48,024
Investment securities available for sale, at fair value	3,990,978	3,987,069
Loans, net of deferred fees and costs	24,883,037	24,787,464
Allowance for loan losses	(257,764)	(249,268)
Loans, net	24,625,273	24,538,196
Cash surrender value of bank-owned life insurance	543,684	540,958
Premises and equipment, net	424,342	426,813
Goodwill	57,315	57,315
Other intangible assets	10,750	11,254
Deferred tax asset, net	179,343	165,788
Other assets	559,887	513,487
Total assets	$31,501,028	$31,221,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$7,381,070	$7,686,339
Interest bearing deposits, excluding brokered deposits	16,865,859	16,500,436
Brokered deposits	2,006,578	1,961,125
Total deposits	26,253,507	26,147,900
Federal funds purchased and securities sold under repurchase agreements	185,531	161,190
Long-term debt	1,856,392	1,706,138
Other liabilities	249,103	245,043
Total liabilities	28,544,533	28,260,271
Shareholders' Equity		
Series C Preferred Stock – no par value. Authorized 100,000,000 shares; 5,200,000 shares issued and outstanding at March 31, 2018 and December 31, 2017	125,980	125,980
Common stock - $1.00 par value. Authorized 342,857,143 shares; 143,017,301 issued at March 31, 2018 and 142,677,449 issued at December 31, 2017; 118,702,497 outstanding at March 31, 2018 and 118,897,295 outstanding at December 31, 2017	143,017	142,678
Additional paid-in capital	3,039,757	3,043,129
Treasury stock, at cost – 24,314,804 shares at March 31, 2018 and 23,780,154 shares at December 31, 2017	(866,407)	(839,674)
Accumulated other comprehensive loss	(107,777)	(54,754)
Retained earnings	621,925	544,207
Total shareholders’ equity	2,956,495	2,961,566

Total liabilities and shareholders' equity	$31,501,028	$31,221,837

See accompanying notes to unaudited interim consolidated financial statements.
(1) See "Note 1 - Significant Accounting Policies" of this Report for information on Synovus' change in presentation of cash and cash equivalents.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended March 31,	
(in thousands, except per share data)	2018	2017
Interest income:		
Loans, including fees	$285,340	$249,348
Investment securities available for sale	23,928	19,834
Trading account assets	54	28
Mortgage loans held for sale	379	467
Federal Reserve Bank balances	1,750	1,211
Other earning assets	1,683	1,513
Total interest income	313,134	272,401
Interest expense:		
Deposits	26,375	16,958
Federal funds purchased and securities sold under repurchase agreements	107	38
Long-term debt	12,368	15,478
Total interest expense	38,850	32,474
Net interest income	274,284	239,927
Provision for loan losses	12,776	8,674
Net interest income after provision for loan losses	261,508	231,253
Non-interest income:		
Service charges on deposit accounts	19,940	20,118
Fiduciary and asset management fees	13,435	12,151
Card fees	10,199	9,844
Brokerage revenue	8,695	7,226
Mortgage banking income	5,047	5,766
Income from bank-owned life insurance	4,217	3,056
Investment securities gains, net	—	7,668
Decrease in fair value of private equity investments, net	(3,056)	(1,814)
Other fee income	4,618	4,868
Other non-interest income	3,951	2,956
Total non-interest income	67,046	71,839
Non-interest expense:		
Salaries and other personnel expense	113,720	107,191
Net occupancy and equipment expense	31,480	29,331
Third-party processing expense	13,945	12,603
FDIC insurance and other regulatory fees	6,793	6,770
Professional fees	5,505	5,355
Advertising expense	5,092	5,912
Foreclosed real estate expense, net	856	2,134
Restructuring charges, net	(315)	6,511
Other operating expenses	18,103	21,581
Total non-interest expense	195,179	197,388
Income before income taxes	133,375	105,704
Income tax expense	30,209	33,847
Net income	103,166	71,857
Dividends on preferred stock	2,559	2,559

Net income available to common shareholders	$100,607	$69,298
Net income per common share, basic	$0.85	$0.57
Net income per common share, diluted	0.84	0.56
Weighted average common shares outstanding, basic	118,666	122,300
Weighted average common shares outstanding, diluted	119,321	123,059

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended March 31,					
	2018			2017		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	$133,375	$(30,209)	$103,166	$105,704	$(33,847)	$71,857
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	—	—	—	65	(25)	40
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	—	—	—	(7,668)	2,952	(4,716)
Net unrealized (losses) gains arising during the period	(61,445)	15,914	(45,531)	9,099	(3,503)	5,596
Net unrealized (losses) gains	(61,445)	15,914	(45,531)	1,431	(551)	880
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(34)	13	(21)	(20)	8	(12)
Other comprehensive (loss) income	$(61,479)	$15,927	$(45,552)	$1,476	$(568)	$908
Comprehensive income			$57,614			$72,765

See accompanying notes to unaudited interim consolidated financial statements.

