SYNOVUS FINANCIAL CORP
Form 10-Q
August 07, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2013
Commission file number 1-10312

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

Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Bay Avenue 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	
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

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

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

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

Class	July 31, 2013
Common Stock, $1.00 Par Value	978,277,412

Table of Contents

Table of Contents

Table of Contents

SYNOVUS FINANCIAL CORP.
INDEX OF DEFINED TERMS
2013 Notes – Synovus' 4.875% subordinated notes due February 15, 2013
2017 Notes - Synovus' outstanding 5.125% subordinated notes due February 15, 2017
2019 Senior Notes – Synovus' outstanding 7.875% senior notes due February 15, 2019
ALCO – Synovus' Asset Liability Management Committee
ALL – allowance for loan losses
AMT – Alternative Minimum Tax
ARRA – American Recovery and Reinvestment Act of 2009
ASC – Accounting Standards Codification
ASU – Accounting Standards Update
Atlanta Fed – the Federal Reserve Bank of Atlanta
AUM – assets under management
BAM – Broadway Asset Management, Inc., a wholly-owned subsidiary of Synovus Financial Corp.
Basel III – a global regulatory framework developed by the Basel Committee on Banking Supervision
BCBS – Basel Committee on Banking Supervision
BSA/AML – Bank Secrecy Act/Anti-Money Laundering
BOV – broker's opinion of value
bp – basis point (bps - basis points)
CD – certificate of deposit
C&D – residential construction and development loans
C&I – commercial and industrial loans
CB&T – Columbus Bank and Trust Company, a division of Synovus Bank. Synovus Bank is a wholly-owned subsidiary of Synovus Financial Corp.
CAMELS Rating System – A term defined by bank supervisory authorities, referring to Capital, Assets, Management, Earnings, Liquidity, and Sensitivity to Market Risk
CCC – central clearing counterparty
CEO – Chief Executive Officer
CFO – Chief Financial Officer
CFPB – Consumer Finance Protection Bureau
Charter Consolidation – Synovus' consolidation of its 30 banking subsidiaries into a single bank charter in 2010
CMO – Collateralized Mortgage Obligation
Code – Internal Revenue Code of 1986, as amended
Common Stock – Common Stock, par value $1.00 per share, of Synovus Financial Corp.
Company – Synovus Financial Corp. and its wholly-owned subsidiaries, except where the context requires otherwise
Covered Litigation – Certain Visa litigation for which Visa is indemnified by Visa USA members
CPP – U.S. Department of the Treasury Capital Purchase Program
CRE – Commercial Real Estate
CROA – Credit Repair Organization Act

Table of Contents

DIF – Deposit Insurance Fund
Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act
DRR – designated reserve ratio
DTA – deferred tax asset
EBITDA – earnings before interest, income taxes, depreciation and amortization
EESA – Emergency Economic Stabilization Act of 2008
EITF – Emerging Issues Task Force
EL – expected loss
EPS – earnings per share
Exchange Act – Securities Exchange Act of 1934, as amended
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
Federal Reserve Bank – The 12 banks that are the operating arms of the U.S. central bank. They implement the policies of the Federal Reserve Board and also conduct economic research.
Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System establishes monetary policy (interest rates, credit, etc.) and monitors the economic health of the country. Its members are appointed by the President, subject to Senate confirmation, and serve 14-year terms.
Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure.
FHLB – Federal Home Loan Bank
FICO – Fair Isaac Corporation
FIN – Financial Interpretation
FinCEN – The Treasury's Financial Crimes Enforcement Network
Financial Stability Plan – A plan established under the EESA which is intended to further stabilize financial institutions and stimulate lending across a broad range of economic sectors
FINRA – Financial Industry Regulatory Authority
FFIEC – Federal Financial Institutions Examination Council
GA DBF – Georgia Department of Banking and Finance
GAAP – Generally Accepted Accounting Principles in the United States of America
GDP – gross domestic product
Georgia Commissioner – Banking Commissioner of the State of Georgia
GSE – government sponsored enterprise
HAP – Home Affordability Program
HELOC – home equity line of credit
IASB – International Accounting Standards Board
IFRS – International Financial Reporting Standards
IOLTA – Interest on Lawyer Trust Account
IPO – Initial Public Offering
IRC – Internal Revenue Code of 1986, as amended
IRLC – interest rate lock commitment
IRS – Internal Revenue Service

Table of Contents

LGD – loss given default
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
LTV – loan-to-collateral value ratio
MAD – Managed Assets Division, a division of Synovus Bank
MBS – mortgage-backed securities
MOU – Memorandum of Understanding
NBER – National Bureau of Economic Research
nm – not meaningful
NOL – net operating loss
NPA – non-performing assets
NPL – non-performing loans
NPR – notice of proposed rulemaking
NSF – non-sufficient funds
NYSE – New York Stock Exchange
OCI – other comprehensive income
OFAC – Office of Foreign Assets Control
ORE – other real estate
ORM – Operational Risk Management
OTTI – other-than-temporary impairment
Parent Company – Synovus Financial Corp.
PD – probability of default
POS – point-of-sale
RCSA – Risk Control Self-Assessment
Rights Plan – Synovus' Shareholder Rights Plan dated April 26, 2010, as amended
SAB – SEC Staff Accounting Bulletin
SBA – Small Business Administration
SCM – State, county, and municipal
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, $25 liquidation preference
Shared Deposit – A deposit product offered by Synovus prior to the Charter Consolidation, which gave its customers the opportunity to access up to $7.5 million in FDIC insurance by spreading deposits across its 30 separately-chartered banks.
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus Bank MOU – MOU entered into by and among Synovus Bank, the FDIC and the GA DBF
Synovus' 2012 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2012

