

SYNOVUS FINANCIAL CORP
Form 10-Q
November 05, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014
Commission file number 1-10312

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

Georgia	58-1134883
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1111 Bay Avenue	31901
Suite 500, Columbus, Georgia	(Zip Code)
(Address of principal executive offices)	
Registrant's telephone number, including area code: (706) 649-2311	
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par Value	
Series B Participating Cumulative Preferred Stock	New York Stock Exchange
Purchase Rights	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: NONE	

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

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

Class	October 31, 2014
Common Stock, \$1.00 Par Value	136,571,459

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

ALCO – Synovus' Asset Liability Management Committee

Annual Meeting - Synovus' 2014 Annual Shareholders' Meeting

ASC – Accounting Standards Codification

ASU – Accounting Standards Update

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

BOV – broker's opinion of value

bp – basis point (bps - basis points)

C&I – commercial and industrial loans

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

CCC – central clearing counterparty

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CMO – Collateralized Mortgage Obligation

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

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

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

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

CRE – Commercial Real Estate

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

DRR – dual risk rating

DTA – deferred tax asset

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.

FFIEC – Federal Financial Institutions Examination Council

FHLB – Federal Home Loan Bank

FICO – Fair Isaac Corporation

GA DBF – Georgia Department of Banking and Finance

GAAP – Generally Accepted Accounting Principles in the United States of America

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GSE – government sponsored enterprise
HAP – Home Affordability Program
HELOC – home equity line of credit
IRC – Internal Revenue Code of 1986, as amended
IRS – Internal Revenue Service
LIBOR – London Interbank Offered Rate
LTV – loan-to-collateral value ratio
MOU – Memorandum of Understanding
MSA – Metropolitan Statistical Area
NOL – net operating loss
NPA – non-performing assets
NPL – non-performing loans
NSF – non-sufficient funds
NYSE – New York Stock Exchange
OCI – other comprehensive income
ORE – other real estate
OTTI – other-than-temporary impairment
Parent Company – Synovus Financial Corp.
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
Series A Preferred Stock – Synovus' Fixed Rate Cumulative Perpetual Preferred Stock, Series A, without par value
Series C Preferred Stock – Synovus' Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, \$25 liquidation preference
Synovus – Synovus Financial Corp.
Synovus Bank – A Georgia state-chartered bank, formerly known as Columbus Bank and Trust Company, and wholly-owned subsidiary of Synovus, through which Synovus conducts its banking operations
Synovus' 2013 Form 10-K – Synovus' Annual Report on Form 10-K for the year ended December 31, 2013
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
TARP – Troubled Assets Relief Program
TBA – to-be-announced securities with respect to mortgage-related securities to be delivered in the future (MBSs and CMOs)
TDR – troubled debt restructuring (as defined in ASC 310-40)
Tender Offer – Offer by Synovus to purchase, for cash, all of its outstanding 2013 Notes, which commenced on February 7, 2012 and expired on March 6, 2012
Treasury – United States Department of the Treasury
tMEDS – tangible equity units, each composed of a prepaid common stock purchase contract and a junior subordinated amortizing note
Visa – The Visa U.S.A., Inc. card association or its affiliates, collectively
Visa Class B shares – Class B shares of Common Stock issued by Visa which are subject to restrictions with respect to sale until all of the Covered Litigation has been settled

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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

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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)	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$386,402	469,630
Interest bearing funds with Federal Reserve Bank	750,446	644,528
Interest earning deposits with banks	13,612	24,325
Federal funds sold and securities purchased under resale agreements	70,918	80,975
Trading account assets, at fair value	12,705	6,113
Mortgage loans held for sale, at fair value	72,333	45,384
Other loans held for sale	338	10,685
Investment securities available for sale, at fair value	3,050,257	3,199,358
Loans, net of deferred fees and costs	20,588,566	20,057,798
Allowance for loan losses	(269,376	) (307,560
Loans, net	\$20,319,190	19,750,238
Premises and equipment, net	456,633	468,871
Goodwill	24,431	24,431
Other intangible assets, net	1,471	3,415
Other real estate	81,636	112,629
Deferred tax asset, net	656,151	744,646
Other assets	622,587	616,376
Total assets	\$26,519,110	26,201,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing deposits	\$5,813,809	5,642,751
Interest bearing deposits, excluding brokered deposits	13,609,038	14,140,037
Brokered deposits	1,566,934	1,094,002
Total deposits	20,989,781	20,876,790
Federal funds purchased and securities sold under repurchase agreements	107,160	148,132
Long-term debt	2,130,934	2,033,141
Other liabilities	214,690	194,556
Total liabilities	\$23,442,565	23,252,619
Shareholders' Equity		
Series C Preferred Stock – no par value. 5,200,000 shares outstanding at September 30, 2014 and December 31, 2013	125,980	125,862
Common stock - \$1.00 par value. Authorized 342,857,143 shares; 139,877,971 issued at September 30, 2014 and 139,720,701 issued at December 31, 2013; 139,064,621 outstanding at September 30, 2014 and 138,907,351 outstanding at December 31, 2013	139,878	139,721
Additional paid-in capital	2,974,319	2,976,348
Treasury stock, at cost – 813,350 shares at September 30, 2014 and December 31, 2013	(114,176) (114,176
Accumulated other comprehensive loss, net	(24,827) (41,258