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SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

(in thousands, except per share data)	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2016	$125,980	$142,026	$3,028,405	$(664,595)	$ (55,659)	$351,767	$2,927,924
Net income	—	—	—	—	—	71,857	71,857
Other comprehensive income, net of income taxes	—	—	—	—	908	—	908
Cash dividends declared on common stock -$0.15 per share	—	—	—	—	—	(18,347)	(18,347)
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(2,559)	(2,559)
Repurchases of common stock	—	—	—	(15,151)	—	—	(15,151)
Restricted share unit activity	—	305	(7,799)	—	—	(290)	(7,784)
Stock options exercised	—	110	1,809	—	—	—	1,919
Share-based compensation expense	—	—	3,360	—	—	—	3,360
Balance at March 31, 2017	$125,980	$142,441	$3,025,775	$(679,746)	$ (54,751)	$402,428	$2,962,127
Balance at December 31, 2017	$125,980	$142,678	$3,043,129	$(839,674)	$ (54,754)	$544,207	$2,961,566
Cumulative-effect adjustment from adoption of ASU 2014-09						(685)	(685)
Reclassification from adoption of ASU 2018-02					(7,588)	7,588	—
Cumulative-effect adjustment from adoption of ASU 2016-01					117	(117)	—
Net income	—	—	—	—	—	103,166	103,166
Other comprehensive income, net of income taxes	—	—	—	—	(45,552)	—	(45,552)
Cash dividends declared on common stock - $0.25 per share	—	—	—	—	—	(29,675)	(29,675)
Cash dividends paid on Series C Preferred Stock	—	—	—	—	—	(2,559)	(2,559)
Repurchases of common stock	—	—	—	(26,733)	—	—	(26,733)
Restricted share unit activity	—	266	(8,494)	—	—	—	(8,228)
Stock options exercised	—	73	1,167	—	—	—	1,240
Share-based compensation expense	—	—	3,955	—	—	—	3,955
Balance at March 31, 2018	$125,980	$143,017	$3,039,757	$(866,407)	$ (107,777)	$621,925	$2,956,495

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended March 31,	
(in thousands)	2018	2017
Operating Activities		
Net income	$103,166	$71,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	12,776	8,674
Depreciation, amortization, and accretion, net	14,823	14,479
Deferred income tax expense	2,599	36,014
Originations of mortgage loans held for sale	(128,618)	(156,043)
Proceeds from sales of mortgage loans held for sale	130,805	155,245
Gain on sales of mortgage loans held for sale, net	(3,445)	(3,560)
(Increase) decrease in other assets	(52,159)	7,375
(Decrease) increase in other liabilities	(8,466)	4,963
Investment securities gains, net	—	(7,668)
Share-based compensation expense	3,955	3,360
Net cash provided by operating activities	75,436	134,696
Investing Activities		
Proceeds from maturities and principal collections of investment securities available for sale	139,929	163,386
Proceeds from sales of investment securities available for sale	—	282,629
Purchases of investment securities available for sale	(211,085)	(410,814)
Proceeds from sales of loans	10,885	—
Proceeds from sales of other real estate	2,090	2,773
Net increase in loans	(109,180)	(419,552)
Purchases of bank-owned life insurance policies, net of settlements	1,523	(73,110)
Net increase in premises and equipment	(9,212)	(5,497)
Proceeds from sales of other assets held for sale	—	1,328
Net cash used in investing activities	(175,050)	(458,857)
Financing Activities		
Net (decrease) increase in demand and savings deposits	(216,836)	364,517
Net increase in certificates of deposit	322,338	92,955
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	24,341	(13,219)
Repayments and redemption of long-term debt	(2,130,030)	(275,000)
Proceeds from issuance of long-term debt	2,280,000	275,000
Dividends paid to common shareholders	(17,835)	(18,347)
Dividends paid to preferred shareholders	(2,559)	(2,559)
Stock options exercised	1,240	1,919
Repurchase of common stock	(26,733)	(15,151)
Taxes paid related to net share settlement of equity awards	(8,228)	(7,784)
Net cash provided by financing activities	225,698	402,331
Increase in cash and cash equivalents including restricted cash	126,084	78,170
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period[1]	932,933	999,045

Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period[1]	$1,059,017	$1,077,215
Supplemental Cash Flow Information		
Cash paid during the period for:		
Income tax payments, net	$183	$210
Interest paid	33,431	31,714
Non-cash Activities		
Loans foreclosed and transferred to other real estate	3,407	2,679
Loans transferred to other loans held for sale at fair value	5,233	8,442
ASU 2014-09 cumulative effect adjustment to opening balance of retained earnings	(685)	—
Equity investment securities available for sale transferred to other assets at fair value	3,162	—
Securities purchased during the period but settled after period-end	—	94,560
Dividends declared on common stock during the period but paid after period-end	29,675	—

See accompanying notes to unaudited interim consolidated financial statements.

[1] See "Note 1 - Significant Accounting Policies" of this Report for information on Synovus' change in presentation of cash and cash equivalents.