Table of Contents

Synovus Mortgage – Synovus Mortgage Corp., a wholly-owned subsidiary of Synovus Bank
Synovus MOU – MOU entered into by and among Synovus, the Atlanta Fed and the GA DBF
Synovus Trust Company, N. A. – a wholly-owned subsidiary of Synovus Bank
TAGP – Transaction Account Guarantee Program
TARP – Troubled Assets Relief Program
TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)
TDR – troubled debt restructuring (as defined in ASC 310-40)
Tender Offer – Offer by Synovus to purchase, for cash, all of its outstanding 2013 Notes, which commenced on February 7, 2012 and expired on March 6, 2012
Treasury – United States Department of the Treasury
tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note
TSYS – Total System Services, Inc.
UCL – Unfair Competition Law
USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism
VIE – variable interest entity, as defined in ASC 810-10
Visa – The Visa U.S.A., Inc. card association or its affiliates, collectively
Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled
Visa Derivative – A derivative contract with the purchaser of Visa Class B shares which provides for settlements between the purchaser and Synovus based upon a change in the ratio for conversion of Visa Class B shares into Visa Class A shares
Visa IPO – The IPO of shares of Class A Common Stock by Visa, Inc. on March 25, 2008
Warrant – Issued to the Treasury by Synovus, a warrant to purchase up to 15,510,737 shares of Synovus Common Stock at a per share exercise price of $9.36

Table of Contents

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

(in thousands, except share and per share data)	June 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$428,487	614,630
Interest bearing funds with Federal Reserve Bank	1,459,251	1,498,390
Interest earning deposits with banks	22,065	23,442
Federal funds sold and securities purchased under resale agreements	88,636	113,517
Trading account assets, at fair value	23,069	11,102
Mortgage loans held for sale, at fair value	112,761	212,663
Other loans held for sale	12,083	10,690
Investment securities available for sale, at fair value	3,077,706	2,981,112
Loans, net of deferred fees and costs	19,608,283	19,541,690
Allowance for loan losses	(334,880)	(373,405)
Loans, net	$19,273,403	19,168,285
Premises and equipment, net	477,948	479,546
Goodwill	24,431	24,431
Other intangible assets, net	4,156	5,149
Other real estate	139,653	150,271
Deferred tax asset, net	789,525	806,406
Other assets	630,000	660,378
Total assets	$26,563,174	26,760,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	$5,203,437	5,665,527
Interest bearing deposits, excluding brokered deposits	14,169,203	14,298,768
Brokered deposits	1,338,063	1,092,749
Total deposits	20,710,703	21,057,044
Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	222,933	201,243
Long-term debt	1,885,689	1,726,455
Other liabilities	175,645	205,839
Total liabilities	$22,994,970	23,190,581
Shareholders' Equity		
Series A Preferred Stock – no par value. Authorized 100,000,000 shares; 967,870 issued and outstanding	$962,725	957,327
Common stock - $1.00 par value. Authorized 1,200,000,000 shares; 916,207,848 issued at June 30, 2013 and 792,272,692 issued at December 31, 2012; 910,514,396 outstanding at June 30, 2013 and 786,579,240 outstanding at December 31, 2012	916,208	792,273
Additional paid-in capital	2,038,483	2,189,874
Treasury stock, at cost – 5,693,452 shares	(114,176)	(114,176)
Accumulated other comprehensive (loss) income	(33,060)	4,101
Accumulated deficit	(201,976)	(259,968)

Total shareholders’ equity	3,568,204	3,569,431
Total liabilities and shareholders' equity	$26,563,174	26,760,012

See accompanying notes to unaudited interim consolidated financial statements.

1

Table of Contents

SYNOVUS FINANCIAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands, except per share data)	2013	2012	2013	2012
Interest income:				
Loans, including fees	$432,210	470,805	215,656	232,283
Investment securities available for sale	23,718	39,900	12,986	18,795
Trading account assets	278	515	124	236
Mortgage loans held for sale	3,118	2,496	1,411	1,129
Federal Reserve Bank balances	1,684	2,009	904	958
Other earning assets	895	739	432	408
Total interest income	$461,903	516,464	231,513	253,809
Interest expense:				
Deposits	32,610	56,385	15,894	25,898
Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	170	350	80	170
Long-term debt	27,232	25,413	13,462	14,385
Total interest expense	$60,012	82,148	29,436	40,453
Net interest income	401,891	434,316	202,077	213,356
Provision for loan losses	48,773	110,271	13,077	44,222
Net interest income after provision for loan losses	$353,118	324,045	189,000	169,134
Non-interest income:				
Service charges on deposit accounts	38,716	36,915	19,195	18,684
Fiduciary and asset management fees	22,083	21,627	11,111	10,792
Brokerage revenue	14,595	12,942	7,002	6,295
Mortgage banking income	14,255	13,986	7,338	7,983
Bankcard fees	14,902	16,072	7,838	8,493
Investment securities gains, net	1,448	24,253	1,403	4,170
Other fee income	11,262	9,651	5,775	4,951
(Decrease) increase in fair value of private equity investments, net	(1,140)	7,372	(883)	7,279
Other non-interest income	13,692	17,798	6,313	7,830
Total non-interest income	$129,813	160,616	65,092	76,477
Non-interest expense:				
Salaries and other personnel expense	183,396	187,795	89,479	95,173
Net occupancy and equipment expense	50,550	52,865	26,383	26,159
FDIC insurance and other regulatory fees	16,420	27,966	7,941	13,302
Foreclosed real estate expense, net	18,441	43,680	7,502	20,708
Losses (gains) on other loans held for sale, net	79	(99)	(86)	(1,058)
Professional fees	17,511	19,196	10,416	9,929
Third-party services	20,295	19,037	10,366	9,900
Visa indemnification charges	801	4,713	764	1,734
Restructuring charges	6,607	2,252	1,758	1,393
Other operating expenses	49,372	53,994	26,663	31,024
Total non-interest expense	$363,472	411,399	181,186	208,264
Income before income taxes	119,459	73,262	72,906	37,347
Income tax expense (benefit)	44,350	(2,182)	27,371	(2,105)

Net income	75,109	75,444	45,535	39,452
Dividends and accretion of discount on Series A Preferred Stock	29,594	29,272	14,818	14,649
Net income available to common shareholders	$45,515	46,172	30,717	24,803
Net income per common share, basic	$0.06	0.06	0.04	0.03
Net income per common share, diluted	$0.05	0.05	0.03	0.03
Weighted average common shares outstanding, basic	819,245	786,355	851,093	786,576
Weighted average common shares outstanding, diluted	910,886	909,542	910,937	909,761

See accompanying notes to unaudited interim consolidated financial statements.