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Accumulated deficit	(24,629) (137,512)
Total shareholders' equity	3,076,545	2,948,985	
Total liabilities and shareholders' equity	\$26,519,110	26,201,604	

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share data)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Interest income:				
Loans, including fees	\$644,392	650,192	\$217,288	217,982
Investment securities available for sale	43,775	37,302	14,029	13,584
Trading account assets	357	433	106	155
Mortgage loans held for sale	1,719	3,987	701	869
Federal Reserve Bank balances	1,561	2,498	562	814
Other earning assets	2,185	1,343	708	448
Total interest income	693,989	695,755	233,394	233,852
Interest expense:				
Deposits	41,246	48,964	13,504	16,354
Federal funds purchased and securities sold under repurchase agreements	186	242	35	72
Long-term debt	40,728	40,688	13,592	13,456
Total interest expense	82,160	89,894	27,131	29,882
Net interest income	611,829	605,861	206,263	203,970
Provision for loan losses	25,638	55,534	3,843	6,761
Net interest income after provision for loan losses	586,191	550,327	202,420	197,209
Non-interest income:				
Service charges on deposit accounts	58,610	58,142	20,159	19,426
Fiduciary and asset management fees	33,536	32,471	11,207	10,389
Brokerage revenue	20,201	21,231	7,281	6,636
Mortgage banking income	13,459	19,569	4,665	5,314
Bankcard fees	24,394	22,662	8,182	7,760
Investment securities gains, net	1,331	2,571	—	1,124
Other fee income	14,495	16,461	4,704	5,199
(Decrease) increase in fair value of private equity investments, net	(513	) (856	) (144	) 284
Gain on sale of Memphis branches, net	5,789	—	—	—
Other non-interest income	26,253	21,139	7,931	7,446
Total non-interest income	197,555	193,390	63,985	63,578
Non-interest expense:				
Salaries and other personnel expense	279,855	276,190	93,870	92,794
Net occupancy and equipment expense	79,436	77,025	26,956	26,475
Third-party processing expense	29,604	30,446	10,044	10,151
FDIC insurance and other regulatory fees	25,781	24,059	8,013	7,639
Professional fees	18,427	28,922	2,526	11,410
Advertising expense	15,935	6,513	7,177	3,114
Foreclosed real estate expense, net	18,818	28,800	9,074	10,359
Losses (gains) on other loans held for sale, net	2,050	487	(176	) 408
Visa indemnification charges	2,731	801	1,979	—
Restructuring charges	17,101	7,295	809	687
Other operating expenses	70,377	70,261	33,477	24,291
Total non-interest expense	560,115	550,799	193,749	187,328

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Income before income taxes	223,631	192,918	72,656	73,459
Income tax expense	81,554	72,114	25,868	27,765
Net income	142,077	120,804	46,788	45,694
Dividends and accretion of discount on preferred stock	7,678	38,100	2,559	8,506
Net income available to common shareholders	\$134,399	82,704	44,229	37,188
Net income per common share, basic	\$0.97	0.67	0.32	0.27
Net income per common share, diluted	\$0.96	0.62	0.32	0.27
Weighted average common shares outstanding, basic	138,989	123,652	139,043	136,671
Weighted average common shares outstanding, diluted	139,600	132,476	139,726	137,097

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	Nine Months Ended September 30,					
	2014			2013		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$223,631	(81,554)	142,077	192,918	(72,114)	120,804
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	336	(130)	206	336	(131)	205
Net unrealized gains (losses) on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	(1,331)	513	(818)	(2,571)	990	(1,581)
Net unrealized gains (losses) arising during the period	27,467	(10,579)	16,888	(53,166)	20,468	(32,698)
Net unrealized gains (losses)	26,136	(10,066)	16,070	(55,737)	21,458	(34,279)
Post-retirement unfunded health benefit:						
Reclassification adjustment for gains realized in net income	(144)	56	(88)	(98)	38	(60)
Actuarial gains arising during the period	395	(152)	243	830	(311)	519
Net unrealized gains	251	(96)	155	732	(273)	459
Other comprehensive income (loss)	\$26,723	(10,292)	16,431	(54,669)	21,054	(33,615)
Comprehensive income			\$158,508			87,189

See accompanying notes to unaudited interim consolidated financial statements.