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Notes to Unaudited Interim Consolidated Financial Statements
Note 1 - Significant Accounting Policies
Business Operations
The accompanying unaudited interim consolidated financial statements of Synovus Financial Corp. include the accounts of the Parent Company and its consolidated subsidiaries. Synovus Financial Corp. is a financial services company based in Columbus, Georgia. Through its wholly-owned subsidiary, Synovus Bank, a Georgia state-chartered bank that is a member of the Federal Reserve System, the company provides commercial and retail banking in addition to a full suite of specialized products and services including private banking, treasury management, wealth management, premium finance and international banking.
Synovus Bank is positioned in some of the highest growth markets in the Southeast, with 250 branches and 328 ATMs in Georgia, Alabama, South Carolina, Florida, and Tennessee.
Basis of Presentation
The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2017 Form 10-K.
In connection with the adoption of ASU 2016-18, Statement of Cash Flows-Restricted Cash, Synovus changed its presentation of cash and cash equivalents, effective January 1, 2018, to include cash and due from banks as well as interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and federal funds sold and securities purchased under resale agreements, which are inclusive of any restricted cash and restricted cash equivalents. Prior to 2018, cash and cash equivalents only included cash and due from banks. Prior periods have been revised to maintain comparability. Excluding the aforementioned presentation change, there have been no significant changes to the accounting policies as disclosed in Synovus' 2017 Form 10-K.
In preparing the unaudited interim consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.
Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the fair value of investment securities, and the fair value of private equity investments.
Cash and Cash Equivalents
Cash and cash equivalents consist of cash and due from banks, interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements, and is inclusive of any restricted cash and restricted cash equivalents. Restricted cash and restricted cash equivalents primarily relate to cash held on deposit with the Federal Reserve to meet reserve requirements as well as cash posted as collateral for derivatives in a liability position. At March 31, 2018 and December 31, 2017, interest bearing funds with the Federal Reserve Bank included $14.1 million and $8.6 million, respectively, on deposit to meet Federal Reserve Bank requirements. Interest earning deposits with banks include $6.3 million and $5.9 million at March 31, 2018 and December 31, 2017, respectively, which are pledged as collateral in connection with certain letters of credit. Federal funds sold include $32.7 million and $43.8 million at March 31, 2018 and December 31, 2017, respectively, which are pledged to collateralize certain derivative financial instruments. Federal funds sold and securities purchased under resale agreements generally mature in one day.
Income Taxes
On December 22, 2017, Federal Tax Reform was enacted into law. The new legislation included a decrease in the corporate federal income tax rate from 35% to 21% effective January 1, 2018. Under ASC 740, the effects of the changes in tax rates and laws are recognized in the period in which the new legislation is enacted. Therefore, Synovus

was required to remeasure its deferred tax assets and liabilities and record the adjustment to income tax expense effective December 22, 2017. In December 2017, the SEC issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since Federal Tax Reform was enacted late in 2017, management expects that certain deferred tax assets and liabilities will continue to be evaluated in the context of Federal Tax Reform through the date of the filing of our 2017 federal income tax return, and may change as a result of evolving management interpretations, elections, and assumptions, as well as new guidance that may be issued by the Internal Revenue Service. Accordingly, the federal income tax expense of $47.2 million

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recorded in 2017 relating to the effects from Federal Tax Reform is considered provisional. Management expects to complete its analysis within the measurement period in accordance with SAB 118.

Recently Adopted Accounting Standards Updates

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) issued by the FASB in May 2014, and all subsequent ASUs that modified 606. ASU 2014-09 implements a common revenue standard that establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts to provide goods or services to customers. The core principle of the revenue model is that a company will recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The scope of the guidance explicitly excludes net interest income as well as many other revenues from financial assets. Management reviewed its revenue streams and contracts with customers and did not identify material changes to the timing or amount of revenue recognition. Synovus adopted these ASUs on the required effective date of January 1, 2018 utilizing the modified retrospective method of adoption. The adoption resulted in a cumulative effect adjustment of ($685) thousand to the opening balance of retained earnings. Beginning January 1, 2018, in connection with the adoption of this standard, Synovus began including merchant discounts and other card-related fees in card fees. For periods prior to January 1, 2018, these amounts were previously presented in other non-interest income and have been reclassified for comparability. See "Part I - Item 1. Financial Statements and Supplementary Data - Note 12 - Non-interest Income" for the required disclosures in accordance with this ASU.

ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the FASB issued final guidance on reclassification of tax effects stranded in other comprehensive income due to Federal Tax Reform. The guidance provides entities the option to reclassify the tax effects that are stranded in accumulated other comprehensive income (AOCI) as a result of Federal Tax Reform to retained earnings. The guidance is effective for fiscal years beginning after December 15, 2018; early adoption is permitted. Synovus elected to early adopt ASU 2018-02 as of January 1, 2018 and elected to reclassify the income tax effects of Federal Tax Reform from AOCI to retained earnings. For Synovus, tax effects stranded in AOCI due to Federal Tax Reform totaled $7.6 million at December 31, 2017 and primarily related to unrealized losses on the available-for-sale investment securities portfolio. The reclassification adjustment resulted in an increase to retained earnings as of January 1, 2018 of $7.6 million and a corresponding decrease to AOCI for the same amount. Synovus utilizes the portfolio approach when releasing income tax effects from AOCI for its investment securities. The reclassification adjustment increased regulatory capital by $7.6 million, resulting in an approximate 3 b.p.s increase to Tier 1 capital, common equity Tier 1 capital, and total risk based capital ratios, and an approximate 2 b.p.s increase to the leverage ratio.