2

Table of Contents

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

	Six Months Ended June 30,					
	2013			2012		
(in thousands)	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	$119,459	(44,350)	75,109	73,262	2,182	75,444
Net unrealized gains (losses) on cash flow hedges:						
Reclassification adjustment for losses (gains) realized in net income	224	(88)	136	(1,218)	474	(744)
Net unrealized gains (losses) arising during the period	—	—	—	(337)	134	(203)
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	—	—	—	(608)	(608)
Net unrealized gains (losses)	224	(88)	136	(1,555)	—	(1,555)
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for (gains) losses realized in net income	(1,448)	557	(891)	(24,253)	9,338	(14,915)
Net unrealized (losses) gains arising during the period	(60,014)	23,105	(36,909)	11,076	(4,263)	6,813
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	—	—	—	(5,075)	(5,075)
Net unrealized (losses) gains	(61,462)	23,662	(37,800)	(13,177)	—	(13,177)
Post-retirement unfunded health benefit:						
Reclassification adjustment for (gains) losses realized in net income	(26)	10	(16)	(36)	14	(22)
Amortization arising during the period	830	(311)	519	678	(261)	417
Valuation allowance for the change in deferred taxes arising from amortization(1)	—	—	—	—	247	247
Net unrealized gains	804	(301)	503	642	—	642
Other comprehensive (loss)	$(60,434)	23,273	(37,161)	(14,090)	—	(14,090)
Comprehensive income			$37,948			61,354

3

Table of Contents

(in thousands)	Three Months Ended June 30, 2013 Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	2012 Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	$72,906	(27,371)	45,535	37,347	2,105	39,452
Net unrealized gains (losses) on cash flow hedges:						
Reclassification adjustment for losses (gains) realized in net income	112	(45)	67	(405)	156	(249)
Net unrealized losses arising during the period	—	—	—	(15)	15	—
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	—	—	—	(171)	(171)
Net unrealized gains (losses)	112	(45)	67	(420)	—	(420)
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for (gains) losses realized in net income	(1,403)	541	(862)	(4,170)	1,605	(2,565)
Net unrealized (losses) gains arising during the period	(57,850)	22,272	(35,578)	13,146	(5,062)	8,084
Valuation allowance for the change in deferred taxes arising from unrealized gains/losses(1)	—	—	—	—	3,457	3,457
Net unrealized (losses) gains	(59,253)	22,813	(36,440)	8,976	—	8,976
Post-retirement unfunded health benefit:						
Reclassification adjustments for losses (gains) realized in net income	—	7	7	(36)	14	(22)
Amortization arising during the period	844	(325)	519	678	(261)	417
Valuation allowance for the change in deferred taxes arising from amortization(1)	—	—	—	—	247	247
Net unrealized gains	844	(318)	526	642	—	642
Other comprehensive (loss) income	$(58,297)	22,450	(35,847)	9,198	—	9,198
Comprehensive income			$9,688			48,650

(1) In accordance with ASC 740-20-45-11(b), a deferred tax asset valuation allowance associated with unrealized gains and losses not recognized in income is charged directly to other comprehensive income (loss).
See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

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

(in thousands, except per share data)	Series A Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2011	$947,017	790,989	2,241,171	(114,176)	21,093	(1,058,642)	2,827,452
Net income	—	—	—	—	—	75,444	75,444
Other comprehensive loss, net of income taxes	—	—	—	—	(14,090)	—	(14,090)
Cash dividends declared on Common Stock - $0.01 per share	—	—	—	—	—	(15,730)	(15,730)
Cash dividends paid on Series A Preferred Stock	—	—	(24,197)	—	—	—	(24,197)
Accretion of discount on Series A Preferred Stock	5,076	—	(5,076)	—	—	—	—
Restricted share unit activity	—	1,280	(1,207)	—	—	(73)	—
Share-based compensation expense	—	—	4,510	—	—	—	4,510
Balance at June 30, 2012	$952,093	792,269	2,215,201	(114,176)	7,003	(999,001)	2,853,389
Balance at December 31, 2012	$957,327	792,273	2,189,874	(114,176)	4,101	(259,968)	3,569,431
Net income	—	—	—	—	—	75,109	75,109
Other comprehensive loss, net of income taxes	—	—	—	—	(37,161)	—	(37,161)
Cash dividends declared on Common Stock - $0.01 per share	—	—	—	—	—	(16,981)	(16,981)
Cash dividends paid on Series A Preferred Stock	—	—	(24,197)	—	—	—	(24,197)

Accretion of discount on Series A Preferred Stock	5,398	—	(5,398)	—	—	—	—
Settlement of prepaid common stock purchase contracts	—	122,848	(122,848)	—	—	—	—
Restricted share unit activity	—	1,022	(2,366)	—	—	(137)	(1,481)
Stock options exercised	—	65	69	—	—	—	134
Share-based compensation expense	—	—	3,350	—	—	—	3,350
Balance at June 30, 2013	$962,725	916,208	2,038,484	(114,176)	(33,060)	(201,977)	3,568,204