(in thousands)	Three Months Ended September 30,					
	2014			2013		
	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Net income	\$72,656	(25,868)	46,788	73,459	(27,765)	45,694
Net change related to cash flow hedges:						
Reclassification adjustment for losses realized in net income	112	(43)	69	112	(43)	69
Net unrealized (losses) gains on investment securities available for sale:						
Reclassification adjustment for net gains realized in net income	—	—	—	(1,124)	433	(691)
Net unrealized (losses) gains arising during the period	(18,173)	6,993	(11,180)	6,849	(2,637)	4,212
Net unrealized (losses) gains	(18,173)	6,993	(11,180)	5,725	(2,204)	3,521
Post-retirement unfunded health benefit:						
Reclassification adjustment for (gains) losses realized in net income	—	—	—	(72)	28	(44)
Other comprehensive (loss) income	\$(18,061)	6,950	(11,111)	5,765	(2,219)	3,546

Comprehensive income	\$35,677	49,240
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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 A Preferred Stock	Series C Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2012	\$957,327	—	113,182	2,868,965	(114,176)	4,101	(259,968)	3,569,431
Net income	—	—	—	—	—	—	120,804	120,804
Other comprehensive loss, net of income taxes	—	—	—	—	—	(33,615)	—	(33,615)
Cash dividends declared on Common Stock - \$0.21 per share	—	—	—	—	—	—	(26,703)	(26,703)
Cash dividends paid on Series A Preferred Stock	—	—	—	(33,741)	—	—	—	(33,741)
Accretion of discount on Series A Preferred Stock	10,543	—	—	(10,543)	—	—	—	—
Redemption of Series A Preferred Stock	(967,870)	—	—	—	—	—	—	(967,870)
Issuance of Series C Preferred Stock, net of issuance costs	—	125,400	—	—	—	—	—	125,400
Settlement of prepaid common stock purchase contracts	—	—	17,550	(17,550)	—	—	—	—
Issuance of Common Stock, net of issuance costs	—	—	8,553	166,211	—	—	—	174,764
Restricted share unit activity	—	—	372	(3,413)	—	—	(500)	(3,541)
Stock options exercised	—	—	47	742	—	—	—	789
Share-based compensation tax benefit	—	—	—	371	—	—	—	371
Share-based compensation expense	—	—	—	5,771	—	—	—	5,771
Balance at September 30, 2013	\$—	125,400	139,704	2,976,813	(114,176)	(29,514)	(166,367)	2,931,860

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Balance at December 31, 2013	\$—	125,862	139,721	2,976,348	(114,176)	(41,258)	(137,512)	2,948,985
Net income	—	—	—	—	—	—	142,077	142,077
Other comprehensive income, net of income taxes	—	—	—	—	—	16,431	—	16,431
Cash dividends declared on Common Stock - \$0.21 per share	—	—	—	—	—	—	(29,194)	(29,194)
Cash dividends paid on Series C Preferred Stock	—	—	—	(7,678)	—	—	—	(7,678)
Series C Preferred Stock-adjustment to issuance costs	—	118	—	—	—	—	—	118
Restricted share unit activity	—	—	41	(509)	—	—	—	(468)
Stock options exercised	—	—	116	1,869	—	—	—	1,985
Share-based compensation tax deficiency	—	—	—	(3,164)	—	—	—	(3,164)
Share-based compensation expense	—	—	—	7,453	—	—	—	7,453
Balance at September 30, 2014	\$—	125,980	139,878	2,974,319	(114,176)	(24,827)	(24,629)	3,076,545