ASU 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued ASU 2016-01 that included targeted amendments to accounting guidance for recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or consolidated) to be measured at fair value with changes in fair value recognized in net income. This ASU requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption to reclassify the cumulative change in fair value of equity securities previously recognized in AOCI. ASU 2016-01 became effective for Synovus on January 1, 2018. The adoption of the guidance resulted in a transfer of investments in mutual funds of $3.2 million, at fair value, from investment securities available for sale to other assets and a $117 thousand cumulative-effect adjustment that decreased retained earnings, with offsetting related adjustments to deferred taxes and AOCI. ASU 2016-01 also emphasizes the existing requirement to use an exit price concept to measure fair value for disclosure purposes in determining the fair value of loans. Determination of the fair value under the exit price method requires judgment because substantially all of the loans within the loan portfolio do not have observable market prices. The adoption of this guidance did not have a significant impact on Synovus' fair value disclosures.

ASU 2016-18, Statement of Cash Flows-Restricted Cash. In November 2016, the FASB issued new accounting guidance which addressed classification and presentation of changes in restricted cash on the statement of cash flows. The standard requires a reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. The ASU does not define restricted cash or restricted cash equivalents; however, the nature of the restrictions should be disclosed. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. This ASU is to be applied using a retrospective transition method for each period presented. Synovus adopted ASU 2016-18 on January 1, 2018 and concurrently revised its presentation of cash and cash equivalents. For periods prior to January 1, 2018, the presentation of cash and cash equivalents has been revised to conform to the current presentation.

Reclassifications

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

Note 2 - Acquisitions

Cabela's Transaction

On September 25, 2017, Synovus' wholly owned subsidiary, Synovus Bank, completed the acquisition of certain assets and assumption of certain liabilities of World's Foremost Bank, or WFB. Immediately following the closing of this transaction, Synovus Bank sold WFB’s credit card assets and related liabilities to Capital One Bank (USA), National Association, a bank subsidiary of Capital One Financial Corporation.

Synovus retained WFB’s $1.10 billion brokered time deposits portfolio, which had a weighted average remaining maturity of approximately 2.53 years and a weighted average rate of 1.83% as of September 25, 2017. The transaction was accounted for as an assumption of a liability (accounted for under the asset acquisition model). In accordance with ASC 820, Fair Value Measurements and Disclosures, the brokered time deposit portfolio was recorded at $1.10 billion, which was the amount of cash received for the deposits and represented the estimated fair value of the deposits at the transaction date. Additionally, Synovus received a $75.0 million transaction fee from Cabela’s Incorporated and Capital One, which was recognized into earnings on September 25, 2017 upon closing of the transaction, based on having achieved the recognition criteria outlined in SEC SAB Topic 13.A, Revenue Recognition.

Acquisition of Global One

On October 1, 2016, Synovus completed its acquisition of all of the outstanding stock of Global One. Prior to its acquisition, Global One was an Atlanta-based private specialty financial services company that provided financing primarily to commercial entities, with all loans fully collateralized by cash value life insurance policies and/or annuities issued by investment grade life insurance companies. Under the terms of the merger agreement, Synovus acquired Global One for an up-front payment of $30 million, consisting of the issuance of 821 thousand shares of Synovus common stock valued at $26.6 million and $3.4 million in cash, with additional payments to Global One's former shareholders over a three to five year period based on earnings from the Global One business, as further discussed below.

The acquisition of Global One constituted a business combination. Accordingly, the assets acquired and liabilities assumed were recorded at their estimated fair values on October 1, 2016. The determination of fair value required management to make estimates about discount rates, future expected earnings and cash flows, market conditions, future loan growth, and other future events that are highly subjective in nature and subject to change. During the three months ended September 30, 2017, Synovus completed the determination of the final allocation of the purchase price with respect to the assets acquired and liabilities assumed.

Under the terms of the merger agreement, the purchase price includes additional annual payments ("Earnout Payments") to Global One's former shareholders over a three to five year period, with amounts based on a percentage of "Global One Earnings," as defined in the merger agreement. The Earnout Payments consist of shares of Synovus common stock as well as a smaller cash consideration component. The first annual Earnout Payment of stock and cash valued at $6.4 million was made during November 2017. The balance of the earnout liability at March 31, 2018 was $11.3 million based on the estimated fair value of the remaining Earnout Payments.

Note 3 - Share Repurchase Program

On January 23, 2018, Synovus announced a $150 million share repurchase program to be completed during 2018. As of March 31, 2018, Synovus had repurchased under this program a total of $26.7 million, or 535 thousand shares of its common stock, at an average price of $49.98 per share.