See accompanying notes to unaudited interim consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
(in thousands)	2013	2012
Operating Activities		
Net income	$75,109	75,444
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	48,773	110,271
Depreciation, amortization, and accretion, net	32,520	28,234
Deferred income tax expense	40,456	153
Decrease in interest receivable	4,476	8,006
Decrease in interest payable	(2,880)	(2,511)
(Increase) decrease in trading account assets	(11,967)	4,535
Originations of mortgage loans held for sale	(539,942)	(512,192)
Proceeds from sales of mortgage loans held for sale	621,951	552,708
Gain on sales of mortgage loans held for sale, net	(8,031)	(2,526)
Gain on sales of premises and equipment, net	(7)	—
Decrease in other assets	42,439	48,000
Decrease in accrued salaries and benefits	(15,480)	(4,544)
Decrease in other liabilities	(12,562)	(15,235)
Investment securities (gains), net	(1,448)	(24,253)
Losses (gains) on sales of other loans held for sale, net	79	(99)
Losses and write-downs on other real estate, net	14,314	33,859
Decrease (increase) in fair value of private equity investments, net	1,140	(7,372)
(Gains) on sales of other assets held for sale, net	(25)	(164)
Write-downs on other assets held for sale	170	1,228
Increase in accrual for Visa indemnification	801	4,713
Share-based compensation expense	3,350	4,510
Other, net	1,549	2,295
Net cash provided by operating activities	$294,785	305,060
Investing Activities		
Net cash received in acquisition	56,328	—
Net decrease (increase) in interest earning deposits with banks	3,428	(2,413)
Net decrease in federal funds sold and securities purchased under resale agreements	24,881	40,818
Net decrease in interest bearing funds with Federal Reserve Bank	49,813	265,762
Proceeds from maturities and principal collections of investment securities available for sale	392,737	584,914
Proceeds from sales of investment securities available for sale	347,386	733,621
Purchases of investment securities available for sale	(925,603)	(1,202,234)
Proceeds from sales of loans	74,885	177,510
Proceeds from sales of other real estate	49,535	70,496
Principal repayments by borrowers on other loans held for sale	334	4,133
Net (increase) in loans	(276,715)	(53,111)
Purchases of premises and equipment, net of disposals	(15,798)	(9,263)
Proceeds from disposals of premises and equipment	21	3,005
Proceeds from sales of other assets held for sale	918	1,740
Net cash (used in) provided by investing activities	$(217,850)	614,978

Financing Activities		
Net (decrease) increase in demand and savings deposits	(416,596)	280,925
Net (increase) decrease in certificates of deposit	13,428	(1,127,612)
Net increase in Federal funds purchased, securities sold under repurchase agreements, and other short-term liabilities	21,690	37,416
Principal repayments on long-term debt	(150,807)	(351,331)

6

Table of Contents

Proceeds from issuance of long-term debt	311,732	293,370
Dividends paid to common shareholders	(16,981)	(15,730)
Dividends paid to preferred shareholders	(24,197)	(24,197)
Stock options exercised	134	—
Restricted stock activity	(1,481)	—
Net cash used in financing activities	$(263,078)	(907,159)
(Decrease) increase in cash and cash equivalents	(186,143)	12,879
Cash and cash equivalents at beginning of period	614,630	510,423
Cash and cash equivalents at end of period	$428,487	523,302
Supplemental Cash Flow Information		
Cash paid (received) paid during the period for:		
Income tax payments (refunds), net	$1,437	(8,339)
Interest paid	56,214	78,235
Non-cash Activities		
Decrease in net unrealized gains on available for sale securities, net of income taxes	(37,800)	(13,177)
Decrease (increase) in net unrealized gains on hedging instruments, net of income taxes	136	(1,555)
Mortgage loans held for sale transferred to loans at fair value	14,471	1,542
Loans foreclosed and transferred to other real estate	51,835	71,928
Loans transferred to other loans held for sale at fair value	87,189	189,029
Other loans held for sale transferred to loans at fair value	1,235	—
Other loans held for sale foreclosed and transferred to other real estate at fair value	1,395	3,136
Premises and equipment transferred to other assets held for sale at fair value	202	2,402
Accretion of discount on Series A Preferred Stock	5,398	5,076
Amortization of post-retirement unfunded health benefit, net of income taxes	503	642
Settlement of prepaid common stock purchase contracts	122,848	—
Securities sold during the period but settled after period end	(15,899)	(2,636)
Acquisition:		
Fair value of non-cash assets acquired	536	—
Fair value of liabilities assumed	56,864	—

See accompanying notes to unaudited interim consolidated financial statements.

Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

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

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

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2012 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2012 Form 10-K.

In preparing the unaudited interim consolidated financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the respective consolidated balance sheets and the reported amounts of revenues and expenses for the periods presented. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses; the valuation of other real estate; the fair value of investment securities; the fair value of private equity investments; and the valuation of deferred tax assets. In connection with the determination of the allowance for loan losses and the valuation of certain impaired loans and other real estate, management obtains independent appraisals for significant properties and properties collateralizing impaired loans. In making this determination, management also considers other factors or recent developments, such as changes in absorption rates or market conditions at the time of valuation and anticipated sales values based on management’s plans for disposition.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At June 30, 2013 and December 31, 2012, cash and cash equivalents included $100.3 million and $68.4 million, respectively, on deposit to meet Federal Reserve Bank requirements. At June 30, 2013 and December 31, 2012, $15.4 million and $15.5 million, respectively, of the due from banks balance was restricted as to withdrawal, including $15.0 million at those dates on deposit pursuant to a payment network arrangement.