See accompanying notes to unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$ 142,077	120,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	25,638	55,534
Depreciation, amortization, and accretion, net	39,524	46,513
Deferred income tax expense	74,940	64,101
Decrease in interest receivable	1,459	8,229
Decrease in interest payable	(1,575)	(3,207)
Increase in trading account assets	(6,592)	(6,261)
Originations of mortgage loans held for sale	(579,139)	(749,437)
Proceeds from sales of mortgage loans held for sale	561,796	893,348
Gains on sales of mortgage loans held for sale	(8,971)	(10,789)
(Increase) decrease in fair value of mortgage loans held for sale	(969)	3,838
Decrease in other assets	1,392	36,138
Increase (decrease) in accrued salaries and benefits	6,772	(4,584)
Increase in other liabilities	14,934	333
Investment securities gains, net	(1,331)	(2,571)
Losses on sales of other loans held for sale, net	2,050	487
Losses and write-downs on other real estate, net	16,734	22,714
Share-based compensation expense	7,453	5,771
Write-downs on other assets held for sale	7,608	—
Gain on sale of Memphis branches, net	(5,789)	—
Gain on sale of branch property	(3,116)	—
Net cash provided by operating activities	\$ 294,895	480,961
Investing Activities		
Net cash (used) received in dispositions/acquisitions	(90,571)	56,328
Net decrease in interest earning deposits with banks	10,713	9,382
Net decrease in federal funds sold and securities purchased under resale agreements	10,057	33,340
Net (increase) decrease in interest bearing funds with Federal Reserve Bank	(105,918)	531,955
Proceeds from maturities and principal collections of investment securities available for sale	417,704	584,810
Proceeds from sales of investment securities available for sale	20,815	403,792
Purchases of investment securities available for sale	(277,375)	(1,197,122)
Proceeds from sales of loans	44,001	75,359
Proceeds from sales of other real estate	49,754	77,168
Principal repayments by borrowers on other loans held for sale	770	3,966
Net increase in loans	(754,930)	(423,252)
Purchases of premises and equipment	(36,059)	(24,971)
Proceeds from disposals of premises and equipment	4,838	3,172
Proceeds from sales of other assets held for sale	507	1,085
Net cash (used in) provided by investing activities	\$ (705,694)	135,012
Financing Activities		
Net increase (decrease) in demand and savings deposits	8,677	(281,267)

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Net increase in certificates of deposit	295,687	141,252	
Net decrease in federal funds purchased and securities sold under repurchase agreements	(40,972)	(6,630))
Principal repayments on long-term debt	(605)	(301,431))
Proceeds from issuance of long-term debt	99,938	462,500	
Dividends paid to common shareholders	(29,194)	(26,703))
Dividends paid to preferred shareholders	(7,678)	(33,741))

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Stock options exercised	1,985	789	
Proceeds from issuance of Series C Preferred Stock	—	125,400	
Redemption of Series A Preferred Stock	—	(967,870)
Proceeds from issuance of common stock	—	174,764	
Excess tax benefit from share-based compensation	201	569	
Restricted stock activity	(468	) (3,541)
Net cash provided by (used in) financing activities	\$327,571	(715,909)
Decrease in cash and cash equivalents	(83,228	) (99,936)
Cash and cash equivalents at beginning of period	469,630	614,630	
Cash and cash equivalents at end of period	\$386,402	514,694	
Supplemental Cash Flow Information			
Cash paid during the period for:			
Income tax payments, net	4,693	1,669	
Interest paid	83,861	85,332	
Non-cash Activities			
Mortgage loans held for sale transferred to loans at fair value	334	14,471	
Premises and equipment transferred to other assets held for sale	16,613	490	
Loans foreclosed and transferred to other real estate	35,495	72,854	
Loans transferred to other loans held for sale at fair value	36,736	117,806	
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	—	3,246	
Settlement of prepaid common stock purchase contracts	—	122,848	
Securities purchased during the period but settled after period-end	—	35,160	
Dispositions/Acquisitions:			
Fair value of non-cash assets (sold) acquired	(100,982	) 536	
Fair value of liabilities (sold) assumed	(191,553	) 56,864	

See accompanying notes to unaudited interim consolidated financial statements.

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Notes to Unaudited Interim Consolidated Financial Statements

Note 1 - Significant Accounting Policies

Business Operations

The accompanying unaudited interim consolidated financial statements of Synovus 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 direct and indirect wholly-owned non-bank subsidiaries, including: Synovus Securities, Inc., headquartered in Columbus, Georgia, which specializes in professional portfolio management for fixed-income securities, investment banking, the execution of securities transactions as a broker/dealer and the provision of individual investment advice on equity and other securities; Synovus Trust Company, N.A., headquartered in Columbus, Georgia, which provides trust, asset management and financial planning services; and Synovus Mortgage Corp., headquartered in Birmingham, Alabama, which offers mortgage services.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this Report have been included. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes appearing in Synovus' 2013 Form 10-K. There have been no significant changes to the accounting policies as disclosed in Synovus' 2013 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; the valuation of deferred tax assets; and contingent liabilities related to legal matters.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and due from banks. At September 30, 2014 and December 31, 2013, cash and cash equivalents included \$91.3 million and \$104.9 million, respectively, on deposit to meet Federal Reserve Bank requirements. At September 30, 2014 and December 31, 2013, \$125 thousand and \$375 thousand, respectively, of the due from banks balance was restricted as to withdrawal.