Note 4 - Investment Securities Available for Sale

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at March 31, 2018 and December 31, 2017 are summarized below.

	March 31, 2018			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$122,655	$ —	$(1,724)	$120,931
U.S. Government agency securities	10,769	128	—	10,897
Mortgage-backed securities issued by U.S. Government agencies	115,888	237	(3,257)	112,868

Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,734,650	483	(71,133)	2,664,000
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	1,102,361	—	(37,320)	1,065,041
State and municipal securities	115	—	—	115
Corporate debt and other debt securities	17,000	274	(148)	17,126
Total investment securities available for sale	$4,103,438	$ 1,122	$(113,582)	$3,990,978

	December 31, 2017			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$83,608	$ —	$(934)	$82,674
U.S. Government agency securities	10,771	91	—	10,862
Mortgage-backed securities issued by U.S. Government agencies	121,283	519	(1,362)	120,440
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,666,818	5,059	(31,354)	2,640,523
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	1,135,259	144	(23,404)	1,111,999
State and municipal securities	180	—	—	180
Corporate debt and other securities	20,320	294	(223)	20,391
Total investment securities available for sale	$4,038,239	$ 6,107	$(57,277)	$3,987,069

At March 31, 2018 and December 31, 2017, investment securities with a carrying value of $1.01 billion and $2.00 billion, respectively, were pledged to secure certain deposits and securities sold under repurchase agreements as required by law and contractual agreements.

Synovus has reviewed investment securities that are in an unrealized loss position as of March 31, 2018 and December 31, 2017 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 earnings. Synovus does not intend to sell investment securities in an unrealized loss position prior to the recovery of the unrealized loss, which may not be until maturity, and has the ability and intent to hold those securities for that period of time. Additionally, Synovus is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position prior to the respective securities' recovery of all such unrealized losses.

Declines in the fair value of available for sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent OTTI. These factors include the length of time the security has been in a loss position, the extent that the fair value is below amortized cost, and the credit standing of the issuer. As of March 31, 2018, Synovus had 75 investment securities in a loss position for less than twelve months and 54 investment securities in a loss position for twelve months or longer.

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Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2018 and December 31, 2017 are presented below.

	March 31, 2018					
	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$72,694	$ 989	$29,313	$ 735	$102,007	$ 1,724
Mortgage-backed securities issued by U.S. Government agencies	39,763	1,045	52,763	2,212	92,526	3,257
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,656,562	38,195	882,984	32,938	2,539,546	71,133
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	629,793	17,650	435,247	19,670	1,065,040	37,320
Corporate debt and other debt securities	—	—	1,852	148	1,852	148
Total	$2,398,812	$ 57,879	$1,402,159	$ 55,703	$3,800,971	$ 113,582

	December 31, 2017					
	Less than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$34,243	$ 443	$29,562	$ 491	$63,805	$ 934
Mortgage-backed securities issued by U.S. Government agencies	36,810	357	55,740	1,005	92,550	1,362
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,271,012	10,263	929,223	21,091	2,200,235	31,354
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	653,781	9,497	426,237	13,907	1,080,018	23,404
Corporate debt and other securities	—	—	5,097	223	5,097	223
Total	$1,995,846	$ 20,560	$1,445,859	$ 36,717	$3,441,705	$ 57,277

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The amortized cost and fair value by contractual maturity of investment securities available for sale at March 31, 2018 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

	Distribution of Maturities at March 31, 2018				
(in thousands)	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	Total
Amortized Cost					
U.S. Treasury securities	$18,924	$103,731	$—	$—	$122,655
U.S. Government agency securities	2,330	6,437	2,002	—	10,769
Mortgage-backed securities issued by U.S. Government agencies	—	—	29,355	86,533	115,888
Mortgage-backed securities issued by U.S. Government sponsored enterprises	7	1,657	578,774	2,154,212	2,734,650
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	18,652	1,083,709	1,102,361
State and municipal securities	115	—	—	—	115
Corporate debt and other debt securities	—	—	15,000	2,000	17,000
Total amortized cost	$21,376	$111,825	$643,783	$3,326,454	$4,103,438
Fair Value					
U.S. Treasury securities	$18,924	$102,007	$—	$—	$120,931
U.S. Government agency securities	2,355	6,514	2,028	—	10,897
Mortgage-backed securities issued by U.S. Government agencies	—	—	28,993	83,875	112,868
Mortgage-backed securities issued by U.S. Government sponsored enterprises	7	1,723	565,331	2,096,939	2,664,000
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	18,218	1,046,823	1,065,041
State and municipal securities	115	—	—	—	115
Corporate debt and other debt securities	—	—	15,274	1,852	17,126
Total fair value	$21,401	$110,244	$629,844	$3,229,489	$3,990,978

Synovus did not sell any securities available for sale during the three months ended March 31, 2018. Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the three months ended March 31, 2017 are presented below. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale. On January 1, 2018, Synovus transferred $3.2 million, at fair value, from investment securities available for sale to other assets upon adoption of ASU 2016-01.