Short-term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and Federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include $12.7 million at June 30, 2013 and $14.2 million at December 31, 2012, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include $84.6 million at June 30, 2013, and $110.0 million at December 31, 2012, which is pledged to collateralize certain derivative instruments. Federal funds sold and securities purchased under resale agreements, and Federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

Recently Adopted Accounting Standards Updates

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

ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This ASU relates to testing intangibles other than goodwill for impairment, and was adopted on January 1, 2013. If certain conditions are met, the ASU provides for a qualitative impairment assessment instead of a quantitative assessment. For Synovus, the ASU primarily applies to core deposit intangibles, which have a current carrying value of only $3.0 million. The ASU did not have an impact on Synovus' unaudited interim consolidated financial statements.

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

ASU 2013-02, Reporting of Amount Reclassified Out of Accumulated Other Comprehensive Income. The FASB issued this ASU to improve the transparency of reporting reclassifications out of accumulated other comprehensive income by requiring entities to present in one place information about significant amounts reclassified and, in some cases, to provide cross-references to related footnote disclosures. ASU 2013-02 does not amend existing requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 requires an entity to disaggregate the total change of each component of other comprehensive income and separately present reclassification adjustments and current period other comprehensive income. The provisions of ASU 2013-02 also require that entities present either in a single footnote or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line item affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, entities would instead cross reference to the related footnote to the financial statements for additional information. Synovus adopted the provisions of ASU 2013-02 effective January 1, 2013. See "Note 9 - Other Comprehensive Income" to the unaudited interim consolidated financial statements for the disclosures required by ASU 2013-02.

ASU 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. This ASU permits the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes under FASB Topic 815, in addition to interest rates on direct Treasury obligations of the U.S. government and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The final guidance, issued on July 17, 2013, is effective immediately. Synovus will consider the provisions of this new guidance when developing new hedging strategies.

Reclassifications

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

Subsequent Events

Synovus has evaluated for consideration, or disclosure, all transactions, events, and circumstances, subsequent to the date of the consolidated balance sheet and through the date the accompanying unaudited interim consolidated financial statements were issued, and has reflected, or disclosed, those items deemed appropriate within the unaudited interim consolidated financial statements and related footnotes, including Note 16 - Subsequent Events.

Note 2 - Acquisition

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

9

Table of Contents

Note 3 - Investment Securities

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

	June 30, 2013				
(in thousands)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
U.S. Treasury securities	$357	—	—		357
U.S. Government agency securities	35,049	1,476	(229	)	36,296
Securities issued by U.S. Government sponsored enterprises	186,489	1,598	—		188,087
Mortgage-backed securities issued by U.S. Government agencies	209,001	2,963	(2,403	)	209,561
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,319,412	13,576	(27,637	)	2,305,351
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	321,971	1,147	(3,603	)	319,515
State and municipal securities	10,761	265	(2	)	11,024
Equity securities	3,648	1,305	—		4,953
Other investments	3,000	—	(438	)	2,562
Total investments securities available for sale	$3,089,688	22,330	(34,312	)	3,077,706

	December 31, 2012				
(in thousands)	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses		Fair Value
U.S. Treasury securities	$356	—	—		356
U.S. Government agency securities	35,791	2,255	—		38,046
Securities issued by U.S. Government sponsored enterprises	289,523	3,787	—		293,310
Mortgage-backed securities issued by U.S. Government agencies	238,381	7,220	(8	)	245,593
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,832,076	37,646	(2,229	)	1,867,493
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	513,637	2,534	(1,682	)	514,489
State and municipal securities	15,218	582	(2	)	15,798
Equity securities	3,648	92	—		3,740
Other investments	3,000	—	(713	)	2,287
Total investments securities available for sale	$2,931,630	54,116	(4,634	)	2,981,112

[1] Amortized cost is adjusted for other-than-temporary impairment charges, which have been recognized in the consolidated statements of income.

At June 30, 2013 and December 31, 2012, investment securities with a fair value of $2.31 billion and $2.28 billion respectively, were pledged to secure certain deposits, securities sold under repurchase agreements, and payment network arrangements as required by law and contractual agreements.

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

Declines in the fair value of available for sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent OTTI. These factors include the length of time the security has been in a loss position, the extent that the fair value is below amortized cost, and the credit standing of the issuer. As of June 30, 2013 there were 79 securities in a loss position for less than twelve months and 6 securities in a loss position for more than 12 months.

Table of Contents

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2013 and December 31, 2012, are presented below.

	June 30, 2013					
	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	$—	—	—	—	—	—
U.S. Government agency securities	14,301	229	—	—	14,301	229
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—
Mortgage-backed securities issued by U.S. Government agencies	123,112	2,134	6,251	269	129,363	2,403
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,736,306	27,637	—	—	1,736,306	27,637
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	137,351	3,603	—	—	137,351	3,603
State and municipal securities	—	—	37	2	37	2
Equity securities	—	—	—	—	—	—
Other investments	—	—	2,562	438	2,562	438
Total	$2,011,070	33,603	8,850	709	2,019,920	34,312

	December 31, 2012					
	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	$—	—	—	—	—	—
U.S. Government agency securities	—	—	—	—	—	—
Securities issued by U.S. Government	—	—	—	—	—	—

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

11

Table of Contents

The amortized cost and fair value by contractual maturity of investment securities available for sale at June 30, 2013 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