Short-term Investments

Short-term investments consist of interest bearing funds with the Federal Reserve Bank, interest earning deposits with banks, and Federal funds sold and securities purchased under resale agreements. Interest earning deposits with banks include \$7.1 million and \$11.1 million at September 30, 2014 and December 31, 2013, respectively, which is pledged as collateral in connection with certain letters of credit. Federal funds sold include \$68.1 million at September 30, 2014 and \$72.2 million at December 31, 2013, which are pledged to collateralize certain derivative instruments.

Federal funds sold and securities purchased under resale agreements, and Federal funds purchased and securities sold under repurchase agreements, generally mature in one day.

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Recently Adopted Accounting Standards Updates

Effective January 1, 2014, Synovus adopted the provisions of ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Income tax accounting guidance did not explicitly address how to present unrecognized tax benefits when a company also has net operating losses or tax credit carryforwards. Previously, most companies presented these unrecognized benefits as a liability (i.e., gross presentation), but some presented the liability as a reduction of their net operating losses or tax credit carryforwards (i.e., net presentation). To address this diversity in practice, the FASB issued ASU 2013-11, requiring unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward, similar tax loss, or tax credit carryforward except when either (1) a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position, or (2) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. Synovus adopted the provisions of ASU 2013-11 effective January 1, 2014. However, because prior to adoption Synovus already presented its unrecognized tax benefits as a reduction of its net operating losses, adoption of ASU 2013-11 did not have a significant impact on its consolidated balance sheet.

Reclassifications

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

Subsequent Events

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

Note 2 - Share Repurchase Program

On October 21, 2014, Synovus announced a common stock repurchase program of up to \$250 million which will expire on October 23, 2015.

Note 3 - Reverse Stock Split and Increase in Number of Authorized Common Shares

On April 24, 2014, at Synovus' 2014 Annual Shareholders' Meeting ("Annual Meeting"), Synovus' shareholders approved a proposal authorizing Synovus' Board of Directors to effect a one-for-seven reverse stock split of Synovus' common stock. Following the Annual Meeting, Synovus' Board of Directors authorized the one-for-seven reverse stock split. The reverse stock split became effective on May 16, 2014, and Synovus' shares of common stock began trading on a post-split basis on the New York Stock Exchange (NYSE) at the opening of trading on May 19, 2014. All prior periods presented in this Report have been adjusted to reflect the one-for-seven reverse stock split. Financial information updated by this capital change includes earnings per common share, dividends per common share, stock price per common share, weighted average common shares, outstanding common shares, treasury shares, common stock, additional paid-in capital, and share-based compensation.

Additionally, on April 24, 2014, Synovus' shareholders also approved an amendment to Synovus' articles of incorporation to increase the number of authorized shares of Synovus' common stock from 1.2 billion shares to 2.4 billion shares. Synovus effected the increase in the number of authorized shares on April 24, 2014. Upon the reverse stock split effective date, the number of Synovus' authorized shares of common stock were proportionately reduced from 2.4 billion shares to 342.9 million shares.

Note 4 - Sale of Branches

On January 17, 2014, Synovus completed the sale of certain loans, premises, deposits, and other assets and liabilities of the Memphis, Tennessee branches of Trust One Bank, a division of Synovus Bank. The sale included \$89.6 million

in total loans and \$191.3 million in total deposits. Results for the nine months ended September 30, 2014 reflect a pre-tax gain, net of associated costs, of \$5.8 million relating to this transaction.

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Note 5 - Investment Securities

The amortized cost, gross unrealized gains and losses, and estimated fair values of investment securities available for sale at September 30, 2014 and December 31, 2013 are summarized below.

(in thousands)	September 30, 2014			
	Amortized Cost ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$42,627	41	—	42,668
U.S. Government agency securities	26,435	1,034	—	27,469
Securities issued by U.S. Government sponsored enterprises	81,549	778	—	82,327
Mortgage-backed securities issued by U.S. Government agencies	176,254	2,074	(933)	) 177,395
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,323,561	13,516	(20,469)	) 2,316,608
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	371,656	4,052	(2,249)	) 373,459
State and municipal securities	5,099	204	(2)	) 5,301
Equity securities	3,228	3,129	—	6,357
Other investments	19,110	—	(437)	) 18,673
Total investment securities available for sale	\$3,049,519	24,828	(24,090)	) 3,050,257
	December 31, 2013			
(in thousands)	Amortized Cost ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$17,791	—	—	17,791
U.S. Government agency securities	33,480	1,161	—	34,641
Securities issued by U.S. Government sponsored enterprises	112,305	1,440	—	113,745
Mortgage-backed securities issued by U.S. Government agencies	196,521	2,257	(3,661)	) 195,117
Mortgage-backed securities issued by U.S. Government sponsored enterprises	2,443,282	9,718	(31,640)	) 2,421,360
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	406,717	698	(8,875)	) 398,540
State and municipal securities	6,723	168	(2)	) 6,889
Equity securities	3,856	3,728	—	7,584
Other investments	4,074	—	(383)	) 3,691
Total investment securities available for sale	\$3,224,749	19,170	(44,561)	) 3,199,358