	Three Months Ended March 31,	
(in thousands)	2018	2017
Proceeds from sales of investment securities available for sale	$—	$282,629
Gross realized gains on sales	—	7,702
Gross realized losses on sales	—	(34)
Investment securities gains, net	$—	$7,668

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Note 5 - Restructuring Charges

For the three months ended March 31, 2018 and 2017, total restructuring charges consist of the following components:

	Three Months Ended March 31,	
(in thousands)	2018	2017
Severance charges	$—	$6,453
Other charges, net	(315)	58
Total restructuring charges, net	$(315)	$6,511

For the three months ended March 31, 2018, Synovus recorded net lease termination accrual reversals of $377 thousand related to branches closed in prior years. During the three months ended March 31, 2017, Synovus recorded severance charges of $6.5 million including $6.2 million for termination benefits incurred in conjunction with a voluntary early retirement program offered to Synovus employees during the first quarter of 2017.

The following tables present aggregate activity within the accrual for restructuring charges for the three months ended March 31, 2018 and 2017:

(in thousands)	Severance Charges	Lease Termination Charges	Total
Balance at December 31, 2017	$ 336	$ 3,276	$3,612
Accruals for lease terminations	—	(377)	(377)
Payments	(336)	(393)	(729)
Balance at March 31, 2018	$ —	$ 2,506	$2,506

(in thousands)	Severance Charges	Lease Termination Charges	Total
Balance at December 31, 2016	$ 81	$ 3,968	$4,049
Accrual for voluntary and involuntary termination benefits	6,453	—	6,453
Payments	(219)	(279)	(498)
Balance at March 31, 2017	$ 6,315	$ 3,689	$10,004

All other charges were paid in the quarters in which they were incurred. No other restructuring charges resulted in payment accruals.

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Note 6 - Loans and Allowance for Loan Losses

The following is a summary of current, accruing past due, and non-accrual loans by portfolio class as of March 31, 2018 and December 31, 2017.

Current, Accruing Past Due, and Non-accrual Loans

	March 31, 2018					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	$5,613,811	$1,986	$323	$2,309	$2,930	$5,619,050
1-4 family properties	753,255	2,232	783	3,015	2,634	758,904
Land and development	449,700	3,450	49	3,499	4,574	457,773
Total commercial real estate	6,816,766	7,668	1,155	8,823	10,138	6,835,727
Commercial, financial and agricultural	7,093,270	15,872	783	16,655	81,606	7,191,531
Owner-occupied	4,901,542	3,841	936	4,777	4,067	4,910,386
Total commercial and industrial	11,994,812	19,713	1,719	21,432	85,673	12,101,917
Home equity lines	1,450,454	6,718	431	7,149	14,868	1,472,471
Consumer mortgages	2,651,758	3,905	—	3,905	7,708	2,663,371
Credit cards	223,232	1,599	1,882	3,481	—	226,713
Other consumer loans	1,595,745	9,131	229	9,360	1,694	1,606,799
Total consumer	5,921,189	21,353	2,542	23,895	24,270	5,969,354
Total loans	$24,732,767	$48,734	$5,416	$54,150	$120,081	$24,906,998(1)

	December 31, 2017					
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total
Investment properties	$5,663,665	$2,506	$90	$2,596	$3,804	$5,670,065
1-4 family properties	775,023	3,545	202	3,747	2,849	781,619
Land and development	476,131	1,609	67	1,676	5,797	483,604
Total commercial real estate	6,914,819	7,660	359	8,019	12,450	6,935,288
Commercial, financial and agricultural	7,097,127	11,214	1,016	12,230	70,130	7,179,487
Owner-occupied	4,830,150	6,880	479	7,359	6,654	4,844,163
Total commercial and industrial	11,927,277	18,094	1,495	19,589	76,784	12,023,650
Home equity lines	1,490,808	5,629	335	5,964	17,455	1,514,227
Consumer mortgages	2,622,061	3,971	268	4,239	7,203	2,633,503
Credit cards	229,015	1,930	1,731	3,661	—	232,676
Other consumer loans	1,461,223	10,333	226	10,559	1,669	1,473,451
Total consumer	5,803,107	21,863	2,560	24,423	26,327	5,853,857
Total loans	$24,645,203	$47,617	$4,414	$52,031	$115,561	$24,812,795(2)

(1) Total before net deferred fees and costs of $24.0 million.

(2) Total before net deferred fees and costs of $25.3 million.

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The credit quality of the loan portfolio is reviewed and updated no less frequently than quarterly using the standard asset classification system utilized by the federal banking agencies. These classifications are divided into three groups – Not Criticized (Pass), Special Mention, and Classified or Adverse rating (Substandard, Doubtful, and Loss) and are defined as follows:

Pass - loans which are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell in a timely manner, of any underlying collateral.

Special Mention - loans which have potential weaknesses that deserve management's close attention. These loans are not adversely classified and do not expose an institution to sufficient risk to warrant an adverse classification.