	Distribution of Maturities at June 30, 2013					
(in thousands)	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	Total
Amortized Cost						
U.S. Treasury securities	$357	—	—	—	—	357
U.S. Government agency securities	—	1,266	31,757	2,026	—	35,049
Securities issued by U.S. Government sponsored enterprises	2,000	184,489	—	—	—	186,489
Mortgage-backed securities issued by U.S. Government agencies	1	190	287	208,523	—	209,001
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,751	4,982	1,926,494	386,185	—	2,319,412
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	—	264	321,707	—	321,971
State and municipal securities	3,436	3,899	403	3,023	—	10,761
Equity securities	—	—	—	—	3,648	3,648
Other investments	—	—	—	3,000	—	3,000
Total amortized cost	$7,545	194,826	1,959,205	924,464	3,648	3,089,688
Fair Value						
U.S. Treasury securities	$357	—	—	—	—	357
U.S. Government agency securities	—	1,392	32,624	2,280	—	36,296
Securities issued by U.S. Government sponsored enterprises	2,015	186,072	—	—	—	188,087
Mortgage-backed securities issued by U.S. Government agencies	1	197	298	209,065	—	209,561
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,819	5,256	1,904,668	393,608	—	2,305,351
Collateralized mortgage obligations issued by U.S. Government sponsored enterprises	—	—	267	319,248	—	319,515
State and municipal securities	3,468	3,965	430	3,161	—	11,024
Equity securities	—	—	—	—	4,953	4,953
Other investments	—	—	—	2,562	—	2,562

Total fair value	$7,660	196,882	1,938,287	929,924	4,953	3,077,706

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

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2013	2012	2013	2012
Proceeds from sale and maturity of investment securities available for sale	$347,386	733,621	135,146	258,846
Gross realized gains	2,036	24,703	1,760	4,170
Gross realized losses	(588)	(450)	(357)	—
Investment securities gains, net	$1,448	24,253	1,403	4,170

Table of Contents

Note 4 - Restructuring Charges

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

	Six Months Ended June 30,		Three Months Ended June 30,	
(in thousands)	2013	2012	2013	2012
Severance charges	$6,610	1,032	1,737	826
Asset impairment charges	—	1,228	—	477
(Gain) loss on sale of assets held for sale, net	(25)	(164)	2	(26)
Professional fees and other charges	22	156	19	116
Total restructuring charges	$6,607	2,252	1,758	1,393

In January 2013, Synovus announced new efficiency initiatives to reduce expenses by approximately $30 million during 2013. The implementation of these initiatives is underway and on track to be completed during 2013. During the six and three months ended June 30, 2013, Synovus recognized restructuring charges of $6.6 million and $1.8 million, respectively, related to these efficiency initiatives. During the six and three months ended June 30, 2012, Synovus recognized $2.3 million and $1.4 million, respectively, in restructuring charges related to previously announced efficiency initiatives.

The liability for restructuring activities was $3.1 million at June 30, 2013 and consists primarily of future severance payments. Cash payments associated with this liability are expected to occur over the next six months.

Note 5 - Other Loans Held for Sale

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

During the six months ended June 30, 2013 and 2012, Synovus transferred loans with a carrying value immediately preceding the transfer totaling $112.2 million and $264.0 million, respectively, to other loans held for sale. Charge-offs recorded upon transfer of these loans to held for sale totaled $25.0 million and $74.9 million for the six months ended June 30, 2013 and 2012, respectively. These charge-offs which resulted in a new cost basis (fair value less costs to sell) of $87.2 million and $189.1 million for the loans transferred during the six months ended June 30, 2013 and 2012, respectively, were based on the estimated fair value, less estimated costs to sell, of the loans at the time of transfer.

Table of Contents

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 June 30, 2013 and December 31, 2012.
Current, Accruing Past Due, and Non-accrual Loans

	June 30, 2013						
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total	
Investment properties	$4,290,084	8,071	—	8,071	94,368	4,392,523	
1-4 family properties	1,136,964	6,089	246	6,335	54,188	1,197,487	
Land acquisition	591,534	4,583	—	4,583	156,202	752,319	
Total commercial real estate	6,018,582	18,743	246	18,989	304,758	6,342,329	
Commercial and industrial	9,093,843	21,727	1,148	22,875	114,781	9,231,499	
Home equity lines	1,482,730	6,156	272	6,428	18,580	1,507,738	
Consumer mortgages	1,390,307	21,409	1,058	22,467	38,438	1,451,212	
Credit cards	248,185	1,784	1,819	3,603	—	251,788	
Small business	559,959	3,834	46	3,880	5,042	568,881	
Other retail loans	274,302	2,429	7	2,436	1,865	278,603	
Total retail loans	3,955,483	35,612	3,202	38,814	63,925	4,058,222	
Total loans	$19,067,908	76,082	4,596	80,678	483,464	19,632,050	(1)

	December 31, 2012						
(in thousands)	Current	Accruing 30-89 Days Past Due	Accruing 90 Days or Greater Past Due	Total Accruing Past Due	Non-accrual	Total	
Investment properties	$4,278,016	5,436	798	6,234	91,868	4,376,118	
1-4 family properties	1,193,433	13,053	41	13,094	72,578	1,279,105	
Land acquisition	599,034	3,422	298	3,720	191,475	794,229	
Total commercial real estate	6,070,483	21,911	1,137	23,048	355,921	6,449,452	
Commercial and industrial	8,944,121	33,526	906	34,432	122,961	9,101,514	
Home equity lines	1,515,396	9,555	705	10,260	16,741	1,542,397	
Consumer mortgages	1,348,506	22,502	1,288	23,790	39,265	1,411,561	
Credit cards	258,698	2,450	2,413	4,863	—	263,561	
Small business	505,526	4,935	338	5,273	5,550	516,349	
Other retail loans	271,175	3,135	24	3,159	2,895	277,229	
Total retail loans	3,899,301	42,577	4,768	47,345	64,451	4,011,097	
Total loans	$18,913,905	98,014	6,811	104,825	543,333	19,562,063	(2)

(1)Total before net deferred fees and costs of $23.8 million.
(2)Total before net deferred fees and costs of $20.4 million.

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

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.