(1) Amortized cost is adjusted for other-than-temporary impairment charges in 2014 and 2013, which have been recognized in the consolidated statements of income in the applicable year, and were considered inconsequential.

At September 30, 2014 and December 31, 2013, investment securities with a carrying value of \$1.93 billion and \$2.33 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 September 30, 2014 and December 31, 2013 for OTTI and does not consider any securities in an unrealized loss position to be other-than-temporarily impaired. If Synovus intended to sell a security in an unrealized loss position, the entire unrealized loss would be reflected in income. Synovus does not intend to sell investment securities in an unrealized loss position prior to the recovery of the unrealized loss, which may be until maturity, and has the ability and intent to hold those securities for that period of time. Additionally, Synovus is not currently aware of any circumstances which will require it to sell any of the securities that are in an unrealized loss position.

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Declines in the fair value of available for sale securities below their cost that are deemed to have OTTI are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Currently, unrealized losses on debt securities are attributable to increases in interest rates on comparable securities from the date of purchase. Synovus regularly evaluates its investment securities portfolio to ensure that there are no conditions that would indicate that unrealized losses represent OTTI. These factors include the length of time the security has been in a loss position, the extent that the fair value is below amortized cost, and the credit standing of the issuer. As of September 30, 2014, Synovus had ten investment securities in a loss position for less than twelve months and fifty investment securities in a loss position for twelve months or longer.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2014 and December 31, 2013, are presented below.

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(in thousands)	September 30, 2014		12 Months or Longer		Total	Gross Unrealized Losses
	Less than 12 Months					
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	
U.S. Treasury securities	\$—	—	—	—	—	—
U.S. Government agency securities	—	—	—	—	—	—
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—
Mortgage-backed securities issued by U.S. Government agencies	9,678	14	29,955	919	39,633	933
Mortgage-backed securities issued by U.S. Government sponsored enterprises	220,542	562	1,099,220	19,907	1,319,762	20,469
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	122,239	2,249	122,239	2,249
State and municipal securities	—	—	43	2	43	2
Equity securities	—	—	—	—	—	—
Other investments	16,889	221	1,784	216	18,673	437
Total	\$247,109	797	1,253,241	23,293	1,500,350	24,090
	December 31, 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	—	—	—	—	—	—
Securities issued by U.S. Government sponsored enterprises	—	—	—	—	—	—

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Mortgage-backed securities issued by U.S. Government agencies	121,607	3,363	2,951	298	124,558	3,661
Mortgage-backed securities issued by U.S. Government sponsored enterprises	1,885,521	31,640	—	—	1,885,521	31,640
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	282,898	8,875	—	—	282,898	8,875
State and municipal securities	—	—	40	2	40	2
Equity securities	—	—	—	—	—	—
Other investments	1,969	105	1,722	278	3,691	383
Total	\$2,291,995	43,983	4,713	578	2,296,708	44,561

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The amortized cost and fair value by contractual maturity of investment securities available for sale at September 30, 2014 are shown below. The expected life of mortgage-backed securities or CMOs may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. For purposes of the maturity table, mortgage-backed securities and CMOs, which are not due at a single maturity date, have been classified based on the final contractual maturity date.

(in thousands)	Distribution of Maturities at September 30, 2014					Total
	Within One Year	1 to 5 Years	5 to 10 Years	More Than 10 Years	No Stated Maturity	
Amortized Cost						
U.S. Treasury securities	\$ 17,793	24,834	—	—	—	42,627
U.S. Government agency securities	78	12,577	13,780	—	—	26,435
Securities issued by U.S. Government sponsored enterprises	—	81,549	—	—	—	81,549
Mortgage-backed securities issued by U.S. Government agencies	5	1	—	176,248	—	176,254
Mortgage-backed securities issued by U.S. Government sponsored enterprises	431	1,605	1,926,129	395,396	—	2,323,561
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	371,656	—	371,656
State and municipal securities	100	1,971	289	2,739	—	5,099
Equity securities	—	—	—	—	3,228	3,228
Other investments	—	—	—	17,000	2,110	19,110
Total amortized cost	\$ 18,407	122,537	1,940,198	963,039	5,338	3,049,519
Fair Value						
U.S. Treasury securities	\$ 17,793	24,875	—	—	—	42,668
U.S. Government agency securities	80	13,014	14,375	—	—	27,469
Securities issued by U.S. Government sponsored enterprises	—	82,327	—	—	—	82,327
Mortgage-backed securities issued by U.S. Government agencies	5	1	—	177,389	—	177,395
Mortgage-backed securities issued by U.S. Government sponsored enterprises	456	1,707	1,912,088	402,357	—	2,316,608
Collateralized mortgage obligations issued by U.S. Government agencies or sponsored enterprises	—	—	—	373,459	—	373,459
State and municipal securities	100	2,009	305	2,887	—	5,301
Equity securities	—	—	—	—	6,357	6,357
Other investments	—	—	—	16,666	2,007	18,673