Substandard - loans which are inadequately protected by the current net worth and paying capacity of the obligor or by the collateral pledged, if any. Loans with this classification are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - loans which have all the weaknesses inherent in loans classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

Loss - loans which are considered by management to be uncollectible and of such little value that their continuance on the institution's books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted.

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

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Loan Portfolio Credit Exposure by Risk Grade

	March 31, 2018					
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss	Total
Investment properties	$5,545,689	$53,193	$ 20,168	$ —	$—	$5,619,050
1-4 family properties	729,023	14,331	15,550	—	—	758,904
Land and development	408,128	33,858	12,654	3,133	—	457,773
Total commercial real estate	6,682,840	101,382	48,372	3,133	—	6,835,727
Commercial, financial and agricultural	6,895,133	132,582	154,863	8,953	—	7,191,531
Owner-occupied	4,778,913	55,627	75,773	73	—	4,910,386
Total commercial and industrial	11,674,046	188,209	230,636	9,026	—	12,101,917
Home equity lines	1,452,171	—	18,421	271	1,608 [3]	1,472,471
Consumer mortgages	2,654,285	—	8,951	103	32 [3]	2,663,371
Credit cards	224,831	—	564	—	1,318 [4]	226,713
Other consumer loans	1,604,979	—	1,556	257	7 [3]	1,606,799
Total consumer	5,936,266	—	29,492	631	2,965	5,969,354
Total loans	$24,293,152	$289,591	$ 308,500	$ 12,790	$2,965	$24,906,998 [5]

	December 31, 2017					
(in thousands)	Pass	Special Mention	Substandard[1]	Doubtful[2]	Loss	Total
Investment properties	$5,586,792	$64,628	$ 18,645	$ —	$—	$5,670,065
1-4 family properties	745,299	19,419	16,901	—	—	781,619
Land and development	431,759	33,766	14,950	3,129	—	483,604
Total commercial real estate	6,763,850	117,813	50,496	3,129	—	6,935,288
Commercial, financial and agricultural	6,929,506	115,912	132,818	1,251	—	7,179,487
Owner-occupied	4,713,877	50,140	80,073	73	—	4,844,163
Total commercial and industrial	11,643,383	166,052	212,891	1,324	—	12,023,650
Home equity lines	1,491,105	—	21,079	285	1,758 [3]	1,514,227
Consumer mortgages	2,622,499	—	10,607	291	106 [3]	2,633,503
Credit cards	230,945	—	399	—	1,332 [4]	232,676
Other consumer loans	1,470,944	—	2,168	329	10 [3]	1,473,451
Total consumer	5,815,493	—	34,253	905	3,206	5,853,857
Total loans	$24,222,726	$283,865	$ 297,640	$ 5,358	$3,206	$24,812,795 [6]

(1) Includes $204.2 million and $190.6 million of Substandard accruing loans at March 31, 2018 and December 31, 2017, respectively.

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

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

(4) Represent amounts that were 120 days past due. These credits are downgraded to the Loss category with an allowance for loan losses equal to the full loan amount and are generally charged off upon reaching 181 days past due in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy.

(5) Total before net deferred fees and costs of $24.0 million.

(6) Total before net deferred fees and costs of $25.3 million.

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The following table details the changes in the allowance for loan losses by loan segment for the three months ended March 31, 2018.
Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Three Months Ended March 31, 2018			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Consumer	Total
Allowance for loan losses:				
Beginning balance	$74,998	$126,803	$47,467	$249,268
Charge-offs	(1,911)	(8,015)	(4,455)	(14,381)
Recoveries	5,723	3,112	1,266	10,101
Provision for loan losses	(4,819)	12,845	4,750	12,776
Ending balance[(1)]	$73,991	$134,745	$49,028	$257,764
Ending balance: individually evaluated for impairment	3,740	14,405	797	18,942
Ending balance: collectively evaluated for impairment	$70,251	$120,340	$48,231	$238,822
Loans:				
Ending balance: total loans[(1)(2)]	$6,835,727	$12,101,917	$5,969,354	$24,906,998
Ending balance: individually evaluated for impairment	49,221	112,823	29,608	191,652
Ending balance: collectively evaluated for impairment	$6,786,506	$11,989,094	$5,939,746	$24,715,346

	As Of and For The Three Months Ended March 31, 2017			
(in thousands)	Commercial Real Estate	Commercial & Industrial	Consumer	Total
Allowance for loan losses:				
Beginning balance	$81,816	$125,778	$44,164	$251,758
Charge-offs	(1,908)	(6,893)	(3,934)	(12,735)
Recoveries	2,889	1,824	1,104	5,817
Provision for loan losses	(4,483)	6,387	6,770	8,674
Ending balance[(1)]	$78,314	$127,096	$48,104	$253,514
Ending balance: individually evaluated for impairment	6,917	11,085	1,705	19,707
Ending balance: collectively evaluated for impairment	$71,397	$116,011	$46,399	$233,807
Loans:				
Ending balance: total loans[(1)(3)]	$7,467,288	$11,732,701	$5,084,199	$24,284,188
Ending balance: individually evaluated for impairment	79,203	120,470	35,083	234,756
Ending balance: collectively evaluated for impairment	$7,388,085	$11,612,231	$5,049,116	$24,049,432

(1) As of and for the three months ended March 31, 2018 and 2017, there were no purchased credit-impaired loans and no allowance for loan losses for purchased credit-impaired loans.
(2) Total before net deferred fees and costs of $24.0 million.
(3) Total before net deferred fees and costs of $25.7 million.