Table of Contents

Doubtful - loans which have all the weaknesses inherent in loans classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.
Loss - loans which are considered by management to be uncollectible and of such little value that their continuance on the institution's books as an asset, without establishment of a specific valuation allowance or charge-off is not warranted.
In the following tables, retail loans are classified as Pass except when they reach 90 days past due, or are downgraded to Substandard. Upon reaching 120 days past due, retail loans are generally downgraded to Loss and charged off, in accordance with the FFIEC Uniform Retail Credit Classification and Account Management Policy. The risk grade classifications of retail loans secured by junior liens on 1-4 family residential properties also consider available information on the payment status of the associated senior lien with other financial institutions.
Loan Portfolio Credit Exposure by Risk Grade

	June 30, 2013						
(in thousands)	Pass	Special Mention	Substandard(1)	Doubtful(2)	Loss		Total
Investment properties	$3,866,906	296,474	226,339	2,804	—		4,392,523
1-4 family properties	881,870	173,155	129,788	12,674	—		1,197,487
Land acquisition	425,078	130,534	193,281	3,426	—		752,319
Total commercial real estate	5,173,854	600,163	549,408	18,904	—		6,342,329
Commercial and industrial	8,343,695	443,765	424,333	19,611	95	(2)(3)	9,231,499
Home equity lines	1,477,367	—	26,746	—	3,625	(2)(4)	1,507,738
Consumer mortgages	1,415,981	—	33,431	—	1,800	(2)(4)	1,451,212
Credit cards	249,969	—	656	—	1,163	(4)	251,788
Small business	559,000	—	9,011	—	870	(2)(4)	568,881
Other retail loans	275,348	—	3,157	—	98	(2)(4)	278,603
Total retail loans	3,977,665	—	73,001	—	7,556		4,058,222
Total loans	$17,495,214	1,043,928	1,046,742	38,515	7,651		19,632,050 (5)

	December 31, 2012						
(in thousands)	Pass	Special Mention	Substandard(1)	Doubtful(2)	Loss		Total
Investment properties	$3,659,102	463,532	253,484	—	—		4,376,118
1-4 family properties	903,213	197,148	176,672	1,953	119	(2)(3)	1,279,105
Land acquisition	416,822	143,685	227,761	5,961	—		794,229
Total commercial real estate	4,979,137	804,365	657,917	7,914	119	(2)(3)	6,449,452
Commercial and industrial	8,069,049	572,591	447,955	11,819	100	(2)(3)	9,101,514
Home equity lines	1,511,729	—	29,094	—	1,574	(2)(4)	1,542,397
Consumer mortgages	1,372,957	—	38,023	—	581	(2)(4)	1,411,561
Credit cards	260,194	—	1,776	—	1,591	(4)	263,561
Small business	504,503	—	10,563	—	1,283	(2)(4)	516,349
Other retail loans	271,619	—	5,379	—	231	(2)(4)	277,229
Total retail loans	3,921,002	—	84,835	—	5,260		4,011,097
Total loans	$16,969,188	1,376,956	1,190,707	19,733	5,479		19,562,063 (6)

(1) Includes $437.3 million and $518.1 million of non-accrual Substandard loans at June 30, 2013 and December 31, 2012, respectively.
(2) The loans within these risk grades are on non-accrual status.
(3) Amount was fully reserved and was charged-off in the subsequent quarter.
(4) Represent amounts that were 120 days past due. These credits are downgraded to the Loss category with an allowance for loan losses equal to the full loan amount and are charged off in the subsequent quarter.
(5)Total before net deferred fees and costs of $23.8 million.
(6)Total before net deferred fees and costs of $20.4 million.

Table of Contents

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

Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Six Months Ended June 30, 2013				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$167,926	126,847	50,632	28,000	373,405
Charge-offs	(64,351)	(27,364)	(23,320)	—	(115,035)
Recoveries	9,095	14,802	3,840	—	27,737
Provision for loan losses	25,659	9,593	18,521	(5,000)	48,773
Ending balance	$138,329	123,878	49,673	23,000	334,880
Ending balance: individually evaluated for impairment	$47,039	27,552	1,420	—	76,011
Ending balance: collectively evaluated for impairment	$91,290	96,326	48,253	23,000	258,869
Loans:					
Ending balance: total loans(1)	$6,342,329	9,231,499	4,058,222	—	19,632,050
Ending balance: individually evaluated for impairment	$624,402	280,717	62,333	—	967,452
Ending balance: collectively evaluated for impairment	$5,717,927	8,950,782	3,995,889	—	18,664,598

	As Of and For The Six Months Ended June 30, 2012				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$249,094	184,888	54,514	47,998	536,494
Charge-offs	(112,919)	(75,240)	(27,819)	—	(215,978)
Recoveries	10,611	7,551	4,376	—	22,538
Provision for loan losses	63,422	36,026	20,821	(9,998)	110,271
Ending balance	$210,208	153,225	51,892	38,000	453,325
Ending balance: individually evaluated for impairment	$57,474	36,623	852	—	94,949
Ending balance: collectively evaluated for impairment	$152,734	116,602	51,040	38,000	358,376
Loans:					
Ending balance: total loans(2)	$6,884,277	8,884,633	3,924,535	—	19,693,445
Ending balance: individually evaluated for impairment	$791,924	365,487	60,083	—	1,217,494
Ending balance: collectively evaluated for impairment	$6,092,353	8,519,146	3,864,452	—	18,475,951

(1)Total before net deferred fees and costs of $23.8 million.

(2)Total before net deferred fees and costs of $13.3 million.