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Total fair value	\$18,434	123,933	1,926,768	972,758	8,364	3,050,257
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Proceeds from sales, gross gains, and gross losses on sales of securities available for sale for the nine and three months ended September 30, 2014 and 2013 are presented below. Other-than-temporary impairment charges of \$88 thousand are included in gross realized losses for the nine months ended September 30, 2014. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

(in thousands)	Nine Months Ended September		Three Months Ended September		
	30, 2014	2013	30, 2014	2013	
Proceeds from sales of investment securities available for sale	\$20,815	\$403,792	—	56,406	
Gross realized gains	1,419	3,185	—	1,150	
Gross realized losses	(88) (614) —	(26)
Investment securities gains, net	\$1,331	2,571	—	1,124	

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Note 6 - Restructuring Charges

For the nine and three months ended September 30, 2014 and 2013 total restructuring charges are as follows:

	Nine Months Ended September		Three Months Ended September	
(in thousands)	30, 2014	2013	30, 2014	2013
Severance charges	\$8,046	7,311	\$—	701
Asset impairment charges	7,374	—	36	—
Professional fees and other charges	1,681	(16	) 773	(14
Total restructuring charges	\$17,101	7,295	\$809	687

In January 2014, Synovus announced the planned implementation during 2014 of new expense savings initiatives. The initiatives include planned workforce reductions as well as planned reductions in occupancy expenses. Synovus began to implement these initiatives during the first quarter of 2014, undertaking the first targeted staff reductions. As a result of these actions, Synovus recorded aggregate restructuring charges of \$8.6 million during the three months ended March 31, 2014, consisting primarily of \$8.0 million in severance charges related to employees identified for involuntary termination. These termination benefits are provided under an ongoing benefit arrangement as defined in ASC 712, Compensation-Nonretirement Postemployment Benefits; accordingly, the charges were recorded pursuant to the liability recognition criteria of ASC 712. Additionally, during the second quarter of 2014, upon management's decision to close 13 branches across the five-state footprint during the fourth quarter of 2014, Synovus recorded asset impairment charges of \$7.4 million. During the third quarter of 2014, Synovus recorded restructuring charges of \$809 thousand primarily for professional fees related to organizational restructuring. Restructuring charges for the fourth quarter of 2014 are expected to include approximately \$6 million in charges related to operating lease exit costs associated with the branch closings which were completed in October 2014.

Severance charges recorded during the nine months ended September 30, 2013 relate to involuntary terminations in connection with previously announced efficiency initiatives. These termination benefits were provided under a one-time benefit arrangement as defined in ASC 420, Exit or Disposal Costs or Obligations; accordingly, the charges were recorded pursuant to the liability recognition criteria of ASC 420.

At September 30, 2014, the liability for restructuring activities was \$5.1 million, and consisted primarily of involuntary termination benefits.

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Note 7 - 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 September 30, 2014 and December 31, 2013.