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The tables below summarize impaired loans (including accruing TDRs) as of March 31, 2018 and December 31, 2017.
Impaired Loans (including accruing TDRs)

	March 31, 2018			Three Months Ended March 31, 2018	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$—	$—	$ —	$—	$ —
1-4 family properties	—	—	—	—	—
Land and development	—	—	—	37	—
Total commercial real estate	—	—	—	37	—
Commercial, financial and agricultural	9,614	12,039	—	8,682	—
Owner-occupied	—	—	—	—	—
Total commercial and industrial	9,614	12,039	—	8,682	—
Home equity lines	1,086	1,086	—	2,122	—
Consumer mortgages	2,640	2,665	—	880	—
Credit cards	—	—	—	—	—
Other consumer loans	—	—	—	—	—
Total consumer	3,726	3,751	—	3,002	—
Total impaired loans with no related allowance recorded	$13,340	$15,790	$ —	$11,721	$ —
With allowance recorded					
Investment properties	$19,388	$19,388	$ 753	$22,769	$ 198
1-4 family properties	12,008	12,008	392	11,715	216
Land and development	17,825	19,565	2,595	18,133	76
Total commercial real estate	49,221	50,961	3,740	52,617	490
Commercial, financial and agricultural	65,422	65,691	12,491	67,198	273
Owner-occupied	37,787	37,841	1,914	37,715	357
Total commercial and industrial	103,209	103,532	14,405	104,913	630
Home equity lines	3,475	3,475	44	4,383	45
Consumer mortgages	17,378	17,378	447	19,106	194
Credit cards	—	—	—	—	—
Other consumer loans	5,029	5,031	306	5,391	71
Total consumer	25,882	25,884	797	28,880	310
Total impaired loans with allowance recorded	$178,312	$180,377	$ 18,942	$186,410	$ 1,430
Total impaired loans					
Investment properties	$19,388	$19,388	$ 753	$22,769	$ 198
1-4 family properties	12,008	12,008	392	11,715	216
Land and development	17,825	19,565	2,595	18,170	76
Total commercial real estate	49,221	50,961	3,740	52,654	490
Commercial, financial and agricultural	75,036	77,730	12,491	75,880	273
Owner-occupied	37,787	37,841	1,914	37,715	357
Total commercial and industrial	112,823	115,571	14,405	113,595	630
Home equity lines	4,561	4,561	44	6,505	45
Consumer mortgages	20,018	20,043	447	19,986	194
Credit cards	—	—	—	—	—
Other consumer loans	5,029	5,031	306	5,391	71

Total consumer	29,608	29,635	797	31,882	310
Total impaired loans	$191,652	196,167	18,942	198,131	1,430

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Impaired Loans (including accruing TDRs)

	December 31, 2017			Year Ended December 31, 2017	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$—	—	—	123	—
1-4 family properties	—	—	—	323	—
Land and development	56	1,740	—	1,816	—
Total commercial real estate	56	1,740	—	2,262	—
Commercial, financial and agricultural	8,220	9,576	—	21,686	—
Owner-occupied	—	—	—	6,665	—
Total commercial and industrial	8,220	9,576	—	28,351	—
Home equity lines	2,746	2,943	—	1,205	—
Consumer mortgages	—	—	—	496	—
Credit cards	—	—	—	—	—
Other consumer loans	—	—	—	—	—
Total consumer	2,746	2,943	—	1,701	—
Total impaired loans with no related allowance recorded	$11,022	14,259	—	32,314	—
With allowance recorded					
Investment properties	$23,364	23,364	1,100	28,749	1,144
1-4 family properties	15,056	15,056	504	16,257	925
Land and development	18,420	18,476	2,636	23,338	404
Total commercial real estate	56,840	56,896	4,240	68,344	2,473
Commercial, financial and agricultural	65,715	65,851	7,406	50,468	1,610
Owner-occupied	37,399	37,441	2,109	40,498	1,382
Total commercial and industrial	103,114	103,292	9,515	90,966	2,992
Home equity lines	5,096	5,096	114	7,476	334
Consumer mortgages	18,668	18,668	569	19,144	896
Credit cards	—	—	—	—	—
Other consumer loans	5,546	5,546	470	4,765	266
Total consumer	29,310	29,310	1,153	31,385	1,496
Total impaired loans with allowance recorded	$189,264	189,498	14,908	190,695	6,961
Total impaired loans					
Investment properties	$23,364	23,364	1,100	28,872	1,144
1-4 family properties	15,056	15,056	504	16,580	925
Land and development	18,476	20,216	2,636		