Table of Contents

The following table details the changes in the allowance for loan losses by loan segment for the six months ended June 30, 2013 and 2012.
Allowance for Loan Losses and Recorded Investment in Loans

	As Of and For The Three Months Ended June 30, 2013				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$145,991	122,758	55,023	28,000	351,772
Charge-offs	(28,075)	(10,474)	(9,367)	—	(47,916)
Recoveries	5,493	10,551	1,903	—	17,947
Provision for loan losses	14,920	1,043	2,114	(5,000)	13,077
Ending balance	$138,329	123,878	49,673	23,000	334,880
Ending balance: individually evaluated for impairment	$47,039	27,552	1,420	—	76,011
Ending balance: collectively evaluated for impairment	$91,290	96,326	48,253	23,000	258,869
Loans:					
Ending balance: total loans(1)	$6,342,329	9,231,499	4,058,222	—	19,632,050
Ending balance: individually evaluated for impairment	$624,402	280,717	62,333	—	967,452
Ending balance: collectively evaluated for impairment	$5,717,927	8,950,782	3,995,889	—	18,664,598

	As Of and For The Three Months Ended June 30, 2012				
(in thousands)	Commercial Real Estate	Commercial & Industrial	Retail	Unallocated	Total
Allowance for loan losses:					
Beginning balance	$239,974	178,200	51,620	38,000	507,794
Charge-offs	(60,457)	(37,814)	(12,218)	—	(110,489)
Recoveries	6,106	3,929	1,763	—	11,798
Provision for loan losses	24,585	8,910	10,727	—	44,222
Ending balance	$210,208	153,225	51,892	38,000	453,325
Ending balance: individually evaluated for impairment	$57,474	36,623	852	—	94,949
Ending balance: collectively evaluated for impairment	$152,734	116,602	51,040	38,000	358,376
Loans:					
Ending balance: total loans(2)	$6,884,277	8,884,633	3,924,535	—	19,693,445
Ending balance: individually evaluated for impairment	$791,924	365,487	60,083	—	1,217,494
Ending balance: collectively evaluated for impairment	$6,092,353	8,519,146	3,864,452	—	18,475,951

(1)Total before net deferred fees and costs of $23.8 million.
(2)Total before net deferred fees and costs of $13.3 million.

Table of Contents

The tables below summarize impaired loans (including accruing TDRs) as of June 30, 2013 and December 31, 2012.
Impaired Loans (including accruing TDRs)

	June 30, 2013			Six Months Ended June 30, 2013		Three Months Ended June 30, 2013	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded							
Investment properties	$23,905	29,533	—	18,707	—	22,649	—
1-4 family properties	17,827	40,947	—	32,385	—	26,567	—
Land acquisition	36,253	89,284	—	49,123	—	41,369	—
Total commercial real estate	77,985	159,764	—	100,215	—	90,585	—
Commercial and industrial	39,275	56,385	—	37,772	—	41,209	—
Home equity lines	49	49	—	50	—	49	—
Consumer mortgages	1,197	2,751	—	1,765	—	2,040	—
Credit cards	—	—	—	—	—	—	—
Small business	—	—	—	—	—	—	—
Other retail loans	2	10	—	6	—	5	—
Total retail loans	1,248	2,810	—	1,821	—	2,094	—
Total impaired loans with no related allowance recorded	$118,508	218,959	—	139,808	—	133,888	—
With allowance recorded							
Investment properties	$230,156	238,709	13,214	246,900	2,748	246,037	1,291
1-4 family properties	118,672	127,324	14,837	116,563	1,664	118,187	821
Land acquisition	197,589	216,552	18,988	195,019	1,494	191,029	757
Total commercial real estate	546,417	582,585	47,039	558,482	5,906	555,253	2,869
Commercial and industrial	241,442	246,916	27,552	248,149	3,670	238,959	1,859
Home equity lines	2,972	2,972	185	6,525	112	4,387	34
Consumer mortgages	50,043	50,043	947	52,042	945	51,227	492
Credit cards	—	—	—	—	—	—	—
Small business	3,842	3,842	223	3,494	58	3,486	37
Other retail loans	4,228	4,228	65	3,905	128	3,886	65
Total retail loans	61,085	61,085	1,420	65,966	1,243	62,986	628
Total impaired loans with allowance recorded	$848,944	890,586	76,011	872,597	10,819	857,198	5,356
Total impaired loans							
Investment properties	$254,061	268,242	13,214	265,607	2,748	268,686	1,291
1-4 family properties	136,499	168,271	14,837	148,948	1,664	144,754	821
Land acquisition	233,842	305,836	18,988	244,142	1,494	232,398	757
Total commercial real estate	624,402	742,349	47,039	658,697	5,906	645,838	2,869
Commercial and industrial	280,717	303,301	27,552	285,921	3,670	280,168	1,859
Home equity lines	3,021	3,021	185	6,575	112	4,436	34
Consumer mortgages	51,240	52,794	947	53,807	945	53,267	492
Credit cards	—	—	—	—	—	—	—
Small business	3,842	3,842	223	3,494	58	3,486	37
Other retail loans	4,230	4,238	65	3,911	128	3,891	65
Total retail loans	62,333	63,895	1,420	67,787	1,243	65,080	628
Total impaired loans	$967,452	1,109,545	76,011	1,012,405	10,819	991,086	5,356

Table of Contents

Impaired Loans (including accruing TDRs)

	December 31, 2012			Year Ended December 31, 2012	
(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded					
Investment properties	$10,939	14,130	—	42,947	—
1-4 family properties	40,793	117,869	—	97,434	—
Land acquisition	59,697	125,023	—	158,015	—
Total commercial real estate	111,429	257,022	—	298,396	—
Commercial and industrial	31,181	51,433	—	68,710	—
Home equity lines	51	51	—	2,811	—
Consumer mortgages	1,247	2,263	—	3,706	—
Credit cards	—	—	—	—	—
Small business	—	—	—	—	—
Other retail loans	7	15	—	127	—
Total retail loans	1,305	2,329	—	6,644	—
Total impaired loans with no related allowance recorded	$143,915	310,784	—	373,750	—