Current, Accruing Past Due, and Non-accrual Loans

September 30, 2014						
(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	\$4,978,360	1,565	142	1,707	38,979	5,019,046
1-4 family properties	1,098,574	9,759	103	9,862	29,118	1,137,554
Land acquisition	546,490	2,085	76	2,161	40,128	588,779
Total commercial real estate	6,623,424	13,409	321	13,730	108,225	6,745,379
Commercial, financial and agricultural	5,935,845	13,659	545	14,204	53,360	6,003,409
Owner-occupied	3,970,755	15,871	230	16,101	26,810	4,013,666
Total commercial and industrial	9,906,600	29,530	775	30,305	80,170	10,017,075
Home equity lines	1,658,917	9,656	524	10,180	16,875	1,685,972
Consumer mortgages	1,574,526	11,615	1,004	12,619	34,759	1,621,904
Credit cards	250,768	1,688	1,397	3,085	—	253,853
Other retail	288,086	2,747	46	2,793	2,353	293,232
Total retail	3,772,297	25,706	2,971	28,677	53,987	3,854,961
Total loans	\$20,302,321	68,645	4,067	72,712	242,382	20,617,415 ⁽¹⁾
December 31, 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	\$4,546,439	3,552	40	3,592	66,454	4,616,485
1-4 family properties	1,144,447	6,267	527	6,794	33,819	1,185,060
Land acquisition	549,936	1,100	300	1,400	154,095	705,431
Total commercial real estate	6,240,822	10,919	867	11,786	254,368	6,506,976
Commercial, financial and agricultural	5,812,490	18,985	813	19,798	62,977	5,895,265
Owner-occupied	3,985,705	11,113	129	11,242	39,239	4,036,186
Total commercial and industrial	9,798,195	30,098	942	31,040	102,216	9,931,451
Home equity lines	1,564,578	4,919	136	5,055	17,908	1,587,541
Consumer mortgages	1,460,219	18,068	1,011	19,079	39,770	1,519,068
Credit cards	253,422	1,917	1,507	3,424	—	256,846
Other retail	280,524	2,190	26	2,216	2,038	284,778
Total retail	3,558,743	27,094	2,680	29,774	59,716	3,648,233
Total loans	\$19,597,760	68,111	4,489	72,600	416,300	20,086,660 ⁽²⁾

⁽¹⁾Total before net deferred fees and costs of \$28.8 million.

⁽²⁾Total before net deferred fees and costs of \$28.9 million.

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

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

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

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

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

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

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

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Loan Portfolio Credit Exposure by Risk Grade

September 30, 2014						
(in thousands)	Pass	Special Mention	Substandard ⁽¹⁾	Doubtful ⁽²⁾	Loss	Total
Investment properties	\$4,687,315	197,501	134,230	—	—	5,019,046
1-4 family properties	925,346	99,686	104,994	7,528	—	1,137,554
Land acquisition	460,829	55,707	71,336	907	—	588,779
Total commercial real estate	6,073,490	352,894	310,560	8,435	—	6,745,379
Commercial, financial and agricultural	5,667,272	174,559	151,871	8,562	1,145	⁽³⁾ 6,003,409
Owner-occupied	3,728,191	124,702	159,502	839	432	⁽³⁾ 4,013,666
Total commercial and industrial	9,395,463	299,261	311,373	9,401	1,577	10,017,075
Home equity lines	1,661,751	—	19,239	2,090	2,892	⁽³⁾ 1,685,972
Consumer mortgages	1,577,632	—	42,323	1,610	339	⁽³⁾ 1,621,904
Credit cards	252,510	—	539	—	804	⁽⁴⁾ 253,853
Other retail	289,713	—	3,383	32	104	⁽³⁾ 293,232
Total retail	3,781,606	—	65,484	3,732	4,139	3,854,961
Total loans	\$19,250,559	652,155	687,417	21,568	5,716	20,617,415 ⁽⁵⁾
December 31, 2013						
(in thousands)	Pass	Special Mention	Substandard ⁽¹⁾	Doubtful ⁽²⁾	Loss	Total
Investment properties	\$4,197,368	249,890	167,503	1,724	—	4,616,485
1-4 family properties	920,392	126,715	129,599	8,062	292	⁽³⁾ 1,185,060
Land acquisition	422,054	94,316	186,514	2,547	—	705,431
Total commercial real estate	5,539,814	470,921	483,616	12,333	292	6,506,976
Commercial, financial and agricultural	5,451,369	224,620	208,422	10,764	90	⁽³⁾ 5,895,265
Owner-occupied	3,714,400	155,097	164,560	2,129	—	4,036,186
Total commercial and industrial	9,165,769	379,717	372,982	12,893	90	9,931,451
Home equity lines	1,559,272	—	25,177	1,314	1,778	⁽³⁾ 1,587,541
Consumer mortgages	1,475,928	—	40,368	2,485	287	⁽³⁾ 1,519,068
Credit cards	255,339	—	541	—	966	⁽⁴⁾ 256,846
Other retail	281,179	—	3,400	75	124	⁽³⁾ 284,778
Total retail	3,571,718	—	69,486	3,874	3,155	3,648,233
Total loans	\$18,277,301	850,638	926,084	29,100	3,537	20,086,660 ⁽⁶⁾

⁽¹⁾ Includes \$215.1 million and \$383.7 million of non-accrual Substandard loans at September 30, 2014 and December 31, 2013, 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 \$28.8 million.

⁽⁶⁾Total before net deferred fees and costs of \$28.9 million.

